

(b) Notwithstanding the fact that it is the intention of the parties that the County shall not incur pecuniary liability by reason of the terms of this Agreement, or the undertakings required of the County hereunder, by reason of the issuance of the Notes, by reason of the execution of the Mortgage, by reason of the performance of any act required of it by this Agreement, or by reason of the performance of any act requested of it by the Lessee, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing, nevertheless, if the County should incur any such pecuniary liability with respect to the Project, then in such event the Lessee shall indemnify and hold harmless the County against all claims by or on behalf of any person, firm or corporation, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the County, the Lessee shall defend the County in any such action or proceeding.

SECTION 8.8. Tax Covenants. The County has elected, with respect to the Notes, that the provisions of Section 103(b)(6)(D) of the Code shall be applied. In order to assure that interest on the Notes will not be or become subject to Federal income taxes, the Lessee covenants with the County for the benefit of the Mortgagees, as follows:

(a) The Lessee will not take, or permit any other person to take, any action which would cause the Notes not to qualify as, or cease to qualify as, an exempt small issue of obligations under Sections 103(b)(6)(A) and (D) of the Code or would cause interest on the Notes to be or become subject to Federal income taxes under Section 103(b)(1) of the Code; nor will the Lessee fail to take any action necessary to be taken in order that (i) the Notes shall qualify as, and continue to qualify as, an exempt small issue under Sections 103(b)(6)(A) and (D) of the Code and (ii) interest on the Notes will be and continue to be exempt from Federal income taxes under Section 103(a)(1) of the Code; and

(b) Annually the Lessee will furnish promptly to the Mortgagees true and correct copies of each of the statements filed by the Lessee with the Internal Revenue Service pursuant to Section 1.103-10(b)(2)(vi)(c) of the Regulations under Section 103 of the Code.

(c) The Lessee will not take or fail to take and will not permit any person to take or fail to take any action which would cause interest on the Notes to be or