

ORDINANCE NO. 15

AN ORDINANCE OF THE CITY OF DOVER, OF BONNER COUNTY, IDAHO, SPECIFYING AND ADOPTING A PLAN FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF IMPROVEMENTS AND BETTERMENTS TO THE DOMESTIC WATER SUPPLY AND DISTRIBUTION SYSTEM OF THE CITY; DECLARING THE ESTIMATED COST; AUTHORIZING THE ISSUANCE AND SALE OF ITS WATER REVENUE BOND, SERIES 1991 IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$193,700; PROVIDING FOR THE REGISTRATION OF SAID BOND; PROVIDING FOR THE COLLECTION, HANDLING, AND DISPOSITION OF REVENUE; SPECIFYING THE DATE, FORM AND MATURITY OF SAID BOND; ESTABLISHING AND ADOPTING CERTAIN FUNDS AND ACCOUNTS; PROVIDING FOR REDEMPTION OF THE BOND; PROVIDING FOR ADDITIONAL BONDS; APPROVING THE SALE OF THE BOND TO FARMERS HOME ADMINISTRATION; PROVIDING CERTAIN COVENANTS WITH RESPECT TO FEDERAL TAX LAW; PROVIDING FOR THE EFFECTIVE DATE OF THIS ORDINANCE; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

CITY OF DOVER
Bonner County, Idaho

WATER REVENUE BOND, SERIES 1991
AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$193,700

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF DOVER, Bonner County, Idaho, as follows:

WHEREAS, the City of Dover, Bonner County, Idaho (the "City") is a duly incorporated and existing city organized and operating under the laws of the State of Idaho;

WHEREAS, the City Council (the "Council") of the City is authorized and empowered by Idaho Code Sections 50-1027 through 50-1042, inclusive, and the Municipal Bond Law of the State of Idaho, being Idaho Code, Title 57, Chapter 2, to authorize, issue, sell, and deliver water revenue bonds to finance the acquisition, construction, and installation of improvements and betterments to the domestic water supply and distribution system of the City;

WHEREAS, the City does not have any outstanding water revenue bonds which are secured by a pledge of the revenues of the water system of the City;

WHEREAS, on March 28, 1989, the duly qualified electors of the City approved and ratified the issuance and sale of up to \$214,000 principal amount of water revenue bonds to finance said improvements;

WHEREAS, the Council has determined that the public health, safety, and welfare will be furthered by the water improvement project, as hereinafter defined; and

WHEREAS, Idaho Code Section 57-227 authorizes cities to sell water revenue bonds to the United States of America, Farmers Home Administration, at private sale without giving any prior notice thereof and in such manner as the Council may determine;

NOW, THEREFORE, BE IT FURTHER ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF DOVER, BONNER COUNTY, IDAHO, as follows:

Section 1: DEFINITIONS

As used in this Ordinance, the terms herein have the meanings provided in this Section. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words imparting the singular number shall include the plural numbers and vice-versa unless the context shall otherwise indicate.

Acquisition or **Acquire** includes the opening, laying out, establishment, purchase, construction, securing, installation, reconstruction, lease, gift, grant from the federal government, the State of Idaho, any public body therein or any person, the condemnation, transfer, option to purchase, other contract, or other acquirement, or any combination thereof.

Additional Bonds shall mean any water revenue bonds of the City hereafter issued, from time to time, having a lien upon the Net Revenue for the payment of the principal thereof and interest thereon, equal to the lien of the Bond authorized herein.

Annual Debt Service shall mean the amount required in a calendar year for the payment of the principal of and interest on the Bond and any Additional Bonds, except interest to be paid from the proceeds of such Additional Bonds.

Average Annual Debt Service shall mean the average amount of Annual Debt Service which will become due on the Bond and any Additional Bonds for the period from the date of such calculation until the final maturity date of the Bond and any Additional Bonds then Outstanding.

Bond or **Bonds** shall mean the herein authorized bonds designated "City of Dover Water Revenue Bond, Series 1991" to be issued in the form of a single fully registered bond, in aggregate principal amount of not to exceed \$193,700.

Bond Fund shall mean the "City of Dover Water Revenue Bond Fund" created by Section 13 of this Ordinance.

Bond Ordinance or **Ordinance** shall mean this Ordinance adopted by the Council on August 27, 1991, authorizing the issuance of the Bond.

Bond Register shall mean the registration records of the City, maintained by the Bond Registrar, on which shall appear the name and address of the Registered Owner of the Bond.

Bond Registrar shall mean the Treasurer of the City, or his/her successor in function, if any, as set forth in Section 8 of this Ordinance.

Bond Year shall mean the one-year period (or shorter period from the date of issue) that ends at the close of business on August 31.

Clerk shall mean the de facto or de jure Clerk of the Council, or other officer of the City who is the custodian of the seal of the City and of the records of the proceedings of the Council, or his/her successor in function, if any.

Code shall mean the Internal Revenue Code of 1986, as amended, and any Treasury Regulations promulgated thereunder.

Construction Fund shall mean the "City of Dover Construction Fund" created by Section 11 of this Ordinance.

Costs of Maintenance and Operation shall mean all necessary expenses of operating the System, current maintenance expenses, expenses of reasonable upkeep and repair, insurance and administrative expenses, but excludes depreciation, payments for debt service or into reserve accounts, costs of capital additions to or replacements of the System, municipal taxes, or payments to the City in lieu of taxes and transfers of money from the Revenue of the System to other funds of the City.

Cost of Project or **Cost of Acquisition** or any phrase of similar import, shall mean all or any part designated by the Council of the costs of the Project, or interest therein, which costs, at the option of the Council, may include all or any part of the incidental costs pertaining to the Acquisition of the Project, including, without limitations:

(1) Preliminary expenses advanced by the City from funds available for the use therefor, or advanced by the federal government, or from any other source, with approval of the Council, or any combination thereof;

(2) The costs of making surveys, audits, preliminary plans, other plans, specifications, estimates of costs and other preliminaries;

(3) The costs of appraising, printing, estimates, advice, services of engineers, architects, financial consultants, attorneys at law, clerical help, or other agents or employees;

(4) The costs of contingencies;

(5) The costs of any discount on the Bond and of any of the costs of issuance of the Bond;

(6) The costs of funding and short-term financing, revenue warrants, bond anticipation notes, or other temporary loans appertaining to the Project, and of the incidental expenses incurred in connection with such loans;

(7) The Acquisition costs of any properties, rights, easements, or other interest in properties, or any licenses, privileges, agreements and franchises; and

(8) All other expenses necessary or desirable and appertaining to the Project, as estimated or otherwise ascertained by the City.

Council shall mean the City Council of the City of Dover, Bonner County, Idaho.

Coverage Requirement shall mean an amount of Net Revenue, equal to at least 1.20 times the Maximum Annual Debt Service on that portion of the Outstanding Bond and any Additional Bonds.

Improvement(s) or **Improve** includes the Acquisition, extension, widening, lengthening, betterment, alteration, reconstruction, or other major improvement, or any combination thereof, of any properties pertaining to the System or an interest therein, but does not mean general maintenance or repair.

Maximum Annual Debt Service shall mean an amount equal to the greatest Annual Debt Service with respect to the Bond and any Additional Bonds for the current or any future calendar year.

Mayor shall mean the de facto or de jure Mayor of the Council of the City, or any presiding officer or titular head of the City or his/her successor in functions, if any.

Net Proceeds when used with reference to the Bond, shall mean the face amount of the Bond, plus accrued interest and original issue premium, if any, and less original issue discount and proceeds deposited into the Reserve Account, if any.

Net Revenue shall mean the Revenue of the System after the deduction of Operation and Maintenance Expenses.

Operation and Maintenance Expenses or any phrase of similar import, shall mean all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining, and repairing the System or of levying, collecting and otherwise administering the Revenue of the System for the payment of the Bond; and the term includes (except as limited by contract or otherwise limited by law) without limiting the generality of the foregoing:

(1) Engineering, auditing, reporting, legal and other overhead expenses of the various City departments directly relating and reasonably allocable to the administration of the System;

(2) Fidelity bond and property and liability insurance premiums appertaining to the System, or a reasonably allocable share of a premium of any blanket bond or policy pertaining thereto;

(3) Payments to pension, retirement, health, and hospitalization funds and other insurance related to the operation of the System;

(4) Any taxes, assessments, excise taxes or other charges which may be lawfully imposed on the City, the System, revenues therefrom, or any privilege in connection with their operation;

(5) The reasonable charges of the fiscal or paying agent, Bond Registrar, commercial bank, trust bank or other depository bank appertaining to the Bond or appertaining to the Project, if any;

(6) Contractual services, professional services, salaries, other administrative expenses, the cost of materials, supplies, repairs and labor, appertaining to the issuance of the Bond and to the System; and

(7) All other administrative, general and commercial expenses.

Outstanding, when used with reference to a bond or bonds, as of any particular date, shall mean all bonds which have been issued, executed, authenticated and delivered by the City, except (i) bonds cancelled because of payment or redemption prior to their stated date of maturity, and (ii) any bond (or portion thereof) for the payment or redemption of which there has been separately set aside and held for the payment thereof.

Private Person shall mean any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

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

Project shall mean the undertaking or undertakings of Acquiring and installation of Improvements described in Section 3 hereof.

Registered Owner shall mean the United States of America, Farmers Home Administration, or its successors or assigns.

Reserve Account shall mean the "City of Dover Debt Service Reserve Account" created by Section 14 of this Ordinance.

Revenue Fund shall mean the "City of Dover Revenue Fund" created by Section 12 of this Ordinance.

Revenue of the System shall mean all earnings, revenue and moneys received by the City from or on account of the operation of the System, including the income from investments of the money in the Revenue Fund and the Bond Fund or from any other investment thereof, except the income from investments irrevocably pledged to the payment of any other water revenue bonds pursuant to a plan of retirement or refunding. The words "Revenue of the System" also shall include any federal or state reimbursements of operating expenses to the extent such expenses are included as Operation and Maintenance Expenses of the System. Revenue of the System does not include proceeds of taxes levied and collected by the City.

System shall mean the domestic water supply and distribution system of the City, as it now exists, including the assets, real and personal, tangible and intangible, and as it may later be added to, extended and improved, and shall include buildings, structures, utilities or other income producing property from the operation of or in connection with which revenues for the payment of the Bond to be issued hereunder will be derived, and the lands appertaining

thereto, including, without limitation, any Improvement to be acquired with the proceeds of the Bond.

Treasurer shall mean the Treasurer of the City, or his or his/her successor in functions, if any.

United States shall mean the United States of America, Farmers Home Administration.

Section 2: FINDINGS AND DETERMINATIONS

The public interest, welfare, convenience, and necessity require the Acquisition, construction and installation of Improvements and betterments to the System for the purpose of furnishing the City and the residents of the City and any other person, including public or private corporations, within its limits, with a water system.

Section 3: THE PROJECT

A. Project Description. The Improvements include the Acquisition and installation of Improvements to the System, and consists generally of the following:

(1) Construction of a new water system, including water lines, fire hydrants, storage reservoir, booster pumps, river intake and treatment facilities; and

(3) Engineering fees, administrative costs, legal fees, and all other costs incidental thereto; together with sites and easements therefor and all appurtenances, equipment, and machinery necessary or useful for said System. Said Project is more fully described in the plans and specifications prepared by Ruen-Yeager & Associates, consulting engineers, of Coeur d'Alene, Idaho, on file in the office of the Clerk and are hereby incorporated herein by this reference.

B. Project Changes. The Council may make changes in the above-described plans prior to or in the course of actual construction, provided such changes are found necessary and desirable by the Council and that such changes do not substantially affect or alter the plans or the cost of the Project.

C. Costs. All of the cost and expenses of construction and installation of Improvements to the System will be approximately \$762,800, of which the sum of not to exceed \$193,700 shall be paid from the issuance and sale of the Bond, hereinafter defined, authorized to be issued at special elections held within said City on March 28, 1989. The balance will be realized from other legally available funds, including grant funds from the United States.

Section 4: THE BOND

A bond, designated "City of Dover Water Revenue Bond, Series 1991" (the "Bond"), in the principal amount of not to exceed \$193,700, is hereby authorized to be issued, sold, and delivered. The Bond is issued to provide a portion of the cost of effecting the Acquisition, construction and installation of certain Improvements described herein, including the contract price and the cost and expenses of accounting, clerical, labor, legal, and all other costs incidental to the purchase of said Improvements, including the costs of issuance of the Bond and publications.

Said Bond shall be dated as of the date of its delivery, shall be in the aggregate principal amount of not to exceed \$193,700 and shall bear interest on the unpaid balance at the rate of five percent (5%) per annum from the date of the Bond until paid. The first amortized installment of principal and interest in the amount of \$11,289 will be payable on September 1, 1992. Thereafter, the Bond is payable in amortized annual installments of principal and interest in the amount of \$11,289 on each September 1 thereafter to the date of maturity or prior redemption. The final annual installment may be in such greater or lesser amount as is necessary to fully pay said Bond. Both principal of and interest on the Bond shall be fully paid before September 1, 2031. The Bond shall be substantially in the form as set forth in Exhibit "A," attached hereto and by reference made a part hereof.

The sale of the Bond to the United States is hereby authorized and approved. The United States has requested, and the City has agreed, that the Bond shall be represented in the form of a single, registered, transferable bond without coupons. The Registered Owner, at its expense, shall have the right to convert said Bond to fully registered serial bonds.

Section 5: EXECUTION

Without unreasonable delay, the City shall cause definitive Bonds to be prepared, executed and delivered, which Bond shall be printed with lithographed or steel engraved borders. The Bond shall be executed in the name of the City by the manual signature of the Mayor, countersigned by the Treasurer, and shall be attested by the manual signature of the Clerk, and shall be authenticated by the seal of the City affixed thereon. The Bond shall then be delivered to the Bond Registrar for authentication and delivery.

In case any of the officers who shall have signed or attested to the Bond shall cease to be such officer or officers of the City before the Bond so signed or attested shall have been authenticated or delivered by the Bond Registrar, or issued by the City, such Bond may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the City as though those who signed and attested the same had continued to be such officers of the City. Any Bond may also be

signed and attested on behalf of the City by such persons as at the actual date of execution of such Bond shall be the proper officers of the City although at the original date of such Bond any such person shall not have been such officer of the City.

Section 6: PLACE AND MANNER OF PAYMENT

Both principal of and interest on the Bond shall be payable in lawful money of the United States of America to the Registered Owner thereof, whose name appears on the Bond Register maintained by the Bond Registrar at the close of business on the fifteenth day of the calendar month prior to a payment date, and shall be paid by check or draft of the City mailed on the due date to such Registered Owner at his address as it appears on such Bond Register or at such other address as may be furnished in writing by such Registered Owner to the Bond Registrar.

Section 7: REDEMPTION PRIOR TO MATURITY

A. Optional Redemption. The City hereby reserves the right, at its option with the prior written approval of the Registered Owner, to redeem, on any payment date, the principal amount Outstanding, in whole, or, in the manner hereinafter provided, in part, at any time while the single fully registered Bond is held by the Registered Owner.

Redemption shall be made on any interest payment date, and partial redemption shall be in the amount of \$1,000 or in multiples thereof. No partial redemption shall extend or postpone the due date of any subsequent installment. Any redemption shall be made without penalty, additional interest, or charges.

B. Notice of Redemption. Notice of any such intended redemption shall be mailed by first class mail to the Registered Owner of the Bond at its address appearing on the Bond Register or at such other address as furnished in writing to the Bond Registrar by the Registered Owner, at least thirty (30) days prior to the redemption date.

If the single Bond referred to herein is converted to fully registered serial bonds, without coupons, the City reserves the right to redeem and call said serial bonds, at par plus accrued interest to the date of redemption in inverse numerical order, at the option of the City, on any interest payment date, subject to written notice of such intended redemption to the Registered Owner in the manner provided in this Section 6B.

C. Effect of Redemption. When so called for redemption, the Bonds or Bond shall cease to accrue interest on the specified redemption date, provided funds for redemption are on deposit at the place of payment at that time, and shall not be deemed to be Outstanding as of such redemption date.

D. Voluntary Redemption Notice. If the Bond is converted to fully registered serial bonds as provided for in Section 4 herein, in addition to the notice required by Section B above, further notice may be given by the Bond Registrar as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed in said Section B.

(1) Each further notice of redemption given hereunder may contain the following information:

(a) the redemption date;

(b) the redemption price;

(c) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;

(d) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date;

(e) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Bond Registrar;

(f) the CUSIP numbers, if any, of all Bonds being redeemed;

(g) the date of issue of the Bonds as originally issued;

(h) the rate of interest borne by each Bond being redeemed;

(i) the maturity date of each Bond being redeemed;
and

(j) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption may be sent at least thirty (30) days before the redemption date by registered or certified mail or overnight delivery service to:

(a) all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bond, such depositories now being:

(i) Depository Trust Company, New York, New York, and

(ii) Philadelphia Depository Trust Company, Philadelphia, Pennsylvania; and to

(b) one or more national information services that disseminate notices of redemption of obligations such as the Bond (such as Moody's Municipal and Government, or Standard & Poor's Called Bond Record).

(3) Each such further notice may be published one time in the Bond Buyer of New York, New York or, if such publication is impractical or unlikely to reach a substantial number of the Registered Owners of the Bonds, in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds, such publication to be made at least thirty (30) days prior to the date fixed for redemption.

(4) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number, if any, identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Section 8: BOND REGISTRAR

The Treasurer is hereby appointed as Bond Registrar, transfer agent, and authenticating and paying agent, and is herein referred to as the "Bond Registrar." The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bond. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver the Bond transferred or exchanged in accordance with the provisions of such Bond and this Ordinance, and to carry out all of the Bond Registrar's powers and duties under this Ordinance. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bond.

The City adopt as its system of Registration the system set forth herein.

The Bond may be transferred only upon the Bond Register, upon the surrender thereof at the office of the Bond Registrar, together with a transfer duly executed by the Registered Owner or his attorney duly authorized in writing. Upon the transfer of any Bond, there shall be issued in the name of the transferee or transferees a new fully registered bond or bonds of the same

aggregate principal amount as the surrendered Bond. The new bond or bonds shall bear the same date as the date of the surrendered Bond, but shall bear interest from the immediately preceding interest payment date to which interest has been paid or duly provided for. The Bond Registrar shall not be required to exchange or transfer any Bond within fifteen (15) days of an interest payment date or, in the case of any redemption of a Bond, within fifteen (15) days of the redemption date.

Section 9: RATES AND CHARGES

The City has established, and may from time to time revise, and shall maintain and shall collect from the users of the System, rates and charges for furnishing the services and the facilities of the System to such users thereof. Said rates and charges are, and shall continue to be, uniform as to all persons or properties which are of the same class.

Section 10: PLEDGE OF REVENUES

All of the Net Revenue of the System is pledged for the payment of the Bond, as a prior first charge and lien thereon, and the Revenue of the System shall be used and applied in the order of priority provided in Section 12 of this Ordinance.

Section 11: THE CONSTRUCTION FUND

There is hereby created a fund which shall be maintained by the Treasurer, a fund entitled "City of Dover Construction Fund" (the "Construction Fund"), into which shall be deposited all of the Net Proceeds of the sale of the Bond, to be used for the payment of the cost and expenses of the Acquisition and construction of the Improvements to the System. Any interest earnings on moneys invested from the Construction Fund shall be deposited into said Construction Fund. The District's share of any liquidated damages or other moneys paid by defaulting contractors or their sureties will be deposited into said Construction Fund to assure the completion of the Project.

When the Project has been completed and all costs related thereto have been paid in full, any balance remaining in the Construction Fund will be deposited into the Bond Fund.

Section 12: THE REVENUE FUND

There is hereby created a fund known as the "City of Dover Water Revenue Fund" (the "Revenue Fund") or such other designation conforming to banking requirements or good accounting practices, which shall be maintained by the Treasurer, and into which the Revenue of the System shall be deposited forthwith upon receipt.

A. Use of Revenue: The Revenue of the System shall be used for the payment of the following obligations in the following order of priority:

(1) First, to pay the Costs of Operation and Maintenance of the System.

(2) Second, to pay the interest on the Bond and any Additional Bonds, if any;

(3) Third, to pay the principal of the Bond, and any Additional Bonds, and any mandatory sinking fund deposits, if any;

(4) Fourth, to make all payments required to be made into the Reserve Account created to secure the payment of the Bond and any Additional Bonds;

(5) Fifth, to make all payments required to be made into a bond fund hereafter created to pay and secure the payment of the principal of and interest on any bonds which have a lien upon the Revenue of the System junior and inferior to the lien thereon for the payment of the principal of and interest on the Bond and any Additional Bonds; and

(6) Sixth, to retire by redemption or purchase in the open market any Outstanding revenue bonds or revenue warrants of the City payable out of the Revenue of the System, to make necessary additions, betterments, Improvements and repairs to or extensions and replacements of the System, or for any other lawful City purposes, including, but not limited to payments of municipal taxes or payments to the City in lieu of taxes.

B. Surplus Funds: Funds remaining in the Revenue Fund after having been applied or designated funds for the purposes provided in this Section, shall constitute surplus funds and may be used for the purposes set forth in Section 15 of this Ordinance.

Section 13: THE BOND FUND

There is hereby created a fund known as the "City of Dover Water Revenue Bond Fund" (the "Bond Fund"), or such other designation conforming to banking requirements or good accounting practices, into which shall be deposited the following described revenues:

A. The amount, in equal monthly installments sufficient to fully pay the Bond together with interest thereon in annual installments shall be deposited into the Bond Fund on or before the 20th day of each month. The moneys herein allocated shall be used solely to pay currently maturing installments of principal and interest on the Bond.

B. If the City for any reason shall fail to make such monthly deposit, then an amount equal to the deficiency shall be set apart and deposited in the Bond Fund out of the Revenue of the System in the ensuing month or months, which amount shall be in addition to the regular monthly deposit required during such succeeding month or months.

Section 14: THE RESERVE ACCOUNT

There is hereby created an account known as the "City of Dover Water Revenue Bond Reserve Account" (the "Reserve Account"), or such other designation conforming to banking requirements and good accounting practices, which shall be maintained by the Treasurer within the Bond Fund.

A. Deposit. The City is required to make an annual deposit of \$1,129 into the Reserve Account until the amount of \$11,289 is accumulated in the Reserve Account.

B. Deficiencies or Withdrawals. Whenever any moneys are withdrawn from the Reserve Account to pay the principal of or interest on the Bond, or if a deficiency exists in such account, the amount so withdrawn or the amount of such deficiency shall be restored by monthly transfers from the Revenue Fund on the first day of each calendar month after such withdrawal, in the sum of not less than \$100.00, or an amount equal to one-half the net surplus for the prior monthly service collection period, whichever is greater, until there has been restored therein the gross amount provided heretofore in subdivision A of this Section.

C. Refunding. In the event refunding bonds are ever issued, the amount set aside into the Reserve Account to secure the payment of the Bond may be used to retire bonds or may be held in the Reserve Account to secure payment of the refunding bonds issued, to refund the Outstanding Bond or may be held in the Reserve Account to secure the payment of any other issue or series of bonds payable out of the Bond Fund and issued on a parity with the Bond.

D. Investments. All moneys in the Reserve Account may be kept in cash or deposited in institutions permitted by law in an amount in each institution not greater than the amount insured by any department or agency of the United States government, or may be invested and reinvested in any legal investment permitted for City moneys maturing not later than the last maturity date of any Outstanding bonds. Interest earned on any such investment shall be deposited into the Bond Fund.

Section 15: SURPLUS FUNDS

Funds remaining in the Revenue Fund after having been applied to designated funds for the purposes provided in Section 12 of this Ordinance shall constitute surplus funds and may be used for any of the following purposes in the following order of priority:

A. To pay the costs of unusual or extraordinary maintenance of or repair to the System;

B. To pay the principal of and interest on any subordinate lien obligations which may have been issued to provide additional water facilities in or for the City;

C. To Improve any City water facilities;

D. To Acquire additional water facilities in or for the City;

E. To prepay the principal, interest, and any costs of the Bond, or, if serial bonds are issued, to call or redeem prior to their fixed dates of maturity any such bonds which have been issued to provide water facilities in or for the City; and

F. For any other lawful purpose.

Section 16: ISSUANCE OF ADDITIONAL BONDS

The City hereby further covenants and agrees with the Registered Owner of the Bond for as long as the same remains Outstanding as follows:

The City will not issue any bonds having a greater or equal priority of lien upon the Revenue of the System to pay and secure the payment of the principal of and interest on such bonds than the priority of lien created on such Revenue of the System to pay and secure the payment of the principal of and interest on the Bond, except as follows:

A. The City reserves the right to issue Additional Bonds for the purposes of:

First, providing funds to Acquire, construct, reconstruct, install, or replace any equipment, facilities, additions, betterments, or other capital Improvements to the System for which it is authorized by law to issue revenue bonds, or

Second, refunding at or prior to their maturity, any revenue bond anticipation notes or Outstanding revenue bonds or other obligations payable out of the Revenue of the System.

The City hereby reserves the right to pledge that payments will be made out of the Revenue of the System and into the Bond Fund and Reserve Account to pay and secure the payment of the principal of and interest on such Additional Bonds on a parity with the payments required herein to be made out of such Revenue of the System into such fund to pay and secure the payment of the

principal of and interest on the Bond and Additional Bonds then Outstanding, upon compliance with the following conditions:

(1) At the time of the issuance of any Additional Bonds there is no deficiency in the Bond Fund.

(2) The principal of and interest on the Additional Bonds shall be payable out of the Bond Fund and the requirements for Reserve Account payments in Section 14 hereof shall be met.

(3) Prior to the delivery of any Additional Bonds, the City shall have on file in the office of the Council a certificate of an independent professional engineer or certified public accountant, dated not earlier than 90 days prior to the date of delivery of such Additional Bonds, showing that the Net Revenue determined and adjusted as hereafter provided for each calendar or fiscal year after the issuance of such Additional Bonds (the "Adjusted Net Revenue"), will equal at least the Coverage Requirements on the Bond and Additional Bonds then Outstanding, including the Additional Bonds proposed to be issued.

The Adjusted Net Revenue shall be the Net Revenue for a period of any twelve (12) consecutive months out of the twenty-four (24) months immediately preceding the date of delivery of such proposed Additional Bonds as adjusted by such engineer or accountant to take into consideration changes in Net Revenue estimated to occur under one or more of the following conditions for each year after such delivery for so long as the Bond and Additional Bonds, including the Additional Bonds to be issued, shall be Outstanding:

(i) any increase or decrease in Net Revenue which would result if any change in rates and charges adopted prior to the date of such certificate and subsequent to the beginning of such twelve (12) month period had been in force during the full twelve (12) month period;

(ii) any increase or decrease in Net Revenue estimated by such engineer or accountant to result from any additions, betterments and Improvements to and extensions of any facilities of the System which (a) became fully operational during such twelve (12) month period, (b) were under construction at the time of such certificate, or (c) will be constructed from the proceeds of the Additional Bonds to be issued; and/or

(iii) the additional Net Revenue which would have been received if any customers added to the System prior to the date of such certificate and subsequent to the beginning of such twelve (12) month period were customers for the entire period.

Such engineer or accountant shall base his certification upon, and his certificate shall have attached thereto, financial statements of the System audited by the State Examiner or by such other person or firm currently authorized by the statutes of the State of Idaho to perform such audits (unless such an audit is not available for a twelve-month period within the preceding twenty-four months, in which case a copy of the City's financial statement shall be attached), showing income and expenses for the period upon which the same is based.

The certificate of such engineer or accountant shall be conclusive and the only evidence required to show compliance with the provisions and requirements of this subsection A.

B. Nothing herein contained shall prevent the City from issuing revenue bonds or other obligations which are a charge upon the Revenue of the System junior or inferior to the payments required by this Ordinance to be made out of such revenue into the Bond Fund to pay and secure the payment of the Bond and any Additional Bonds.

C. Nothing herein contained shall prevent the City from issuing revenue bonds to refund the maturing Bond or Additional Bonds for the payment of which moneys are not otherwise available.

D. The City retains the right to issue Additional Bonds which bear a variable rate of interest, provided, however, in the event that any bond or Additional Bonds previously issued by the City or the Additional Bonds to be issued concurrently with the delivery of such certificate are variable rate bonds, the calculation of the debt service requirement which is required by paragraph (5) of this Section shall be made using assumed interest rates provided by the consulting engineer or accountant to the City or its financial advisor. This subsection shall not apply to the issuance of Additional Bonds issued to complete the Construction of the Project.

Section 17: INVESTMENTS

Surplus funds in any of the funds or accounts set forth in this Ordinance may be invested in securities as permitted by law.

Section 18: COVENANTS

For the protection and security of the Bond, it is covenanted and agreed to and with the Registered Owner of the Bond from time to time, that the City will perform the following covenants:

A. Maintain Corporate Status. The City will maintain its identity as a municipal corporation and will make no attempt to cause its corporate statute to be abolished.

B. Budget Laws. The City will comply with applicable state budget laws in preparing its annual budget and in keeping accounts and records.

C. Acquire Project. It will commence the construction, Acquisition and completion of the Project and continue the same with all practical dispatch and in a sound and economical manner.

D. Operate System. It will operate the System in an efficient and economical manner and prescribe, revise, and collect such charges in connection therewith so that the services, facilities, and properties of the System may be furnished at the lowest possible cost consistent with sound economy and prudent management.

E. Good Repair. It will operate, maintain, preserve, and keep the System and every part hereof in good repair, working order, and condition.

F. Preserve Security. It will preserve and protect the security of the Bond and any Additional Bonds and the rights of the Registered Owner or Owners thereof.

G. Collect Revenues. It will collect and hold in trust the revenues and other funds pledged to the payment of the Bond and any Additional Bonds and apply such revenue or other funds only as provided in this Ordinance.

H. Service Bond. It will pay and cause to be paid punctually the principal of the Bond and any Additional Bonds and the interest thereon on the date or dates and at the place or places and in the manner mentioned in the Bond and any Additional Bonds, and in accordance with this Ordinance.

I. Pay Claims. It will pay and discharge any and all lawful claims for labor, materials, and supplies which, if unpaid, might by law become a lien or charge upon the Revenue of the System, or any part of said Revenue of the System, or any funds in the hands of the Treasurer, prior or superior to the lien of the Bond and any Additional Bonds or which might impair the security of the Bond, to the end that the priority and security of the Bond and any Additional Bonds shall be fully preserved and protected.

J. Encumbrances. It will not mortgage or otherwise encumber, sell, lease, or dispose of the System or any part thereof, nor enter into any lease or agreement which would impair or impede the operation of the System or any part thereof necessary to secure adequate revenues for the payment of the principal of and interest on the Bond and any Additional Bonds, nor which would otherwise impair or impede the rights of the Registered Owner of the Bond with respect to such revenues or the operation of the

System without provisions for the retirement of the Bond then Outstanding from the proceeds thereof.

K. Insurance. It will procure and keep in force insurance upon all buildings and structures of the System and the machinery and equipment therein, which are usually insured by entities operating like property, in good and responsible insurance companies. The amount of the insurance shall be such as may be required to adequately protect it and the Registered Owner of the Bond or Registered Owners of Additional Bonds from loss due to any casualty, and in the event of any such loss, the proceeds shall be used to repair or restore the System or for the payment of the Bond and any Additional Bonds.

L. Fidelity bonds. It will procure suitable fidelity bonds covering all of its officers and other employees charged with the operation of the System and the collection and disbursement of Revenues therefrom.

M. Engineers. It will employ consulting engineers of acknowledged reputation, skill and experience in the Improvement and operation of the System for any unusual or extraordinary items of maintenance, repair, extensions, or betterments as shall be required from time to time, all reports, estimates, and recommendations of such consulting engineers to be filed with the Clerk and furnished to the Registered Owner of the Bond issued hereunder, or Registered Owners of Additional Bonds, upon request.

N. Accounts. It will keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the System, and it will furnish complete operating and income statements upon request.

O. Delinquencies. It will not furnish sewer service to any customer whatsoever free of charge, and it shall not later than sixty (60) days after the end of each calendar year, take such legal action as may be reasonable to enforce collection of all collectible delinquent accounts.

Section 19: EVENTS OF DEFAULTS

Each of the following events is hereby declared to be an "event of default."

A. Non-payment of Principal or Premium. Payment of the principal of the Bond or any Additional Bonds, or any required sinking fund account installment (Bond and Reserve Accounts), or any redemption premium due, are not made when the same becomes due and payable;

B. Non-payment of Interest. Payment of any installment of interest on the Bond and any Additional Bonds is not made when the same becomes due and payable or within thirty (30) days thereafter.

C. Incapable to Perform. The City for any reason is, or is rendered to be, incapable of fulfilling its obligations hereunder.

D. Non-performance of Duties. The City shall have failed to carry out and to perform all acts and things lawfully required to be carried out or to be performed by it under any contract relating to the Revenues, to the System, or to all or any combination thereof, or otherwise, including, without limitation, this instrument, and such failure shall continue for sixty (60) days after receipt of notice from the Registered Owners of at least a majority in principal amount of the Bond or Additional Bonds then Outstanding.

E. Failure to Reconstruct. The City discontinues or unreasonably delays or fails to carry out with reasonable dispatch the reconstruction of any revenue-producing part of the System which is destroyed or damaged and is not promptly repaired or replaced (whether such failure to repair and the same is due to impracticability of such repair or replacement, or is due to a lack of monies therefore, or for other reasons).

F. Appointment of Receiver. An order or decree is entered by a Court of competent jurisdiction, with the consent or acquiescence of the City appointing a receiver or receivers for the System or for the Revenues and any other monies subject to the lien to secure the payment of the Bond and Additional Bonds, or both such System and such monies, or if any order or decree, having been entered without the consent or acquiescence of the City, is not vacated or discharged or stayed on appeal within sixty (60) days after entry.

G. Default of any Provisions. The City makes any default in the due and punctual performance of any other of the representations, covenants, conditions, agreements and other provisions contained in the Bond authorized by this Ordinance on its part to be performed, and if such default continues for sixty (60) days after written notice specifying such default and requiring the same to be remedied, is given to the City by the Registered Owner of at least a majority in principal amount of the Bond then Outstanding.

Section 20: REMEDIES FOR DEFAULTS

Upon the happening and continuance of any event of default, as provided herein, then and in every case the Registered Owner of not less than a majority in the principal amount of the Bond and any Additional Bonds, including without limitation, a trustee or trustees therefore, may, at its option, declare the entire amount of the Bond due and payable and, if such entire amount is not paid forthwith, may take possession of and operate the System and proceed to foreclose its security and enforce all other available remedies.

Section 21: DUTIES UPON DEFAULT

Upon the happening of any of the events of default as provided herein, the City in addition, will do and perform all proper actions on behalf of and for the Registered Owner of the Bond or Additional Bonds to protect and to preserve the security created for the payment of the Bond and Additional Bonds and to insure the payment of the Bond and Additional Bonds requirements promptly as and when the same become due. During any period of default, so long as any of the Bond and Additional Bonds is Outstanding, except to the extent it may be unlawful to do so, all pledged Revenues shall be paid into the Bond Fund, or, in the event of securities hereafter issued and Outstanding during such period of time on a parity with the Bond or Additional Bonds shall be paid into the Bond Fund for all parity securities, including the Bond, and Additional Bonds on an equitable and prorated basis, and used for the purposes therein provided, assuming the Registered Owner does not exercise its option set forth in Section 21 hereof, to take possession and to operate such System.

If the City fails or refuses to proceed as in this Section provided, the Registered Owner of not less than a majority of the principal amount of the Bond and Additional Bonds then Outstanding, after demand in writing, may proceed to protect and to enforce the rights of the Registered Owner of the Bond or Additional Bonds as hereinabove provided; and to that end any such Registered Owner of the Bond or Additional Bonds shall be subrogated to all rights of the City under any agreement or contract involving the Revenues entered into prior to the date of this instrument or thereafter while any of the Bond and Additional Bonds are Outstanding.

Upon request by the United States, the City will permit representatives of the United States to inspect and make copies of any of the records of the City pertaining to the financial assistance. Such inspection and copying may be made during regular office hours of the City, or any other time the City and the United States finds convenient.

Section 22: AMENDMENTS

A. The City from time to time and at any time may adopt an ordinance or ordinances supplemental hereto, which ordinance or ordinances thereafter shall become a part of this Ordinance, for any one or more of all of the following purposes:

(1) To add to the covenants and agreements of the City in this Ordinance, other covenants and agreements thereafter to be observed, which shall not adversely affect the interests of the Registered Owner of the Bond or Additional Bonds, or to surrender any right or power herein reserved.

(2) To make such provisions for the purpose of curing any ambiguities or of curing, correcting, or supplementing any defective provisions contained in this Ordinance, or any ordinance authorizing future bonds in regard to matters or questions arising under such ordinances as the Council may deem necessary or desirable and not inconsistent with such ordinances and which shall not adversely affect, in any material respect, the interest of the Registered Owner of the Bond and Additional Bonds.

Any such supplemental ordinance may be adopted without the consent of the Registered Owner of the Bond and Additional Bonds at any time Outstanding, notwithstanding any of the provisions of subsection B of this Section.

B. With the consent of the Registered Owner or Owners of at least 65% in aggregate principal amount of the Bond or Bonds at the time Outstanding, the Council may adopt an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Ordinance or of any supplemental ordinance; provided, however, that no such supplemental ordinance shall:

(1) Extend the fixed maturities of the Bond, or reduce the rate of interest thereon, or extend the time of payments of interest from their due dates, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, if applicable, without the consent of the Registered Owners of the Bond; or

(2) Reduce the aforesaid percentage of the Registered Owner required to approve any such supplemental ordinance, without the consent of the Registered Owners of the Bond then Outstanding.

It shall not be necessary for the consent of the Registered Owners under this subsection B to approve the particular form of any proposed supplemental ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

C. Upon the adoption of any supplemental ordinance pursuant to the provisions of the Section, this Ordinance shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations of the City under this Ordinance and the Registered Owners of the Bond or Bonds Outstanding hereunder shall thereafter be determined, exercised, and enforced thereunder, subject in all respects to such modification and amendments, and all terms and conditions of any such supplemental ordinance shall be deemed to be part of the terms and conditions of this Ordinance for any and all purposes.

D. Any Bond or Bonds executed and delivered after the execution of any supplemental ordinance adopted pursuant to the

provisions of this Section may have a notation as to any matter provided for in such supplemental ordinance, and if such supplemental ordinance shall so provide, new Bond so modified as to confirm, in the opinion of the Council, to any modification of this Ordinance contained in any such supplemental ordinance, may be prepared and delivered without cost to the Registered Owner of any affected Bond then Outstanding, upon surrender for cancellation of such Bond.

Section 23: LOST, STOLEN, MUTILATED OR DESTROYED BOND

In case the Bond shall be lost, stolen, mutilated or destroyed, the Bond Registrar may authenticate and deliver a new Bond of like date, denomination, number, tenor and effect to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the City in connection therewith and upon his filing with the Bond Registrar and the City evidence satisfactory to the Bond Registrar and the City that such Bond was actually lost, stolen, mutilated or destroyed and of his ownership thereof, and upon furnishing the Bond Registrar and the City with indemnity satisfactory to the Bond Registrar and the City.

Section 24: TRANSFER OF BOND

The Bond shall be transferable by the Registered Owner thereof in person, or by his attorney duly authorized in writing, upon surrender of the Bond at the principal office of the Bond Registrar for cancellation and the issuance of a new Bond registered in the name of the transferee, in exchange therefor.

The Bond shall be exchangeable for bonds of any authorized denomination or denominations, upon surrender and cancellation of said Bond at the principal office of the Bond Registrar.

Whenever the Bond shall be surrendered for transfer or exchange, the Bond Registrar shall authenticate and deliver to the transferee or exchangee, in exchange therefor, a new fully registered bond or bonds of any authorized denomination or denominations, of the same maturity and interest rate, and for the aggregate principal amount of the Bond or Bonds being surrendered.

The Bond Registrar shall require the payment by the Registered Owner requesting such transfer or exchange of any tax, fee or governmental charge required to be paid with respect to such transfer or exchange. The costs imposed by the Bond Registrar for such transfer shall be deemed to be a Cost of the Project to be borne by the City.

Section 25: EXEMPTION FROM ARBITRAGE REBATE REQUIREMENT

The City hereby covenants and represents that all proceeds of the Bond will be expended within six (6) months of the date of issuance. In addition, the City hereby covenants and represents

that it does not reasonably expect to issue more than \$5,000,000 in tax-exempt obligations during the 1991 calendar year. Accordingly, the City is not required to comply with the arbitrage rebate rules by virtue of Section 148(f)(4)(B) and (C) of the Code.

Section 26: ARBITRAGE, SPECIAL TAX COVENANTS

The City hereby covenants that it will not make any use of the proceeds of sale of the Bond or any other funds of the City which may be deemed to be proceeds of such Bond pursuant to Section 148 of the Code which will cause the Bond to be an "arbitrage bond" within the meaning of said Section. The City will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bond) throughout the term of the Bond.

The City hereby further covenants that it will comply with the registration requirements of Section 149(a) of the Code so long as the Bond is Outstanding.

The City hereby further covenants that it will not take any action or permit any action to be taken that would cause the Bond to constitute a "private activity bond" under Section 141 of the Code.

Section 27: PRIVATE PERSON USE LIMITATION

The City covenants that so long as the Bond is Outstanding, it will not permit:

(a) More than 10% of the Net Proceeds of the Bond to be used for any Private Person Use; and

(b) More than 10% of the principal or interest payments on the Bond in a Bond Year to be (under the terms of this Ordinance or any underlying arrangement) directly or indirectly: (i) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (ii) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The City further covenants that, if:

(c) More than 5% of the Net Proceeds of the Bond is to be used for any Private Person Use; and

(d) More than 5% of the principal or interest payments on the Bond in a Bond Year are (under the terms of this Ordinance or any underlying arrangement) directly or indirectly: (i) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private

Person Use, or (ii) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use.

then, (i) any Private Person Use of the Project described in subsection (c) hereof or Private Person Use payments described in subsection (d) hereof that is in excess of the 5% limitations described in such subsections (c) or (d) will be for a Private Person Use that is related to the state or local governmental use of the Project, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bond used for the state or local governmental use portion of the Project to which the Private Person Use of such portion of the Project relates. The City further covenants that it will comply with any limitations on the use of the Project by other than state and local governmental users that are necessary, in the opinion of bond counsel, to preserve the tax exemption of the interest on the Bond.

Section 28: PRIVATE LOAN LIMITATION

The City covenants that so long as the Bond is Outstanding, it will not permit Bond proceeds in excess of the lesser of:

- (a) 5% of the Net Proceeds of the Bond, or
- (b) \$5,000,000

to be used (directly or indirectly) to make loans (other than loans that enable a borrower to finance a governmental tax or assessment of general application for a specific essential governmental function) to a Private Person.

Section 29: FEDERAL GUARANTY PROHIBITION

The City shall comply with the provisions of this Section unless, in the written opinion of Preston Thorgrimson Shidler Gates & Ellis or other nationally recognized bond counsel to the City, such compliance is required in order to maintain the exemption of the interest on the Bond from federal income taxation.

The City covenants that so long as the Bond is Outstanding, it will not take any action or permit or suffer any action to be taken if the result thereof would be to cause the Bond to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Section 30: TAX COVENANTS - BOND COUNSEL OPINION

The City shall comply with the provisions of this Ordinance pertaining to the Code unless, in the written opinion of Preston Thorgrimson Shidler Gates & Ellis, or other nationally recognized bond counsel to the City, such compliance is not required in order

to maintain the exemption of the interest on the bonds from federal income taxation.

Section 31: VALIDITY OF ISSUE

The Bond is issued pursuant to the Revenue Bond Act, being Idaho Code Section 50-1027 through 50-1042 inclusive. This recital is conclusive evidence of the validity of the Bond and the regularity of its issuance.

Section 32: REGISTERED OWNER'S REMEDIES - RECEIVER

By action or suit in equity, the Registered Owner may, in the event of a material violation of any of the foregoing covenants, cause the appointment of a receiver, which receiver may enter and take possession of the System and any Net Revenues for the payment of the Bond, prescribe fees to be derived from the System, and collect, receive, and apply all Net Revenues or other moneys pledged for the payment of the Bond in the same manner as the City might do in accordance with the obligations of the City.

Section 33: ORDINANCE A CONTRACT

The provisions of this Ordinance shall constitute a contract between the City and the Registered Owner so long as the Bond hereby authorized remains unpaid.

Section 34: DETERMINATION

The Council does hereby find, determine, and declare that it is essential to the public interest, welfare, and convenience of the City and the inhabitants thereof to undertake the Project and to construct the Improvements, with said Project being paid for in part by the issuance of the Bond in conformity with the Idaho Code.

The Project shall conform to the description contained in this Ordinance and ratified and approved by a special election held on March 28, 1989, for which proper notice was given and all votes duly canvassed.

Section 35: RATIFICATION

All actions (not inconsistent with the provisions of this Ordinance) heretofore taken by the Council, and its employees, with respect to the Acquisition, construction and installation of the Improvements, and the issuance, sale and delivery of the Bond, are hereby in all respects ratified, approved, and confirmed.

Section 36: SEVERABILITY

If any one or more of the covenants or agreements provided in this Ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to

law, then such covenant or covenants, agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants and agreements in this Ordinance and shall in no way affect the validity of the other provisions of this Ordinance or of the Bond.

Section 37: REPEALER

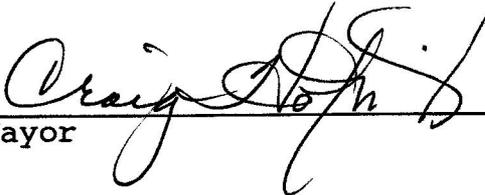
All ordinances, resolutions or parts thereof in conflict herewith, to the extent of such conflict, are hereby repealed.

Section 38: EFFECTIVE DATE

This Ordinance shall be published in the manner provided by law and will be effective from and after its adoption and after its publication, or a publication of its summary, in the official newspaper of the City.

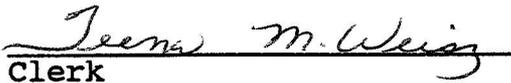
ADOPTED this 27th day of August, 1991.

CITY OF DOVER
Bonner County, Idaho



Mayor

ATTEST:



Clerk

(S E A L)

* * * * *

I, the undersigned, the Clerk of the City of Dover, of Bonner County, Idaho, hereby certify that the foregoing Ordinance is a full, true, and correct copy of an Ordinance duly adopted at a regular meeting of the City Council of City of Dover, duly and properly held with legal notice on August 27, 1991, of which meeting all members of said Council had due notice and at which a majority thereof were present; and that at said meeting said Ordinance was adopted by the following vote:

AYES, and in favor thereof, Councilmembers: 4

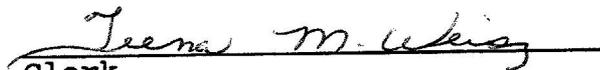
NAYS, Councilmembers: 0

ABSENT, Councilmembers: 0

ABSTAIN, Councilmembers: 0

I further certify that I have carefully compared the same with the original Ordinance on file and of record in my office; that said Ordinance is a full, true, and correct copy of the original Ordinance adopted at said meeting; and that said Ordinance has not been amended, modified, or rescinded since the date of its adoption, and is now in full force and effect.

IN WITNESS WHEREOF, I have set my hand and affixed the official seal of said City on August 27, 1991.


Clerk

(S E A L)

ONE

\$193,700

UNITED STATES OF AMERICA
STATE OF IDAHO
COUNTY OF IDAHO

CITY OF DOVER
WATER REVENUE BOND, SERIES 1991

(THE CITY HAS DESIGNATED THIS BOND A QUALIFIED
TAX-EXEMPT OBLIGATION)

KNOW ALL MEN BY THESE PRESENTS: That the City of Dover of Bonner County, Idaho (the "City"), a duly organized and existing political subdivision of the State of Idaho, for value received, hereby promises to pay to the Registered Owner hereof, the principal sum of

ONE HUNDRED NINETY-THREE THOUSAND SEVEN HUNDRED AND NO/100 DOLLARS

(\$193,700) in lawful money of the United States of America, together with interest on the unpaid balance at the rate of six percent (5%) per annum. This Bond shall be payable in installments of principal and interest, with the first installment of interest only being due on September 1, 1992 and annual installments of principal and interest due on each September 1 thereafter until maturity or prior redemption. The final installment may be in such lesser or greater amount as is necessary to pay the balance of principal and interest then remaining due. The principal and interest of said Bond shall be fully paid within forty (40) years from its date.

Capitalized terms used herein shall have the meanings given them by the Bond Ordinance, adopted by the Council on August 27, 1991.

This Bond shall be registered as to principal and interest in the name of the original Registered Owner and any subsequent registered owners in the registration records of the City (the "Bond Register"), and each registration is to be noted therein by the Bond Registrar. This Bond is transferable only upon said book, by notation thereon, by the registered owner hereof in person or by his attorney duly authorized in writing.

Both principal of and interest on this Bond shall be payable in lawful money of the United States of America, to the Registered Owner hereof, at the address of such Registered Owner shown on the Bond Register. Any Registered Owner of this Bond subsequent to its original Registered Owner is hereby placed on notice of all

Exhibit "A"

Page - 1

payments of both principal of and interest on this Bond prior to its transfer to him and all subsequent Registered Owners hereof hereby acknowledge that they have ascertained the actual unpaid principal amount of this Bond as of the date of transfer to them and hereby release the City from all obligations as to all principal and interest paid by the City prior to such date.

The City has reserved the right, at its option, to redeem, on any annual payment date, the principal amount Outstanding, in whole, or, in the manner hereinafter provided, in part, at any time while the Bond is held by the United States of America, Farmers Home Administration, or any subsequent transferee, if there is sufficient money in the Bond Fund over and above the amounts necessary to pay currently maturing installments of principal and interest. Partial redemption shall be made in the amount of or in multiples of \$1,000.00. No partial redemption shall extend or postpone the due date of any subsequent installment. Any such redemption shall be made without penalty or additional interest or charges. Notice of any intended redemption shall be mailed by first class mail to the Registered Owner of the Bond at its address appearing on the Bond Register or at such other address as furnished in writing to the Bond Registrar by the Registered Owner, at least thirty (30) days prior to the redemption date.

This Bond, upon the surrender hereof at the principal office of the Bond Registrar, may, at the option of the Registered Owner at its expense, be exchanged for serial bonds, in fully registered form, in the aggregate principal amount then remaining unpaid, bearing the same interest rate, maturing annually on September 1 of each of the remaining years of the original term of this Bond, and dated as of the year during which the surrender and exchange is effected. Serial bonds so issued shall be prepaid according to the provisions of the Bond Ordinance.

This Bond is issued for the purpose of paying a portion of the cost of construction and installation of additions and betterments to the water system of the City (the "Project"), pursuant to the Revenue Bond Act of the State of Idaho (Section 50-1027 to 50-1042, inclusive, Idaho Code) and the Municipal Bond Law of the State of Idaho (being Idaho Code, Title 57, Chapter 2), and also pursuant to the Ordinances of the City. The issuance of this Bond has also been authorized by the qualified electors of the City voting at a special election held therein on March 28, 1989, as evidenced by the votes duly canvassed and recorded.

This Bond is a special obligation of the City and is payable as to principal and interest solely from the Bond Fund. For a more particular description of said Bond Fund, the Revenues of the System to be deposited therein, and the nature and extent of the security afforded thereby, reference is made to the provisions of the Bond Ordinance pursuant to which this Bond is issued and such Bond Fund has been established and will be maintained. This Bond shall constitute a lien upon all moneys which from time to time are

in the special funds heretofore pledged. This Bond does not now and shall never constitute an indebtedness of the City within the meaning of any State Constitutional provision or statutory limitation, nor a charge against the general credit or taxing powers of the City.

This Bond creates a prior lien and charge upon the Net Revenues of the System superior to all other charges of any kind or nature, except Operation and Maintenance Expenses.

The City has covenanted with the Registered Owner of this Bond to keep and perform all covenants and agreements contained in the Bond Ordinance, and the City will establish, maintain, collect and account for rates and charges for service furnished by or through the System, including all extensions and Improvements thereto hereafter constructed or acquired by the City, sufficient to pay the principal of and interest on this Bond as they fall due, provided such rates must be reasonable rates for the type, kind and character of the services provided.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all acts and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond, necessary to constitute the same a legal, binding and valid special obligation of City of Dover, in accordance with the tenor and terms of said Bond, have existed, have happened and have been performed in due time, form and manner; and that the aforesaid pledge of revenues have been legally provided for.

IN WITNESS WHEREOF, the City of Dover, Bonner County, Idaho, acting through its City Council, has caused this Bond to be signed by the manual signatures of the Mayor and Treasurer of the City, and attested by the manual signature of the Clerk, under its corporate seal, all as of the ___ day of _____, 1991.

CITY OF DOVER
Bonner County, Idaho

Mayor

Treasurer

ATTEST:

Clerk

(S E A L)

Exhibit "A"
Page - 3

(NO WRITING TO BE PLACED HEREIN EXCEPT BY THE BOND REGISTRAR)

REGISTRATION CERTIFICATE

This Bond shall be payable only to the order of the Registered Owner or its legal representative.

<u>Date of Registration</u>	<u>Name of Registered Owner</u>	<u>Signature of Bond Registrar</u>
<hr/>	United States of America Farmers Home Administration Finance Office 1520 Market Street St. Louis, MO 63103	

REGISTRAR'S CERTIFICATE

I, the undersigned, Treasurer of the City of Dover, Bonner County, Idaho, acting in my capacity as Bond Registrar, hereby certify that the within City of Dover Water Revenue Bond, Series 1991 has been duly registered by me in my office in the Bond Register kept for that purpose.

CITY OF DOVER
Bonner County, Idaho

Treasurer, as Bond Registrar

LEGAL OPINION

I, the undersigned Clerk of the City of Dover, Bonner County, Idaho, hereby certify that the opinion of Preston Thorgrimson Shidler Gates & Ellis, of Spokane, Washington, dated on the date of delivery of and payment for the Bond, approving the proceedings for the issuance of this Bond, was delivered to me on said date, and is now a part of the permanent records of the City.

CITY OF DOVER,
Bonner County, Idaho

City Clerk