

ORDINANCE NO. 55

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 SEWER SYSTEM OF SAID CITY; DECLARING THE ESTIMATED COST OF SAID IMPROVEMENTS; AUTHORIZING THE ISSUANCE AND SALE OF ITS PARITY LIEN SEWER REVENUE BOND, SERIES 1999, IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$450,000; PROVIDING FOR THE REGISTRATION OF SUCH BOND; PROVIDING FOR THE COLLECTION, HANDLING AND DISPOSITION OF REVENUE; SPECIFYING THE DATE, FORM, MATURITY, AND COVENANTS OF SAID BOND; ESTABLISHING AND ADOPTING VARIOUS FUNDS AND ACCOUNTS; PROVIDING FOR THE ISSUANCE OF ADDITIONAL BONDS; APPROVING THE SALE AND DELIVERY OF THE BOND TO THE UNITED STATES OF AMERICA; PROVIDING CERTAIN COVENANTS WITH RESPECT TO FEDERAL TAX LAW; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

**CITY OF DOVER
Bonner County, Idaho**

**PARITY LIEN SEWER REVENUE BOND, SERIES 1999
Principal Amount Not to Exceed \$450,000**

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

WHEREAS, the City of Dover, of Bonner County, Idaho (the "City"), is a duly incorporated and existing municipal corporation, organized and existing under and by virtue of the laws of the State of Idaho; and

WHEREAS, in 1971, Rocky Point Sewer District (the "District") was established, having the same boundaries of the City, for the purpose of providing sewer collection and treatment services to the residents and inhabitants of the City and the District; and

WHEREAS, at a special bond election held on March 6, 1973, the voters of the District authorized the issuance and sale of \$200,000 principal amount of Sewer Revenue Bonds to make sanitary sewage facility improvements, which bonds were authorized to be issued and sold by Resolution No. 84-1 of the District; and

WHEREAS, on May 3, 1994, a special election was held by the District, at which the qualified electors approved the issuance and sale of additional sewer revenue bonds in the principal amount of \$450,000.00 to make certain improvements and betterments to the sewer system and facilities; and

WHEREAS, after affirmative determinations by both the District and the City, and an election of the voters therein, by Order of the District Court of the First Judicial District of the State of Idaho, in and for Bonner County, the City of Dover assumed all assets and liabilities of the District, including the outstanding Sewer Revenue Bonds of the District and the operation and maintenance of the sewage collection and treatment system;

WHEREAS, the City is authorized to conduct proceedings to issue revenue bonds pursuant to the terms and provisions of the Revenue Bond Act of the State of Idaho, Sections 50-1027 to 50-1042, inclusive, Idaho, and the Municipal Bond Law of the State of Idaho, Chapter 2, Title 57, Idaho Code, to finance the acquisition, construction and installation of improvements to its sewer system; and

WHEREAS, the United States of America has agreed to purchase a Parity Lien Sewer Revenue Bond from the City in the aggregate principal amount of not to exceed \$450,000 to finance the acquisition, construction and installation of improvements to the City's sewer system; and

WHEREAS, GMAC Commercial Mortgage, holder of the Outstanding 1984 Bond (defined herein) has agreed to the issuance of debt on a parity of lien with its 1984 Bond so long as certain terms and conditions have been complied with, and the City has determined to comply with such requirements;

WHEREAS, Idaho Code authorizes the City to sell its bond to the United States of America or to a department thereof at private sale, without giving notice thereof and in such manner as the City may determine; and

WHEREAS, the City has determined that the public health, safety and welfare will be furthered by the sewer system improvement project and desires to authorize the issuance of a Parity Lien Sewer Revenue Bond to pay the costs of the acquisition, construction and installation of said improvements.

NOW THEREFORE, IT IS HEREBY FOUND, DETERMINED AND ORDERED 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 Parity Lien Sewer 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 Fund shall mean the "City of Dover Parity Lien Sewer Revenue Bond Fund" created by Section 13 of this Ordinance, for the purpose of paying the principal and interest due on the Bond and any Additional Bonds.

Bond Register shall mean the registration records of the City, maintained by the Bond Registrar, on which shall appear the name, address and tax identification number 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 7 of this Ordinance.

Bond Ordinance or **Ordinance** shall mean this Ordinance, adopted by the City on December _____, 1999, authorizing the issuance of the Bond.

Bond shall mean the herein authorized \$450,000 principal amount of bond designated "City of Dover Parity Lien Sewer Revenue Bond, Series 1999."

Bond Year shall mean each one-year period that ends on the date selected by the City. The first and last Bond Years may be short periods. If no day is selected by the City before the

earlier of the final maturity date of the Bonds or the date that is five years after the date of issuance of the Bonds, Bond Years end on each anniversary of the date of issue and on the final maturity date of the Bonds.

City shall mean the City of Dover, of Bonner County, Idaho, or the City Council of the City, as the same is regularly constituted from time to time.

City Clerk or **Clerk** shall mean the *de facto* or *de jure* City Clerk of the City, 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 City, or his/her successor in function, if any.

Construction Fund shall mean the "City of Dover Construction Fund" created by Section 13 of Resolution No. 26 (the "Note Resolution"), adopted by the City on June 10, 1999.

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

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 funds, 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 City of the costs of the Project, or interest therein, which costs, at the option of the City, 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 City, 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.

Coverage Requirement shall mean an amount of Net Revenue at least equal to 1.2 times the Maximum Annual Debt Service on the Bond and any Additional Bonds.

City shall mean the City of Dover, of Bonner County, Idaho, a City duly organized and existing under and by virtue of the laws of the State of Idaho.

District shall mean the Rocky Point Sewer District, created in 1971 and subsequently merged into the City of Dover.

Improvement(s) or **Improve** includes the 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 Average 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 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 Fund, if any.

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

Note Resolution shall mean Resolution No. 26, adopted by the City Council on June 10, 1999, authorizing the issuance and sale of interim financing notes for the sewer system improvements, as the same has been or may be amended from time to time.

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 or the District, except (i) bonds canceled 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.

Outstanding 1984 Bonds or **1984 Bonds** shall mean the Sewer Revenue Bond of 1984, issued in the original principal amount of \$157,500.00 by Rocky Point Sewer District.

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 a *de minimis* fee to cover custodial expenses.

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

Registered Owner or **Owner** shall mean the United States of America, its successors or assigns, as the owner of the Bond.

Reserve Fund shall mean the "City of Dover Debt Service Reserve Fund" created by Section 14 of this Bond Ordinance for the purpose of securing the payment of principal of, redemption price, if any, and interest on the Bond and any Additional Bonds.

Reserve Fund Requirement shall mean an amount equal to the lesser of the Maximum Annual Debt Service or 110% of the Average Annual Debt Service on the Bond and any Additional Bonds, or 10% of the Net Proceeds of the Bond.

Revenue Fund shall mean the "City of Dover Sewer Revenue Fund" previously created by the City and referred to in Section 12 of this Ordinance, into which all of the Revenue of the System is pledged to be deposited.

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 Parity Lien Sewer 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 sewer 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 of Dover, or his/her successor in functions, if any.

Trust shall mean the Community Program Loan Trust 1987A, holder of the Outstanding 1984 Bond.

United States shall mean the United States of America, Department of Agriculture, Rural Utilities Service or Rural Development, or their successor agency, if any.

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 surrounding area and any other person, including public or private corporations, within or without its limits, with a sewer system.

Section 3: THE PROJECT

A. **Project Description.** The Bond is being issued for the following purposes:

- 1) The Acquisition, construction and installation of a wastewater treatment and disposal system, including the purchase of real estate;
- 2) Ancillary costs of engineering, architectural, surveying, supervision and inspection for the design and installation of the aforesaid Improvements; and
- 3) The cost of all legal, administrative and other miscellaneous expenses.

Said Improvements are more fully described in the plans and specifications for the Project prepared on behalf of the City by Ruen-Yeager & Associates, of Sandpoint, Idaho, on file in the City offices and are hereby incorporated herein by reference. The City hereby specifies and adopts said plans and specifications of Improvements to the System.

B. **Costs.** All of the costs and expense of the Acquisition, construction and installation of Improvements to the System are estimated to be approximately \$900,000, of which \$450,000 will be paid for with the proceeds of the Bond. Any unpaid expense or cost shall be paid from other legally available funds.

Section 4: THE BOND

A bond designated "City of Dover Parity Lien Sewer Revenue Bond, Series 1999" (the "Bond"), in the principal amount of \$450,000, is hereby authorized to be issued, sold, and delivered. The Bond is issued to provide a portion of the money necessary to pay for 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.

Said Bond shall be dated as of the date of its delivery, shall be in the principal amount of \$450,000 and shall bear interest on the unpaid balance at the rate of Four and Three-Eighths percent (4.375%) per annum from the date of the Bond until paid. Interest on the Bond shall be calculated on the basis of a 365-day year. The first amortized annual installment of principal and interest on the Bond in the amount of \$27,225.00 will be payable on December _____, 2000, and annually on each December _____ thereafter to the date of maturity or prior redemption. Both principal of and interest on the Bond shall be fully paid on or before December _____, 2029. 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.

The City hereby agrees to comply with all requirements of the United States of America as contained in the July 19, 1997 letter entitled "Loan Approval Conditions for City of Dover Sewer System Improvement Project", as amended by letters dated February 3, 1999 and March 15, 1999, and in Form FmHA 1942-47, Loan Resolution, specifically including the City's agreement not to defease the Bond so long as it is held by the United States.

Section 5: EXECUTION

Without unreasonable delay, the City shall cause a definitive Bond 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 Mayor, by his/her manual signature thereon, shall be attested by the City Clerk, by his/her manual signature, and shall be authenticated by the seal of the City affixed thereto. 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: METHOD 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 Registrar 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. If requested by the Registered Owner, the City may make electronic transfers of funds on the date of payment.

Section 7: BOND REGISTRAR

The Treasurer of the City 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 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 a payment date, or in the case of any redemption of a Bond, within fifteen (15) days of the redemption date. The Registrar adopts as its registration system the system contained herein.

Section 8: REDEMPTION PRIOR TO MATURITY

A. Optional Redemption. The City hereby reserves the right, at its option, 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 Bond is held by the United States 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.

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 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 designated in writing to the Bond Registrar by the Registered Owner, at least thirty (30) days prior to the redemption date.

If the 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 payment date, subject to written notice of such intended redemption to the Registered Owner in the manner provided by law.

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

D. Open Market Purchase and Cancellation. The City hereby reserves the right to purchase the Bond on the open market at any price. In the event that the City shall purchase the Bond at a price (exclusive of accrued interest) at less than the principal amount thereof, the Bond so purchased shall be credited at the par amount thereof against the debt service requirement next becoming due. The Bond so purchased shall be canceled.

E. No Defeasance of Bond. So long as the Bond is held by the United States, the City agrees that the Bond is not subject to defeasance.

Section 9: RATES AND CHARGES

The City has established, 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 hereby pledged for the payment of the Bond, as a prior first charge and lien thereon, equal to the charge and lien of any Additional Bonds, and Revenue of the System shall be used and applied in the order of priority provided in Section 12 of this Ordinance.

Section 11: CONSTRUCTION FUND

The City has created, by the Note Resolution a fund known as the "City of Dover Sewer Construction Fund", (the "Construction Fund") into which shall be deposited all of the proceeds of the sale of the Bond, to be used for the payment of the cost and expenses of the 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 City'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 construction of 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, hereinafter referred to.

Section 12: THE REVENUE FUND

There has heretofore been created a fund known as the "City of Dover Sewer Revenue Fund" (the "Revenue Fund"), into which all of 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 principal of and interest on the Outstanding Bond, the Bond and any Additional Bonds, if any;
- (3) Third, to make all payments required to be made into the Reserve Fund created to secure the payment of the Outstanding Bond, this Bond and any Additional Bonds;
- (4) Fourth, 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

(5) Fifth, 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 Parity Lien Sewer Revenue Bond Fund" (the "Bond Fund"), or 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, when considered with other legally available funds of the City to fully pay the Outstanding Bond, this Bond and any Additional Bonds, together with interest thereon on or before _____, 202__, shall be deposited into the Bond Fund on or before the ____ day of each month. The moneys herein allocated shall be used solely to pay currently maturing installments of principal and interest on the Bond and any Additional Bonds.

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 FUND

There is hereby created a fund known as the "City of Dover Debt Service Reserve Fund" (the "Reserve Fund"), or such other designation conforming to banking requirements or good accounting practices, which shall be maintained by the Treasurer, which shall be maintained for the purpose of securing the payment of principal of, redemption price, if any, and interest on the Bond and any Additional Bonds.

A. Deposits. The City will deposit no less than \$2,723.00 per year until there is accumulated therein the additional sum equal to the annual amortized payment on said Bond. Said Reserve Fund is to be accumulated by the tenth anniversary of the Bond.

B. Deficiencies or Withdrawals. Whenever any moneys are withdrawn from the Reserve Fund 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 Fund to secure the payment of the Bond may be used to retire bonds or may be held in the Reserve Fund to secure payment of the refunding bonds issued, to refund the Outstanding Bond or may be held in the Reserve Fund 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 Fund 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 sewer facilities in or for the City;
- C. To improve, extend, enlarge or replace any City sewer facilities;
- D. To acquire or construct additional sewer facilities in or for the City;
- E. To prepay the principal, interest, and any costs of the Outstanding Bond, this Bond and any Additional Bonds, of 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 sewer facilities in or for the City; and
- F. For any other lawful purpose.

Section 16: ISSUANCE OF ADDITIONAL BONDS

Additional Parity Lien Sewer Revenue Bonds, on a parity basis, may be issued for any legal purposes, upon the following terms and conditions:

A. Limitations Upon Issuance of Parity Obligations. Nothing contained in this Ordinance shall be construed in such a manner as to prevent the issuance by the City of Additional Bonds or other additional obligations payable from the pledged revenues on a parity with, but not prior nor superior to, the lien of the Bond herein authorized; provided, however, that before any such additional parity bonds or other additional parity obligations are authorized or actually issued:

(1) Any consent required by the Loan Approval Conditions for Sewer System Improvement Project and the Loan Resolution referred to in Section 4 of this Ordinance shall have been obtained.

(2) The City is not, and has not been, in default as to any payments required by the provisions of this Ordinance for a period of not less than twelve (12) months immediately preceding the issuance of such additional parity bonds or other additional parity obligations.

(3) The pledged revenues of the Project for the past twelve (12) consecutive months immediately preceding the year of the issuance of such additional parity obligations shall have been sufficient to pay the operation and maintenance expenses of the Project for said past twelve (12) consecutive months, and, in addition, sufficient so that the Net Revenues for such preceding year equal an amount representing 120% of the average annual principal and interest requirements of the outstanding Bond and any other obligations of the City payable from the Pledged Revenues of the Project plus the average annual principal and interest requirements of the Bond or other obligations proposed to be issued, provided, this limitation may be waived or modified by the written consent of the Registered Owners or holders of 75% of the principal amount of the Bond;

(4) A written certification by a Certified Public Accountant, if requested, that the 120% Net Revenue requirement of Section (2) above has been satisfied, shall be obtained and filed with the City, which certification shall be conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver said Additional Bonds or other additional obligations on a parity with the Bond authorized herein.

B. Parity Bonds to Complete Project. In the event grant funds, plus the proceeds of the Bond provided for in this Ordinance are insufficient to complete the Project, then parity bonds may be issued to complete the Project and the restrictions set forth in this section pertaining to the issuance of parity bonds shall not apply.

C. Subordinate Lien Bonds. Other than subsections A(1) and A(2) of this Section 16, no provision of this Ordinance or of any instrument appertaining thereto shall be deemed to limit or restrict the power of the City to issue bonds or warrants, or to make pledges of the revenues which shall be subordinate as to the lien of the Bond and which shall provide for compliance with the current provisions hereof prior to the application of any funds to said subordinate purpose.

D. Refunding. The restriction with respect to the issuance of parity obligations shall not apply if such additional parity bonds proposed to be issued are for the sole purpose of refunding outstanding Parity Lien Sewer Revenue Bonds.

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

A. The City shall at all times maintain, preserve and keep the properties of the System in good repair, working order and condition and will from time to time make all necessary and proper repairs, renewals, replacements, extensions and betterments thereto, so that at all times the business carried on in connection therewith will be properly and advantageously conducted, and the City will at all times operate or cause to be operated said properties of the System and the business in connection therewith in an efficient manner and at a reasonable cost.

B. The City shall fix, maintain and collect rates and charges for the use of the services and facilities of the System and all commodities sold, furnished or supplied by the System, which shall be fair and nondiscriminatory and shall adjust such rates and charges from time to time so that:

(1) The Revenue of the System derived therefrom will at all times be sufficient (a) to pay the Costs of Maintenance and Operation, (b) to make any payments required to be made on account of the Bond and any Additional Bonds as and when the same shall become due and payable, (c) to make when due all payments which the City is obligated to make into the Reserve Fund and all other payments which the City is obligated to make pursuant to this Ordinance, and (d) to pay all taxes, assessments or other governmental charges lawfully imposed on the System or the revenue therefore or payments in lieu thereof and any and all other amounts which the City may now or hereafter become obligated to pay from the Revenue of the System by law or contract; and

(2) the amount of Net Revenue is at least equal to 1.2 times the Maximum Annual Debt Service on that portion of the Bond and Additional Bonds Outstanding.

In the event the City issues Additional Bonds which bear a variable rate of interest, the assumed interest rate for such variable rate Additional Bonds for purposes of determining compliance with the coverage requirement provided in this subsection 18(B)(2) shall be determined in the manner provided in Section 16 herein.

C. The City will not sell or otherwise dispose of the System in its entirety unless simultaneously with such sale or other disposition provision is made for payment into the Bond Fund of cash or Government Obligations (as defined in the Idaho Code, as it now reads or is hereafter amended) sufficient (taking into account interest to be earned on any such Government Obligations) to pay the principal of and interest on the Bond and Additional Bonds when due or earlier redeemed than Outstanding, nor will it sell or otherwise dispose of any part of the useful operating properties of the System unless such facilities are replaced or provision is made for payment into the Bond Fund of the greatest of the following:

(1) An amount which will be in the same proportion to the net amount of the Bond and Additional Bonds then Outstanding (defined as the total principal amount of the Bond and Additional Bonds less the amount of cash and investments in the Bond Fund) that the revenue from the portion of the System sold or disposed of for the preceding year bears to the total Revenue of the System for such period; or

(2) An amount which will be in the same proportion to the net amount of the Bond and Additional Bonds then Outstanding (as defined above) that the Net Revenue from the portion of the System sold or disposed of for the preceding year bears to the total Net Revenue for such period; or

(3) An amount which will be in the same proportion to the net amount of the Bond and Additional Bonds then Outstanding (as defined above) that the depreciated cost value of the facilities sold or disposed of bears to the depreciated cost value of the entire System immediately prior to such sale or disposition.

The proceeds of any such sale or disposition of a portion of the properties and facilities of the System (to the extent required above) shall be paid into the Bond Fund.

Notwithstanding any other provision of this paragraph, the City may sell or otherwise dispose of any of the works, plant, properties and facilities of the System or any real or personal property comprising a part of the same which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or no longer necessary, material to or useful in such operation, without making any deposit into the Bond Fund.

D. The City will not at any time create or permit to accrue or to exist any lien or other encumbrance or indebtedness upon the System or the Revenue of the System, or any part thereof, other than reasonable and nominal Costs of Maintenance and Operation, prior or superior to the lien thereon for the payment of the Bond and any Additional Bonds, and will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or

supplies which, if unpaid, might become a lien or charge upon the Revenue of the System, or any part thereof, prior to or superior to the lien of the Bond and any Additional Bonds, or which might impair the security of the Bond and any Additional Bonds.

E. The City will keep the works, plants and facilities comprising the System insured, and will carry such other insurance, with responsible insurers, with policies payable to the City, against risks, accidents or casualties, at least to the extent that insurance is usually carried by municipal corporations operating like properties, in the judgment of the City, to protect the City and the Registered Owner of the Bond against loss. In the event of any loss or damage, the City will promptly repair or replace the damaged portion of the insured property and apply the proceeds of any insurance policy for that purpose; or in the event the City should determine not to repair or reconstruct such damaged portion of the properties of the System, the proceeds of such insurance shall be paid into the Reserve Fund to the extent that such transfer shall be necessary to make up any deficiency in said Reserve Fund and the balance, if any, shall at the option of the City be used either for repairs, renewals, replacements, or capital additions to the System, for the redemption of the Bond or any Additional Bonds, or for deposit into the Reserve Fund.

F. The City shall keep proper books of account which shall be kept in accordance with any applicable rules, regulations and statutes prescribed by the State of Idaho. The City shall prepare, and any Registered Owner of the Bond may obtain copies of, balance sheets and profit and loss statements showing in reasonable detail the financial condition of the System as of the close of each year, and the income and expenses of such year, including the amounts paid into the Revenue Fund, the Bond Fund, and into any and all special funds or accounts created pursuant to the provisions of this Ordinance, and the amounts expended for maintenance, renewals, replacements and capital additions to the System.

G. The City will not furnish or supply or permit the furnishing or supplying of any service or facility furnished by or in connection with the operation of the System, free of charge to any person, firm or corporation, public or private, so long as the Bond or any Additional Bonds are Outstanding and unpaid.

H. The City will not expend any of the revenue derived from the operation of the System or the proceeds of any indebtedness payable from Revenue of the System for any extensions, betterments and Improvements to the System which are not legally required or economically sound, and which will not properly and advantageously contribute to the conduct of the business of the System in an efficient manner.

I. The City will procure suitable fidelity bonds covering all of its officers and other employees charged with the operation of the Project and the collection and disbursement of Revenues therefrom.

J. The City will employ consulting engineers of acknowledged reputation, skill and experience in the improvement and operation of the Project 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 purchaser of the Bond issued hereunder, if requested.

K. The City 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 collectable 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. Payment of the principal of the Outstanding Bond, this Bond or any Additional Bonds, or any required sinking fund account installment, (Bond and Reserve Funds), is not made when the same becomes due and payable;

B. Non-payment of Interest. Payment of any installment of interest on the Outstanding 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 any 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 any 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 and any Additional Bonds authorized by this Ordinance or subsequent Ordinances 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 Bonds 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 agrees to provide written notification of the Trust, c/o GMAC Commercial Mortgage Corporation, at 650 Dresher Road, P.O.Box 1015, Horsham, Pennsylvania 19044, or any other address that GMAC Commercial Mortgage Corporation provides, containing a description of the event of default and of the actions intended to be taken as a result of such default.

In addition, the City 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 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: 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 23: AMENDMENTS

A. The City from time to time and at any time may adopt a 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 Owners of the Outstanding 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 provision contained in this Ordinance, or any Ordinance authorizing future bonds in regard to matters or questions arising under such Ordinances as the City 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 Owners of the Outstanding Bonds.

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

B. With the consent of the Registered Owners of not less than sixty-six and two-thirds percent (66.67%) in aggregate principal amount of the Bond at the time outstanding, the City may adopt a 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 extend the fixed maturity of the Bond, or reduce the rate of interest thereon, or extend the time of payment of interest from its due date, 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 Owner of each Bond so affected.

It shall not be necessary for the consent of the Registered Owner of the Bond 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 this 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 Owner of the Bond 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. 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 bonds so modified as to conform in the opinion of the City, to any modification of this Ordinance contained in any such supplemental Ordinance, may be prepared and delivered without cost to the Registered Owner of the affected Bonds then Outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts.

Section 24: 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 25: TRANSFER OR EXCHANGE 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 26: 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 199__ 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 27: 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 28: 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% limitation 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 Preston Gates & Ellis, or other nationally recognized bond counsel, to preserve the tax exemption of the interest on the Bond.

Section 29: 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 30: QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bond is hereby designated as a "Qualified Tax-Exempt Obligation" for purposes of Section 265(b) of the Code. The City does not expect to issue tax-exempt obligations in an aggregate principal amount in excess of \$10,000,000 during the 199__ calendar year.

Section 31: FEDERAL GUARANTY PROHIBITION

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 32: 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 Gates & Ellis LLP 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 Bond from federal income taxation.

Section 33: RATIFICATION

All actions (not inconsistent with the provisions of this Ordinance) heretofore taken by the City, 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 34: 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 35: REPEALER

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

Section 36: EFFECTIVE DATE - PUBLICATION

This Ordinance, or a summary hereof in compliance with Section 50-901A Idaho Code, shall be published once in the official newspaper of the City, and shall take effect immediately upon its passage, approval and publication.

ADOPTED this _____ day of December, 1999.

CITY OF DOVER, Bonner County, Idaho

Paul "Bondy" Curless
Mayor

ATTEST:

Ruth Guthrie
City Clerk

(SEAL)

* * * * *

I, the undersigned, the City Clerk of City of Dover, of Bonner County, Idaho, hereby certify that the foregoing Ordinance is a full, true, and correct copy of a Ordinance duly adopted at a regular meeting of the City Council of the City of Dover, duly and properly held on December _____, 1999, of which meeting all members of said City 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: MARGARET BECKER
NEAL HEWITT
GENEVIEVE THURLOW

NAYS, Councilmembers:

ABSENT, Councilmembers: BRAD LITTLEFIELD

ABSTAIN, Councilmembers:

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 December 9, 1999.



City Clerk

(SEAL)

REGISTERED
ONE

REGISTERED
\$450,000

**UNITED STATES OF AMERICA
STATE OF IDAHO
COUNTY OF BONNER**

**CITY OF DOVER
PARITY LIEN SEWER REVENUE BOND, SERIES 1999**

(The City has designated this Bond
as a Qualified Tax-Exempt Obligation)

**See Additional Provisions Set
Forth on the Reverse Side Hereof**

KNOW ALL MEN BY THESE PRESENTS: That 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

FOUR HUNDRED FIFTY THOUSAND NO/100 DOLLARS - - - (\$450,000.00)

in lawful money of the United States of America, with interest on the unpaid balance at the rate of Four and Three-Eighths percent (4.375%) per annum from the date of this Bond until paid. The first installment of principal and interest, in the amount of \$27,225.00 is payable on December _____, 2000, and annually on each December ____ thereafter to the date of maturity or prior redemption. Both principal of and interest on this Bond shall be fully paid by December _____, 2029. 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 City Council of said City has caused this Bond to be issued in the name of the City, said Bond, or the proceeds thereof, to be applied in payment of sewer system improvements. This Bond is issued pursuant to Idaho Code 50-1027 to 50-1042, and also pursuant to Ordinance No. ____, adopted on December ____, 1999, (the "Bond Ordinance"). Capitalized terms used herein shall have the meanings given to them by the Bond Ordinance.

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 maintained by the Bond Registrar, or at such other address as may be furnished in writing by the Registered Owner to the Bond Registrar. Any Registered Owner of this Bond subsequent to its original Registered Owner is hereby placed on notice of all 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.

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 books 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.

The Registered Owner of this Bond shall look only to the Bond Fund and Reserve Fund for the payment of either the principal of or the interest on this Bond. The principal sum of this Bond and the interest accrued hereon shall be payable from a separate fund, under the control of the Treasurer and designated Bond Fund, pledged solely for the payment of the principal and interest of the Bond and any Additional Bonds.

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 the City, in accordance with the tenor and terms of said Bond, have existed, have happened and have been performed in due time, form and manner.

IN WITNESS WHEREOF, the City of Dover, of Bonner County, Idaho, acting through its City Council, has caused this Bond to be signed by the manual signature of its Mayor and attested by the manual signature of the City Clerk, under its seal, all as of the ___ day of December, 1999.

CITY OF DOVER, Bonner County, Idaho

[Manual Signature]

Paul "Bandy" Curless Mayor

ATTEST:

Patricia Guthrie

[Manual Signature]

City Clerk

(SEAL)

CERTIFICATE OF AUTHENTICATION

This Bond is the City of Dover Parity Lien Sewer Revenue Bond, Series 1999, dated December 9, 1999, described in the within-mentioned Bond Ordinance.

Date of Authentication: December 9, 1999.

CITY OF DOVER, Bonner County, Idaho,


[Manual Signature]

City Treasurer, as Bond Registrar

ADDITIONAL PROVISIONS

The City has reserved the right, at its option, to redeem, on any payment date, the principal amount Outstanding, in whole, or, in the manner hereinafter provided, in part, at any time while this Bond is held by the United States of America, 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 at least thirty (30) days prior to the redemption date.

This Bond, upon the surrender hereof at the office of the Bond Registrar, may, at the option and expense of the Registered Owner, 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 December 1 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.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all acts and things required by the Constitution and statutes of the State of Idaho and the Ordinances of the City of Dover to exist, to happen, and to be performed precedent to and in the issuance of this Bond and the issue of which it forms a part, necessary to constitute the same legal, binding, and valid special obligations of the City, in accordance with the tenor and terms of said Bond, have existed, have happened, and have been performed in due time, form, and manner.

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

REGISTRATION CERTIFICATE

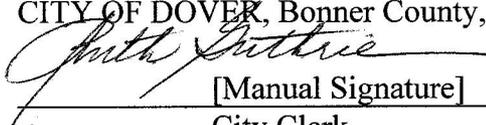
This Bond shall be payable only to the order of the Registered Owner or his legal representative.

<u>Date of Registration</u>	<u>Name of Registered Owner</u>	<u>Signature of Bond Registrar</u>
December ____, 1999	United States of America Finance Office 1520 Market Street St. Louis, MO 63103	<hr/> Manual Signature

LEGAL OPINION

I, the undersigned, City Clerk of the City of Dover, of Bonner County, Idaho, DO HEREBY CERTIFY that the legal opinion of Preston Gates & Ellis LLP, of Coeur d'Alene, Idaho, which opinion is dated the date of delivery of and payment for the Bond described therein, an original of which was delivered to me on said date, and is a part of the permanent records of the City.

CITY OF DOVER, Bonner County, Idaho


[Manual Signature]
City Clerk