

In the opinion of Co-Bond Counsel, based upon existing laws, regulations, ruling and court decisions, and assuming, among other matters, continuing compliance with certain covenants, interest on the 2008 Series A Bonds is excludable from gross income for federal income tax purposes and is not a specific tax preference item for purposes of the federal individual and corporate alternative minimum taxes. Co-Bond Counsel are also of the opinion that interest on the 2008 Series A Bonds is exempt from State of Idaho income taxes. Co-Bond Counsel express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2008 Series A Bonds. See “TAX MATTERS” herein.

\$173,035,000

**IDAHO HOUSING AND FINANCE ASSOCIATION
GRANT AND REVENUE ANTICIPATION BONDS
FEDERAL HIGHWAY TRUST FUND
2008 SERIES A**

Dated: Date of Delivery

Due: July 15, as shown on the inside cover

The Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, 2008 Series A (the “2008 Series A Bonds”), will be issued only as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for such Bonds. Purchasers will not receive certificates representing their ownership interest in the 2008 Series A Bonds purchased. So long as DTC or its nominee is the registered owner of the 2008 Series A Bonds, payments of the principal of and interest due on the 2008 Series A Bonds will be made directly to DTC. The 2008 Series A Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Principal of and interest on the 2008 Series A Bonds will be paid directly to DTC by Wells Fargo Bank, National Association, Boise, Idaho, as Trustee and Paying Agent (the “Trustee” and “Paying Agent”).

The 2008 Series A Bonds will bear interest payable on each January 15 and July 15, commencing on July 15, 2008. The maturities, interest rates and yields of the 2008 Series A Bonds are shown on the inside cover hereof. Certain of the 2008 Series A Bonds are subject to optional redemption prior to their respective maturities as described herein.

The scheduled payment of principal of and interest on the 2008 Series A Bonds maturing on July 15 of the years 2011 through 2026, inclusive (the “Insured 2008 Series A Bonds”), when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the 2008 Series A Bonds by ASSURED GUARANTY CORP



The Idaho Housing and Finance Association (the “Issuer”) is issuing the 2008 Series A Bonds pursuant to a Master Trust Indenture dated as of May 1, 2006, as supplemented (the “Master Indenture”) and a Series Trust Indenture dated as of March 1, 2008 (the “2008 Series A Indenture”) and, together with the Master Indenture, the “Indenture”), each between the Issuer and the Trustee to (i) pay the costs of the Project (as described and defined herein), (ii) pay capitalized interest on the 2008 Series A Bonds and (iii) pay the costs of issuing the 2008 Series A Bonds. See “THE 2008 SERIES A BONDS” herein. The Issuer has heretofore issued bonds, and may issue additional series of bonds, under the Master Indenture. All bonds issued under the Master Indenture are referred to herein as the “Bonds”. Bonds issued under the Master Indenture are equally and ratably secured by the pledges and covenants contained therein.

The Bonds and any interest due thereon are payable solely and only from federal highway funds (“FHWA Funds”) received from the Federal Highway Administration (“FHWA”) through a continuous appropriation by the Idaho Legislature from the State Highway Account (the “State Highway Account”), and the GARVEE Debt Service Fund (the “GARVEE Debt Service Fund”), and from certain matching funds deposited by the Idaho Transportation Department (the “Department”), a department and agency of the State of Idaho (the “State”) into the Revenue Fund created under the Indenture. Such payments are provided for under a Master Financing Agreement dated as of October 13, 2005, as supplemented (the “Financing Agreement”), among the Issuer, the Department and the Idaho Transportation Board (the “Board”). The Idaho Legislature has continuously appropriated from the FHWA Funds, amounts projected to be sufficient to meet principal and interest requirements on the Bonds. See “SECURITY FOR THE BONDS” and “EXHIBIT B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” and “EXHIBIT C - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER FINANCING AGREEMENT AND THE SECOND SUPPLEMENT THERETO” herein.

The Department has entered into a Memorandum of Agreement with FHWA dated September 30, 2005 (the “Memorandum of Agreement”). The Memorandum of Agreement provides that FHWA will reimburse the Department for its share of debt service and costs incurred for the Bonds, including its share of principal, interest and other bond related costs, as provided in Title 23, Section 122, United States Code. The continuous appropriation from the State Highway Account and GARVEE Debt Service Fund is payable solely from FHWA Funds, including FHWA Funds that are paid to the Department pursuant to the Memorandum of Agreement and in accordance with Title 23 (as defined herein) and other FHWA Funds in the State Highway Account. To the extent that the Department has deposited its matching funds first into the GARVEE Debt Service Fund and then into the General Account of the Revenue Fund under the Indenture it will receive a credit for such deposits and the amount of the continuous appropriation will be reduced.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER. THE BONDS AND THE INTEREST THEREON DO NOT REPRESENT OR CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY, GENERAL OR MORAL OBLIGATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER. THE BONDS ARE NOT A DEBT OR LIABILITY OF THE STATE OF IDAHO, THE LEGISLATURE THEREOF OR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR OTHER BODY CORPORATE AND POLITIC THEREIN, NEITHER THE STATE OF IDAHO, THE LEGISLATURE THEREOF NOR ANY POLITICAL SUBDIVISION OR MUNICIPALITY OR OTHER BODY CORPORATE AND POLITIC THEREIN IS LIABLE FOR THE BONDS AND THE BONDS DO NOT CONSTITUTE THE GIVING, PLEDGING OR LOANING OF THE CREDIT OF THE STATE OF IDAHO, THE LEGISLATURE THEREOF OR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR BODY CORPORATE AND POLITIC THEREIN, NOR SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE ISSUER WHICH ARE A PART OF THE TRUST ESTATE PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

The 2008 Series A Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approving legal opinion of Ballard Spahr Andrews & Ingersoll, LLP and Skinner Fawcett, Boise, Idaho, Co-Bond Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Orrick Herrington & Sutcliffe, LLP. It is expected that delivery of the 2008 Series A Bonds will be made on or about April 3, 2008, through the facilities of DTC, against payment therefor.

Goldman, Sachs & Co.	Citi	UBS Investment Bank
D.A. Davidson & Co. Incorporated	Lehman Brothers	Edward D. Jones & Co.
Merrill Lynch & Co.	Wachovia Bank, National Association	Seattle Northwest Securities Corp.
KeyBanc Capital Markets Inc.	Piper Jaffray & Co.	
	Zions First National Bank	

Dated: March 12, 2008

\$173,035,000

IDAHO HOUSING AND FINANCE ASSOCIATION

**GRANT AND REVENUE ANTICIPATION BONDS
FEDERAL HIGHWAY TRUST FUND**

2008 SERIES A

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
07/15/2009	\$3,985,000	3.000%	2.55%	100.562
07/15/2010	8,675,000	3.000%	2.67%	100.723
07/15/2011	1,650,000	2.600%	2.76%	99.498
07/15/2011	3,000,000	5.000%	2.76%	106.981
07/15/2012	1,490,000	2.875%	3.01%	99.458
07/15/2013	8,080,000	3.000%	3.18%	99.128
07/15/2014	1,020,000	3.250%	3.36%	99.378
07/15/2014	6,995,000	5.250%	3.36%	110.620
07/15/2015	4,095,000	3.400%	3.55%	99.041
07/15/2015	3,895,000	5.250%	3.55%	110.820
07/15/2016	750,000	3.625%	3.72%	99.323
07/15/2016	7,200,000	5.250%	3.72%	110.815
07/15/2017	475,000	3.800%	3.90%	99.222
07/15/2017	7,455,000	5.250%	3.90%	110.424
07/15/2018	455,000	3.900%	4.06%	98.661
07/15/2018	7,450,000	5.250%	4.06%	109.916
07/15/2019	7,815,000	4.125%	4.19%	99.415
07/15/2020	1,160,000	4.250%	4.33%	99.238
07/15/2020	6,540,000	5.250%	4.33%	107.563 [†]
07/15/2021	235,000	4.375%	4.45%	99.247
07/15/2021	7,380,000	5.250%	4.45%	106.537 [†]
07/15/2022	600,000	4.500%	4.57%	99.265
07/15/2022	6,910,000	5.250%	4.57%	105.522 [†]
07/15/2023	550,000	4.600%	4.68%	99.126
07/15/2023	6,830,000	5.250%	4.68%	104.603 [†]
07/15/2024	7,225,000	5.250%	4.78%	103.775 [†]
07/15/2025	955,000	4.750%	4.86%	98.716
07/15/2025	23,795,000	5.250%	4.86%	103.119 [†]
07/15/2026	4,005,000	4.800%	4.92%	98.556
07/15/2026	32,365,000	5.250%	4.92%	102.630 [†]

[†] Priced at the stated yield to the July 15, 2018 optional redemption date at a redemption price of 100%.

The scheduled payment of principal of and interest on the 2008 Series A Bonds maturing on July 15 of the years 2011 through 2026, inclusive, when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the 2008 Series A Bonds by ASSURED GUARANTY CORP.

IDAHO HOUSING AND FINANCE ASSOCIATION

Board of Commissioners

John D. Beebe, Jr., Chairman
David Wilson, Jr., Vice Chairman
Richard L. Bauer, Secretary/Treasurer
Darlene M. Bramon, Commissioner
John Sandy, Commissioner
Lee Gagner, Commissioner
Frank Bruneel, Commissioner

Gerald M. Hunter, President and Executive Director
John R. Sager, Senior Vice President

IDAHO TRANSPORTATION BOARD

Board of Commissioners

Darrell Manning, Chairman
Bruce Sweeney, Vice Chairman
Lee Gagner, Member*
R. James Coleman, Member
Monte C. McClure, Member
Gary Blick, Member
Neil Miller, Member

IDAHO TRANSPORTATION DEPARTMENT

Pamela K. Lowe, Director
L. Scott Stokes, Deputy Director
David Tolman, Administrator, Division of Administration
Jason Brinkman, GARVEE Program Manager

COUNSEL AND CONSULTANTS

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and
Skinner Fawcett
Boise, Idaho

Underwriters' Counsel

Orrick Herrington & Sutcliffe LLP

Counsel to the Issuer

Richard A. Skinner, Esquire, Skinner Fawcett
Boise, Idaho

Counsel to the Department

Karl Vogt, Esquire
Deputy Attorney General

TRUSTEE

Wells Fargo Bank, National Association
Boise, Idaho

* Subject to Idaho Senate confirmation.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the State, the Issuer, the Department or the Underwriters. This Official Statement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities other than the securities offered hereby or an offer to sell or solicitation of offers to buy, nor shall there be any sale of the 2008 Series A Bonds, by any person in any jurisdiction where such offer or solicitation or sale would be unlawful.

The information contained in this Official Statement has been obtained from the Issuer, the Department, the State and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, any of the foregoing. The presentation of such information, including tables of receipts from the Federal Highway Administration and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representation of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Department or the State since the date hereof.

The following sentence has been provided by the Underwriters for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The 2008 Series A Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency has passed upon the accuracy of this Official Statement.

Assured Guaranty makes no representation regarding the 2008 Series A Bonds or the advisability of investing in the 2008 Series A Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE" and "Exhibit F - Specimen Financial Guaranty Insurance Policy".

The Issuer and the Department have undertaken to provide continuing disclosure with respect to the 2008 Series A Bonds as required by Rule 15c2-12 of the Securities and Exchange Commission.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2008 SERIES A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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SUMMARY

The following information is furnished solely to provide limited introductory information regarding the Idaho Housing and Finance Association (the “Issuer”), the Idaho Transportation Board (the “Board”), the Idaho Transportation Department (the “Department”) and the 2008 Series A Bonds and does not purport to be comprehensive. Such information is qualified in its entirety by reference to the more detailed information and descriptions appearing elsewhere in this Official Statement and should be read together therewith. The terms used in this Summary and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement. The offering of the 2008 Series A Bonds is made only by means of the entire Official Statement, including the Exhibits hereto. No person is authorized to make offers to sell, or solicit offers to buy, the 2008 Series A Bonds unless the entire Official Statement is delivered in connection therewith.

The Issuer The Issuer is an independent body, corporate and politic, created by the Idaho Legislature of the State of Idaho (the “State”) in 1972. See “IDAHO HOUSING AND FINANCE ASSOCIATION” herein.

The Department The Department is a department and agency of the State responsible for the management of the State Highway Program. See “IDAHO TRANSPORTATION DEPARTMENT” and “MANAGEMENT OF STATE HIGHWAY PROGRAM” herein.

The Board The Board is a seven member Board appointed by the Governor of the State which provides oversight and supervision for the Department. See “IDAHO TRANSPORTATION BOARD” herein.

The Offering The Issuer is offering its Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, 2008 Series A in an aggregate principal amount of \$173,035,000 (the “2008 Series A Bonds”). See “THE 2008 SERIES A BONDS” herein.

Authority The 2008 Series A Bonds are being issued pursuant to the Idaho Code, Title 67, Chapter 62, as amended (the “Act”), the bond resolutions adopted by the Issuer on October 15, 2007 and February 29, 2008 (collectively, the “Resolution”) and the Master Trust Indenture dated as of May 1, 2006, as supplemented, and by a Series Trust Indenture dated as of March 1, 2008 (collectively, the “Indenture”), between the Issuer and Wells Fargo Bank, National Association, Boise, Idaho, as trustee and paying agent (the “Trustee” and “Paying Agent”). All bonds issued under the Master Indenture are referred to herein as the “Bonds.”

Use of Proceeds The proceeds of the 2008 Series A Bonds, together with other funds, will be provided by the Issuer to the Department pursuant to the Financing Agreement to (i) pay the costs of certain transportation projects of the Department, collectively called the “Project,” (ii) pay capitalized interest on the 2008 Series A Bonds and (iii) pay the costs of issuing the 2008 Series A Bonds. See “THE PROJECT” herein.

Features The 2008 Series A Bonds will be dated as of the date of delivery, and will bear interest on each January 15 and July 15, commencing July 15, 2008, at the rates set forth on the inside cover page of this Official Statement and

will mature on the dates set forth on the inside cover page of this Official Statement.

The 2008 Series A Bonds maturing on or before July 15, 2018 are not subject to optional redemption prior to maturity. The 2008 Series A Bonds maturing on or after July 15, 2019 are subject to redemption at the option of the Issuer on or after July 15, 2018 in whole or in part at any time, at a redemption price equal to 100% of the principal amount of the 2008 Series A Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

The 2008 Series A Bonds are issuable only as fully registered bonds, without coupons. The 2008 Series A Bonds are being offered in the authorized denominations of \$5,000 or any integral multiples thereof, at the rates shown on the inside cover page hereof. The 2008 Series A Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2008 Series A Bonds. Purchasers will not receive certificates representing their ownership interest in the Bond purchased. So long as DTC or its nominee is the registered owner of the Bond, payments of the principal of and interest due on the 2008 Series A Bonds will be made directly to DTC.

Principal of and interest on the 2008 Series A Bonds will be paid directly to DTC by the Trustee.

It is expected that delivery of the 2008 Series A Bonds will be made on or about April 3, 2008, through the facilities of DTC, against payment therefor.

Security

The Bonds and any interest due thereon are payable solely and only from federal highway funds (“FHWA Funds”) received from the Federal Highway Administration (“FHWA”) and appropriated by the Idaho Legislature through a continuous appropriation from the State Highway Account and the GARVEE Debt Service Fund, and payable from the General Account of the Revenue Fund, into which certain matching fund payments received from the Department are to be deposited. Such payments are provided for under a Master Financing Agreement, dated as of October 13, 2005, as supplemented (the “Financing Agreement”), among the Issuer, the Department and the Board.

Under the Financing Agreement, the Department and the Board have agreed that debt service on the Bonds will be paid using FHWA Funds received from the FHWA through a continuous appropriation from the State Highway Account and the GARVEE Debt Service Fund. The Department and the Board have agreed that the continuous appropriation for the scheduled debt service payments will be remitted to the Trustee from the GARVEE Debt Service Fund at least three (3) Business Days prior to the scheduled debt service payment dates. See “SECURITY FOR THE BONDS” herein.

Continuous appropriations by the Idaho Legislature to pay amounts due under the Financing Agreement are to be made solely from FHWA Funds that are available to the Department and the State including FHWA Funds available for debt service on the Bonds pursuant to the Memorandum of Agreement, under Section 122 of Title 23, United States Code, Highways for such purpose. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS” herein for information regarding the FHWA Funds. Under the Financing Agreement, the Department is not obligated to request an appropriation of funds (for the payment of amounts due) from any other source but it does agree to provide certain matching funds to the Trustee. If such matching funds are deposited with the Trustee by the Department, then the amounts of deposits will be credited against the amount of the continuous appropriation from the State Highway Account and the Garvee Debt Service Fund required to pay debt service on the Bonds.

The Bonds are also secured by certain other funds and accounts pledged therefor and described herein. See “EXHIBIT B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” and “EXHIBIT C - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER FINANCING AGREEMENT AND THE SECOND SUPPLEMENT THERETO” herein.

The Issuer has heretofore issued Bonds under the Master Indenture which are equally and ratably secured by the pledges and covenants contained therein, and may, at the request of the Department, issue Additional Bonds on a parity basis with the Bonds under certain circumstances. See “SECURITY FOR THE BONDS – Additional Bonds” herein.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER AND DO NOT CONSTITUTE A DEBT OR OBLIGATION OF THE STATE, THE ISSUER, THE DEPARTMENT OR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE WITHIN THE MEANING OF THE CONSTITUTION OR STATUTES OF THE STATE, AND NEITHER THE FAITH OR CREDIT, NOR THE TAXING POWER OF ANY OF THE FOREGOING ARE PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS.

Bond Insurance

The scheduled payment of principal of and interest on the 2008 Series A Bonds maturing on July 15 of the years 2011 through 2026, inclusive (the “Insured 2008 Series A Bonds”), when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the 2008 Series A Bonds by Assured Guaranty Corp. See “BOND INSURANCE” herein.

Tax Exempt Status

In the opinion of Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, continuing compliance with certain covenants, interest on the 2008 Series A Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal individual or corporate alternative minimum taxes. Furthermore,

Co-Bond Counsel are of the opinion that interest on the 2008 Series A Bonds is exempt from State of Idaho income taxes. Co-Bond Counsel express no opinion regarding other tax consequences relating to ownership or disposition of, or the accrual of receipt of interest on, the 2008 Series A Bonds. See “TAX MATTERS” herein, and “EXHIBIT A - PROPOSED FORM OF OPINION OF CO-BOND COUNSEL.”

Continuing Disclosure

Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, generally prohibits an underwriter from purchasing or selling municipal securities in an initial offering unless it has determined that the issuer of such securities has committed to provide, annually, certain information, including audited financial information, and notice of various events, if material. To enable the underwriter to comply with the provisions of Rule 15c2-12, the Issuer and the Department will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”).

General

This Official Statement speaks only as of its date, and the information contained herein is subject to change. All summaries of documents and agreements in this Official Statement are qualified in their entirety by reference to such documents and agreements, copies of which are available from the Issuer.

Information

Information regarding the 2008 Series A Bonds is available by contacting the Idaho Housing and Finance Association, 565 Myrtle Street, Boise, Idaho 83707 (208) 331-4728 or the Representative of the Underwriters, Citigroup Global Markets Inc., 390 Greenwich Street, New York, New York 10013, (212) 723-7093.

OFFICIAL STATEMENT
of
IDAHO HOUSING AND FINANCE ASSOCIATION
Relating to its
\$173,035,000
Grant and Revenue Anticipation Bonds
Federal Highway Trust Fund
2008 Series A

INTRODUCTION

This Official Statement (which includes the cover page and exhibits hereto) of the Idaho Housing and Finance Association (the “Issuer”) provides certain information in connection with the issuance and sale of the Issuer’s \$173,035,000 Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, 2008 Series A (the “2008 Series A Bonds”).

The 2008 Series A Bonds will be issued pursuant to the Idaho Code, Title 67, Chapter 62, as amended (the “Act”), the bond resolutions adopted by the Issuer on October 15, 2007 and February 29, 2008 (collectively, the “Resolution”) and the Master Trust Indenture dated as of May 1, 2006, as supplemented (the “Master Indenture”), and a Series Trust Indenture dated as of March 1, 2008 (the “2008 Series A Indenture” and, together with the Master Indenture, the “Indenture”), each between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”).

The Issuer is issuing the 2008 Series A Bonds at the request of the Idaho Transportation Board (the “Board”) and the Department of Transportation (the “Department”) to (i) provide financing for certain highway transportation projects (collectively, the “Project”) included in the State’s Connecting Idaho Program (the “Program”), (ii) pay capitalized interest on the 2008 Series A Bonds and (iii) pay the costs of issuing the 2008 Series A Bonds. The issuance of the 2008 Series A Bonds and the Project have been approved by the Idaho Transportation Board and the Idaho Legislature.

The Issuer has heretofore issued bonds under the Master Indenture. See “OUTSTANDING BONDS; INVESTMENT OBLIGATIONS.” All bonds issued under the Master Indenture are referred to herein as the “Bonds.” Bonds issued under the Master Indenture are equally and ratably secured by the pledges and covenants contained therein. The Issuer may issue Additional Bonds pursuant to the Master Indenture upon satisfaction of the conditions for the issuance of Additional Bonds set forth therein. All Additional Bonds issued under the Master Indenture and all additional projects financed by the Issuer at the request of the Department require the approval of the Board and the Idaho Legislature. See “SECURITY FOR THE BONDS - Additional Bonds.”

The Bonds and any interest due thereon are payable solely and only from federal highway funds (“FHWA Funds”) received from the Federal Highway Administration (“FHWA”) through a continuous appropriation by the Idaho Legislature from the State Highway Account (the “State Highway Account”), and the GARVEE Debt Service Fund (the “GARVEE Debt Service Fund”), and from certain matching funds deposited by the Idaho Transportation Department (the “Department”), a department and agency of the State of Idaho (the “State”) into the Revenue Fund created under the Indenture. Such payments are provided for under a Master Financing Agreement dated as of October 13, 2005, as supplemented (the “Financing Agreement”), among the Issuer, the Department and the Idaho Transportation Board (the “Board”). The Idaho Legislature has continuously appropriated from the FHWA Funds, amounts

projected to be sufficient to meet principal and interest requirements on the Bonds. See “SECURITY FOR THE BONDS - General.”

All capitalized terms used in this Official Statement that are defined in the Indenture and the Financing Agreement shall have the respective meanings set forth in the Indenture and the Financing Agreement. See “EXHIBIT B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions of Certain Terms and “EXHIBIT C - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER FINANCING AGREEMENT AND THE SECOND SUPPLEMENT THERETO.” The references to and summaries and descriptions of the Act, the Indenture, the Financing Agreement, the Bonds, the Project and the Program, the other statutes, instruments and documents which are included in this Official Statement do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by references to the appropriate statute, instrument or document.

IDAHO HOUSING AND FINANCE ASSOCIATION

In 1972 the Issuer was created by the Act, as a body politic and corporate, in order to assure an adequate source of capital for housing for low income persons who otherwise could not afford decent, safe and sanitary housing. Subsequently, the Issuer was granted additional powers by the Idaho Legislature to finance various facilities for nonprofit corporations and certain agricultural facilities in Idaho.

The Issuer is the largest issuer of bonds in the State of Idaho. Since its inception, the Issuer has issued over \$4.4 billion of bonds comprising 202 separate bond issues. The Issuer currently has approximately \$1.9 billion in outstanding bond debt. The Issuer has approximately \$1.6 billion of bonds outstanding to finance its single family mortgage bond program, approximately \$48 million of bonds outstanding to finance its multifamily bond program, approximately \$59 million of bonds outstanding to finance various facilities for nonprofit corporations, and approximately \$176.9 million of bonds outstanding to finance highway transportation projects.

On April 14, 2005, the Governor of Idaho signed into law Senate Bill 1183, as amended, effective July 1, 2005 which amended the Issuer’s existing enabling legislation. The amendment establishes the Program, which permits the Issuer to issue bonds secured by future federal highway funds on behalf of the Department for specified highway transportation projects. These projects include certain priority corridor projects specified in the legislation. None of the projects in the Program can be funded without the approval of the Board and the Idaho Legislature. This legislation provides for a continuing appropriation from all federal funds held in the State Highway Account and the GARVEE Debt Service Fund as security for the payment of the Bonds.

The Board and the Idaho Legislature have approved the Project and issuance of the Bonds to fund the Project and the Idaho Legislature has approved a continuous appropriation as security for the Bonds. In addition, the Board and the Department have agreed to cause to be deposited certain matching funds first to the GARVEE Debt Service Fund and then to the General Account of the Revenue Fund under the Indenture in equal monthly installments for the payment of the Bonds. To the extent that such matching funds are available fifteen (15) days prior to a Bond debt service date the amount of such funds will reduce the amount of the continuous appropriation from the State Highway Account and GARVEE Debt Service Fund for such Bond debt service payment.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER. THE BONDS AND THE INTEREST THEREON DO NOT REPRESENT OR CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY, GENERAL OR MORAL OBLIGATION, OR A PLEDGE OF THE FAITH

AND CREDIT OF THE ISSUER. THE BONDS ARE NOT A DEBT OR LIABILITY OF THE STATE OF IDAHO, THE LEGISLATURE THEREOF OR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR OTHER BODY CORPORATE AND POLITIC THEREIN, NEITHER THE STATE OF IDAHO, THE LEGISLATURE THEREOF NOR ANY POLITICAL SUBDIVISION OR MUNICIPALITY OR OTHER BODY CORPORATE AND POLITIC THEREIN IS LIABLE FOR THE BONDS AND THE BONDS DO NOT CONSTITUTE THE GIVING, PLEDGING OR LOANING OF THE CREDIT OF THE STATE OF IDAHO, THE LEGISLATURE THEREOF OR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR BODY CORPORATE AND POLITIC THEREIN, NOR SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE ISSUER WHICH ARE A PART OF THE TRUST ESTATE PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

The Issuer is governed by seven Commissioners, appointed for alternating four-year terms by the Governor of the State, one of whom is selected as the Chairman by the Governor. The Act requires that preference shall be given to persons representing persons of low income and to persons with experience in the fields of mortgage lending, banking, finance, real estate or home building. The Issuer's Commissioners are as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>	<u>Employment</u>
John D. Beebe, Jr.	Chairman	July 1, 2010	Realtor and Home Health Administrator, Coeur d'Alene, Idaho
David Wilson	Vice Chairman	July 1, 2008	Building Contractor and Civic Leader, Ketchum, Idaho
Richard L. Bauer	Secretary/Treasurer	July 1, 2008	Retired Businessman and former Regional Administrator, U.S. Department of Housing and Urban Development, Region 10, Garden City, Idaho
Darlene M. Bramon	Commissioner	July 1, 2008	Banking and Civic Leader, Hailey, Idaho
John Sandy	Commissioner	July 1, 2010	Businessman and former State Senator, Boise, Idaho
Lee Gagner	Commissioner	July 1, 2010	Builder/Developer, Idaho Falls, Idaho
Frank Bruneel	Commissioner	July 1, 2008	Retired Businessman and former State Legislator, McCall, Idaho

The Act designates as advisors to the Issuer's Board of Commissioners the Governor, the Honorable C.L. "Butch" Otter; the State Treasurer, Ron Crane; the State Controller, Donna M. Jones; and the Administrator of the Division of Financial Management, Wayne Hammon. In addition, the Idaho State Legislature, through its legislative council, appoints advisors to the Issuer's Board of Commissioners. These members consist of two from each of the majority and minority parties and serve in a nonvoting, advisory capacity. Currently, a new senator to serve as majority party senator is in the process of being appointed, Senator Edgar Malepeai serves as the minority party senator, Representative Phil Hart serves as the majority party representative and Representative Anne Pasley-Stuart serves as the minority party representative.

Staff

Principal staff officers of the Issuer responsible for the Issuer's bond issues to finance the Program are the President and Executive Director, Gerald M. Hunter; and the Senior Vice President, John R. Sager.

Gerald M. Hunter joined the Issuer in September 1986 as Director of Finance, in September 1989 was promoted to Chief Operating Officer and in July 1998 was promoted to President and Executive Director. His prior background includes positions as an Officer/Shareholder for a financial and real estate service company, Treasurer and Operations Vice President for a savings and loan association and experience with a major international accounting firm as a Certified Public Accountant. Additionally, Mr. Hunter has held a faculty membership with an accredited business school where he instructed finance curriculum. Mr. Hunter holds a Bachelor of Arts and Master of Business Administration Degrees from the University of Utah.

John R. Sager joined the Issuer in September 1996 as Vice President, Treasurer and in February 2002 was promoted to Chief Financial Officer and Vice President, Administration. Mr. Sager was promoted to Senior Vice President in March, 2006. Prior to joining the Issuer, Mr. Sager served as investment manager of a large public organization as well as Vice Chairman of the Utah Money Management Council. Mr. Sager has over twenty-five years of experience in financial management, bond issuance, banking and asset/liability management for public entities. Mr. Sager is a Chartered Financial Analyst, a Certified Cash Manager and holds a Bachelor of Arts and Master of Business Administration degrees from the University of Utah.

The Issuer's staff consists of 131 people. The office of the Issuer is located at 565 West Myrtle Street, Boise, Idaho 83702.

Richard A. Skinner, Esquire, of Skinner Fawcett, Boise, Idaho, serves as general counsel to the Issuer. In addition, Skinner Fawcett serves as co-bond counsel to the Issuer.

Outstanding Indebtedness and Other Programs of the Issuer

The Issuer is active in various housing programs in the State. It has provided long-term mortgage financing for multifamily housing projects, financing of single family mortgages, financing for home improvement loans for single family dwellings and construction loans for multifamily projects which have had permanent financing provided by various government agencies and has provided financing for various facilities for nonprofit corporations in Idaho.

As of December 31, 2007, the Issuer has issued bonds to provide permanent financing for approximately 4,050 dwelling units in 74 multifamily developments and has purchased approximately 57,900 mortgage loans secured by single family homes and \$77.5 million for facilities for nonprofit corporations.

The Issuer is self-supporting. The costs of the Issuer are paid from fees for administering housing subsidy programs and from fees and interest earnings on the financing of the housing programs, nonprofit facilities and highway projects.

The Issuer has under consideration the sale of additional bonds to finance its various programs.

IDAHO TRANSPORTATION BOARD

Idaho Code, Title 40, Chapter 3, establishes the creation and authority of the Board, which is vested with authority, control, supervision and administration of the Department.

The Idaho Code also gives the Board the authority to approve and recommend federal highway transportation projects to the Issuer for financing. Such projects are required to be eligible for federal-aid debt financing under Chapter 1, Title 23, United States Code, and listed in Title 40, Chapter 3. The seven-member Board establishes state transportation policy and guides the planning, development and management of a complex, statewide transportation network. The Board appoints the Department's Director.

Board Representation

The Governor of Idaho appoints the Board members, who must be confirmed by the Idaho Senate. Six members represent and live in each of the administrative districts; the seventh member of the citizen board is selected by the Governor to serve as Chairman.

Six of the seven Board members are appointed to six-year terms, beginning January 31. Their terms are staggered, enabling one appointment each year. The seventh member, the Chairman, serves at the pleasure of the Governor, conducts the monthly meetings and votes on motions only in the event of a tie. No more than four members may be of the same political party.

Board Meetings

The Board meets monthly to receive input from the public and administrative staff members. To ensure widespread opportunities for public input, the board usually meets six times a year in Boise and once in each of the district offices.

Idaho Transportation Board Members

Darrell Manning, Chairman

Bruce Sweeney, Vice Chairman

Lee Gagner, Member*

R. James Coleman, Member

Monte C. McClure, Member

Gary Blick, Member

Neil Miller, Member

* Subject to Idaho Senate confirmation.

IDAHO TRANSPORTATION DEPARTMENT

The Department was created by the Idaho Code as a department and agency of the State. It is responsible for building, preserving, and operating the state transportation system funded with federal and/or state dollars. Idaho's state transportation system is an integrated network with 5,000 centerline miles of highways, 1,752 bridges, and 30 backcountry airstrips. The state highway system also includes 30 rest areas and 10 fixed ports of entry.

The Department oversees federal public transportation grants for 27 rural counties and 16 rural providers. It also provides state rail planning and rail-project development, and supports bicycle and pedestrian planning and projects. The Department has approximately 1,834 full-time employees.

The Department is continually seeking innovative ways to make the best use of its resources, assets and funding through a mixture of asset management and innovative finance. The Department's revenue comes from two primary sources. It receives approximately 57% from federal revenue and approximately 42% from state revenue generated by transportation-related taxes and fees. The state fuel tax rate is \$0.25/per gallon for gasoline and diesel. Fuel taxes and vehicle registrations are deposited into the Highway Distribution Account (H.D.A.) from which the Department receives 57% of all deposits. The remaining funds in the H.D.A. are transferred to local units of government and the Idaho State Police.

Staff

The principal staff members of the Department responsible for the Department's Program and the Project are Pamela K. Lowe, Director; L. Scott Stokes, Deputy Director; David Tolman, Administrator, Division of Administration; Jason Brinkman, GARVEE Program Manager and Karl Vogt, Deputy Attorney General.

Pamela K. Lowe became Director of the Idaho Transportation Department on January 16, 2007, a month after being named to the position by the Idaho Transportation Board. The preceding four months she served as deputy director and was Administrator of ITD's Division of Motor Vehicles for nearly 18 months.

Lowe has more than 25 years of engineering experience, including positions in the private sector and with the Federal Highway Administration and the Arizona Department of Transportation. She began her career with the FHWA working on construction and design projects throughout the country. She was the first female to oversee a construction project in that organization's history.

During her tenure at ADOT, she co-located her staff with the personnel from a worldwide consulting firm and developed Arizona's Project Management model for design development and construction coordination that is in use at ADOT today.

She began her career at ITD in 1993 as a construction associate. Two years later (April 1995), she advanced to planning services manager and then to regional engineer in 1997. Lowe became the first female district engineer in Idaho when she was chosen to lead District 3 in December 2000. She is a registered professional engineer in Oregon, Idaho, and Arizona

L. Scott Stokes, a second-generation Idaho Transportation Department employee and a 15-year veteran of the department, became deputy director Feb. 26, 2007. He joined the department as a staff engineer in the bridge section at Headquarters in 1992. A year later he was promoted to project development engineer for District 1 in Coeur d'Alene, working primarily on U.S. 95 widening projects south of Worley.

He returned to Boise in 1995 to become the state bridge engineer, a position he held for about a year when he was named District 1 Engineer and moved back to Coeur d'Alene. He graduated from Brigham Young University with a degree in civil engineering in 1983 and earned a master's, also in civil engineering, from BYU the following year. He worked in the private sector for about eight years before joining ITD.

A native of Salmon, Idaho, Stokes has lived in four of the state's six transportation districts (1, 3, 5, 6). His father Elden Sr. retired as a maintenance foreman in 1984 after a 40-year career.

David Tolman joined the Department in October 2001 as Controller. He was promoted to the Administrator for the Division of Administration in August 2007. Prior to joining the Department, Mr. Tolman worked for the Idaho Division of Financial Management for six years and the Idaho State Controller's Office for five years. He is a Certified Government Financial Manager (CGFM) and a member of the Association of Government Accountants. Mr. Tolman holds a Bachelor of Science from Brigham Young University and a Master of Business Administration from Boise State University.

Jason Brinkman joined the Department in January 2000 and has worked in various positions. His broad experience in the Department's headquarters and district offices includes construction, design, project development, management, and legal. Mr. Brinkman has been in the Department's GARVEE Office since September 2007 and was named the GARVEE Program Manager in January 2008. Mr. Brinkman replaces Nestor Fernandez in the role of coordinating and administering the Connecting Idaho - GARVEE Investment Program enacted by the Legislature in April 2005. He works with the Idaho Transportation Board, the Director, the Deputy Director, the Federal Highway Administration, other Department administrators, districts and headquarters sections, and the Connecting Idaho Partners to ensure delivery of the Program. Mr. Brinkman is a Registered Professional Engineer and holds a Bachelor of Science in Civil Engineering from North Dakota State University.

Karl D. Vogt is a Deputy Attorney General with the State of Idaho. Mr. Vogt has worked with the Department since 1996 and has served as it's lead counsel since 2004.

Department Organization

To serve and maintain Idaho's transportation needs, the Department is divided into six divisions and six support offices. The six divisions are: Aeronautics, Transportation Planning, Highways, Administration, Motor Vehicles and Public Transportation which report to the Deputy Director.

Four of the support offices report to the Director, they are: Internal Review, Human Resource Services, EEO Office, and the Office of Communications. The two support offices that report to the Deputy Director are Budget Policy and Intergovernmental Relations and the GARVEE Transportation Program.

To better serve the state's regions, the Department is divided into six administrative districts, each one responsible for transportation planning, constructing and maintaining the highways within district boundaries. Administrative district offices are located in Coeur d' Alene, Shoshone, Lewiston, Pocatello, Boise and Rigby.

MANAGEMENT OF STATE HIGHWAY PROGRAM

The Department

The Department is responsible for Idaho's state transportation system. The Department is also responsible for the Program and the Project. See "THE PROGRAM" and "THE PROJECT."

The GARVEE Program Manager

The GARVEE Program Manager is a Department employee who reports to the Deputy Director. This position is currently held by Jason Brinkman, P.E.

The role of the GARVEE Program Manager is to oversee the Consultant Program Manager, administer the Program for design and construction and assure that the Program is completed successfully.

The Consultant Program Manager

The Department has retained the services of the Connecting Idaho Partners (a joint venture of URS Washington Division (formerly Washington Group International) and CH2M HILL) to manage the Program. The Connecting Idaho Partners team provides a single office as point of contact for the Department to access the team's planning, design, and construction management services. It serves as the Department headquarters for the Program, integrating the planning, design, and construction services to successfully complete the Program.

The Connecting Idaho Partners use their existing network with Idaho's planning, design, and construction industry to fully engage Idaho's business community in delivering the Program.

Both joint venture firms are recognized as nationwide firms that have the expertise and knowledge to manage the Program. Together, URS Washington Division and CH2M HILL have delivered over 100 Department projects in the last 10 years, representing a total constructed value of more than \$500 million.

THE 2008 SERIES A BONDS

General

The 2008 Series A Bonds are issuable only as fully registered bonds. The 2008 Series A Bonds will be issuable in the denominations of \$5,000 or any integral multiples thereof, will be dated as of the date of delivery, will bear interest payable on each January 15 and July 15, commencing July 15, 2008, at the rates set forth on the inside cover page of this Official Statement and will mature on the dates set forth on the inside cover page of this Official Statement. Principal of and interest on the 2008 Series A Bonds are payable in lawful money of the United States to the registered owner of the 2008 Series A Bonds, Cede & Co., as nominee of The Depository Trust Company ("DTC") in New York, New York, pursuant to the book-entry system operated by DTC. See "EXHIBIT D - Book-Entry-Only System."

Optional Redemption

The 2008 Series A Bonds maturing on or before July 15, 2018 are not subject to optional redemption prior to maturity. The 2008 Series A Bonds maturing on or after July 15, 2019 are subject to redemption at the option of the Issuer on or after July 15, 2018 in whole or in part at any time, at a

redemption price equal to 100% of the principal amount of the 2008 Series A Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

Book-Entry-Only System

The 2008 Series A Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of 2008 Series A Bonds. Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the 2008 Series A Bonds under the Indenture. For additional information about DTC and the book-entry-only system see “EXHIBIT D - BOOK-ENTRY-ONLY SYSTEM.”

Authorization

The Issuer, at its meetings on October 15, 2007 and February 29, 2008, adopted bond resolutions (collectively, the “Resolution”), which, among other things (i) authorized the Indenture, (ii) authorized and approved the issuance of the 2008 Series A Bonds, (iii) authorized the Financing Agreement and (iv) directed the preparation and distribution of this Preliminary Official Statement.

The Department, the Board and the Idaho Legislature have also approved the issuance of the 2008 Series A Bonds and the Project being financed with the proceeds of the 2008 Series A Bonds as required by the Act.

OUTSTANDING BONDS; INVESTMENT OBLIGATIONS

The Issuer has heretofore issued the following series of Bonds under the Master Indenture.

<u>Series</u>	<u>Principal Amount</u>	
	<u>Issued</u>	<u>Outstanding</u>
2006 Bonds	\$194,340,000	\$176,900,000

Moneys deposited in the Project Fund from the proceeds of the 2006 Bonds are presently invested in an investment agreement with Citigroup Financial Products Inc. with a rate of 5.226% and an expiration date of May 1, 2009 (the “2006 Bonds Investment Agreement”). It is anticipated that Citigroup Financial Products Inc. will assign its interests in the 2006 Bonds Investment Agreement to another eligible provider on or about the date of issuance of the 2008 Series A Bonds.

Moneys deposited in the Project Fund from the proceeds of the 2008 Series A Bonds are expected to be invested in an investment agreement with an eligible provider on or about the date of issuance of the 2008 Series A Bonds.

SECURITY FOR THE BONDS

General

The Bonds and any interest due thereon are payable solely and only from FHWA Funds received from the FHWA and appropriated by the Idaho Legislature through a continuous appropriation from the State Highway Account and the GARVEE Debt Service Fund, and payable from the General Account of the Revenue Fund of the Indenture, into which certain matching fund payments received from the Department are to be deposited.

The Indenture secures the payment of principal and interest on the Bonds by granting to the Trustee a security interest in the Issuer's rights under the Financing Agreement to all payments due thereunder (except for the payment of fees and indemnity) and all of the Issuer's right, title and interest in and to the Pledged Receipts.

"Pledged Receipts" is defined in the Indenture to include both "(1) all Pledged Federal Direct GARVEE Payments and (2) all Pledged Federal Reimbursement Payments."

"Pledged Federal Direct GARVEE Payments" is defined to include "all federal surface transportation funds received from the United States government which represent a federal reimbursement to the Department for the federal share of debt service on the Bonds and other costs and expenses incurred by the Issuer relating to the Bonds, as described in Section 40-702(5) Idaho Code, as amended, and on deposit in the State Highway Account or the GARVEE Debt Service Fund in such amounts as are certified from time to time by the Issuer to the State Controller, the State Treasurer and the Board as necessary for payment of principal, interest and other amounts required for the Bonds."

"Pledged Federal Reimbursement Payments" are defined to include "all federal surface transportation funds received from the United States government which represent a federal reimbursement to the Department for funds advanced by the Department to pay the federal share of the cost of transportation projects not being financed with proceeds of the Bonds, as described in Section 40-702(5) Idaho Code, as amended, and on deposit in the State Highway Account or the GARVEE Debt Service Fund in such amounts as are certified from time to time by the Issuer to the State Controller, the State Treasurer and the Board as are necessary for payment of principal, interest and other amounts required for the Bonds."

The Board and the Department have agreed in the Financing Agreement that debt service on the Bonds will be made using FHWA Funds received from the FHWA through continuous appropriation from the State Highway Account and the GARVEE Debt Service Fund. The Board and the Department have also agreed to pay, or cause to be paid, subject to applicable requirements for annual appropriation of funds, in equal monthly installments on or before the 5th Business Day of each month according to a schedule provided in the Financing Agreement from the State Highway Account first to the GARVEE Debt Service Fund and then to the Trustee for deposit into the General Account of the Revenue Fund the sums set forth in the Financing Agreement as payment of the state matching fund requirement. If such matching funds are deposited with the Trustee by the Department then the amounts of deposits will be credited against the amount of the continuous appropriation from the State Highway Account and the Garvee Debt Service Fund required to pay the Bonds. In addition, the Board and the Department have agreed in the Financing Agreement to arrange for the scheduled debt service payment to be remitted to the Trustee from the GARVEE Debt Service Fund at least three (3) Business Days prior to the scheduled debt service payment date.

The Trustee shall, upon receipt, deposit all Pledged Receipts into the General Account of the Revenue Fund. The Trustee shall also deposit into the General Account of the Revenue Fund all other moneys delivered to the Trustee by the Department or the Board for deposit into such account. On the 5th Business Day prior to each Interest Payment Date, the Trustee shall deliver a written certification in the form required by the Indenture to the Issuer, the State Controller, the State Treasurer and the Board specifying the total amount of funds on deposit in the General Account of the Revenue Fund and indicating that such amount shall be applied as a credit against the continuously appropriated amount required to be paid over to the Trustee prior to such Interest Payment Date for the payment of principal, interest and other amounts required for Bonds as directed by the Issuer pursuant to Section 40-718(2) Idaho Code, as amended.

Under the Financing Agreement, the Issuer has agreed to issue the Bonds at the request and with the approval of the Department and the Board. The Department and the Board have agreed that debt service on the Bonds will be made using FHWA Funds in the State Highway Fund and the GARVEE Debt Service Fund.

“FHWA Funds” are defined to mean “all federal surface transportation funds described in Section 40-702(5) Idaho Code, as amended, which can be used to pay debt service on bonds and which are deposited into the State Highway Account.”

The State Highway Account and the GARVEE Debt Service Fund are funds so designated, created and established under the Idaho Code.

Continuing appropriations by the Idaho Legislature to pay amounts due on the Bonds will be made from FHWA Funds available to the Department and the State pursuant to the Memorandum of Agreement approved by the FHWA pursuant to Section 122 of Title 23, United States Code, Highways for such purpose and other FHWA Funds in the State Highway Account.

Continuing appropriations by the Idaho Legislature are “continuing” through the maturity of the Bonds. No additional “annual appropriations” are required once the Idaho Legislature has approved the continuing appropriation amounts necessary to pay debt service on the Bonds. Funds in the State Highway Account and the GARVEE Debt Service Fund are made available to the Trustee upon the certification by the Issuer to the State Controller, the State Treasurer and the Board of the amounts required to pay the debt service and other necessary and related costs on the Bonds.

In the Act, the State has pledged to and agreed with the bondholders that it will not limit or alter the rights vested in the Issuer to fulfill the terms of any agreements made with them, or in any way impair the rights and remedies of the bondholders until the bonds, including the Bonds, together with the interest thereon and on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

As part of its other financing programs, the Issuer has reserved the right to issue other obligations not secured or payable from the proceeds, moneys, rights and collections pledged to the payment of the Bonds.

The Board and the Idaho Legislature have approved the issuance of the Bonds to fund the Project and the Idaho Legislature has authorized a continuous appropriation as security for the Bonds.

The Issuer may issue Additional Bonds, at the request of the Department, for additional projects included in the Program. Additional projects and Additional Bonds to fund such projects require the approval of the Board and the Idaho Legislature. See “Additional Bonds” below.

The Bonds are also secured by certain other funds and accounts pledged therefor and described herein. See “EXHIBIT B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” and “EXHIBIT C - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER FINANCING AGREEMENT AND THE SECOND SUPPLEMENT THERETO” herein.

The scheduled payment of principal of and interest on the 2008 Series A Bonds maturing on July 15 of the years 2011 through 2026, inclusive (the “Insured 2008 Series A Bonds”), when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the 2008 Series A Bonds by Assured Guaranty Corp. See “BOND INSURANCE” and “EXHIBIT F - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER. THE BONDS AND THE INTEREST THEREON DO NOT REPRESENT OR CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY, GENERAL OR MORAL OBLIGATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER. THE BONDS ARE NOT A DEBT OR LIABILITY OF THE STATE OF IDAHO, THE LEGISLATURE THEREOF OR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR BODY CORPORATE AND POLITIC THEREIN, NEITHER THE STATE OF IDAHO, THE LEGISLATURE THEREOF NOR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR OTHER BODY CORPORATE AND POLITIC THEREIN IS LIABLE FOR THE BONDS AND THE BONDS DO NOT CONSTITUTE THE GIVING, PLEDGING OR LOANING OF THE CREDIT OF THE STATE OF IDAHO, THE LEGISLATURE THEREOF OR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR OTHER BODY CORPORATE AND POLITIC THEREIN, NOR SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE ISSUER WHICH ARE A PART OF THE TRUST ESTATE PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

Additional Bonds

Under the Indenture, the Issuer has reserved the right and authority to issue Additional Bonds if it has received a certificate of an Authorized Representative of the Department stating that, as required by Section 40-315(3) Idaho Code, scheduled debt service and other bond-related expenses on or relating to the Bonds (including the Additional Bonds or Refunding Bonds to be issued) during each of the State Fiscal Years 2007 through 2010 shall be limited to no more than twenty percent (20%) of the annual federal-aid apportionment reasonably expected to be received by the Department during the related State Fiscal Year; and during each of the State Fiscal Years 2011 and thereafter, scheduled debt service and other bond-related expenses on or relating to the Bonds (including the Additional Bonds or Refunding Bonds to be issued) shall be limited to no more than thirty percent (30%) of annual federal-aid highway apportionment reasonably expected to be received by the Department during the related State Fiscal Year.

“State Fiscal Year” is defined as the fiscal year of the State currently commencing on July 1 of any year ending June 30, of the ensuing year, or any other fiscal year of the State.

In addition, the Issuer has reserved the right, in addition to issuing additional Bonds as described in the first paragraph under this heading, to issue Refunding Bonds which may be on a parity as to security with the Bonds in order to refund any Bonds then Outstanding, so long as Maximum Annual Debt Service is not increased as a result of issuing such Refunding Bonds or the requirements described in the first paragraph under this heading are satisfied.

The Issuer has also reserved the right to issue bonds that are secured by a pledge of the Pledged Receipts that is subordinate to the pledge created by the Indenture which do not rank on a basis of equality and parity with the Bonds, but only if such subordinate bonds are issued in express recognition of the priorities, liens and rights created and existing for the security and source of payment and protection of the Bonds.

BOND INSURANCE

The following information has been furnished by Assured Guaranty Corp. (“Assured Guaranty” or the “Insurer”) for use in this Official Statement.

The following information is not complete and reference is made to Appendix F for a specimen of the financial guaranty insurance policy (the “Policy”) of Assured Guaranty.

The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Insured 2008 Series A Bonds, effective as of the date of issuance of such Insured 2008 Series A Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Insured 2008 Series A Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the “Insured Payments”). Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

“Due for Payment” means, when referring to the principal of the Insured 2008 Series A Bonds, the stated maturity date thereof, or the date on which such Insured 2008 Series A Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Insured 2008 Series A Bonds, means the stated dates for payment of interest.

“Nonpayment” means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Insured 2008 Series A Bonds. It is further understood that the term Nonpayment in respect of an Insured 2008 Series A Bond also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such Insured 2008 Series A Bond in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the Insured 2008 Series A Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

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

The Insurer

Assured Guaranty Corp. (“Assured Guaranty”) is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of

Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty’s business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty’s financial strength is rated “AAA” by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”), “AAA” by Fitch, Inc. (“Fitch”) and “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Capitalization of Assured Guaranty Corp.

As of December 31, 2007, Assured Guaranty had total admitted assets of \$1,361,538,502 (unaudited), total liabilities of \$961,967,238 (unaudited), total surplus of \$399,571,264 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$982,045,695 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2006, Assured Guaranty had total admitted assets of \$1,248,270,663 (audited), total liabilities of \$962,316,898 (audited), total surplus of \$285,953,765 (audited) and total statutory capital (surplus plus contingency reserves) of \$916,827,559 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the Securities and Exchange Commission (the “SEC”) on February 29, 2008); and

- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Insured 2008 Series A Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading “BOND INSURANCE—The Insurer” shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC’s web site at <http://www.sec.gov> and at AGL’s web site at <http://www.assuredguaranty.com>, from the SEC’s Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Insured 2008 Series A Bonds or the advisability of investing in the Insured 2008 Series A Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading “BOND INSURANCE”.

THE PROGRAM

The GARVEE Transportation Program (the “Program”) began with the passage of the enabling legislation in 2005 which identified 13 eligible projects or corridors in Idaho Code section 40-315. The legislation authorizes the Board to request bonding authority from the Idaho Legislature to finance certain regionally significant corridors stretching from the northern-most part of Idaho to the southeast corner of the state. The Program is currently planned to utilize \$998 million in proceeds, from bonds issued under five legislative authorizations, to fund projects on six (6) of the original corridors.

The six corridors in the Program are:

US-95, Garwood to Sagle. This project will obtain environmental clearance, design, acquire right of way, and construct a portion of the 31-mile multi-lane divided highway between Garwood and Sagle. A total of \$178.4 million is currently funded or scheduled on this project in the current \$998 million Program.

US-95, Worley to Setters. This project will construct 4.2 miles to complete a 21-mile four-lane divided highway from Worley to Coeur d'Alene. A total of \$55.0 million is currently funded or scheduled on this project in the current \$998 million Program.

SH-16, I-84 to South Emmett. This project will obtain environmental clearance, design, acquire right of way, and construct a portion of the controlled access, four-lane, divided highway extension of SH-16 south from its present terminus at SH-44 to I-84 between Nampa and Meridian. A total of \$106.3 million is currently funded or scheduled on this project in the current \$998 million Program.

I-84, Caldwell to Meridian. This project will obtain environmental clearance, design, acquire right of way, and construct a portion of the modernized interstate and interchanges from Meridian west to the cities of Nampa and Caldwell to accommodate rapid growth in the Treasure Valley. It will also obtain environmental clearance, design, acquire right of way, and construct a new interchange at Ten Mile Road. A total of \$321.7 million is currently funded or scheduled on this project in the current \$998 million Program.

I-84, Orchard to Isaacs Canyon. This project will obtain environmental clearance, design, acquire right of way, and construct a portion of the modernized interstate and reconstruct two interchanges through the City of Boise. A total of \$239.8 million is currently funded or scheduled on this project in the current \$998 million Program.

US-30, McCammon to Lava Hot Springs. This project will design and construct the four-lane highway from I-15 at McCammon to Lava Hot Springs. A total of \$96.8 million is currently funded or scheduled on this project in the current \$998 million Program.

Please refer to the map located on the inside back cover.

The following table shows the estimated project funding schedule for the Program:

Project	Legislative Authorization (in Millions)					Total
	FY 2007¹	FY 2008¹	FY 2009²	FY 2010³	FY 2011³	
US-95, Garwood to Sagle	38.7	50.3	0.0	89.4	0.0	178.4
US-95, Worley to Setters	50.4	4.6	0.0	0.0	0.0	55.0
SH-16, I-84 to South Emmett	4.6	5.3	0.0	19.4	77.0	106.3
I-84, Caldwell to Meridian	72.8	120.3	61.0	67.6	0.0	321.7
I-84, Orchard to Isaacs Canyon	15.2	30.0	47.0	122.6	25.0	239.8
US-30, McCammon to Lava Hot Springs	<u>31.3</u>	<u>39.5</u>	<u>26.0</u>	<u>0.0</u>	<u>0.0</u>	<u>96.8</u>
Totals	<u>\$213.0⁴</u>	<u>\$250.0⁵</u>	<u>\$134.0</u>	<u>\$299.0</u>	<u>\$102.0</u>	<u>\$998.0</u>

Source: Idaho Transportation Department

1. The FY 2007 and 2008 requests have been approved by the Idaho Legislature.
2. The FY 2009 request is being considered by the 2008 Idaho Legislature.
3. The FY 2010 and 2011 requests are expected to be considered by the Idaho Legislature in the future.
4. Funded from proceeds of the 2006 Bonds and earnings on such proceeds.

5. Expected to be funded from proceeds of the 2008 Series A Bonds and an additional Series of Bonds to be issued in the future.

THE PROJECT

The projects being financed with the proceeds of the 2008 Series A Bonds consist of, collectively, the “Bond Financed Projects” as described in the Memorandum of Agreement, which are more particularly described in the Financing Agreement. The “Bond Financed Projects” are all included in the State Improvement Program (STIP) and have been approved in the Memorandum of Agreement.

Proceeds from the 2008 Series A Bonds and subsequent series will fund projects from the \$250 million legislative authorization (House Bill 336) from 2007 in the current Program as follows:

US-95, Garwood to Sagle. The proceeds of the 2008 Series A Bonds and subsequent series will provide \$50.3 million for the remaining design and right-of-way acquisition phases, and the initial construction phase of this project.

US-95, Worley to Setters. The proceeds of the 2008 Series A Bonds will provide \$4.6 million for the final construction phase of this project.

SH-16, I-84 to South Emmett. The proceeds of the 2008 Series A Bonds and subsequent series will provide \$5.3 million for the continued design and the initial right of way acquisition phases of this project.

I-84, Caldwell to Meridian. The proceeds of the 2008 Series A Bonds and subsequent series will provide \$120.3 million for the continued environmental, design, and right of way acquisition phases, and construction phases of this project.

I-84, Orchard to Isaacs Canyon. The proceeds of the 2008 Series A Bonds and subsequent series will provide \$30.0 million for the continued design, initial right of way acquisition, and continued construction phases of this project.

US-30, McCammon to Lava Hot Springs. The proceeds of the 2008 Series A Bonds and subsequent series will provide \$39.5 million for the final design and the continued construction phases of this project.

To the extent necessary, the Board has authority to make allocations and reallocations of Bond proceeds among the approved projects.

THE EXISTING PROJECT

The 2006 Bonds were issued under the Master Indenture to fund the following “Bond Financed Projects,” which are more particularly described in the Memorandum of Agreement and in the Financing Agreement. Such “Bond Financed Projects” are all included in the State Improvement Program (STIP) and have been approved in the Memorandum of Agreement.

A total of \$181.9 million has been obligated of the 2006 Bonds through the first of February 2008. There are currently \$167.0 million in contracts awarded and \$86.3 million expended to date. The environmental and design process is underway on five of the six current corridors in the current Program, and is completed on the sixth. Right of way acquisition has begun on three of the six corridors, and is already completed on two of the six corridors in the current Program. Construction has begun on 4 of the 6 corridors in the current Program.

Proceeds from the 2006 Bonds plus interest on bond proceeds funded projects from the \$200 million first legislative authorization from 2006 in the current Program as follows:

US-95, Garwood to Sagle. The proceeds of the 2006 Bonds provided \$38.7 million for the initial environmental, design, and right of way acquisition phases of this project.

US-95, Worley to Setters. The proceeds of the 2006 Bonds provided \$50.4 million for the final design and primary construction phases of this project.

SH-16, I-84 to South Emmett. The proceeds of the 2006 Bonds provided \$4.6 million for the initial environmental and design phases of this project.

I-84, Caldwell to Meridian. The proceeds of the 2006 Bonds provided \$72.8 million for the initial environmental, design, and right of way acquisition phases, and the first construction phase of this project.

I-84, Orchard to Isaacs Canyon. The proceeds of the 2006 Bonds provided \$15.2 million for the initial design and the first construction phases of this project.

US-30, McCammon to Lava Hot Springs. The proceeds of the 2006 Bonds provided \$31.3 million for the continued design and the first construction phases of this project.

To the extent necessary, the Board has authority to make allocations and reallocations of Bond proceeds among the approved projects.

SOURCES AND USES OF FUNDS

Sources and Uses of Funds

The sources and uses of funds are to be applied as follows:

Sources

Par Amount of the 2008 Series A Bonds	\$173,035,000.00
Plus: Net Original Issue Premium	<u>7,009,565.15</u>
Total Sources	<u>\$180,044,565.15</u>

Uses

Deposit to Project Fund	\$175,328,376.73
Deposit to Capitalized Interest Fund	2,330,660.83
Cost of Issuance*	<u>2,385,527.59</u>
Total Uses	<u>\$180,044,565.15</u>

* Includes underwriters' discount, bond insurance premium, legal, printing, rating agency fees, trustee fees, and other expenses of the issuance and offering of the 2008 Series A Bonds.

INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

The Federal-Aid Highway Program

The Federal-Aid Highway Program (FAHP) is an "umbrella" term that encompasses most of the federal programs providing highway funds to the states, such as the Interstate Maintenance Program, the Bridge Program, the National Highway System Program, and the Surface Transportation Program. The Federal Highway Administration (FHWA) is the federal agency within the U.S. Department of Transportation responsible for administering the FAHP. The FAHP is financed from the transportation user-related revenues deposited in the federal Highway Trust Fund. The primary source of revenues in the federal Highway Trust Fund is derived from the federal excise taxes on motor fuels. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes.

It should be noted that the terms and conditions of participation in the FAHP as described herein are subject to change at the discretion of Congress, and there can be no assurance that the laws and regulations now governing the FAHP will not be changed in the future in a manner that may adversely affect the ability of the State to receive adequate FHWA Funds to pay the debt service on the Bonds.

Certain FAHP features or requirements are explained or further defined where they appear below but are introduced here for reference:

- *The Federal Highway Trust Fund (the "HTF")*: The HTF is a dedicated federal fund with dedicated revenues held in trust for reimbursement of expenditures by the states for costs of eligible transportation projects, including highway projects.

- *Authorization:* “Authorization” is the process by which Congress authorizes the expenditure of federal revenues on federal programs. For the FAHP, authorization historically has been provided on a multi-year basis. This, together with the availability of HTF revenues and future HTF collections permits states more certainty in planning long-term highway projects. The current multi-year authorization, SAFETEA-LU, became law on August 11, 2005 and expires on September 30, 2009. See “SAFETEA-LU” below.
- *Apportionment:* For each Federal Fiscal Year (“FFY”), the FHWA apportions the authorized funding among the states according to formulas that are established in authorizing statutes. The distribution of federal funds that do not have a statutory formula is called “allocation” rather than “apportionment.”
- *Obligation Authority:* “Obligation” is the commitment of the federal government to pay, through reimbursements to a state, its share of the eligible expenditures on an approved project. The amount of such federal revenues that a state can obligate in a given FFY is called its “Obligation Authority.”
- *Advance Construction:* The Advance Construction procedure allows states to commence eligible projects without first having to obligate the federal government’s share of expenditures. Thus, states may begin a project before amassing all of the Obligation Authority needed to cover the federal government’s share. The Project is an Advance Construction Project.
- *Partial conversion of Advance Construction:* Under partial conversion of Advance Construction, in a given year a state may convert Advance Construction to Obligation Authority and thus be eligible for reimbursement for a portion of the federal share of an Advance Construction project in that or in a subsequent FFY. This removes any requirement for the state to wait for reimbursements until the full amount of Obligation Authority needed for the entire project is available.

These features of the FAHP work in a complementary fashion to provide a regular flow of federal reimbursements over the years to state highway projects.

The participation of the State in such reimbursements, and the role of such participation in providing payment and security for the Bonds, is discussed in “FEDERAL AID REVENUES” herein.

Although FHWA provides funding for eligible highway projects, federal-aid highways are under the administrative control of the state or local government responsible for their operation and maintenance.

Title 23, United States Code, entitled “Highways”, includes most of the laws that govern the FAHP arranged systematically or codified. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and which need not be reenacted each time the FAHP is reauthorized. Periodically, sections of Title 23 may be amended or repealed through surface transportation acts.

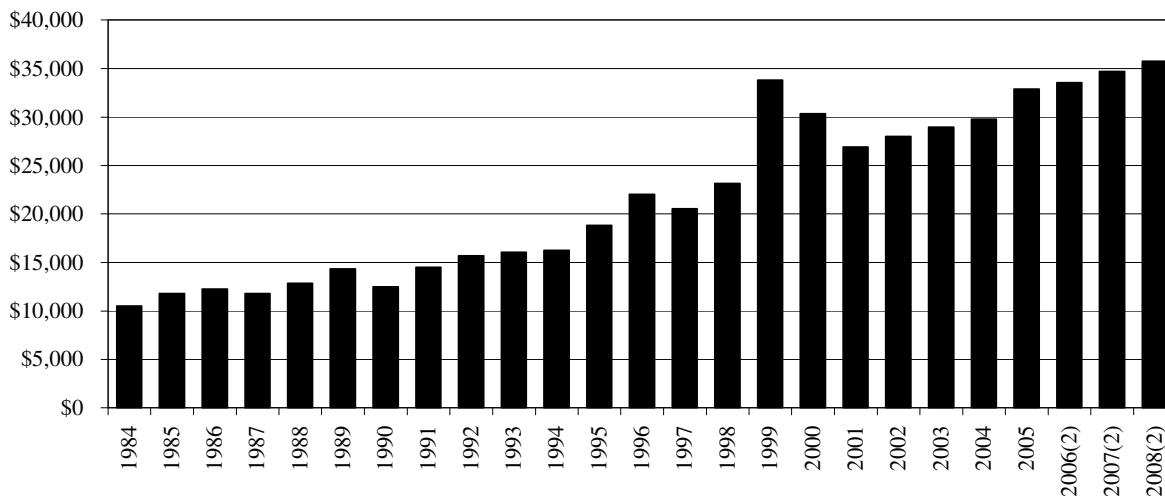
Federal Highway Trust Fund

The Federal Highway Trust Fund (HTF) provides the primary funding for the FAHP. Funded by a collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the HTF is a fund established by law to hold dedicated highway-user revenues that are used for reimbursement of the state’s cost of eligible transportation projects (which may include debt service on obligations issued to finance a

federal-aid project), including highway projects. The HTF is composed of two accounts: the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel revenues, with the remaining share of such revenues deposited in the Mass Transit Account.

Federal gasoline excise taxes are the largest revenue source for the HTF. The majority of these tax revenues, including 15.44 cents per gallon out of the current 18.4 cents per gallon tax, go to the Highway Account. The following table shows annual and projected HTF collections in the Highway Account for the Federal Fiscal Years 1984 through 2008.

Payments into the Highway Account of the Highway Trust Fund ⁽¹⁾
Federal Fiscal Years 1984-2008 (in millions)



Source: FFY 1984 through FFY 2005, Highway Statistics 2005, Office of Highway Policy Information, FHWA, Table FE-210.

(1) Excludes interest on balances.

(2) FFY 2006 actual, and FFY 2007 and 2008 estimates from the President's FFY 2008 Budget.

The imposition of the taxes that are dedicated to the HTF, as well as the authority to place the taxes in the HTF and to expend moneys from the HTF, all have expiration dates which must be extended periodically. The life of the HTF has been extended several times since its inception, most recently by SAFETEA-LU (as described below). SAFETEA-LU extended the imposition of taxes through September 30, 2011, and the transfer of the taxes to the HTF through September 30, 2009. The HTF is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met.

History

The modern FAHP originated in the Federal-Aid Highway Act of 1956. The FAHP initially was established as a pay-as-you-go system, meaning that costs of constructing and maintaining the system were to be borne primarily by its users, who would pay a federally-imposed tax on motor fuels. Federal user fees were to provide 90% of the cost of construction, with the remainder paid for by the states.

The Federal-Aid Highway Act of 1956 was the first of a long series of authorizing statutes for the FAHP. Extensions of the act were passed in 1958, 1959, 1960, 1961, 1962, 1964, 1966, 1968, 1970, 1973, 1974 and 1976; in each case the statute was known simply as the Federal-Aid Highway Act. The 1965 Highway Beautification Act made minor additions and changes to the program, as did the Highway Safety Act of 1973. The 1978 Surface Transportation Act and the Federal-Aid Highway Act of 1981 were also primarily extensions of existing authority. Prior to SAFETEA-LU, enacted August 11, 2005, TEA 21, which expired on September 30, 2003, and its immediate predecessor, the Intermodal Surface Transportation Efficiency Act of 1991 (“ISTEA”), were the most recent multi-year authorizing statutes.

The 1982 Surface Transportation Assistance Act (“STAA”) made notable changes to the FAHP, and began the modern multi-year (i.e., four or more years) authorizing process. STAA also guaranteed each state a minimum 85% return on the money paid in by highway users of the state. Such “equity provisions” have continued in all subsequent authorizing legislation to date, and operate to compensate so-called “donor states,” whose historic highway funding levels have been below their collections for the HTF.

In 1991, ISTEA broadened the focus of the FAHP, changed its structure significantly and created several new funding categories. ISTEA also gave state and local governments far greater flexibility in determining their transportation infrastructure priorities, whether transit or highways, and for the first time allowed significant flexibility to redirect federal revenues among programs. ISTEA also authorized innovative approaches to federal-aid highway funding, including the use of private sector funding sources for transportation improvements. Innovative financing procedures were authorized and encouraged, and states were authorized to augment federal revenues with alternate sources of revenues.

The National Highway System Designation Act of 1995 (the “NHS Act”) designated the National Highway System to include the Interstate System as well as other roads important to the nation’s economy, defense, and mobility. The NHS Act made several changes affecting the financing of federal-aid highway projects, including Advance Construction procedures:

- Standard federal highway financing practices require states to have sufficient Obligation Authority before they begin a highway project. If a state has many projects or a particularly large project, they may be unable to provide enough Obligation Authority to get federal approval to begin specific projects. To avoid delays in projects that are eligible for federal funding, the FHWA may approve Advance Construction for a project if the state can provide 100% of the costs up-front.
- Under Advance Construction procedures prior to the NHS Act, only when a state had amassed sufficient Obligation Authority to cover the federal share of a project’s total costs could it convert the project from Advance Construction to Obligation Authority and be reimbursed for the federal share. The NHS Act removed the requirement that states must amass Obligation Authority equal to the full federal share before reimbursement could occur. Partial conversion now allows a state to be reimbursed for a portion of the federal share of the project’s total costs as Obligation Authority becomes available each year and costs are expended.

In addition, the FHWA has issued guidelines for debt-financed federal-aid highway projects. Key provisions of these guidelines are:

- Debt-financed projects are subject to requirements of Federal Clean Air Act and federal air quality conformity requirements.

- A state may make arrangements with the FHWA Division Office regarding the procedures under which it would submit a billing to FHWA for debt-related costs. A request for debt service payment can be timed so that reimbursements could be received shortly before the debt service payment date.
- A state may designate a trustee or other depository to receive federal-aid debt service payments directly from FHWA.

TEA 21. Until the enactment of SAFETEA-LU on August 11, 2005, the Transportation Equity Act for the 21st Century (“TEA 21”) was the most recent multi-year authorization act for the FAHP. TEA 21, which became law on June 9, 1998 and was amended on July 22, 1998, extended the authorization of the FAHP through FFY 2003. TEA 21 expired on September 30, 2003 and was the subject of multiple interim reauthorization extensions until the enactment of SAFETEA-LU. See “SAFETEA-LU” below. According to the FHWA, under TEA 21 average annual authorizations for highway aid to the states for FFY 1998 through FFY 2003 were approximately \$28.5 billion, as indicated in the table below (which shows figures by FFY and in billions of dollars):

1998	1999	2000	2001	2002	2003	Average
\$23.8	\$28.2	\$28.7	\$29.5	\$30.0	\$30.6	\$28.5

Source: Authorization Table, TEA 21 Fact Sheet (available on FHWA website).

TEA 21 increased equity protections by assuring each state at least 90.5% of its proportional share of apportioned programs, based on its percentage contribution to HTF receipts, which were reauthorized through FFY 2005. TEA 21 also included a provision known as Revenue Aligned Budget Authority (“RABA”) which required that HTF revenues be spent on transportation-related improvements, rather than allowed to accumulate into large surpluses. To this end, TEA 21 set yearly minimum guaranteed funding levels for the authorization period, which are based on annual HTF revenues.

TEA 21 also provided that interest will no longer accrue on funds in the Highway Account and that as of October 1, 1998 (the start of FFY 1999), the opening balance of the Highway Account of HTF would be set at \$8.0 billion. According to the FHWA Office of Fiscal Services, this amendment reduced the HTF balance by approximately \$7 billion, but will not affect the solvency of the HTF because actual annual funding levels will be based on the previous year’s HTF revenues.

SAFETEA-LU. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (“SAFETEA-LU”), passed the Congress and was signed into law by the President on August 11, 2005 and authorizes a total of \$286.4 billion for the federal surface transportation programs in Federal Fiscal years 2004 through 2009. This represents a 38% increase in authorization over TEA 21. The core federal-aid highway program will be funded at these levels: \$34.4 billion (FFY05), \$36 billion (FFY06), \$38.2 billion (FFY07), \$39.6 billion (FFY08) and \$41.2 billion (FFY09). SAFETEA-LU retains the budgetary firewall and minimum guarantee provisions of TEA 21, increasing each state’s minimum rate of return of HTF contributions from 90.5% in TEA 21 to 92% by 2008. All states are also guaranteed a total six-year average highway funding increase of at least 19%, when compared to the state’s six-year TEA 21 funding total. Including earmarked funds for certain projects, Idaho is scheduled to receive an average annual increase of approximately 32% above the funds provided by TEA 21. For the amounts projected to be legally available for Bond Payments after reducing earmarked funds for other projects, see “FEDERAL AID REVENUES” herein.

Since the passage of SAFETEA-LU, Congress has taken two separate actions to reduce SAFETEA-LU's authorized spending levels for Federal Fiscal Year 2007 and three actions for Federal Fiscal Year 2006 by issuing rescissions. The first rescission, which was included in the Department of

Transportation Appropriations Act, 2006, Public Law (Pub. L. No.) 109-115 and detailed in FHWA Notice N 4510.578 on December 28, 2005, rescinded unobligated balances of apportionments totaling \$1,999,999,000 among the 50 states on a proportional basis, based on the States combined Federal Fiscal Year 2006 apportionments in five programs: Interstate Maintenance (IM), National Highway System (NHS), Bridge, Surface Transportation Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) programs.

The second rescission, which was required by Division B, Chapter 7 of the Department of Defense Appropriations Act, 2006, Pub. L. No. 109-148 and detailed in FHWA Notice N 4510.588 on March 21, 2006, rescinded additional unobligated balances of apportionments totaling \$1,143,000,000 among the 50 states on a proportional basis based on all Federal Fiscal Year 2006 apportionments exclusive of State Planning and Research funds and certain penalties under Title 23, Section 153 (Open Container Requirements) and under Title 23, Section 164 (Penalties for repeat DUI and DWI offenders). This rescission is the result of a 1% across the board cut in all federal discretionary spending enacted as part of the Defense Appropriations Act in late 2005.

The third rescission, which was required by Chapter 9 of the Emergency Supplemental Appropriations Act, 2006, Pub. L. No. 109-234 and detailed in FHWA Notice N 4510.606 on July 7, 2006, rescinded additional unobligated balances of apportionments totaling \$702,362,500 among the 50 states on a proportional basis based on all Federal Fiscal Year 2006 apportionments exclusive of State Planning and Research funds and certain penalties under Title 23, Section 153 (Open Container Requirements) and under Title 23, Section 164 (Penalties for repeat DUI and DWI offenders).

The fourth rescission, which was required by Division B, Title 1, Chapter 10 of the Continuing Appropriations Resolution, 2007, Pub. L. No. 110-5 and detailed in FHWA Notice N 4510.643 on March 19, 2007, rescinded unobligated balances of apportionments totaling \$3,471,582,000 among the 50 states on a proportional basis based on all Federal Fiscal Year 2007 apportionments exclusive of State Planning and Research funds and certain penalties under Title 23, Section 153 (Open Container Requirements) and under Title 23, Section 164 (Penalties for repeat DUI and DWI offenders).

The fifth and most recent rescission, which was required by Title IV, Chapter 8 of the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, Public Law (Pub. L. No.) 110-28 and detailed in FHWA Notice N 4510.647 on June 20, 2007, rescinded unobligated balances of apportionments totaling \$871,022,500 among the 50 states on a proportional basis based on all Federal Fiscal Year 2007 apportionments exclusive of State Planning and Research funds and certain penalties under Title 23, Section 153 (Open Container Requirements) and under Title 23, Section 164 (Penalties for repeat DUI and DWI offenders).

Operations

The present FAHP continues to reimburse a large percentage of state expenditures for approved highway projects. The financial assurance provided by the FAHP is unusual among federal programs in that:

- The FAHP is based on dedicated revenues, from a user-tax source, deposited in a dedicated trust fund (the HTF);
- The budget and contract authority of the FHWA is typically established by a multi-year authorization act rather than annually through appropriation acts (see “-History” above); and

- Contract authority is not at risk during the annual appropriations process (as budget authority is in most other federal programs), although an appropriations act is required in order to liquidate obligations.

The process for reimbursing state expenditures may be summarized in three steps: authorization, obligation and program implementation. The authorization step is the most critical step in establishing overall spending authority for federal highway funding. Authorizing legislation extends the life of the FAHP and the collections that fund the HTF, sets FAHP objectives and provides formulas for determining the distribution or apportionment of available resources among the states. The existence of the dedicated revenues in the Highway Account of the HTF and the existence of multi-year (or under interim authorizations, multi-month) contract authorizations are designed to help to make available a predictable and uninterrupted flow of reimbursements to the states. The risk of contract authority lapsing between authorizing acts is minimal since sufficient unobligated balances generally exist that cover gaps in coverage between multi-year (or multi-month) reauthorization acts.

The second step, obligation, is the process through which states make use of, or “obligate,” the contract authority that has been apportioned or allocated to them in the authorization process (Step 1). Congress typically limits the amount of Obligation Authority that states may use annually. To whatever extent that a state’s Obligation Authority is set below its authorization, the unobligated balance for that state is increased. These unobligated balances provide available funds, from which the FHWA allows states to draw, when there is a lapse period between authorization acts. But under current law the unobligated balances do not otherwise entitle the states to additional funds.

The third step, program implementation, leads to actual receipt of federal funds by states. FAHP implementation methods vary state-by-state. States are permitted to make use of Advance Construction and partial conversion of Advance Construction in order to obligate varying amounts of federal funds to an eligible project from FFY to FFY, depending on how much of the state’s Obligation Authority is available from the FAHP and is desired for such use by the state.

Step 1: Authorization

The first step, and the most crucial in financing the FAHP, is the multi-year (or under interim authorizations, multi-month), authorizing legislation. Such highway authorization acts:

- Establish the taxes that fund the HTF and extend their life (reauthorization);
- Establish the specific programs and procedures through which states receive federal financial assistance for their highway programs; and
- Set upper limits on funding for specific programs and for overall FAHP.

Lapsing of Authorization. All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. Indeed, for most federal discretionary programs, a lapsed authorization may have little or no effect on a program, so long as revenues are appropriated. For the FAHP, the consequences of lapsed authorization caused when Congress fails to enact reauthorization legislation are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that the FHWA usually can continue to provide Obligation Authority by administrative action.

Though recent multi-year federal surface transportation legislation has been authorized for four to six years at a time, there occasionally have been periods in which the previous authorizing legislation had

expired and the future multi-year legislation had yet to be enacted. See, “-History” above. In such circumstances, Congress and/or the FHWA have found ways to avoid disruptions to state highway programs and, more importantly, have been able to maintain the flow of federal revenues to states in each instance. Two mechanisms in particular have kept revenues flowing:

- Access to Unobligated Balances: The 1987 Surface Transportation and Uniform Relocation Assistance Act (“STURAA”) expired on September 30, 1991 and ISTEA was not enacted until December 18, 1991. The FHWA was able to act administratively to keep federal-aid funding flowing because states could use their unobligated balances to provide contract authority to use new Obligation Authority.
- Short-Term Authorization: ISTEA expired on September 30, 1997 and until approval of TEA 21 on June 9, 1998, no new long-term authorization legislation was enacted. Despite the lack of long-term authorizing legislation, states were provided an upper limit on Obligation Authority through passage of an appropriations act plus access to their unobligated balances. On November 13, 1997 Congress passed the Surface Transportation Extension Act of 1997 (“STEA”), which provided a six-month authorization for highway funding and established a limit on the amount of new Obligation Authority states can use at funding levels equal to about a quarter of FFY 1997 authorization levels. Since most states have unobligated balances of at least half their normal annual Obligation Authority levels and an authorization act need not be in place for the FHWA to give states new Obligation Authority, states were able to spend down prior unfunded federal apportionments (contract authority) with newly allocated Obligation Authority. The lack of an enacted authorization act during this period did not pose a threat to the continued flow of revenues, because dedicated highway user fees continued to flow into the HTF. (See Step 2, below, for further explanation of Obligation Authority and unobligated balances.) Similarly, TEA 21 expired on September 30, 2003 and Congress enacted nine interim authorization measures for varying periods over twenty-two months until the enactment of SAFETEA-LU on August 11, 2005.

ALTHOUGH THESE MEASURES HAVE BEEN ENACTED BY CONGRESS AND/OR FHWA IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT SUCH MEASURES WOULD OR COULD BE ENACTED IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL-AID FUNDING UPON TERMINATION OF AN AUTHORIZATION PERIOD.

Annual Distributions. For most components of the FAHP, the authorization acts set the distribution of spending authority among states. The primary methods used to distribute authorized federal highway revenues are “apportionment” and “allocation”:

- Apportionments. The contract authority created by authorization acts such as SAFETEA-LU is distributed annually among the 50 states, the District of Columbia, and Puerto Rico using a process called apportionment of revenues. Apportionments indicate the maximum amount of contract authority that each state can expend for eligible projects in specific programs. For each FFY, the FHWA has responsibility for apportioning authorized funding for the various programs among the states according to formulas established in the authorizing statute. Annual apportionments are generally made on the first day of the federal fiscal year, which is October 1.
- Allocations. While most highway revenues are distributed to states through apportionments, some funding categories do not contain legislatively-mandated apportionment formulas. Distribution of revenues where there are no statutory formulas is called “allocation” or “discretionary allocation”. In most cases, allocated federal

funding is divided among states using criteria determined administratively by the federal Department of Transportation or as provided in a statute, often through competitive grant procedures.

Apportionment formulas have been designed historically to ensure distribution of federal revenues among states according to program needs, but are also increasingly intended to provide states a share of total HTF expenditures relatively close to their payments into the HTF.

Since FFY 1991, each annual aggregate apportionment has exceeded \$15 billion, and beginning in FFY 1998, increased from \$21.5 billion to \$33.3 billion in FFY 2004. (Source: The FHWA, Highway Statistics, (1997 through 2003) Table FA-4.) The FHWA estimated that Highway Account income over the six-year period FFY 1998-2003 was \$169.8 billion; combined with the opening balance under TEA 21 of \$8.0 billion, this yielded resources of \$177.8 billion for the FAHP. TEA 21 authorized an annual average of approximately \$28.5 billion for FFY 1998 through FFY 2003 while SAFETEA-LU authorized an annual average of approximately \$37.1 billion for FFY 2004 through FFY 2009.

Availability of Federal Highway Revenues. Federal-aid highway revenues are available to states for use for more than one year. Their availability does not terminate at the end of the FFY, as is the case with many other federal programs. Consequently, when new apportionments or allocations are made, the amounts are added to a state's unused apportionments and allocations from the previous FFY. Should a state fail to *obligate* (commit to spend) a year's apportionments and allocations within the period of availability specified for a given program, however, the authority to obligate any remaining amount lapses—that is, it is no longer available except for a few programs which receive indefinite, or “no-year” Obligation Authority.

Matching Requirements. With a few exceptions, the federal government does not pay for the entire cost of construction or improvement of federal-aid highways. Federal reimbursements are typically matched with state and/or local government revenues to account for the necessary dollars to complete the project. The maximum federal share is specified in the legislation authorizing the program. Most projects have an 80% federal share while interstate construction and maintenance projects typically have been funded with a 90% federal share. However, the federal share in Idaho is frequently higher because of the amount of land owned by the federal government in Idaho.

Step 2: Obligation

The second step of the federal-aid funding process occurs when revenues that have been authorized by legislation, and either apportioned or allocated to individual states, are obligated for a specific purpose. As noted in the previous section, Congress uses annual appropriations acts to control actual annual obligation of funds in the HTF. Appropriations acts limit the amount of federal money that actually will be obligated and thus ultimately spent, and these annual amounts may be less than the authorized amount. This ceiling on the amount of contract authority that states may use is called the “annual obligation limit.”

Obligation is the commitment of the federal government to pay, through reimbursement to a state, the federal government's share of an approved project's eligible costs, which may include debt service on obligations issued to finance a project. This process is important to the states because it allows states to award contracts with assurance that the federal government will reimburse its share of incurred costs. From the federal perspective, obligations made are the outlays the federal government has committed to make from the HTF in the future. Because of the close relationship between obligations and outlays, Congress and the FHWA play a strong role in determining how much federal funding can be obligated by individual states through two primary processes:

- Appropriations acts; and
- Distribution of Obligation Authority

Appropriations Acts. Congressional appropriations committees use the amount of federal-aid highway revenues that states can obligate in a given year, called “Obligation Authority”, as a means of balancing the annual level of highway spending with other federal budgetary priorities. This is accomplished through the establishment of an annual obligation limitation in the annual Department of Transportation and Related Agency Appropriations Act. The annual obligation limitation can be less than the level of funding authorized for the same year, although the creation of budgetary firewalls and RABA in TEA 21 substantially limited the amount of HTF revenues that can be used for non-highway purposes.

Distribution of Obligation Authority. The obligation limitation is the amount of authorized funding that Congress allows states collectively to obligate in an individual year. Under TEA 21, the annual obligation limitation included two elements – a large portion protected by firewalls and tied to projected HTF receipts through RABA (roughly 90% of total annual contract authority), and a smaller portion that competes with other discretionary budget priorities for funding (less than 10% of total annual contract authority). Beginning in FFY 2000, the level of Obligation Authority protected by firewalls is established each year as the guaranteed obligation limitation in TEA 21, adjusted by the difference between HTF revenue estimates made for TEA 21 and new Department of Treasury projections. Additional, discretionary Obligation Authority is determined when annual appropriations bills are developed and is counted under Congress’ annual spending cap, which is the amount of federal dollars that can be spent on all domestic, non-entitlement programs in a given year. The combined total may still be below the authorized annual level, and serves as a limit on the total obligations in that particular year.

Once Congress establishes an overall obligation limitation, the FHWA distributes Obligation Authority to states proportionately to each state’s share of apportioned and allocated revenues to include minimum guarantee allocations that bring donor states up to the minimum 92% funding level (by FFY 2008). The actual ratio of Obligation Authority to apportionments and allocations may vary from state to state because some federal-aid programs are exempt from the obligation limitation. Once each state’s Obligation Authority is set, states then submit requests to the FHWA to obligate revenues representing the federal share of specific projects throughout the years. (A further description of this process is included in Step 3.) As a state obligates revenues, its balance of Obligation Authority is commensurately reduced, although additional Obligation Authority may be received (e.g., via re-allocation from other states).

A state’s Obligation Authority (unlike its apportionments and allocations of authorized funding) must be used before the end of the FFY for which it is made available; if not, it will be distributed to other states. The FHWA closely monitors each state’s plans for use of Obligation Authority. In mid-summer, the FHWA collects any Obligation Authority from states that do not plan to obligate all of their available Obligation Authority before the end of the FFY, and redistributes it to other states that can obligate the revenues. This reallocation of Obligation Authority is known as the August redistribution.

Unobligated Balances. Because congressional authorization of federal-aid highway revenues represents a commitment to make all authorized revenues available to states for highway purposes, any shortfall between the limit on Obligation Authority created through the annual appropriations process and the amount of contract authority apportioned and allocated to states does not disappear. Instead, the difference between obligation limitations and authorization levels creates what are known as “unobligated balances.”

Although most federal-aid apportionments lapse after four years, this rarely happens with apportioned highway revenues because old apportionments are always spent before new apportionments.

That is, when a state receives new apportionments and Obligation Authority at the beginning of a FFY, obligations are first made against remaining prior year apportionments plus allocation until these are depleted. The net effect of this process, in conjunction with the year-to-year establishment of obligation limitations, has been that states have amassed considerable unobligated balances.

As explained in Step 1, above, unobligated balances permit the FAHP to continue to fund state highway projects during periods in which Congress fails to enact a reauthorization law before the expiration of the previous authorization period. In such periods, the unobligated balances allow states to continue to fund their programs for several months, or even longer, after an authorization act has expired.

Step 3: Program Implementation

The third and final step in the overall federal-aid highway funding process—program implementation—occurs after authorized revenues have been distributed to states, and after states have had the opportunity to obligate those revenues. Once federal-aid highway revenues have been authorized and obligated, states must have developed highway programs that describe, at a project-by-project level, exactly how federal reimbursements will be earned. The process of developing and implementing state highway programs has three broad stages:

- Budgeting;
- Planning and programming; and
- Fiscal management and reimbursement.

Each stage helps to ensure that states develop programs which match funding availability, and that the FHWA is able to distribute federal reimbursements to states in a timely manner.

Budgeting. Budgetary information about availability of funding is crucial to the development of state highway programs. Projected state and federal funding levels are used to budget transportation needs. Consequently, state transportation budget officials track the availability of funding and develop forecasts of future state and federal revenues. States must estimate the availability of short and long-term state and federal funding in order to plan their highway programs. They use this information as a guide during long-range planning, and as a strict constraint on short-term programming. In Idaho, the Department's annual budget is based on projections made in light of long-range program requirements and revenue estimates for both state and federal funds. The annual budget request is prepared by the Department and presented to the Governor for submission to the Idaho Legislature at its annual session. The estimates of state revenues and federal funds are made by the Department.

Planning and Programming. The State's road planning process is structured to ensure the development of a continuous and credible highway improvement program that complements the State's overall transportation system. The process and its products have evolved considerably in recent years as the Department has lengthened its planning horizon and the Idaho Legislature has assumed a more participatory role.

Highway Capital Investment Program.

Idaho's Highway Capital Investment Program (HCIP) is the major component of the State's multi-modal Statewide Transportation Improvement Program (STIP). The STIP also includes federally funded public transportation and aeronautic projects under the Department's administrative authority. Inclusion of the HCIP in the STIP ensures the accomplishment of certain conditions necessary for receiving federal highway funding for use on projects. These conditions include, ongoing public involvement in the creation and updating of the HCIP, the participation of state and local officials in the

selection of projects, and consistency between Metropolitan Transportation Improvement Programs (MTIP's) and the State's HCIP. The STIP is also required to represent a realistic project funding plan within reasonable expectations of future sources of funding. Selected projects in the MTIPs and the STIP must have been determined to conform to certain air quality attainment goals in air quality non-attainment areas to remain in the STIP.

Projects in the STIP are based on the short term and long range needs continuously identified from statewide management systems as well as the vision and principals of the Department's long range plan entitled, Idaho's Transportation Vision 2004-2034. This multi-modal high level plan depicts principles and priorities surrounding corridors and regional transportation issues. It was developed after two years of public and stakeholder involvement and adopted by the Idaho Transportation Board in July 2004.

The HCIP represents a project funding and delivery schedule over a five year period. State, federal and private funding sources available for capital investment are reflected. Projects are grouped and prioritized into various funded programs as established by the Idaho Transportation Board which support the long range transportation plans of the Department. Certain programs support local projects that are accomplished for local transportation agencies outside the Department. Other outcome based programs represent project types which accomplish the system-wide safety, preservation and capacity/expansion goals adopted by the Department for the State owned highway system. Still other programs reflect special transportation related purposes aligned with particular federal or other funding sources, such as planning, air quality improvement, research, training and others.

All project costs, priorities and delivery information in the five-year HCIP is updated annually in Idaho, although a bi-annual update is acceptable under federal laws addressing STIP requirements, and the STIP may only be three years duration. New projects are typically added to the fifth year of the HCIP, especially the more complicated capacity/expansion projects with signification social, environmental, and right-of-way challenges. Only highway and transit projects in a STIP approved jointly by the Federal Highway Administration and the Federal Transit Administration (FTA) are eligible for future federal authorization (advance construction or obligation) for future reimbursement, provided all other applicable Federal laws and procedures are adhered to. Thus, inclusion in the STIP alone does not insure future Federal reimbursement of project cost.

Implementation of the Five-Year HCIP

A project is committed to be awarded for construction in the construction season corresponding to the year the project was placed in the HCIP. A project is planned and managed so this commitment can be met on time and within budget. A project which is delivered on time and within budget meets both the public's expectations and fulfills the system performance goals set forth in the Department's plans and management systems. Significant departures in a project's cost or its delivery schedule due to unanticipated factors such as reduced funding, excessive inflation, environmental concerns or volatility in public support may affect the Department's ability to meet this commitment.

Traditionally, federal and state funds are used for the planning, environmental assessment, design and right-of-way acquisition phases leading to the final design and advertisement of the project for contract letting, as well as for construction. Federal obligations of funding may be made at various times prior to award of the project to assure reimbursement of the various developmental phases leading to the project's award for construction by contract. Any project costs incurred prior to the date of a federally approved obligation of a phase are not reimbursable with federal funds.

Certain of the developmental phases must be obligated and done sequentially. Federal obligation for any one developmental phase is conditional on the successful completion of previous phases in accordance with applicable Federal laws and regulations with some projects involving FHWA reviews before a new phase can begin. For example right-of-way acquisition may not be obligated before the environmental assessment phase is completed. A highway project and the balance of planned funding needed to complete it will remain in the HCIP (and the STIP) in a current or a future year until the State, the Federal Highway Administration or other funding partners have fully obligated their contributions to the anticipated costs for constructing the project.

Fiscal Management and Federal Highway Reimbursements. Once budgeting, planning and programming are complete, projects move into a fiscal management phase. This fiscal management process is the third element of the implementation step in the overall federal highway funding process. A state-led fiscal management system—conducted in accordance with FHWA requirements—is used to determine exactly how much federal funding will be received for each project, to obtain final FHWA authorization before projects are implemented, and to ensure timely federal reimbursement of state expenditures on contractor costs. In Idaho, these activities are performed by the Department.

States must follow federal fiscal management procedures as they implement projects that have passed through the approval and programming processes. These fiscal management procedures ensure that the FHWA and states are able to manage the process efficiently, from project authorization to actual payment of Federal Highway Reimbursements to the state.

Once federal authorizations (obligations) have occurred for any phase of development or for construction in the committed delivery year in the HCIP, a confirmed revenue source for reimbursement of the eligible project costs has been established. Such obligation amounts become the phase specific project control budgets against which charges are made under the Department’s financial management system. The Department then regularly bills the FHWA (or any other funding partner) for their portion of the phase specific costs to date. Costs are typically incurred by the Department, private consultants and construction contractors.

The first step in the fiscal management process begins when a state requests authorization to use federal funding on a project. For example once the project is finally designed, the project sponsor (e.g., the Department) submits plans, specifications and estimates (“PS&Es”) for a project to the FHWA division office, and requests that the FHWA approve the use of federal funding for the appropriate federal share of the project. The project must be in the STIP and the PS&Es must identify the category of federal funding that will be used.

The FHWA evaluates the PS&Es to ensure that the project is eligible for federal funding and meets a variety of federal requirements (e.g., design standards). Provided that all requirements are satisfied, the FHWA authorizes federal participation in the project, and obligates the federal share of project costs. By obligating the revenues, the FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. It sets aside the appropriate amount of that state’s Obligation Authority, and also sets aside an equivalent amount of apportioned revenues by program (or programs). Accordingly, the state must have sufficient Obligation Authority to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the state advertises the project and receives bids. Based on actual costs identified in bids, the state awards the contract to the lowest qualified bidder and submits a request to the FHWA asking for any necessary adjustments to federal obligations for the project. If approved, the amounts agreed to are included in a project agreement which identifies the

revenues that will be encumbered by the state (formally applied against the state's resources), and the amount that will be reimbursed by the federal government.

Construction begins, and contractors submit bills to the state as work is completed. A state pays its contractor's bills with cash from the state treasury; the state bills the FHWA electronically for the federal share of completed work for which payment has been made; and the FHWA makes payment to the state via electronic transfer. This FHWA reimbursement to the state liquidates its obligation for the federal share of the costs incurred to that point. As project work continues and state expenditures are reported to the FHWA, federal reimbursements are made. In Idaho, reimbursement requests are submitted weekly and reimbursements are made by wire transfer generally within one to two days. The State's systems and management in general, are highly automated, leading to a routine flow of Federal Highway Reimbursements based on actual spending on approved projects.

Innovative variations on this fiscal management approach include Advance Construction and partial conversion of Advance Construction. These variations complement one another to provide a state with additional flexibility in managing its Obligation Authority and cash.

The Advance Construction approach for authorizing projects allows states to finance projects that are eligible for federal aid without obligating the federal share of costs at the outset of the project. This allows states to begin a project before amassing all of the Obligation Authority needed to cover the federal share of that project. As with the traditional approach, the state submits PS&Es to the FHWA and requests project authorization. Under Advance Construction, however, the FHWA is asked to authorize the project without obligating federal revenues. As a result, the state will cover the entire cost of the project and later may request the obligation of revenues, when sufficient Obligation Authority is available and is desired by the state. Further, the state may then take credit for state expenditures, made from project approval to that date, as a basis for earning reimbursements.

Once the FHWA authorizes a project for federal assistance, the state follows the same procedure to advertise a project, to award the contract, and to reconcile the level of state and federal funding required. The state may request that the FHWA convert its Advance Construction amount to an obligation at any time, provided the state has sufficient Obligation Authority. This conversion of Advance Construction to Obligation Authority must occur in order for the state to be reimbursed for the federal share of the project. The state can convert Advance Construction to Obligation Authority long after state expenditures are made.

Under partial conversion of Advance Construction, moreover, a state follows the steps to apply for Advance Construction but converts, obligates, and receives reimbursement for only a portion of its funding of an Advance Construction project in a given year. This removes any requirement to wait until the full amount of Obligation Authority is available. The state can thus obligate varying amounts for the project's eligible cost in each year, depending on how much of the state's Obligation Authority is available and desired by the state.

States are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states. The Department uses a new integrated financial management, procurement, and human resource system to track all detail budget, expenditures, and expenses for all projects, including bond financed projects. This system also includes all necessary reporting capabilities and the FHWA federal billing functionality.

The Memorandum of Agreement

The Department has entered into, and the State and the Board have acknowledged and approved, the Memorandum of Agreement with FHWA relating to the Project. Under the Memorandum of Agreement, FHWA has agreed to make payments to the Department, which will be deposited to the State Highway Account and continuously appropriated and remitted to the Trustee, in an amount equal to the federal share of the principal of, premium, if any, and interest on the Bonds, when due. While the Bonds are outstanding, by the seventh (7th) business day of each new Federal Fiscal Year, the Department will submit one or more requests to the FHWA to partially convert an advance construction amount sufficient to pay the federal share of the scheduled debt service due and payable on the Bonds within the new Federal Fiscal Year. If only a portion of the annual Obligation Authority is provided, the Department will reserve the pro-rata share of that portion of the Obligation Authority for debt service payments on the Bonds for that year until the full Obligation Authority is provided. Under the Financing Agreement, the Department covenants to comply with applicable law and the Memorandum of Agreement to the extent required for the Department to receive on behalf of the State all revenues from the FHWA under the Memorandum of Agreement. The Memorandum of Agreement does not constitute a commitment, guarantee or obligation on the part of the United States to provide for the payment of Financing Payments under the financing agreement or debt service on the Bonds.

STIP and Long Range Plan Conformity with Federal Clean Air Requirements

The EPA's air quality conformity regulations require that the STIP and long range plans be evaluated for emissions impacts in both non-attainment and maintenance areas. The Idaho STIP and long range plan are analyzed to evaluate change in ozone precursors (volatile organic compounds – VOC and oxides of nitrogen – Nox) and carbon monoxide – CO emissions due to implementation. The air quality analysis has demonstrated that implementation of the State's long range transportation plan and STIP is consistent with federal air quality conformity criteria and regulations, and conforms to the air quality goals in Idaho's State Air Quality Implementation Plan. See "THE IDAHO TRANSPORTATION DEPARTMENT" and "MANAGEMENT OF STATE HIGHWAY PROGRAM."

FEDERAL AID REVENUES

Idaho is a "donee" state, currently receiving \$1.57 in Federal Aid Revenues for every \$1.00 it contributes in motor-fuel tax revenue. Below are tables identifying prior Apportionments, Obligation Authority and Receipts of Federal Aid Revenues by the State and the Department from Federal Fiscal Year 1992 through the Federal Aid Authorization ending September 30, 2009. The ability to pay debt service on the Bonds will depend upon the amount of funding provided to the State under the FAHP and the State's ability to use such funding.

**FEDERAL AID REVENUES
 APPORTIONMENTS, OBLIGATION AUTHORITY AND RECEIPTS
 FOR THE IDAHO TRANSPORTATION DEPARTMENT
 Under Prior Federal Aid Authorization Period
 (Intermodal Surface Transportation Efficiency Act of 1991)
 Federal Fiscal Years 1992 Through 1997**

<u>Federal Fiscal Year</u>	<u>Apportionments</u>	<u>Obligation Authority</u>	<u>Fed Reimbursements Actual Receipts (SFY)</u>
1992	114,984,000	112,155,000	108,599,700
1993	125,763,000	107,369,000	95,382,700
1994	129,475,000	122,298,000	95,498,700
1995	138,689,000	128,423,000	122,374,306
1996	111,710,000	119,144,000	101,847,810
1997	<u>129,217,000</u>	<u>118,851,000</u>	<u>134,011,946</u>
Totals 1992 – 1997	<u>749,838,000</u>	<u>708,240,000</u>	<u>657,715,162</u>
Annual Average 1992 – 1997	<u>\$124,973,000</u>	<u>\$118,040,000</u>	<u>\$109,619,194</u>

Source: Idaho Transportation Department

**FEDERAL AID REVENUES
 APPORTIONMENTS, OBLIGATION AUTHORITY AND RECEIPTS
 FOR THE IDAHO TRANSPORTATION DEPARTMENT
 Under Prior Federal Aid Authorization Period
 (Transportation Equity Act for the 21st Century and Extensions)
 Federal Fiscal Years 1998 Through 2004**

<u>Federal Fiscal Year</u>	<u>Apportionments</u>	<u>Obligation Authority</u>	<u>Fed Reimbursements Actual Receipts (SFY)</u>
1998	174,724,722	158,918,672	123,887,735
1999	206,227,438	168,674,763	125,646,893
2000	222,538,472	195,584,877	169,564,032
2001	236,453,733	209,358,587	180,460,185
2002	238,933,475	220,165,860	175,438,288
2003	210,362,160	218,242,810	205,598,915
2004	<u>215,114,696</u>	<u>208,956,521</u>	<u>220,100,207</u>
Totals 1998 – 2004	<u>1,504,354,696</u>	<u>1,379,902,090</u>	<u>1,200,696,255</u>
Annual Average 1998 – 2004	<u>\$ 214,907,814</u>	<u>\$ 197,128,870</u>	<u>\$ 171,528,036</u>

Source: Idaho Transportation Department

**FEDERAL AID REVENUES
 APPORTIONMENTS, OBLIGATION AUTHORITY, RECEIPTS AND
 TOTAL RECEIPTS ESTIMATED TO BE AVAILABLE FOR BOND PAYMENTS
 FOR THE IDAHO TRANSPORTATION DEPARTMENT
 Under SAFETEA-LU of 2005
 Federal Fiscal Years 2005 Through 2009**

<u>Federal Fiscal Year</u>	<u>Apportionments¹</u>	<u>Estimated Obligation Authority²</u>	<u>Federal Reimbursements Actual Receipts (SFY)/Estimated Receipts Available for Bond Payments³</u>
2005	294,890,577	250,457,505	239,441,939
2006	275,954,863	277,372,700	263,541,415
2007	284,918,923	271,489,587	282,848,244
2008	288,460,537	259,614,483	299,963,073
2009	<u>291,328,644</u>	<u>262,195,780</u>	<u>249,085,991</u>
Totals 2005 - 2009	<u>1,435,553,544</u>	<u>1,321,130,055</u>	<u>1,334,880,662</u>
Annual Average 2005 - 2009	<u>\$287,110,709</u>	<u>\$264,226,011</u>	<u>\$266,976,132</u>

Source: Idaho Transportation Department

1. Source: FHWA Table HPLS-30 dated 8/30/05 provided to SAFETEA-LU Conference Committee adding in the Transportation Improvement Earmarks from the bill for FFY 2008 and 2009.
2. Actual amounts for 2005 through 2007; estimated to be 90% of Apportionments for 2008 and 2009.
3. For FFY 2008 and 2009, the Idaho 2008 Capital Budget estimate is used; preliminary, subject to change.

NOTE: Fiscal Years 2005 - 2007 above show actual federal reimbursements. Fiscal Years 2008 - 2009 show estimated federal reimbursements. Apportionments for FFY 2005 are the result of FFY04 apportionments not available until FFY05.

The following table shows the total actual receipts from both federal and State sources deposited into the State Highway account for Fiscal Year 2007.

**State Highway Account
 Fiscal Year 2007 Actual Receipts**

<u>Federal Aid</u>	
FHWA Highways	\$282,848,244
Public Transportation	5,023,524
Highway Safety	1,835,407
Other	<u>2,177,271</u>
Total Federal Aid	291,884,446
<u>State Sources</u>	
Highway Distribution Account	188,939,537
Miscellaneous	<u>25,304,460</u>
Total State Sources	214,243,997
Match for Local Projects	<u>7,701,649</u>
Total Receipts All Sources	<u>\$513,830,092</u>

DEBT SERVICE REQUIREMENTS FOR THE BONDS

The following table shows the debt service requirements for the 2006 Bonds and for the 2008 Series A Bonds. In order to issue Additional Bonds the Issuer and the Department will be required to comply with certain debt service coverage tests. See “SECURITY FOR THE BONDS- Additional Bonds ” and “THE PROJECT.”

<u>State Fiscal Year</u>	<u>2006 Bonds Debt Service</u>	<u>Principal 2008 Series A Bonds</u>	<u>Interest 2008 Series A Bonds⁽¹⁾</u>	<u>Combined Bond Debt Service</u>
2008	\$26,141,016.25			\$26,141,016.25
2009	42,533,125.63		\$6,483,847.79	49,016,973.42
2010	10,222,213.76	\$3,985,000	8,217,477.50	22,424,691.26
2011	10,560,417.51	8,675,000	8,027,577.50	27,262,995.01
2012	10,913,735.63	4,650,000	7,801,002.50	23,364,738.13
2013	11,274,738.75	1,490,000	7,683,133.75	20,447,872.50
2014	11,647,380.00	8,080,000	7,540,515.00	27,267,895.00
2015	12,035,122.50	8,015,000	7,219,121.25	27,269,243.75
2016	12,431,845.00	7,990,000	6,847,068.75	27,268,913.75
2017	12,849,237.50	7,950,000	6,427,616.25	27,271,853.75
2018	13,274,667.50	7,930,000	6,065,303.75	27,269,971.25
2019	13,711,987.50	7,905,000	5,656,150.00	27,273,137.50
2020	14,167,110.00	7,815,000	5,290,530.63	27,272,640.63
2021	14,641,785.00	7,700,000	4,933,021.26	27,274,806.26
2022	15,127,290.00	7,615,000	4,537,830.63	27,280,120.63
2023	15,625,737.50	7,510,000	4,144,077.50	27,279,815.00
2024	16,144,187.50	7,380,000	3,757,252.50	27,281,440.00
2025	16,682,820.00	7,225,000	3,375,658.75	27,283,478.75
2026		24,750,000	2,538,702.50	27,288,702.50
2027	_____	<u>36,370,000</u>	<u>945,701.25</u>	<u>37,315,701.25</u>
Total	<u>\$279,984,417.53</u>	<u>\$173,035,000</u>	<u>\$107,536,589.06</u>	<u>\$560,556,006.59</u>

(1) Interest is capitalized to July 15, 2008.

LEGALITY FOR INVESTMENT

Pursuant to the Act, the 2008 Series A Bonds are eligible for investment in Idaho by state and municipal officers, banks, trust companies, savings banks and saving associations, savings and loans associations, national banking associations, insurance companies, executors, trustees and other fiduciaries, and all other persons who are authorized to invest in bonds or other obligations of the State of Idaho.

LEGAL MATTERS

Certain legal matters in connection with the issuance of the 2008 Series A Bonds are subject to the approval of Ballard Spahr Andrews & Ingersoll, LLP and Skinner Fawcett, collectively, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP. Underwriters’ Counsel undertakes no responsibility for the fairness, accuracy or completeness of this Official Statement. Certain legal matters relating to the Issuer will be passed upon by Richard A. Skinner, Esq. of Skinner Fawcett, Boise, Idaho, as general counsel to the Issuer. Certain

legal matters will be passed upon for the Department by its counsel, Karl Vogt, Esquire, Deputy Attorney General of Idaho.

TAX MATTERS

In the opinion of Co-Bond Counsel, based upon the existing laws, regulations, rulings and court decisions and assuming, among other matters, continuing compliance with certain covenants, interest on the 2008 Series A Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the 2008 Series A Bonds is not a specific preference item for purposes of the federal individual and corporation alternative minimum taxes. In addition, in the opinion of Co-Bond Counsel, interest on the 2008 Series A Bonds is exempt from State of Idaho income taxes. Co-Bond counsel expresses no opinion regarding other tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the 2008 Series A Bonds.

The Code establishes certain requirements which must be met on a continuing basis subsequent to the delivery of the 2008 Series A Bonds for interest on the 2008 Series A Bonds to be excludable from gross income for federal income tax purposes. The Issuer and the Department have covenanted to take all reasonable steps to comply with all of the requirements of the Code so that interest on the 2008 Series A Bonds will be excludable from gross income for federal income tax purposes. Co-Bond Counsel has assumed continuing compliance by the Issuer and the Department with the above covenants and procedures in rendering their opinion with respect to the interest on the 2008 Series A Bonds being excludable from gross income for federal income tax purposes. Co-Bond Counsel's engagement with respect to the 2008 Series A Bonds ends with the issuance of the 2008 Series A Bonds. Co-Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) or any other matters coming to the attention of Co-Bond Counsel after the date of issuance of the 2008 Series A Bonds may adversely affect the value of, or the tax status of interest on, the 2008 Series A Bonds. Accordingly, their opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2008 Series A Bonds to be subject directly or indirectly, to federal income taxation or interest on the 2008 Series A Bonds to be subject to or exempted from state income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2008 Series A Bonds. For example, on November 5, 2007, the U.S. Supreme Court heard oral arguments on its review of a Kentucky state court decision on the issue of whether the U.S. Constitution precludes states from giving more favorable tax treatment to state and local government bonds issued within that state than the tax treatment given bonds issued outside that state. The outcome of this or any similar case cannot be predicted, but the ultimate result could be a change in the treatment for state tax purposes of obligations such as the 2008 Series A Bonds, including whether interest on the 2008 Series A Bonds is exempt from State of Idaho income taxes. Prospective purchasers of the 2008 Series A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel expresses no opinion.

The opinion of Co-Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Co-Bond Counsel's judgment as to the proper treatment of the 2008 Series A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Co-Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer or the Department or about the effect of

future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS.

Although Co-Bond Counsel expects to render an opinion that interest on the 2008 Series A Bonds is excludable from gross income for federal income tax purposes and that interest on the 2008 Series A Bonds is exempt from State of Idaho income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2008 Series A Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status or the Bondholder's other items of income or deduction. Co-Bond Counsel expresses no opinion regarding any such other tax consequences.

Certain of the 2008 Series A Bonds are offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holder's tax basis for the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisers for an explanation of the amortization rules.

Certain of the 2008 Series A Bonds are offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a bond accrues periodically over the term of the bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders should consult their tax advisers for an explanation of the accrual rules.

NO LITIGATION

There is no proceeding or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the 2008 Series A Bonds, or in any way contesting or affecting the validity of the 2008 Series A Bonds, any proceedings of the Issuer taken with respect to the issuance or sale thereof, the pledge or application of any money or security provided for the payment of the 2008 Series A Bonds, the existence or powers of the Issuer relating to the 2008 Series A Bonds or the title of any officers of the Issuer to their respective positions.

CONTINUING DISCLOSURE

The Issuer and the Department have covenanted for the benefit of the Holders and Beneficial Owners of the 2008 Series A Bonds to provide certain financial information and operating data relating to the Issuer and the Department not later than nine months following the end of the Issuer's fiscal year, commencing with a report for the Issuer's fiscal year ending June 30, 2008 (the "Annual Bond Disclosure Report"), and to provide notice of the occurrence of certain enumerated events, if material. The Annual Bond Disclosure Report will be filed with each Nationally Recognized Municipal Securities Information Repository and with the State Repository, if any. The notices of material events will be filed with the Municipal Securities Rulemaking Board and with the State Repository, if any. The specific nature of the information to be contained in the Annual Bond Disclosure Report and the notices of material events is summarized herein. See "EXHIBIT E - SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

RATINGS

Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") (each a "Rating Agency") have assigned the Insured 2008 Series A Bonds ratings of "Aaa" and "AAA," respectively, conditioned upon delivery of the Policy at the time of delivery of the Insured 2008 Series A Bonds.

Moody's and Fitch have assigned ratings of "Aa3" and "A+," respectively, as ratings on the 2008 Series A Bonds maturing July 15, 2009 and July 15, 2010 and as the underlying ratings on the Insured 2008 Series A Bonds.

Each rating reflects only the views of the respective Rating Agency. Explanations of the significance of the ratings may be obtained from each Rating Agency as follows: Fitch Ratings, One State Street Plaza, New York, New York 10004 (212) 908-0500 and Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, (212) 553-0300. A rating is not a recommendation to buy, sell or hold the 2008 Series A Bonds, and there is no assurance that any rating will be maintained for any given period of time by a Rating Agency or that it will not be revised or withdrawn entirely by such Rating Agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of a rating may have an adverse affect on the market price of the 2008 Series A Bonds.

UNDERWRITING

The 2008 Series A Bonds will be purchased from the Issuer by the Underwriters, represented by Citigroup Global Markets Inc., under a Purchase Contract dated March 12, 2008, pursuant to which the Underwriters agree, subject to certain conditions, to purchase all of such 2008 Series A Bonds.

The Underwriters have agreed to purchase the 2008 Series A Bonds from the Issuer at a price of \$179,060,542.11 which reflects an Underwriters' discount of \$984,023.04 and a net original issue premium of \$7,009,565.15.

The initial public offering prices of the 2008 Series A Bonds may be changed from time to time by the Underwriters. The Underwriters may offer and sell the 2008 Series A Bonds to certain dealers (including dealers depositing such 2008 Series A Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than the initial public offering prices.

ADDITIONAL INFORMATION

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holder of any of the 2008 Series A Bonds.

Copies in reasonable quantity of the Indenture, the Financing Agreement and other documents referenced herein may be obtained during the offering period from the Issuer at 565 Myrtle Street, Boise, Idaho 83702.

The execution and delivery of this Official Statement have been duly authorized by the Issuer and the Department. Concurrently with the delivery of the 2008 Series A Bonds, the Issuer and the Department will furnish a certificate executed on behalf of the Issuer and the Department to the effect that this Official Statement, as of the date of this Official Statement and as of the date of delivery of the 2008 Series A Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading.

IDAHO HOUSING AND FINANCE
ASSOCIATION

By: /s/ Gerald M. Hunter
President and Executive Director

IDAHO TRANSPORTATION
DEPARTMENT

By: /s/ Pamela K. Lowe
Director

EXHIBIT A

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

Upon issuing of the 2008 Series A Bonds, Ballard Spahr Andrews & Ingersoll, LLP and Skinner Fawcett, propose to issue an opinion in substantially the following form:

We have acted as bond counsel to the Idaho Housing and Finance Association (the “Issuer”) in connection with the issuance by the Issuer of \$173,035,000 aggregate principal amount of Idaho Housing and Finance Association Grant and Revenue Anticipation Bonds Federal Highway Trust Fund, 2008 Series A (the “2008 Series A Bonds”). The 2008 Series A Bonds are issued pursuant to the provisions of Title 67, Chapter 62 of the Idaho Code, as amended and are secured by a Master Trust Indenture dated as of May 1, 2006 between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”) and a Series Trust Indenture dated as of March 1, 2008 between the Issuer and the Trustee (collectively, the “Indenture”). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The 2008 Series A Bonds are dated, mature, are payable, bear interest and are subject to redemption, all as provided in the Indenture.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the 2008 Series A Bonds in order that interest on the 2008 Series A Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Tax Certificate of the Issuer and the Idaho Transportation Department (the “Department”), dated the date hereof (the “Tax Certificate”), in which the Issuer and the Department have made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the 2008 Series A Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the 2008 Series A Bonds and the investment of certain funds. The Tax Certificate obligates the Issuer and the Department to take certain actions necessary to cause interest on the 2008 Series A Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code may cause interest on the 2008 Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained. In rendering the opinion in paragraph 4 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Tax Certificate with respect to matters affecting the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on the 2008 Series A Bonds, and (ii) compliance by the Issuer and the Department with procedures and covenants set forth in the Tax Certificate as to such tax matters.

We have reviewed the Indenture, the Tax Certificate, opinions of counsel to the Issuer and the Department, certificates of the Issuer, the Department, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have

not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as original or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with the covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure the future actions, omissions or events will not cause interest on the 2008 Series A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2008 Series A Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the State of Idaho. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2008 Series A Bonds and express no opinion with respect thereto.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Issuer is a public body, corporate and politic, validly existing under the laws of the State of Idaho, and has lawful authority to issue the 2008 Series A Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Pledged Receipts and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture (except for amounts on deposit in the Rebate Account and except for the Rebate Requirement to be deposited in the Rebate Account), and of the rights and interests of the Issuer in and to all Pledged Receipts, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Except as set forth in the Indenture, Bonds issued under the Indenture are equally and ratably secured by the pledges and covenants contained therein.

3. The 2008 Series A Bonds constitute valid and binding limited obligations of the Issuer, payable solely from the Pledged Receipts and other assets pledged therefor under the Indenture. The 2008 Series A Bonds do not constitute a debt or liability of the State of Idaho or any political subdivision thereof.

4. Interest on the 2008 Series A Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code, is exempt from State of Idaho income taxes, and is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes.

Very truly yours,

BALLARD SPAHR ANDREWS &
INGERSOLL, LLP

and

SKINNER FAWCETT

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EXHIBIT B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Definitions

Set forth below are the definitions of some of the terms used in this Official Statement, the Master Indenture and the Financing Agreement. Reference is made to the Master Indenture and the Financing Agreement for a complete recital of the terms defined therein.

“2006 Bonds” means the Issuer’s Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, Series 2006.

“Act” shall mean Title 67, Chapter 62, Idaho Code, as amended.

“Additional Bonds” shall mean Bonds issued under the provisions of the Master Indenture (other than the initial Bonds).

“Additional Payments” shall mean the Additional Payments payable under the Financing Agreement.

“Assured Guaranty” shall mean Assured Guaranty Corp., or any successor thereto or assignee thereof.

“Authorized Denominations” shall mean \$5,000 and integral multiples thereof.

“Authorized Officer” shall mean, as to the Issuer, the Chairman, Vice Chairman, Secretary-Treasurer, President and Executive Director, Senior Vice President, Treasurer or Assistant Secretary-Treasurer of the Issuer, or any other officer or employee of the Issuer authorized to perform the particular acts or duties by resolution duly adopted by the Issuer.

“Auxiliary Agreements” shall mean Credit Facility Agreements, Exchange Agreements and Liquidity Facility Agreements.

“Auxiliary Agreement Provider” shall mean the provider of an Auxiliary Agreement with respect to any Series of Bonds.

“Auxiliary Obligations” shall mean obligations of the Issuer for the payment of money under Auxiliary Agreements.

“Board” means the Idaho Transportation Board, the board established under Title 40, Chapter 3, Idaho Code, as amended.

“Bond” shall mean, for purposes of this Summary, any of the bonds of the Issuer authorized and issued under the Master Indenture and any Series Indenture, including the Initial Bonds and any Additional and Refunding Bonds.

“Business Day” shall mean any day other than (i) a day on which the Trustee or the Paying Agent is required, or is authorized or not prohibited, by law (including executive orders) to close and is closed and (ii) a day on which the New York Stock Exchange is closed.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and shall include the Regulations of the United States Department of the Treasury promulgated thereunder.

“Costs of Issuance” shall mean only the costs of issuing Bonds as designated by the Issuer; including, but not being limited to, the fees and charges of the financial advisors or Underwriter, bond counsel, disclosure counsel, issuer counsel, underwriter’s counsel, Trustee, Trustee’s counsel, rating agencies, bond and official statement printers and such other fees and expenses normally attendant to an issue of the Bonds.

“Counsel” or “Counsel’s Opinion” shall mean an opinion signed by such attorney or firm of attorneys of recognized national standing in the field of law relating to municipal bonds and municipal finance as may be selected by the Issuer.

“Counterparty Exchange Payment” shall mean a payment due from an Exchange Counterparty to the Trustee or the Issuer pursuant to the Related Exchange Agreement (including, but not limited to, payments in respect of any early termination, as provided in the Related Exchange Agreement).

“Credit Facility” shall mean, with respect to any Series of Bonds, a letter of credit, bond insurance policy, surety bond or similar instrument to be issued by a Credit Facility Provider having such terms as are set forth in the Related Series Indenture.

“Credit Facility Agreement” shall mean the reimbursement agreement, bond insurance agreement or similar agreement between the Issuer and any Credit Facility Provider.

“Credit Facility Provider” shall mean the provider of a Credit Facility with respect to any Series of Bonds.

“Department” shall mean the Idaho Transportation Department, an executive department of the State of Idaho.

“Eligible Investments” shall mean and include any of the following which at the time are legal investments for fiduciaries under the laws of the State for moneys held under the Indenture which are then proposed to be invested therein:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
2. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
3. Federal Financing Bank

4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
Participation certificates
6. Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations
7. U.S. Maritime Administration
Guaranteed Title XI financing
8. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
Senior debt obligations
2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates
Senior debt obligations
3. Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations
4. Farm Credit System
Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits of issuing banks or financial institutions having capital and surplus of at least \$15,000,000 which are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the Credit Facility Providers.

H. Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1+" or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-I+" or better by S&P.

K. Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to the Credit Facility Providers.

Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

1. Repos must be between the municipal entity and a dealer bank or securities firm
 - a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or
 - b. Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.
2. The written repo contract must include the following:
 - a. Securities which are acceptable for transfer are:
 - (1) Direct U.S. governments, or
 - (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)
 - b. The term of the repo may be up to 30 days
 - c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
 - d. Valuation of Collateral
 - (1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

- (a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the municipal entity:

- a. Repo meets guidelines under state law for legal investment of public funds.

“Exchange Agreement” shall mean an interest rate exchange agreement between the Issuer or the Trustee and an Exchange Counterparty, as amended or supplemented, or a similar interest rate hedge agreement, as amended or supplemented.

“Exchange Counterparty” shall mean any party with whom the Issuer or the Trustee shall, from time to time, enter into an Exchange Agreement.

“Exchange Payment” shall mean a payment due from the Issuer or the Trustee to an Exchange Counterparty, pursuant to the Related Exchange Agreement (excluding, any payments in respect of any early termination, as provided in the Related Exchange Agreement).

“Federal Fiscal Year” shall mean the period commencing October 1 of any year and ending September 30 of the ensuing year, or any other fiscal year of the FHWA.

“FHWA” shall mean the Federal Highway Administration.

“FHWA Funds” shall mean all federal surface transportation funds described in Section 40-702(5) Idaho Code, as amended, which can be used to pay debt service on bonds and which are deposited into the State Highway Account.

“Financing Agreement” shall mean the Master Financing Agreement, dated as of October 13, 2005 among the Issuer, the Board and the Department, and any amendments or supplements thereto.

“Fitch” shall mean Fitch Ratings.

“Holder”, or “Owner”, or any similar term (when used with reference to any Bonds), shall mean the person in whose name a Bond is registered.

“Insured 2008 Series A Bonds” means the 2008 Series A Bonds maturing on July 15 of the years 2011 through 2026, inclusive.

“Interest Payment Date” shall mean, for each Series of Bonds, the date upon which interest on the Bonds of such Series shall be payable as provided in the Related Series Indenture.

“Liquidity Facility” shall mean, with respect to any Series of Bonds, a standby bond purchase agreement, letter of credit, line of credit, revolving credit agreement or similar liquidity enhancement or support facility or agreement or undertaking or combination thereof to be issued by a Liquidity Facility Provider having such terms as are set forth in the Related Series Indenture.

“Liquidity Facility Provider” shall mean the provider of a Liquidity Facility with respect to any Series of Bonds.

“Master Indenture” shall mean the Master Trust Indenture, dated as of May 1, 2006, and entered into between the Issuer and the Trustee, as amended or supplemented from time to time.

“Maximum Annual Debt Service” is defined as the greatest of the amounts required to be paid or set aside during the current or any single future State Fiscal Year, commencing after the date of such calculation, for payment of debt service on all Outstanding Bonds. The method for determining Maximum Annual Debt Service for variable rate Bonds shall be set forth in the related Series Indenture.

“Memorandum of Agreement” shall mean the Memorandum of Agreement between the Department and FHWA, as amended or supplemented.

“Moody’s” shall mean Moody’s Investors Service, Inc.

“Outstanding” when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or then being authenticated and delivered except:

(a) Bonds cancelled upon surrender, exchange or transfer or cancelled because of payment or redemption at or prior to such date;

(b) Bonds which are deemed to have been paid pursuant to the provisions of the Master Indenture or any Bonds which are deemed to have been paid pursuant to the provisions of the Master Indenture; and

(c) Bonds in lieu of which others have been authenticated under the Master Indenture.

“Paying Agent” shall mean any bank or trust company so designated, and its successor or successors hereafter appointed, as paying agent for any Series of Bonds in the manner provided in the Master Indenture or any Series Indenture.

“Pledged Federal Direct GARVEE Payments” shall include all federal surface transportation funds received from the United States government which represent a Federal reimbursement to the Department for the federal share of the debt service on the Bonds and other costs and expenses incurred by the Issuer relating to the Bonds, as described in Section 40-702(5) Idaho Code, as amended, and on deposit in the State Highway Account or the GARVEE Debt Service Fund in such amounts as are certified from time to time by the Issuer to the State Controller, the State Treasurer and the Board as are necessary for payment of principal, interest and other amounts required for the Bonds.

“Pledged Federal Reimbursement Payments” shall mean and include all federal surface transportation funds received from the United States government which represent a Federal reimbursement to the Department for funds advanced by the Department to pay the federal share of the cost of transportation projects not being financed with proceeds of the Bonds, as described in Section 40-702(5) Idaho Code, as amended, and on deposit in the State Highway Account or the GARVEE Debt Service Fund in such amounts as are certified from time to time by the Issuer to the State Controller, the State Treasurer and the Board as are necessary for payment of principal, interest and other amounts required for the Bonds.

“Pledged Receipts” shall mean and include:

- (1) all Pledged Federal Direct GARVEE Payments and all Pledged Federal Reimbursement Payments;
- (2) amounts received as Counterparty Exchange Payments; and
- (3) all interest earned and gains realized on Eligible Investments (a) except for earnings and gains on any investments in the Rebate Fund and (b) unless the Master Indenture or any Series Indenture specifically requires such interest earned or gains realized to remain in a particular Fund or Account and does not therefore constitute a Pledged Receipt.

“Project” shall mean, collectively, the “Transportation Projects” described in the Memorandum of Agreement or any amendments thereto, which are more particularly described in Exhibit A to the Financing Agreement, and any additional “Transportation Projects,” as defined in the Act, to be financed with the proceeds of Additional Bonds.

“Purchase Date” shall mean the date set forth in a Series Indenture on which Bonds of the Series authorized by such Series Indenture may be tendered or must be tendered for purchase.

“Purchase Price” shall mean an amount equal to the principal amount of any Bonds purchased under the terms of a Series Indenture, plus accrued interest, if any, to the Purchase Date.

“Rating Service” shall mean Moody’s, if Moody’s is then rating the Bonds, S&P, if S&P is then rating the Bonds, and Fitch, if Fitch is then rating the Bonds, and their respective successors and assigns.

“Record Date” shall mean, for each Series of Bonds, the date designated in the Related Series Indenture.

“Redemption Date” shall mean the date set forth in a Series Indenture on which Bonds of the Series authorized by such Series Indenture may be called for redemption or must be called for redemption.

“Refunding Bonds” shall mean bonds issued under the provisions of the Master Indenture, the proceeds of which are used solely and only to refund specified Bonds then Outstanding under the Master Indenture and to pay the costs of issuing such Refunding Bonds.

“Registrar” shall mean the registrar maintaining the registration books for any Series of Bonds and unless otherwise provided in a Series Indenture shall mean the Trustee.

“Related” (whether capitalized or not) shall mean, with respect to any particular Bond, class, Series, Supplemental Indenture, Fund, Account or Auxiliary Agreement having been created in connection with the issuance of, or having been derived from the proceeds of, or having been allocated to, or concerning, the same Series, as the case may be.

“Resolution” shall mean the resolution of the Issuer adopted on October 15, 2007 and February 29, 2008 authorizing the issuance of 2008 Series A Bonds and the execution and delivery of the Indenture.

“S&P” shall mean Standard & Poor’s Credit Markets Services, a division of The McGraw-Hill Companies, Inc.

“Series” shall mean all of the Bonds designated as such in the Related Series Indenture, regardless of variations in class, dated date, maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the Master Indenture and the Related Series Indenture.

“Series Indenture” shall mean a trust indenture providing for the issuance of a particular Series of Bonds.

“Series of Bonds” or words of similar import, shall mean the Series of Bonds issued pursuant to a particular Series Indenture.

“Series Resolution” shall mean a resolution of the Issuer authorizing the issuance of a Series of Bonds in accordance with the terms and provisions hereof, adopted by the Issuer in accordance with the Master Indenture.

“State” shall mean the State of Idaho.

“State Fiscal Year” shall mean the fiscal year of the State, currently July 1 through June 30 of the following year.

“Supplemental Indenture” shall mean any trust indenture supplemental to or amendatory of the Master Indenture or any Series Indenture adopted by the Issuer in accordance with the Master Indenture.

“Title 23” shall mean Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

“Trust Estate” shall mean the trust estate created by the Master Indenture and by the pledges specifically set forth in the Master Indenture.

“Trustee” shall mean the Trustee appointed pursuant to the provisions of the Master Indenture, and its successor or successors, and any other corporation which may at any time be substituted in its place pursuant to the Master Indenture or any Supplemental Indenture.

The Master Indenture

Authorization for Bonds in Series. From time to time when authorized by the Master Indenture and subject to the terms, limitations and conditions established in the Master Indenture, the Issuer may authorize the issuance of a Series of Bonds upon adoption of a Series Resolution and execution of a Series Indenture, and the Bonds of any such Series may be issued and delivered upon compliance with the provisions of the Master Indenture. The Bonds of each Series are required to bear the title “Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund Series [series designation],” and, at the option of the Issuer, such other designation as may be necessary to distinguish them from the Bonds of other Series. Bonds of any Series may be authorized to be issued in the form provided by the Series Indenture.

Each Series Indenture is required to specify and determine: (i) the authorized principal amount of that Series of Bonds and the amount of each maturity of such Bonds; (ii) the purpose for which that Series of Bonds is being issued, which shall be to provide funds for the purposes authorized by the Act and the Master Indenture or a Series Indenture including one or more of the following: (A) for deposit in the account of the Project Fund established for such Series for purposes for which the Project Fund may be utilized; and (B) for deposit in the Cost of Issuance Fund or Revenue Fund; (iii) the title and designation of, the manner of numbering and lettering, the class and the denomination or denominations of the Bonds

of that Series; (iv) the date or dates of maturity and the amounts thereof, and the dated date of that Series; (v) the interest rate or rates, which may be fixed or variable, or the manner of determining such rate or rates of the Bonds of that Series and the Interest Payment Dates of those Bonds; (vi) the redemption price or redemption prices and the Redemption Date or Redemption Dates and other terms (if any) of redemption of any of the Bonds of such Series; (vii) the Purchase Price and the Purchase Dates and other terms (if any) for the tender of any of the Bonds of such Series; (viii) if the Paying Agent is to be different from the Paying Agent then serving under the Master Indenture, the Paying Agent or Paying Agents for such Bonds; (ix) the manner in which Bonds of such Series are to be sold and provisions for the sale thereof; (x) provisions relating to any Exchange Agreement, Credit Facility and Liquidity Facility, including provisions relating to the renewal, substitution and extension of any such Exchange Agreement, Credit Facility and Liquidity Facility, and the identity of the providers of such Exchange Agreement, Credit Facility and Liquidity Facility; and (xi) any other provisions deemed advisable by the Issuer, not in conflict with or in substitution for the provisions of the Master Indenture or any existing Series Indenture.

Additional Bonds; Refunding Bonds. As a condition to issuance of Additional Bonds, the Issuer shall limit scheduled debt service and other bond-related expenses on or relating to the Bonds (including any Additional Bonds or Refunding Bonds to be issued) during each of the State Fiscal Years 2007 through 2010 to no more than twenty percent (20%) of the annual federal-aid apportionment reasonably expected to be received by the Department during the related State Fiscal Year; and during each of the State Fiscal Years 2011 and thereafter, the Issuer shall limit annual scheduled debt service and other bond-related expenses on or relating to the Bonds (including any Additional Bonds or Refunding Bonds to be issued) to no more than thirty percent (30%) of annual federal-aid highway apportionment reasonably expected to be received by the Department during the related State Fiscal Year.

The Issuer reserves the right to issue Refunding Bonds which may be on a parity as to security with the Bonds in order to refund any Bonds then Outstanding under the Master Indenture, so long as the Maximum Annual Debt Service is not increased as a result of issuing such Refunding Bonds or the requirements of the preceding paragraph are satisfied.

No Additional Bonds on a parity as to security with the Bonds for such specific purposes described above may be issued unless at such time the Issuer is and has been in continuous compliance with all of the provisions with reference to the payment of the principal and interest with respect to the Bonds and is and has been in continuous compliance with all of the covenants under the Master Indenture. If any Additional Bond for such purposes are issued on a basis of parity as to security with the Bonds, the Financing Agreement is required to be amended to provide for payments sufficient to pay the principal and interest with respect to all Bonds Outstanding under the Master Indenture and all Additional Bonds.

No other Additional Bonds may be issued at any time secured by the Pledged Receipts; provided that the Additional Bonds, the issuance of which is conditioned and restricted by the Master Indenture, will be understood to mean Bonds payable from the Pledged Receipts on a basis of parity and equality with Outstanding Bonds, and will not be construed to include other notes, bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the Bonds. The Issuer has the right to issue bonds that are secured by a pledge of the Pledged Receipts that is subordinate to the pledge created by the Master Indenture which do not rank on a basis of equality and parity with the Bonds, but only if such subordinate bonds are issued in express recognition of the priorities, liens and rights created and existing for the security and source of payment and protection of the Bonds.

No Refunding Bonds on a parity as to security with the Bonds may be issued unless at such time the Issuer is and has been in continuous compliance with all of the provisions with reference to the payment of the principal and interest with respect to the Bonds and is and has been in continuous compliance with all of the covenants hereunder and no default exists under the Financing Agreement.

Establishment of Funds. The Issuer under the terms of the Master Indenture establishes (i) the Cost of Issuance Fund and the Capitalized Interest Fund; (ii) the Revenue Fund; (iii) the Project Fund; (iv) the Fee Payment and Administration Fund; (v) the Rebate Fund; and (vi) such other Funds and Accounts which may be created from time to time as provided in the Master Indenture or in a Series Indenture in order to accomplish the purposes of the Act and the Master Indenture and which are not inconsistent with the requirements of the Master Indenture.

Each of the above Funds, in addition to other Funds and Accounts from time to time established, will be held and maintained by the Trustee pursuant to the provisions of the Master Indenture and any Series Indenture.

Cost of Issuance Fund and the Capitalized Interest Fund. The Trustee will establish and create a separate account of the Cost of Issuance Fund and of the Capitalized Interest Fund for each Series of Bonds. There will be deposited in the Cost of Issuance Fund, the amount required by the applicable Series Indenture. The Trustee will from time to time pay out, or permit the withdrawal of, moneys from the Cost of Issuance Fund, free and clear of any lien or pledge or assignment in trust created by the Master Indenture, for the purpose of paying any Costs of Issuance, upon receipt by the Trustee of a written requisition of the Issuer signed by an Authorized Officer of the Issuer stating with respect to each payment to be made, the Costs of Issuance to be so paid.

If any moneys remain in an account of the Cost of Issuance Fund on the date which is five months from the date of issuance of the Related Series of Bonds, the Trustee will transfer such amounts to the General Account of the Revenue Fund.

Revenue Fund and Flow of Funds. The Master Indenture establishes and creates within the Revenue Fund an Interest Account, a Principal Account, and a General Account.

(i) The Board and the Department have agreed in the Financing Agreement that debt service on the Bonds will be made using FHWA Funds received from the Federal Highway Administration through continuous appropriation from the State Highway Account and the GARVEE Debt Service Fund and appropriate state match payments with respect to one or more Projects. The Board and the Department have agreed in each applicable Supplement to Financing Agreement to pay, or cause to be paid, subject to applicable requirements for annual appropriation of funds, in equal monthly installments from the State Highway Account first to the GARVEE Debt Service Fund and then to the Trustee for deposit into the General Account of the Revenue Fund the sums set forth in such supplement as payment of the state matching fund requirement. In addition, the Board and the Department have agreed in the Financing Agreement to arrange for the scheduled debt service payment to be remitted to the Trustee from the GARVEE Debt Service Fund at least three (3) Business Days prior to the scheduled debt service payment date.

(ii) The Trustee will, upon receipt, deposit all Pledged Receipts into the General Account of the Revenue Fund. The Trustee will also deposit into the General Account of the Revenue Fund all other moneys delivered to the Trustee by the Department or the Board for deposit into such account. On the 5th Business Day prior to each Interest Payment Date, the Trustee shall deliver a written certification in the form set forth in the Master Indenture to the Issuer, the State Controller, the State Treasurer and the Board specifying the total amount of funds on deposit in the General Account of the Revenue Fund and indicating that such amount shall be applied as a credit against amounts required to be paid to the Trustee on or prior to such Interest Payment Date for the payment of principal, interest and other amounts required for Bonds as directed by the Issuer pursuant to Section 40-718(2) Idaho Code, as amended. Subject to the

provisions of the Master Indenture, the Trustee shall on the Business Day prior to each Interest Payment Date transfer all moneys in the General Account of the Revenue Fund in the following order of priority and as follows:

(1) Into the Interest Account, an amount equal to the interest and any Exchange Payment becoming due on Bonds on the next succeeding Interest Payment Date;

(2) Into the Principal Account, an amount equal to the principal amount of Bonds becoming due on the next succeeding Interest Payment Date;

(3) Upon written direction of the Issuer, into the Rebate Fund, an amount equal to the Rebate Amount;

(4) Into the Fee Payment and Administration Fund, an amount equal to (i) Trustee Fees and Issuer Fees then due or to become due on such interest payment date, (ii) any expenses of the Issuer or the Trustee then due or to become due on such Interest Payment Date, (iii) any amounts due or to become due on such Interest Payment Date to other fiduciaries under this Indenture, and (iv) any fees and expenses of any Credit Facility Provider or Liquidity Facility Provider then due or to become due on such Interest Payment Date; and

(5) Amounts remaining shall be retained in the General Account or transferred as otherwise set forth in a Series Indenture.

There shall be established, from time to time under a Series Indenture, within the Revenue Fund the following:

(1) A Purchase Account for each Credit Facility and Liquidity Facility then securing any Bonds, into which shall be deposited all amounts received (i) from the Remarketing Agent with respect to any remarketing of the Bonds Related to that account, which shall be deposited into a "Remarketing Proceeds Subaccount" or (ii) under a draw on any Liquidity Facility or Credit Facility for the payment of the Purchase Price for any Bonds Related to that account which are tendered and not remarketed by the Remarketing Agent, which shall be deposited in a "Draw Subaccount."

(2) A Credit Facility Account, for each Credit Facility then securing any Bonds, into which shall be deposited all amounts received from draws under a Related Credit Facility to pay the principal of, interest on (or any Related Exchange Payments) and premium, if any, on any Bonds Related to that account.

Moneys in the Accounts of the Revenue Fund shall be used as follows:

(1) Amounts in the Interest Account shall be used to pay (i) interest on the Bonds, unless draws have been made on a Credit Facility for such purpose, in which case, amounts corresponding to such draws shall be paid to the Credit Facility Provider and (ii) to pay the Exchange Payment.

(2) Amounts in the Principal Account shall be used to pay principal on the Bonds, unless draws have been made on a Credit Facility for such purpose, in which case, amounts corresponding to such draws shall be paid to the Credit Facility Provider.

(3) Amounts in a Purchase Account shall be used to purchase Bonds Related to the Credit Facility or Liquidity Facility for which the Purchase Account was created, which are tendered for purchase, subject to the provisions of the Related Series Indenture.

(4) Amounts in a Credit Facility Account shall be used to pay the principal of, interest on (or any Related Exchange Payments) and premium, if any, on Bonds secured by the Related Credit Facility.

Subject to the priority of payments described above, the Trustee will transmit to any Paying Agent, as appropriate, from moneys in the Revenue Fund applicable thereto, amounts sufficient to make timely payments of principal and Purchase Price of, and interest on and premium, if any, on the Bonds to be made by such Paying Agent and then due and payable. The Issuer authorizes and directs the Trustee to cause withdrawal of moneys from the Revenue Fund which are available for the purpose of paying, and are sufficient to pay, the principal and Purchase Price of, premium, if any, and interest on the Bonds as they become due and payable (whether on an Interest Payment Date, upon tender thereof, at stated maturity, or upon redemption), for the purposes of paying or transferring moneys to the Paying Agents which are necessary to pay such principal, Purchase Price, premium and interest. Exchange Payments and reimbursement payments under a Credit Facility Agreement and a Liquidity Facility shall be paid by wire transfer of immediately available funds.

Provisions regarding draws on any Credit Facility or Liquidity Facility pursuant to their terms, in the amounts and at the times necessary to pay the Purchase Price, principal of, interest on (and any Related Exchange Payments) and premium, if any, on any Bond shall be set forth in the Series Indenture Related to such Bond.

Project Fund. The amount required by each applicable Series Indenture will be deposited in the Project Fund. The Trustee is directed under the Master Indenture to make disbursements from each account of the Project Fund on a first-in-first-out basis in accordance with and as required by the provisions of written requisitions filed from time to time by an Authorized Officer of the Department and in accordance with the provisions of the Financing Agreement. The Trustee is required to keep and maintain adequate records pertaining to the Project Fund and all disbursements therefrom. All of the income derived from investment of each account of the Project Fund will, at the option of the Department, be transferred as received to the Rebate Fund based on written instructions from the Issuer to the Trustee, be retained in the Project Fund or be transferred to the General Account of the Revenue Fund and disbursed therefrom on the next succeeding Interest Payment Date or held in the such account and used for the purposes thereof. If any amount remains in an account of the Project Fund after an Authorized Officer of the Department certifies that the Project has been completed, such amount will be transferred to the General Account of the Revenue Fund.

Rebate Fund. If a Series of Bonds is determined to be subject to the “rebate” requirements in favor of the United States of America imposed by the Code, there will be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Master Indenture. Subject to the transfer provisions provided in the Master Indenture, all money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Amount, for payment to the federal government of the United States of America, and neither the Issuer, the Board nor the owner of any Bonds will have any rights in or claim to such money.

Investment of Funds. The Master Indenture requires amounts on deposit in any Fund or Account to be invested in Eligible Investments at the direction of the Issuer. The Trustee may make any and all investments permitted by the provisions of the Indenture through its own or any of its affiliates

investment department. The Trustee shall sell at the best price reasonably obtainable, or present for redemption or exchange, any Eligible Investments purchased by it as an investment pursuant to the Master Indenture whenever it will be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account from which such investment was made. Except as otherwise provided in the Master Indenture, earnings and losses on Eligible Investments are required to be credited to the Fund or Account with respect to which such investments were made (or pro-rated thereto) and will become a part thereof for all purposes, except as otherwise provided in the Master Indenture.

Powers as to Bond and Pledge. Under the Master Indenture and each Series Indenture, the Issuer is authorized to issue the Bonds and execute and deliver the Master Indenture and each Series Indenture and pledge the income, revenues and assets pledged by the Master Indenture and each Series Indenture in the manner and to the extent provided in the Master Indenture. The income, revenues and assets pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Master Indenture and each Series Indenture, and all official action on the part of the Issuer to that end has been or will be duly and validly taken. The Bonds and the provisions of the Master Indenture and each Series Indenture are and will be the valid and legally enforceable obligations of the Issuer in accordance with their terms and the terms of the Master Indenture and each Series Indenture. The Issuer is required to at all times, to the extent permitted by law, defend, preserve and protect the pledge of the incomes, revenues and assets pledged under the Master Indenture and each Series Indenture and all the rights of the Holders under the Master Indenture and each Series Indenture against all claims and demands therefor of all persons whomsoever.

Covenants as to Financing Payments and Additional Payments. The Master Indenture establishes that the Financing Agreement will continue to be maintained by the Issuer. In the event the Department for any reason whatsoever fails to perform its obligations specified in the Financing Agreement, the Issuer covenants with the holders of the Bonds, that it will use its best efforts to make or cause to the Department to perform such covenants; provided, however, that no action will be taken which, in Counsel's opinion, would have the effect of materially altering the federal income tax status of the interest earned on the Bonds.

Covenant to Enforce the Financing Agreement and Memorandum of Agreement. So long as any of the Bonds are Outstanding and unpaid as to either principal or interest or any obligation of the Issuer under a Credit Facility, Liquidity Facility, or Exchange Agreement remains unpaid, the Issuer will continuously enforce the Financing Agreement and Memorandum of Agreement to the maximum extent permitted by law, and will not consent to any modification of the Financing Agreement or Memorandum of Agreement which would in any particular way impair the security created for the holders of the Bonds a Credit Facility Provider, Liquidity Provider or Exchange Counterparty.

Tax Covenant. The Issuer is required to do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Issuer on the Bonds will, for the purposes of federal income taxation, be excludable from gross income under any valid provision of law including but not limited to, provisions of the Code and Section 122 of Title 23, as applicable.

Supplemental Trust Indentures Effective Without Consent of Holders. The Master Indenture prescribes procedures whereby the Issuer may, with the written consent of the Trustee, execute and deliver at any time from time to time Supplemental Trust Indentures for any one or more of the following purposes: to further secure the payment of the Bonds; to authorize the issuance and delivery of a Series of Bonds or Additional Bonds to further limit and restrict the issuance of Bonds and the incurring of indebtedness by the Issuer; to surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of the Master Indenture; to confirm any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the Master Indenture; to modify any of the

provisions of the Master Indenture or any Series Indenture in any other respects (provided that such modifications will not be effective until after all Bonds Outstanding as of the date of execution and delivery of such Supplemental Indenture cease to be Outstanding; to cure any ambiguity or defect or inconsistent provision; to the extent not inconsistent with the terms of the Master Indenture, such provisions as may be necessary for the issuance of Additional Bonds under the terms of the Master Indenture; to modify any provisions of the Master Indenture in order to obtain a Liquidity Facility, Credit Facility or Exchange Agreement, so long as such modifications affect only the Bonds to which such Liquidity Facility, Credit Facility or Exchange Agreement relate; or for any other purpose provided that, in the opinion of Counsel, any such amendment or modification does not materially adversely affect the rights of Holders affected thereby.

A Supplemental Indenture for the purposes described above becomes effective upon the execution thereof by the Issuer and the Trustee and delivery thereof to the Trustee. At any time thereafter, notice stating in substance that the Supplemental Trust Indenture has been delivered to the Trustee and is effective pursuant to the Master Indenture is required to be given to Holders by the Issuer by mailing such notice to Holders by regular United States mail.

Supplemental Trust Indentures Effective with Consent of Holders. The Master Indenture or any Series Indenture may also be modified or amended at any time or from time to time by a Supplemental Indenture, subject to the written consent of the Holders in accordance with and subject to the provisions of the Master Indenture.

Supplemental Trust Indentures Effective with Counsel's Opinion. A copy of every Supplemental Trust Indenture adopted by the Issuer when filed with the Trustee is required to be accompanied by a Counsel's Opinion stating that such Supplemental Trust Indenture has been duly and lawfully adopted in accordance with the provisions of the Master Indenture, is authorized or permitted by the Master Indenture and is valid and binding upon the Issuer and enforceable in accordance with its terms.

Limitations on Powers of Amendment. Any modification or amendment of the Master Indenture or any Series Indenture and of the rights and obligations of the Issuer and of the Holders of the Bonds pursuant to may be made by a Supplemental Trust Indenture, with the written consent given by the Holders of at least a majority in principal amount of the Bonds Outstanding of each Series affected by such amendment at the time such consent is given. No modification or amendment may permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount thereof or in the rate of interest thereon without the consent of the Holder of such Bonds, or reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. A Series will be deemed to be affected by a modification or amendment of the Master Indenture or any Series Indenture if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series.

The Trustee may receive a Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Master Indenture or any Series Indenture and any such opinion shall be binding and conclusive on the Issuer and all Holders of Bonds. The Trustee may also receive a confirmation from each Rating Agency rating the Bonds Outstanding that the then existing ratings on the Bonds Outstanding will not be affected by a proposed modification or amendment of the Master Indenture or a Series Indenture, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by such modification or amendment.

In cases where a Series of Bonds is insured by bond insurance, the Trustee may, pursuant to the terms of such bond insurance agreement, accept the consent of the bond insurer or insurers of such Series of Bonds as the consent of the Holders of the Series of Bonds Outstanding and affected where the consent of the Holders to any modification or amendment is required.

Consent of Holders. A copy of a Supplemental Indenture requiring consent of the Holders, or summary thereof, together with a request to the Holders for their consent thereto will promptly after adoption be mailed by the Issuer to the Holders (but failure to mail such copy and request shall not affect the validity of the Supplemental Indenture when consented to as provided in the Master Indenture). Such Supplemental Indenture will not be effective unless and until (a) there shall have been filed with the Trustee (i) the written consents of the proper percentage of Holders of Outstanding Bonds and (ii) a Counsel's Opinion, and (b) notice thereof must have been mailed to all Holders. Any such consent will be binding upon the Holder of the Bonds giving such consent and, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee described in Section 8.2 of the Master Indenture is filed.

At any time after the written statement of the Trustee is filed with the Issuer, notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture adopted by the Issuer on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as described in this paragraph, is required to be given to the Holders by the Issuer by mailing such notice to the Holders. A transcript, consisting of the papers described in this paragraph to be filed with the Trustee, will be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification will be deemed conclusively binding upon the Issuer, the Fiduciaries and the Holders of all Bonds.

Events of Default. Each of the following events shall constitute an "Event of Default":

(1) payment of any principal on any Bond is not be made when and as the same becomes due or upon call for redemption or otherwise; or

(2) Payment of any installment of interest on any Bond or any Exchange Payment is not be made when and as the same becomes due; or

(3) payment of any Bond tendered to the Remarketing Agent for purchase is not be made when due and the continuance of such failure for one Business Day after the Paying Agent has given written notice of such failure to the Remarketing Agent, any Liquidity Provider, any Credit Facility Provider, and the Issuer; or

(4) the Issuer fails or refuses to comply with the provisions of the Act, or defaults in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Master Indenture, any Series Indenture or the Bonds and such failure, refusal or default shall continue for a period of thirty (30) days after written notice thereof by (i) a Liquidity Provider or Credit Facility Provider or (ii) the Trustee or the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, provided that the notice set forth in clause (i) may only be given for Bonds secured by a Credit Facility or a Liquidity Facility if the Credit Facility Provider or the Liquidity Provider is not in default of its obligations under such Credit Facility or Liquidity Facility, as applicable; or

(5) receipt by the Trustee (i) from a Credit Facility Provider, within the time period specified in a Credit Facility, of notice that it will not reinstate amounts drawn on such Credit Facility to pay interest on the Bonds or (ii) from a Liquidity Provider or Credit Facility Provider of notice that an Event of Default has occurred under a Liquidity Facility or Credit Facility Agreement; or

(6) the Issuer shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

No Acceleration. The obligations of the Issuer for payment of principal of, or interest on, the Bonds are not subject to acceleration prior to maturity.

Other Remedies. Upon the occurrence of an Event of Default specified in paragraphs (1), (2), (3), (5) or (6) under “Events of Default” herein, the Trustee is required to proceed, or upon the happening and continuance of an Event of Default specified in paragraph (4) under “Events of Default” herein, with the written consent of any Credit Facility Provider, any Exchange Counterparty, and any Liquidity Provider the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five percent (25%) of the Outstanding Bonds is required to proceed, in its own name, subject to the provisions described in this paragraph, to protect and enforce its rights and the rights of the Holders by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Master Indenture or in aid of the execution of any power granted therein or in the Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by its counsel, will deem most effectual to protect and enforce such rights or to perform any of its duties under the Master Indenture.

Upon the occurrence of an Event of Default with respect to Bonds secured by a Credit Facility or Liquidity Facility, the Trustee is required to make any such declaration only upon the written direction, or upon the written consent of the related Credit Facility Provider and Liquidity Provider; provided that such consent will only be required when the Event of Default is not described in clause (i) of paragraph (5) under “Events of Default” herein and the applicable Credit Facility Provider or Liquidity Provider is not in default of its obligations under its Credit Facility or Liquidity Facility, as applicable. Any right of an Exchange Counterparty (whether as to request, consent or otherwise) under Article IX of the Master Indenture will be exercisable by the Exchange Counterparty only if (i) such Exchange Counterparty is not in default of its obligations under its Exchange Agreement and (ii) all obligations of the parties other than the Exchange Counterparty under such Exchange Agreement have not been satisfied.

In the enforcement of any rights and remedies under the Master Indenture or any Series Indenture, the Trustee will be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Issuer for principal, interest or otherwise, under any provision of the Master Indenture or any Series Indenture or of the Bonds, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Master Indenture and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders, and to recover and enforce a judgment or decree against the Issuer, but solely as provided in the Master Indenture or any Series Indenture and in the Bonds for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

Priority of Payments After Default. In the event that upon the happening and continuance of any Event of Default, the funds held by the Fiduciaries are insufficient for the payment of principal and

interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act and the Master Indenture, after making provision (i) for the payment of any expenses necessary in the opinion of the trustee to protect the interests of any Credit Facility Provider, and Liquidity Provider, any Exchange Counterparty, and the Holders of the Bonds and (ii) for the payment of the charges and expenses and liabilities incurred and advances made by the Fiduciaries in the performances of their respective duties under the Master Trust Indenture or any Series Indenture, it being understood that amounts drawn on a Credit Facility will not be used for the purposes described in clauses (i) and (ii) and will be applied as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest (or Related Exchange Payments) then due on the Bonds in the order in which installments became due and payable, and, if the amount available shall not be sufficient to pay in full any installments, then to the payment thereof ratably, accordingly to the amounts due on such installments, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest on the Bonds; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full the principal on the Bonds due on any date, together with the interest then to the payment on the interest ratably, according to the amounts of the interest due on such date, and then to payment of such principal, ratably, according to the amount of principal due on such date to the persons entitled thereto, including amounts owed to a Credit Facility Provider in respect of principal, without any discrimination or preference except as to the difference in the respective rates of interest on the Bonds.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest (or Related Exchange Payments) due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, accordingly to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(3) Whenever moneys are to be applied by the Trustee as described in Section 9.5 of the Master Indenture, such moneys are required to be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with the Fiduciaries, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee, and the Trustee will incur no liability whatsoever to the Issuer, to any Holder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Master Trust Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee exercises such discretion in applying such moneys, it will fix the date (which shall be an Interest Payment Date

unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee is required to give such notice as it may deem appropriate for the fixing of any such date. The Trustee is not required to make payment to the Holder of any unpaid Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Direction of Proceedings. Unless otherwise provided in a Series Indenture, anything in the Master Indenture or Series Indenture to the contrary notwithstanding, any Credit Facility Provider, any Liquidity Provider, any Exchange Counterparty, and the Holders of the majority in principal amount of Bonds then Outstanding will have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Master Indenture, provided that such direction will not be otherwise than in accordance with law or the provisions of the Master Indenture or any Series Indenture, and that the Trustee will have the right to decline to follow any such direction (i) which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction or (ii) there has not been offered to the Trustee reasonable security and indemnity against the cost, expenses (including reasonable legal expenses) and liabilities to be incurred with respect thereto. In the event of a conflict between directions from a Credit Facility Provider, a Liquidity Provider, an Exchange Counterparty and such Holders, direction is required to be followed in priority order as follows: (i) a Credit Facility Provider, so long as such Credit Facility Provider is not in default of its obligations under its Credit Facility Agreement; (ii) a Liquidity Provider, so long as such Liquidity Provider is not in default of its obligations under its Liquidity Facility, (iii) the Holders and (iv) an Exchange Counterparty, so long as such Exchange Counterparty is not in default of its obligations under its Exchange Agreement.

Limitation on Rights of Holders. No Holder of any Bond will have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Master Indenture, or for the protection or enforcement of any right under the Master Indenture or any right under the law unless such Holder has given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five percent (25%) of the Bonds then Outstanding have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, have occurred, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Master Indenture or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the cost, expenses (including reasonable legal expenses) and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time, it being understood that the Trustee is required to make all required draws on any Credit Facility in accordance with the applicable Series Indenture, make payments on the Bonds as provided in the Master Indenture (to the extent funds are available for such purpose) and declare the Bonds due and payable as provided in the Master Indenture, regardless of having received any indemnity or security; and such notification, request and offer of indemnity are in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Master Indenture or any Series Indenture or for any other remedy under the Master Indenture or under law. It is understood and intended that no one or more Holders of the Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Master Indenture, or to enforce any right under the Master Indenture or under law with respect to the Bonds or the Master Indenture or any Series Indenture, except in the manner provided in the Master Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit of all Holders. Nothing in the Article IX contained will affect or impair the right of any Holder to enforce the payment of the principal of and

interest on its Bonds, or the obligation of the Issuer to pay the principal of and interest on each Bond issued under the Master Indenture to the Holder thereof at the time and place stated in said Bond.

Anything in the Master Indenture or Series Indenture to the contrary notwithstanding, each Holder of any Bond by his acceptance thereof will be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Master Indenture or any Series Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable cost of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions described in this paragraph will not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding at least twenty-five percent (25%) of the Bonds Outstanding, or to any suit instituted by any Holders for the enforcement of the payment of the principal of, premium, if any, or interest on any Bond on or after the respective due date thereof expressed in such Bond.

Trustee. Prior to the occurrence of an Event of Default, the Trustee is required to perform only those duties specifically set forth in the Master Indenture or the related Series Indenture. If an Event of Default, of which the Trustee has received notice, has occurred and is continuing, the Trustee is required to exercise its rights and powers and use the same degree of care and skill as a prudent man would exercise under the circumstances in the conduct of his own affairs.

Evidence on Which Fiduciaries May Act. Each Fiduciary will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, note, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Issuer, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Master Indenture in good faith and in accordance therewith. Whenever any Fiduciary will deem necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Master Indenture, including payment of moneys out of any Fund or Account, such matter (unless other evidence in respect thereof be specifically prescribed in the Master Indenture) may be deemed to be conclusively proved and established by a certificate signed by an Authorized Officer of the Issuer, and such certificate will be full warrant for any action taken or suffered in good faith under the provisions of the Master Indenture and any Series Indenture in which said Fiduciary has accepted said trust upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may deem reasonable. Except as otherwise expressly provided in the Master Indenture, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision of the Master Indenture by the Issuer to any Fiduciary is required to be sufficiently executed if executed in the name of the Issuer by an Authorized Officer of the Issuer.

Permitted Acts and Functions. The Trustee and any Paying Agent may become the owner of any Bonds, with the same rights it would have if it were not such Fiduciary. Any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Holders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Master Indenture, whether or not any such committee is required to represent the Holders of a majority in principal amount of the Bonds then Outstanding.

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Master Trust Indenture or any Series Indenture by giving not less than sixty

(60) days' written notice to the Issuer and by mailing notice (specifying the date such resignation is to take effect) through regular United States mail, postage prepaid, to each Holder of Bonds, and such resignation will take effect upon the day specified in such notice unless (i) no successor has been appointed as provided in the Master Indenture, or (ii) previously a successor shall have been appointed, as provided in the Master Indenture, in which event such resignation will take effect immediately on the appointment of such successor. If a successor trustee is not appointed within sixty (60) days, the Trustee will be entitled to petition a court of competent jurisdiction to appoint a successor Trustee.

Removal of Trustee. The Trustee may and, if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Issuer, and signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Issuer, are required to be removed by the Issuer (so long as no Event of Default has occurred and is continuing) by an instrument or concurrent instruments in writing, filed with the Trustee and the Issuer and signed by the Issuer or the Holders of Bonds, as appropriate. No such removal will be effective until a successor Trustee has been appointed and assumed the duties of Trustee as provided in the Master Indenture.

Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer covenants and agrees that it will thereupon appoint a successor Trustee. The Issuer is required to provide notice of any such appointment made by it within twenty (20) days after such appointment to Holders of Bonds.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within forty-five (45) days after the Trustee shall have given to the Issuer written notice, as provided in the Master Indenture, or after a vacancy in the office of the Trustee shall have occurred by reason of its removal or inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed in succession to the Trustee is required to be a trust company or bank having the powers of a trust company within or outside the State, having a capital and surplus aggregating at least Seventy-Five Million Dollars (\$75,000,000) if there be such a trust company or bank willing and able to accept the office on reasonable and customary terms and authorized by law to perform all duties imposed upon it by the Master Indenture or Series Indenture.

Defeasance. Bonds or interest installments of particular Bonds or Series of Bonds for the payment or redemption of which moneys will have been set aside and are required to be held in trust by Fiduciaries will, at the maturity or date of redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the Master Indenture. Particular Bonds or Series of Bonds will, prior to the maturity or redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the Master Indenture, if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer will have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice of redemption in the manner prescribed in the Master Indenture, and in the applicable Series Indenture, (b) there will have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal and interest due and to become due on said Bonds on or prior to the Redemption or maturity date thereof, as the case may be, and all amounts payable under any Related Liquidity Facility, Credit Facility Agreement or Exchange Agreement, (c) in

the event said Bonds are not subject to redemption within the next 60 days, the Issuer will have given the Trustee in form satisfactory to it irrevocable instructions to notify the Holders of such Bonds of such redemption in the manner herein provided for giving notice of redemption and (d) a Counsel's Opinion that the defeasance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Neither Defeasance Obligations or moneys deposited with the Trustee as described in this paragraph, nor principal or interest payments on any such obligations, may be withdrawn or used for any purpose other than, and must be held in trust for, the payment of the principal and interest on said Bonds.

Anything in the Master Indenture or Series Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Fiduciary after said date when all of the Bonds became due and payable, will (subject to the provisions of Article V of the Master Indenture), at the written request of the Issuer, be repaid by the Fiduciary to the Issuer, as its absolute property and free from trust, and the Fiduciary will thereupon be released and discharged.

"Defeasance Obligations" means and includes any of the following:

1. Cash.
2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – "SLGs").
3. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.
4. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.
5. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:
 - a. U.S. Export-Import Bank (Eximbank). Direct obligations or fully guaranteed certificates of beneficial ownership.
 - b. Farmers Home Administration (FmHA). Certificates of beneficial ownership.
 - c. Federal Financing Bank.
 - d. General Services Administration. Participation certificates.
 - e. U.S. Maritime Administration. Guaranteed Title XI financing.
 - f. U.S. Department of Housing and Urban Development (HUD). Project Notes; Local Authority Bonds; New Communities Debentures - U.S. government guaranteed debentures; U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

The insurer of the Bonds to be defeased shall be provided with an opinion of counsel acceptable to such insurer that the Bonds have been legally defeased and that the escrow agreement establishing such defeasance operates to legally defease such Bonds within the meaning of the Master Indenture and the Supplemental Indenture relating to such Bonds. In addition, the insurer of the Bonds to be defeased will be entitled to receive (i) 15 business days notice of any advance refunding of such Bonds and (ii) an accountant's report with respect to the sufficiency of the amounts deposited with the Trustee to defease such Bonds.

Series Trust Indenture Relating to the Series 2008 A Bonds

Payments under the Insurance Policy and other Related Provisions.

At least two (2) Business Days prior to each payment date on the Insured 2008 Series A Bonds, the Trustee will determine whether there will be sufficient funds to pay all principal of and interest on the Insured 2008 Series A Bonds due on the related payment date and shall immediately notify Assured Guaranty or its designee on the same Business Day by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of any deficiency. Such notice shall specify the amount of the anticipated deficiency, the Insured 2008 Series A Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest or both. If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify Assured Guaranty or its designee.

The Trustee shall, after giving notice to Assured Guaranty as provided above, make available to Assured Guaranty and, at Assured Guaranty's direction, to any fiscal agent appointed by Assured Guaranty, the registration books of the Issuer maintained by the Trustee and all records relating to the funds maintained under the Indenture.

The Trustee shall provide Assured Guaranty and any fiscal agent appointed by Assured Guaranty with a list of registered owners of Insured 2008 Series A Bonds entitled to receive principal or interest payments from Assured Guaranty under the terms of the Insurance Policy, and shall make arrangements with Assured Guaranty, such fiscal agent or another designee of Assured Guaranty to (i) mail checks or drafts to the registered owners of Insured 2008 Series A Bonds entitled to receive full or partial interest payments from Assured Guaranty and (ii) pay principal upon Insured 2008 Series A Bonds surrendered to Assured Guaranty, such fiscal agent or another designee of Assured Guaranty by the registered owners of Insured 2008 Series A Bonds entitled to receive full or partial principal payments from Assured Guaranty.

The Trustee shall, at the time it provides notice to Assured Guaranty of any deficiency pursuant to (a) above, notify registered owners of Insured 2008 Series A Bonds entitled to receive the payment of principal or interest thereon from Assured Guaranty (i) as to such deficiency and its entitlement to receive principal or interest, as applicable, (ii) that Assured Guaranty will remit to them all or a part of the interest payments due on the related payment date upon proof of its entitlement thereto and delivery to Assured Guaranty or any fiscal agent appointed by Assured Guaranty, in form satisfactory to Assured Guaranty, of an appropriate assignment of the registered owner's right to payment, (iii) that, if they are entitled to receive partial payment of principal from Assured Guaranty, they must surrender the related Insured 2008 Series A Bonds for payment first to the Trustee, which will note on such Insured 2008 Series A Bonds the portion of the principal paid by the Trustee and second to Assured Guaranty or its designee, together with an appropriate assignment, in form satisfactory to Assured Guaranty, to permit ownership of such Insured 2008 Series A Bonds to be registered in the name of Assured Guaranty, which will then pay the unpaid portion of principal, and (iv) that, if they are entitled to receive full payment of principal from Assured Guaranty, they must surrender the related Insured 2008 Series A Bonds for payment to Assured Guaranty or its designee, rather than the Trustee, together with the an appropriate assignment, in form satisfactory

to Assured Guaranty, to permit ownership of such Insured 2008 Series A Bonds to be registered in the name of Assured Guaranty.

In addition, if the Trustee has notice that any holder of the Insured 2008 Series A Bonds has been required to disgorge payments of principal or interest on the Insured 2008 Series A Bonds previously Due for Payment (as defined in the Insurance Policy) pursuant to a final non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify Assured Guaranty or its designee of such fact by telephone or electronic notice, confirmed in writing by registered or certified mail.

Assured Guaranty shall be entitled to pay principal of or interest on the Insured 2008 Series A Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment (as such terms are defined in the Insurance Policy) and any amounts due on the Insured 2008 Series A Bonds as a result of acceleration of the maturity thereof in accordance with this agreement, whether or not Assured Guaranty has received a Notice (as defined in the Insurance Policy) of Nonpayment or a claim upon the Insurance Policy.

In addition, Assured Guaranty shall, to the extent it makes any payment of principal or interest on the Insured 2008 Series A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy, and to evidence such subrogation (i) in the case of claims for interest, the Trustee shall note Assured Guaranty's rights as subrogee on the registration books of the Issuer maintained by the Trustee, upon receipt of proof of payment of interest thereon to the registered holders of the Insured 2008 Series A Bonds, and (ii) in the case of claims for principal, the Trustee, if any, shall note Assured Guaranty's rights as subrogee on the registration books of the Issuer maintained by the Trustee, upon surrender of the Insured 2008 Series A Bonds together with receipt of proof of payment of principal thereof.

Control Rights. Assured Guaranty shall be deemed to be the Holder of all of the Insured 2008 Series A Bonds for purposes of (a) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default under the Indenture, and (b) granting any consent, direction or approval or taking any action permitted by or required under the Indenture to be granted or taken by the Holders of such Insured 2008 Series A Bonds. Without the prior written consent of Assured Guaranty, no Insured 2008 Series A Bonds may be purchased by the Issuer or the Department in lieu of redemption unless such Bonds are redeemed, defeased or cancelled.

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EXHIBIT C

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER FINANCING AGREEMENT AND THE SECOND SUPPLEMENT THERETO

The following is a summary only of certain provisions of the Master Financing Agreement (the “Agreement”) and the Second Supplement thereto (the “Supplement”) among the Issuer, the Board and the Department, executed in connection with the Bonds and reference should be made to the specific document, an executed counterpart of which will be on file in the corporate trust office of the Trustee, for a complete recital of the terms of such Agreement.

The Agreement

General Covenants of the Issuer. Upon notification from the Department that an issue of bonds is planned and that the Board plans to make its certifications and requests for bonding authority, the Issuer agrees to:

- a. Select the service providers including without limitation underwriters, financial advisors, if any, counsel and other participants for each bond issuance who shall be paid from the proceeds of the issuance of the bonds.
- b. Manage the issuance of the bonds to provide funds at competitive rates in the bond marketplace and at reasonable times subject to market factors in its discretion.
- c. Receive an issuance fee as provided in the Supplement (the “Issuance Fee”) and an annual monitoring/servicing fee as provided in the Supplement (the “Monitoring Fee”)
- d. Provide such certification as required under the Act (Sections 40-707(1) and 40-718(2)(a), Idaho Code, as amended) to cause the continuing appropriation of federal funds from the State Highway Account for payment of the debt service and other costs for the bonds.
- e. Provide periodic reports (on or before October 31 of each year) to the Board and the Department.

General Covenants of the Board and Department. When it determines that the bonds need to be issued to provide funds to finance one or more highway projects, the Board or the Department will:

- a. Provide information to the Issuer as needed for structuring of the bond issues and as requested for rating agency and bond insurer evaluation and underwriter requirements.
- b. Provide a description of each project or portion of project to be financed by issuance of the bonds.
- c. Provide and arrange for state funds as required for match for federal highway funds under FHWA requirements as further described below.
- d. Seek legislative approvals as required by the Act and as further described below.
- e. Provide for monitoring of fund availability for continuing appropriation under the Act as further described below.

- f. Coordinate arrangements with the FHWA for funding and provide estimates of funding availability.
- g. Provide a representative to participate with the Issuer in the structuring and planning for bond issues and cooperate with the Issuer in providing information as needed for planning purposes.
- h. Participate as needed in rating agency, bond insurer and investor presentations.
- i. Provide certifications as required by the Act.
- j. Provide reports to the Issuer as needed and any such reports as required under the Act

Initiating the Legislative Process. Beginning with its budget submission process for the fiscal year commencing July 1, 2006, and for each fiscal year thereafter where the Department and Board seek to finance a project or portion thereof, the Board shall submit its request for bonding authority as part of its budget request as required under Section 40-315(4), Idaho Code. The Issuer shall assist in providing information as to the financing of such project or portion thereof. Prior to the submission of the budget to the legislature, the parties shall submit a draft Supplement to the Agreement. Once the Department and Board have completed the legislative process and desire to cause the issuance of the bonds, they will execute a Supplement to the Agreement, together with any required certifications.

Payment of Fees and Costs. It is understood that the issuance fee of the Issuer, the costs of issuance of the bonds, including without limitation underwriting fees, counsel fees, initial rating agency fees, initial bond insurer fees, initial trustee fees, printing costs for disclosure documents and costs of preparation, filing or recording of any legal instruments or documents shall be paid from the proceeds of the bonds. The annual trustee fees, Issuer Monitoring Fee, any periodic rating agency fees or other fees shall be paid along with the annual debt service through the continuing appropriation of funds from the State Highway Account.

Project Cost Accounting and Payment.

a. As bonds are issued by the Issuer, the Department will establish a federal debt service project (herein referred to as a “DS Project”) under FHWA requirements for each of the individual projects (the “Individual Projects”) receiving the benefit of bond financing. The total amount of debt service costs (including principal, interest issuance and other annual financing costs such as Issuer monitoring fees, trustee fees and periodic rating agency fees) attributable to each project over the life of the bonds will be authorized, budgeted, and obligated as Advanced Construction utilizing the Department’s Federal Aid agreement/authorization process with FHWA. The request for each project agreement will include a statement that the project authorization is requested under the provisions of Title 23 Sec. 122 U.S. Code.

b. Required statistical data will be provided by the Department to FHWA at the time each of the Individual Projects is submitted for FHWA approval. The Department will track the DS Projects as advanced construction projects and will accumulate cost data for specific work within each described Individual Project within its financial system. Each Individual Project will be included in the Statewide Transportation Improvement Program.

c. The Department will maintain documentation for Individual Project costs in accordance with its accounting procedures as well as maintain documentation relied upon as the basis for reimbursement of costs to be paid by bond proceeds. All relevant documentation on each DS Project will be available for audit purposes.

Payment of Bond Debt Service. The debt service payments on the bonds will be made using federal funds received from FHWA and appropriate state match with respect to one or more of the DS Projects. The Department will request reimbursements from FHWA for each DS Project on the basis of debt-related costs, according to the debt service schedule prepared for each DS Project. While bonds are outstanding, by the seventh (7th) business day of each new Federal Fiscal Year October 1 through September 30 each year, the Department will submit one or more requests to the FHWA to partially convert an Advance Construction Amount (as defined in Title 23, Section 122, U.S. Code) sufficient to pay the scheduled debt service due and payable within the new Federal Fiscal Year from one or more of the DS Projects. If only a portion of the annual amount of cash to be paid to the Department for DS Projects (Obligation Authority) is available, the Department will reserve the pro-rata share of that portion of the Obligation Authority for debt service payments for that year until the full annual Obligation Authority becomes available. The Department will bill FHWA at least four (4) business days prior to the scheduled due date of the debt service payment. The Department expects that FHWA will reimburse the Department for those costs according to the Cash Management Improvement Act (CMIA) agreement in effect at the time of the request in order for those funds to be deposited into the State Highway Account for making the scheduled debt service payment to the bond trustee. The funds deposited into the State Highway Account from FHWA for debt service are continually appropriated and will be transferred to the GARVEE Debt Service Fund for payment to the bond trustee. The Department will arrange for the scheduled debt service payment to be transmitted to the bond trustee from the GARVEE Debt Service Fund at least three (3) business days prior to the scheduled date of debt service. The Department will also arrange for any required state matching portion of any scheduled debt service payments to be transmitted to the bond trustee monthly according to a schedule set forth in the Supplement.

FHWA Project Closure. The closure of Individual Projects will follow the federal aid project closure process. The DS Projects will remain open until all debt service payments and other periodic financing costs have been made in full for that DS Project. At closure, the principal amount paid on each DS Project will not exceed the total of all direct expenditures incurred by the related Individual Project.

Execution of Supplements to this Agreement. The Issuer, the Board and the Department agree to execute a Supplement to the Agreement for each specific bond issue to finance a project or portion thereof which will provide for various items including but limited to the following:

- a. All certifications required of the Issuer, the Board and the Department under the Act.
- b. A specific description of the specific project or portion thereof to be financed under the Act and the amount of such financing.
- c. Reference to the specific legislative approval for the project financing.
- d. Specific service providers, rating agencies and other parties for the bond issue.
- e. The Issuance Fee and Monitoring Fee as set forth in the Agreement.
- f. Reference to the Agreement(s) with the FHWA related to the specific projects being financed.
- g. Specific amounts of state matching funds required by the FHWA and times for payment.
- h. A general time line, subject to change as needed.
- i. An estimated sources and uses of bond proceeds.

Term. The Agreement shall remain in full force and effect until such time as no bonds remain outstanding.

Trustee as Third-Party Beneficiary. The trustee for the bonds is designated an intended third-party beneficiary of the Agreement with a recognized and enforceable right to performance of its provisions, subject to such limitations on enforcement as may be set forth in the bond documents.

Failure of Parties to Perform. If any of the undersigned parties fail to perform or abide by their obligations established herein or in the bond documents, the Issuer, the Board, Department or the trustee (subject to the limitations set forth in the bond documents) may petition a court of competent jurisdiction to issue a mandamus order to such party failing to perform to compel specific performance thereof, or take such other actions as they deem reasonable and necessary to enforce their rights under the Master Financing Agreement.

The Supplement

Certification by the Board and Department. The Board and Department certify to the Issuer as follows:

a. Based upon the expected continuation of the federal highway program, sufficient federal highway trust funds are available to make the payments projected to be required for payment of debt service on the Issuer's Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund 2008 Series A (the "2008 Series A Bonds"). The debt service schedule for the 2008 Series A Bonds is attached as Exhibit A to the Supplement.

b. The projects (the "Projects") which will be financed, in whole or in part, from the proceeds of the 2008 Series A Bonds, are set forth in the Supplement (see "THE PROJECT" in this Official Statement). Amounts within the maximum and minimum amounts for the Projects set forth in Section 2 of House Bill 336 of the First Regular Session of the 59th Idaho Legislature ("House Bill 336") will be financed from the proceeds of the 2008 Series A Bonds and an additional series of bonds to be issued in an amount which, together with the issuance amount of the 2008 Series A Bonds will equal said required amounts and the maximum authorized amount of bonds under Section 1 of House Bill 336, said additional series to be issued on or before June 30, 2008 as required under Section 11 of House Bill 336, unless such date is extended by the Idaho Legislature with the approval of the Governor.

c. That the Board has submitted, within its annual budget request prepared pursuant to Sections 67-3502 and 40-315(4), Idaho Code, as amended, a request for bonding authority for the 2008 Series A Bonds with a list of the Projects, and has received approval for such request as is set forth in Exhibit C to the Supplement.

d. That the total cumulative debt service and bond related expenses of the 2008 Series A Bonds do not exceed the limits specified in Section 40-315(3), Idaho Code, as amended.

Description of 2008 Series A Bonds. A description of the 2008 Series A Bonds including, the sources and uses of funds, names of rating agencies and other service providers and parties, along with the closing date for the issuance of such bonds, is set forth in Exhibit D to the Supplement.

Issuance and Monitoring Fee of the Issuer. The issuance and monitoring fees of the Issuer for the 2008 Series A Bonds shall be an issuance fee of \$50,000 due and payable upon the issuance of the 2008 Series A Bonds and an annual monitoring fee of .02% of the outstanding principal amount of the 2008 Series A Bonds, payable in advance on the date of issuance of the 2008 Series A Bonds and each

year thereafter in advance on July 15 or on the anniversary of the closing date of the 2008 Series A Bonds as set forth in the Supplement.

Agreement with Federal Highway Administration (FHWA). Attached as Exhibit E to the Supplement is a copy of the memorandum of understanding and/or other agreement executed by the FHWA and the Board and/or Department covering the Projects. (See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAY - The Memorandum of Agreement” in this Official Statement.)

State Matching Fund Payment. The Board and Department agree, subject to applicable requirements for annual appropriation of funds, that they shall cause to be deposited in equal monthly installments on or before the 5th Business Day of each month first to the GARVEE Debt Service Fund and then to the General Account of the Revenue Fund under the Indenture the sums set forth in Exhibit F to the Supplement for receipt by the Trustee.

Continuous Appropriation From State Highway Account and GARVEE Debt Service Fund. At closing of the 2008 Series A Bonds, and as necessary thereafter, the Issuer will make the certification to the Board, the Idaho State Controller and the Idaho State Treasurer to cause the transfer to Wells Fargo Bank, National Association, as trustee for the 2008 Series A Bonds as to the times and amounts necessary for payment of debt service and other amounts required for said bonds, all as provided in Sections 40-707(1) and 40-718(2), Idaho Code, as amended.

Indemnification. The Board, the Department and the Issuer agree that in the event that any claim is made against the Board or the Department as a result of the Issuer’s negligence or willful actions in connection with the issuance of the 2008 Series A Bonds, that the Issuer will indemnify the Board and the Department against any loss, expense or cost resulting from its such actions, including without limitation any attorneys fees and costs related thereto. In the event that any claim is made against the Issuer resulting from the negligence or willful action of the Board or the Department in connection with the construction, planning or development of any of the Projects or due to actions taken as a result of opposition by any person to any of such Projects or to the bonding process, the Board and the Department shall indemnify the Issuer against any loss expense or cost resulting from such actions, including without limitation any attorneys fees and costs related thereto.

Compliance with Legislation. The Board and Department affirm that all of the requirements set forth in House Bill 336, as the same may be amended from time to time, for the 2008 Series A Bonds and the related Projects have been and will be complied with, as the case may be, including without limitation requirements as to the amount of the 2008 Series A Bonds, time for issuance thereof and as to the priority of expenditure of 2008 Series A Bond proceeds and that the 2008 Series A Bonds are needed to meet program obligations. In addition, all requirements of Section 40-315, Idaho Code, as amended have been and will be complied with.

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EXHIBIT D

BOOK-ENTRY-ONLY SYSTEM

The 2008 Series A Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by The Depository Trust Company (“DTC”), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of 2008 Series A Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners (as hereinafter defined) of beneficial ownership interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the 2008 Series A Bonds under the Indenture.

The following information about the book-entry-only system applicable to the 2008 Series A Bonds has been supplied by DTC. Neither the Issuer nor the Trustee makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the 2008 Series A Bonds. The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2008 Series A Bonds, in the aggregate principal amount of the 2008 Series A Bonds and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2008 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 Series A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or

Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2008 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2008 Series A Bonds, except in the event that use of the book-entry system for the 2008 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2008 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2008 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2008 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2008 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2008 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2008 Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of 2008 Series A Bonds may wish to ascertain that the nominee holding the 2008 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2008 Series A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2008 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2008 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the 2008 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2008 Series A Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE 2008 SERIES A BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2008 SERIES A BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2008 SERIES A BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the 2008 Series A Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption or other communications to or by DTC, which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the 2008 Series A Bonds.

The Issuer cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the 2008 Series A Bonds made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

The information in this Exhibit C concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

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EXHIBIT E

SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE AGREEMENT

Definitions

“Annual Bond Disclosure Report” shall mean any Annual Bond Disclosure Report provided by the Issuer pursuant to, and as described in, the Continuing Disclosure Agreement.

“Beneficial Owner” shall mean (for purposes of the Continuing Disclosure Agreement) any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2008 Series A Bonds (including persons holding 2008 Series A Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the Issuer, or any successor dissemination agent designated in writing by the Issuer.

“Listed Events” shall mean any of the events listed herein under “Reporting of Significant Events.”

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

“Participating Underwriter” shall mean any of the original underwriters of the 2008 Series A Bonds required to comply with the Rule in connection with offering of the 2008 Series A Bonds.

“Repository” shall mean each National Repository and the State Repository.

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

“State Repository” shall mean any public or private repository or entity designated by the State of Idaho as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission.

Provision of Annual Bond Disclosure Reports

The Issuer shall provide, or shall cause the Dissemination Agent to provide, not later than nine months after the end of each fiscal year, commencing with a report for the fiscal year ending June 30, 2008, to each Repository an Annual Bond Disclosure Report which is consistent with the requirements of the Continuing Disclosure Agreement.

If an Annual Bond Disclosure Report has not been provided to Repositories by the date specified in the preceding paragraph, the Issuer shall promptly send a notice to the Municipal Securities Rulemaking Board and to the State Repository, if any, stating that such Annual Bond Disclosure Report has not been timely provided and, if known, stating the date by which the Issuer anticipates such Annual Bond Disclosure Report will be provided.

Content of Annual Bond Disclosure Reports

Each Annual Bond Disclosure Report of the Issuer shall be prepared by the Issuer and the Department and shall contain or include by reference the following:

1. The audited financial statements for the State for the most recently ended fiscal year, currently prepared in accordance with generally accepted accounting principles.
2. Tables setting forth the following information, as of the end of such fiscal year:
 - (a) For each maturity of the 2008 Series A Bonds, the interest rate on such 2008 Series A Bonds, original aggregate principal amount of such 2008 Series A Bonds and the principal amount of such 2008 Series A Bonds remaining Outstanding.
 - (b) Current information of the type set forth under the Section entitled “FEDERAL AID REVENUES” in the Official Statement relating to the 2008 Series A Bonds.

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

Reporting of Significant Events

Any of the following events shall be considered a Listed Event:

- (a) Principal and interest payment delinquencies with respect to the 2008 Series A Bonds.
- (b) Non-payment related defaults with respect to the 2008 Series A Bonds.
- (c) Modifications to rights of holders of the 2008 Series A Bonds.
- (d) Optional, contingent or unscheduled bond calls.
- (e) Defeasances.
- (f) Rating changes.
- (g) Adverse tax opinions or events adversely affecting the tax-exempt status of the 2008 Series A Bonds.
- (h) Unscheduled draws on any debt service reserves reflecting financial difficulties.
- (i) Unscheduled draws on any credit enhancements reflecting financial difficulties.
- (j) Substitution of any credit or liquidity providers, or their failure to perform.
- (k) Release, substitution, or sale of any property securing repayment of the 2008 Series A Bonds.

Whenever the Issuer or the Department obtains knowledge of the occurrence of a Listed Event, it shall determine if such event would be material under applicable federal securities laws. If the Issuer or the Department determines that knowledge of the event would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository, if any.

Termination of Reporting Obligation

The Issuer's and the Department's obligations under the Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2008 Series A Bonds.

Dissemination Agent

The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor dissemination agent. The initial Dissemination Agent shall be the Issuer.

Amendment; Waiver

The Issuer and the Department may amend the Continuing Disclosure Agreement and any provision of the Continuing Disclosure Agreement may be waived provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions described in the first paragraph under "Provisions of Annual Bond Disclosure Reports" or under "Content of Annual Bond Disclosure Reports" or in the first paragraph under "Reporting of Significant Events", it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2008 Series A Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2008 Series A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the 2008 Series A Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 2008 Series A Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Bond Disclosure Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under the Continuing Disclosure Agreement, and (ii) the Annual Bond Disclosure Report for the year in which the change is made should present a comparison (in narrative

form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information

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

Default

In the event of a failure of the Issuer and the Department to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding 2008 Series A Bonds, shall), or any Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Issuer to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Beneficiaries

The Continuing Disclosure Agreement shall inure solely to the benefit of the Issuer, the Department, the Trustee, the Dissemination Agent, the Participating Underwriters, Holders and Beneficial Owners from time to time of the 2008 Series A Bonds, and shall create no rights in any other person or entity.

EXHIBIT F
SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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Financial Guaranty Insurance Policy

Issuer: _____ Policy No.: _____
Obligations: _____ Premium: _____
Effective Date: _____

Assured Guaranty Corp., a Maryland corporation ("Assured Guaranty"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "Trustee") or the paying agent (the "Paying Agent") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Avoided Payment" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "Business Day" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "Due for Payment" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "Holder" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "Insured Payments" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "Nonpayment" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "Receipt" or "Received" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the

next Business Day. "Term" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "Fiscal Agent") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By: _____
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

Counsel

Idaho GARVEE Program

• Garwood to Sagle (U.S. 95)

• Worley to Setters (U.S. 95)

• I-84 to South Emmett

• Caldwell to Meridian (I-84)

• Orchard to Isaacs Canyon (I-84)

• McCammon to Lava Hot Springs (U.S. 30)





FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272