

NORTH KOOTENAI WATER AND SEWER DISTRICT  
Kootenai County, Idaho

LOCAL IMPROVEMENT DISTRICT NO. 1 BOND

ORDINANCE NO. 2008-05

An Ordinance of the Board of Directors of North Kootenai Water and Sewer District, Kootenai County, Idaho authorizing the issuance of a local improvement district bond of the District in the aggregate principal amount of \$1,225,446 to provide funds for permanent financing the costs of carrying out improvements of the District's water system constructed within Local Improvement District No. 1, fixing the date, form, terms, maturity and covenants of the bond; and accepting the offer of the State of Idaho Department of Environmental Quality to purchase said bond.

Approved on May 1, 2008

Prepared by:

K&L PRESTON GATES ELLIS LLP  
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NORTH KOOTENAI WATER AND SEWER DISTRICT  
ORDINANCE NO. 2008-05

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\* This Table of Contents and the cover page are provided for convenience only and is not a part of this ordinance

ORDINANCE NO. 2008-05

An Ordinance of the Board of Directors of North Kootenai Water and Sewer District, Kootenai County, Idaho authorizing the issuance of a local improvement district bond of the District in the aggregate principal amount of \$1,225,446 to provide funds for permanent financing the costs of carrying out improvements of the District's water system constructed within Local Improvement District No. 1, fixing the date, form, terms, maturities and covenants of the bond; and accepting the offer of the State of Idaho Department of Environmental Quality to purchase said bond.

WHEREAS, North Kootenai Water and Sewer District, Kootenai County, Idaho (the "District"), now owns, maintains and operates a water system; and

WHEREAS, the Board of Directors (the "Board") of the District, by Ordinance No. 06-01, adopted on March 30, 2006, created and established Local Improvement District No. 1 ("LID No. 1") for the purpose of paying the cost of improvements within LID No. 1 providing that payment for the improvements be made by special assessments upon property; and

WHEREAS, the Board by Ordinance No. 2008-04, adopted on March 20, 2008, confirmed the assessment roll for LID No. 1 in the amount of \$1,650,067; and

WHEREAS, the time for prepayment of assessments within LID No. 1 has expired and \$409,701 has been collected in prepayments, leaving unpaid assessments in the amount of \$1,225,446; and

WHEREAS, the Board deems it to be in the best interest and welfare of the District and its property owners now issue its local improvement district bond (hereinafter defined as the "Bond") in order to provide permanent financing for the costs and expenses of the improvements ordered in LID No. 1; and

WHEREAS, the State of Idaho Department of Environmental Quality, (the "Government") has agreed to purchase the Bond pursuant to its Loan Offer dated August 10, 2006; and

WHEREAS, it is hereby found to be in the best interests of the District that the Bond be sold to the Government;

NOW, THEREFORE BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE NORTH KOOTENAI WATER AND SEWER DISTRICT, as follows:

Section 1.     Definitions. As used in this ordinance, unless a different meaning clearly appears from the context:

**Board** means the duly constituted Board of Directors, the general legislative authority of the District.

**Bond Fund** means the LID No. 1 Bond Fund authorized to be created by Section 5 hereof for the purposes of paying and securing the payment of the Bond.

**Bond Register** means the books or records maintained by the Bond Registrar containing the name and mailing address of the owner of each Bond or nominee of such owner and the principal amount and number of Bond held by each owner or nominee.

**Bond Registrar** means the Treasurer of the District, for the purposes of registering and authenticating the Bond, maintaining the Bond Register, effecting transfer of ownership of the Bond, and paying the principal of and interest on the Bond.

**Bond** means the North Kootenai Water and Sewer District Local Improvement District No. 1 Bond, 2008 to be issued in the aggregate principal amount of \$1,225,446 pursuant to this ordinance.

**Bond Year** means each one-year period that ends on the date selected by the District. The first and last Bond Years may be short periods. If no day is selected by the District before the earlier of the final maturity date of the Bond or the date that is five years after the date of issuance of the Bond, Bond Years end on each anniversary of the date of issue and on the final maturity date of the Bond.

**Chairman** means the *de facto* or *de jure* Chairman of the Board or any presiding officer or titular head of the District or his/her successor in function, if any.

**Code** means the federal Internal Revenue Code of 1986, as the same shall be amended from time to time, and all regulations promulgated or applicable thereunder.

**District** means the North Kootenai Water and Sewer District, Kootenai County, Idaho, a municipal corporation duly organized and existing under the laws of the State of Idaho.

**Government** means the State of Idaho Department of Environmental Quality.

**Interest Fund** means the fund of that name maintained for the purpose of paying interest on the Bond.

**LID No. 1** means Local Improvement District No. 1, created by Ordinance No. 06-01.

**LID Assessments** mean assessments on real property within the boundaries of LID No. 1, which are pledged to be paid into a Bond Fund, and shall include installments thereof and interest and any penalties thereon, which shall be paid into the Interest Fund.

**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** means 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 by 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*** means the plan of improvements to the System authorized in Section 3 of Ordinance No. 06-01.

***Registered Owner*** means the person named as the registered owner of the Bond in the Bond Register.

***Secretary*** means the *de facto* or *de jure* Secretary or other officer of the District who is custodian of the seal of the District and of the records of the proceedings of the Board, or his/her successor in function, if any.

***System*** means the water distribution system and facilities of the District as it now exists, including the Project or which improvements may be added to in the future.

***Treasurer*** means the Treasurer of the District or any successor to the functions of such Treasurer.

**Section 2.** **Authorization of Bond.** For the purpose of providing funds to provide long term financing for the costs of constructing the Project in LID No. 1, the District shall issue

its Bond in the aggregate principal amount of \$1,225,446 (the "Bond"). The proceeds from the sale of the Bond will be used in conjunction with assessment prepayments and other funds of the District as needed to provide permanent financing for the Project.

Section 3. Description of Bond. The Bond shall be designated "North Kootenai Water and Sewer District, Kootenai County, Idaho Local Improvement District No. 1 Bond, 2008" shall be dated as of the date of delivery thereof to the Government, as the initial purchaser, shall be numbered R-1, and shall be fully registered. The Bond shall bear interest at the rate of 3.25% per annum (computed on the basis of a 365-day year for actual number of days elapsed) and interest shall accrue from the date of issuance of the Bond. Principal of and interest on the Bond shall be payable in annual installments in the amount set forth on Exhibit A to the Bond, beginning one (1) year following the date of the Bond and annually thereafter, with the last payment to be made not later than the 20th anniversary of the date of the Bond, as required to pay the remaining principal and interest due.

Payments shall be applied first to interest and then to principal.

Both principal of and interest on the Bond shall be payable in lawful money of the United States of America to the owner or owners thereof at the address appearing on the registration books of the District maintained by the Treasurer. The Bond shall be payable solely from the LID Assessments and funds, if any, in the Guarantee Fund and shall not be a general obligation of the District.

The Bond shall be registered as to both principal and interest as long as any of the installments of the Bond remain unpaid, and the District shall maintain in the office of the District Treasurer books for the registration and transfer of the Bond. No transfer of the Bond so

registered shall be valid unless made on said books upon the written request of the registered owner or the owner's duly authorized agent.

Section 4. Prepayment. The District hereby reserves the right to prepay principal installments remaining unpaid at the price of par plus accrued interest, in whole, or in part on any date. If and to the extent that the District has accumulated a balance in the Bond and Interest Funds on any annual installment date in excess of the amount required to pay the next upcoming installment of principal and interest, the District shall prepay the Bond. The Government agrees after prepayment of any principal amount of the Bond, that the amortized payment amounts required on the Bond will be recalculated, and, upon request of the District in writing, the new schedule will be substituted for Exhibit "A" to the Bond.

Section 5. Creation of Bond and Interest Funds. The Treasurer is hereby authorized and empowered, and it shall be his/her duty, to receive and collect all assessments levied on property within LID No. 1 ("LID Assessments") to pay the cost of said improvements, the installments thereof, the interest thereon, and the penalties accrued, and to pay and disburse such payment to the person or persons lawfully entitled to receive the same, in accordance with the laws of the State of Idaho and all ordinances and resolutions of District.

There is hereto created, and shall be maintained by the Treasurer, a special fund designated "North Kootenai Water and Sewer District Local Improvement District No. 1 Bond Fund" (the "Bond Fund"), or such other designation conforming to generally accepted governmental accounting practices. All moneys constituting payment of principal of said unpaid LID Installments are to be deposited into the Bond Fund, and shall be used and applied for the purpose of paying the principal of the Bond herein authorized and for no other purpose



whatsoever. The Bond Fund is hereby pledged as security for such payment of principal of the Bond.

There is hereby created, and shall be maintained by the Treasurer, a special fund designated "North Kootenai Water and Sewer District Local Improvement District No. 1 Interest Fund" (the "Interest Fund"), or such other designation conforming to generally accepted governmental accounting practices. All moneys constituting payment of interest on LID Assessments are to be deposited into the Interest Fund, and shall be used and applied for the purpose of paying the interest on the Bond herein authorized and for no other purpose whatsoever. The Interest Fund is hereby pledged as security for such payment of interest on the Bond.

Moneys in the Bond Fund and the Interest Fund shall be deposited in such bank or banks as are designated as depositories of public moneys of the District under the laws of the State of Idaho, or invested in Bond or warrants of the District. Interest received on such funds so deposited or invested shall be placed to the credit of the Fund from which it is earned.

Section 6.     Guarantee Fund. There is hereby created, pursuant to Section 50-1762, Idaho Code, a fund designated the "North Kootenai Water and Sewer District Local Improvement Guarantee Fund" (the "Guarantee Fund"), which shall be maintained by the Treasurer as a special fund separate and apart from any other fund or account of the District. The District has proposed and the Government has accepted, that the District not be required to deposit any funds in the Guarantee Fund upon the issuance of the Bond. The Guarantee Fund is created for the purpose of guaranteeing, to the extent of such fund, the payment of the principal of and interest on local improvement district bonds and warrants, including local improvement district bonds and warrants hereafter issued for any local improvement district created by the

District pursuant to Idaho Code Title 50, Chapter 17. Whenever there shall be insufficient funds to make any payment of principal of or interest on the local improvement district bonds or warrants as the same become due, payment therefore shall be made by warrant drawn against the Guarantee Fund in the manner provided by Section 50-1763, Idaho Code. If funds for the payment of such bonds or warrants are not available in the Guarantee Fund, such warrant shall be registered as provided by law and the District shall cause a special tax to be levied and collected therefor as provided in Section 50-1762, Idaho Code. The Guarantee Fund shall thereafter be maintained in the manner provided by Sections 50-1762 through 1769, Idaho Code.

Section 7. Tax Covenants and Special Designation. The District covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exemption from federal income taxation of the interest on the Bond and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on the Bond.

(a) *Arbitrage Covenant.* Without limiting the generality of the foregoing, the District covenants that it will not take any action or fail to take any action with respect to the proceeds of sale of the Bond or any other funds of the District which may be deemed to be proceeds of the Bond pursuant to Section 148 of the Code and the regulations promulgated thereunder which, if such use had been reasonably expected on the dates of delivery of the Bond to the Government, would have caused the Bond to become an "arbitrage bond" within the meaning of such term as used in Section 148 of the Code.

(b) *Private Person Use Limitation for Bond.* The District covenants that for as long as the Bond is outstanding, it will not permit:

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

(2) More than 10% of the principal or interest payments on the Bond in a Bond Year to be directly or indirectly: (A) 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 (B) derived from payments (whether or not made to the District) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The District further covenants that, if:

(3) More than five percent of the Net Proceeds of the Bond are to be used for any Private Person Use; and

(4) More than five percent 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:

(A) 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

(B) derived from payments (whether or not made to the District) 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 projects described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) 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 District further covenants that it will comply with any limitations on the use of the projects by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the Bond. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bond.

To that end, the provisions of this section may be modified or eliminated without any requirement for formal amendment thereof upon receipt of an opinion of the District's bond counsel that such modification or elimination will not adversely affect the tax exemption of interest on the Bond.

(c) *Designation under Section 265(b).* The District hereby designates the Bond as a "qualified tax-exempt obligations" under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions. The District does not anticipate issuing more than \$10,000,000 in qualified tax-exempt obligations during 2008.

Section 8. General Covenants of the District. The District covenants that during the life of the Bond it will comply with the following:

- (a) The District will obtain and keep in effect the following insurance coverage:
  - (1) Workers' Compensation insurance for employees in accordance with state law;
  - (2) Liability and property damage insurance, including vehicular coverage;
  - (3) A Fidelity Bond on the position of Treasurer and any other position responsible for District funds in an amount equal to at least \$25,000;

(b) The District will maintain and provide accounting records and audit reports as described below:

(1) The District shall comply will state budget laws and comply with all generally accepted principals for state and local governments issued by the Government Accounting Standards Board in preparing annual budgets, accounts and records;

(2) The District shall prepare an annual operating budget, including a detailed summary of capital expenditures, and submit a copy to the Government 30 days prior to the beginning of the District's fiscal year; and

(3) The District shall obtain an annual audit report and submit a copy to the Government within nine months after the end of each fiscal year for the term of the Bond.

(c) The District will develop, maintain and update the following during the term of the Bond.

(1) A plan for the accumulation of funds though charges made for services, for purposes of capital replacement and future improvements to and the extension of the water system occasioned by obsolescence, aging and/or increased system demands; and

(2) A plan and program for equitable user charges for the System to provide payment of operation and maintenance of the Project.

(3) A user charge system, reviewed at least biennially, during the term of the Bond to assure that all costs including applicable operation and maintenance expenses are offset by sufficient revenues;

(4) Operator training programs for personnel approved by the Government and designed to assure competence on the operation and maintenance of the Project; and

(5) Commence satisfactory operation and maintenance of the Project upon its completion in accordance with applicable provisions, rules of the Government and any other applicable provisions, rules of the Government and any other applicable law, rule or regulation and not discontinue operation or dispose of the Project without the written approval of the Government.

(d) The District will make available on an equitable basis the service of the Project to the residents, commercial and industrial establishments of the area it was designed to serve.

Section 9. Lost, Stolen or Destroyed Bond. In case the Bond is lost, stolen or destroyed, the District may execute and the Bond Registrar may deliver a new Bond of like date, number and tenor to the Government upon the owner's paying the expenses and charges of the District in connection therewith and upon his filing with the Bond Registrar evidence satisfactory to said Bond Registrar that such Bond were actually lost, stolen or destroyed and of his ownership thereof, and upon furnishing the Bond Registrar with indemnity satisfactory to the Bond Registrar.

Section 10. Transfer. The Bond may be transferred in whole by Government to another institutional investor, and any such transfer shall be noted on the bond registration books of the District.

Section 11. Form of Bond. The Bond shall be in substantially the following form:

REGISTERED  
\*\*No. 1\*\*

REGISTERED  
\$1,225,446

UNITED STATES OF AMERICA  
STATE OF IDAHO  
COUNTY OF KOOTENAI

NORTH KOOTENAI WATER AND SEWER DISTRICT

LOCAL IMPROVEMENT DISTRICT NO. 1 BOND

PRINCIPAL AMOUNT: **EIGHT HUNDRED FIFTEEN THOUSAND SEVEN HUNDRED FORTY FIVE AND NO/100 DOLLARS**

INTEREST RATE: 3.25%

MATURITY DATE: May \_\_, 2008

The North Kootenai Water and Sewer District, a municipal corporation duly organized and existing under the laws of the State of Washington, promises to pay to the STATE OF IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY (the "Registered Owner") but solely from the Bond Fund and the Interest Fund of the District established by Ordinance No. 2008-05 of the District (the "Bond Ordinance"). Capitalized terms used in this bond have the meanings given such terms in the Bond Ordinance.

This bond shall bear interest at the Interest Rate (computed on the basis of a 365-day year for actual number of days elapsed) and interest shall accrue from the date of issuance of this bond. Principal and interest shall be paid in installments as shown on Exhibit A attached to this bond, with final payment of principal and interest nevertheless due on the Maturity Date.

This bond, designated as the "Local Improvement District No. 1 Bond, 2008," is issued by the District in fully registered form to provide funds to provide a portion of the funds to finance for the cost of acquiring, constructing and installing certain additions and betterments to the water system of the District, and to pay the costs of issuance of this bond, all as set forth in the Bond Ordinance.

Installments of interest or principal of and interest on this bond are payable in lawful money of the United States of America and shall be paid by a check or draft mailed by the District Treasurer (the "Bond Registrar") on each payment date to the Registered Owner at its address appearing on the books or records maintained by the Bond Registrar. The last installment of principal and interest shall be payable upon presentation and surrender of this bond by the Registered Owner at the principal office of the Bond Registrar.

Section 50-1723, Idaho Code, reads as follows:

"LIABILITY OF MUNICIPALITY. The holder of any Bond issued under the authority of this code, shall have no claim therefor against the municipality by which the same is issued, except to the extent of the funds created and received by assessments against the property within any local improvement district as herein provided and to the extent of the local improvement guarantee fund which may be established by any such municipality under the provisions of this code, but the municipality shall be held responsible for the lawful levy of all special taxes or assessments herein provided and for the faithful accounting of settlements and payments of the special taxes and assessments levied for the payment of the Bond as herein provided. The owners and holders of such bond shall be entitled to complete enforcement of all assessments made for the payment of such bond. A

copy of this section shall be plainly written, printed or engraved on the face of each Bond so issued.”

REFERENCE IS HEREBY MADE TO ADDITIONAL PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF, AND SUCH ADDITIONAL PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN THIS SPACE.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Treasurer of the District as the Bond Registrar.

IN WITNESS WHEREOF, North Kootenai Water and Sewer District, of Kootenai County, Idaho, acting through its Board of Directors, has caused this bond to be signed by the manual or facsimile signature of the Chairman of its Board, countersigned by the manual or facsimile signature of the Treasurer, and attested by the manual or facsimile signature of the Secretary, and the seal of the District impressed, imprinted or otherwise reproduced, as of this \_\_\_ day of \_\_\_\_\_, 2008.

NORTH KOOTENAI WATER AND SEWER DISTRICT, Kootenai County, Idaho

\_\_\_\_\_  
/s/ manual or facsimile signature  
Chairman, Board of Directors

\_\_\_\_\_  
/s/ manual or facsimile signature  
Treasurer

ATTEST:

\_\_\_\_\_  
/s/ manual or facsimile signature  
Secretary

( S E A L )



REGISTRATION CERTIFICATE

This bond is registered in the name of the owner on the books of the District in the office of the District Treasurer as to both principal and interest as noted in the registration blank below. No transfer hereof shall be valid unless made by the registered owner or his/her duly authorized agent in writing, and similarly noted hereon and on the bond registration books of the District. All payments of principal of and interest on this bond shall be made by the District with full acquittance by District Treasurer's check, or by warrant of the District drawn on the Treasurer, made payable to the last registered holder shown hereon and delivered to such owner or mailed to him/her at his/her address noted hereon.

<u>Date of Registration</u>	<u>Name and Address of Registered Owner</u>	<u>Signature of Registrar</u>
_____, 2008	State of Idaho Department of Environmental Quality	_____

Section 12. Execution of Bond. The Bond shall be executed on behalf of the District with the manual or facsimile signature of both the Chairman of the Board and the Treasurer, with both signatures attested by the manual or facsimile signature of the Secretary of the Board, with the Seal of the District affixed thereto.

The Bond shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance only if the Certificate of Authentication on the Bond in the form set forth above has been manually executed by the Bond Registrar. Such Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered hereunder and is entitled to the benefits of this ordinance.

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

District. Any Bond may also be signed and attested on behalf of the District by such persons who are at the actual date of delivery of such Bond the proper officers of the District although at the original date of such Bond any such person shall not have been such officer of the District.

Section 13. Sale of Bond. The Bond shall be sold to the Government at a price of par on the terms and conditions set forth herein.

Section 14. Application of Bond Proceeds. The proceeds of the Bond will be used on or within 30 days of the closing and delivery of the Bond to pay the costs of the Project and to pay costs of issuing the Bond. Any additional proceeds not required for the foregoing shall be transferred to the Bond Fund for the uses and purposes herein provided.

Section 15. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the District 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 16. General Authorization. The Chairman, Treasurer and the Secretary of the Board and all other appropriate officers of the District are each hereby authorized and directed to take such steps, to do such other acts and things, and to execute such letters, certificates, agreements, papers, financing statements, assignments or instruments as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by this ordinance.

Section 17. Validity of Issuance. The Bond is issued pursuant to the Local Improvement District Act, Idaho Code Sections 50-1702 through 50-1771, inclusive. The

foregoing recital is conclusive evidence of the validity of the Bond and the regularity of its issuance.

Section 18. Publication and Right of Appeal. Pursuant to Idaho Code Section 50-1727, this ordinance, or a summary hereof substantially in the form attached hereto as Exhibit "A", and incorporated herein by this reference, shall be published once in the official newspaper of the District. Any contest or proceeding to question the validity or legality of this ordinance, or of any ordinance, resolution, or proceeding heretofore taken with respect to LID No. 1 or of the Bond authorized hereby shall be brought in any court by any person for any cause whatsoever after the expiration of thirty (30) days from the publication of this ordinance, and after such time the validity, legality, and regularity of this ordinance and any ordinance, resolution or proceedings with respect to LID No. 1 or the Bond authorized hereby, shall be conclusively presumed.


Section 19. Effective Date. This ordinance shall become effective from and after its adoption and publication as provided herein.

ADOPTED by the Board of Directors of the North Kootenai Water and Sewer District, Kootenai County, Idaho at a regular meeting thereof, held this 1st day of May, 2008.

NORTH KOOTENAI WATER AND  
SEWER DISTRICT, KOOTENAI  
COUNTY, IDAHO

  
Chairman

ATTEST

  
Secretary

(SEAL)

EXHIBIT A

NORTH KOOTENAI WATER AND SEWER DISTRICT  
Kootenai County, Idaho  
LOCAL IMPROVEMENT DISTRICT NO. 1 BOND

Summary of Ordinance No. 2008-05, adopted May 1, 2008

AN ORDINANCE of the Board of Directors of North Kootenai Water and Sewer District, Kootenai County, Idaho authorizing the issuance of a local improvement district bond of the District in the aggregate principal amount of \$1,225,446 to provide funds for permanent financing the costs of carrying out improvements of the District's water system constructed within Local Improvement District No. 1, fixing the date, form, terms, maturities and covenants of the bond; and accepting the offer of the State of Idaho Department of Environmental Quality to purchase said bond.

- Section 1. Definitions. Defines certain capitalized terms used in the Ordinance
- Section 2. Authorization of Bond. Authorizes the District's "Local Improvement District No. 1 Bond" in the aggregate principal amount of \$1,225,446 (the "Bond") to provide funds to finance the cost of improvements to the water system.
- Section 3. Description of Bond. Describes the Bond and its terms of repayment over a twenty (20) year period with interest at the rate of 3.25% per annum and provides details regarding payments.
- Section 4. Prepayment. Allows the District to prepay and redeem principal installments of the Bond, under certain terms and conditions.
- Section 5. Creation of Bond and Interest Funds. Provides for the deposit of assessments levied on real property within LID No. 1 into the Bond Fund and Interest Fund to repay principal of and interest on the Bond. Describes the District's Bond Fund and Interest Fund, and provides that the principal of and interest on the Bond shall be payable out of said Funds, which are pledged for security of the Bond.
- Section 6. Guarantee Fund. Creates a Guarantee Fund for the Bond, for the purpose of guaranteeing the payment of local improvement district bonds and warrants of the District.
- Section 7. Tax Covenants. Includes covenants to comply with federal tax requirements and contains a special designation under the Code.

- Section 8. General Covenants of the District. Provides for forms of insurance, accounting, records, audit procedures and other operational covenants of District.
- Section 9. Lost, Stolen or Destroyed Bond. Makes provision in case the Bond is lost, stolen or destroyed.
- Section 10. Transfer. Provides for limitations on and a method of transfer or exchange of the Bond.
- Section 11. Form of Bond. Describes the form of the Bond.
- Section 12. Execution of Bond. Authorizes procedures for execution and authentication of the Bond
- Section 13. Sale of Bond. Provides that the Bond shall be sold to the Government.
- Section 14. Application of Bond Proceeds Provides that the Bond proceeds will be used to pay the costs of the Project and the issuance of the Bond.
- Section 15. Severability. Provides that other covenants and agreements in the Ordinance are not affected if one is made invalid.
- Section 16. General Authorization. Authorizes Chairman and Secretary of the Board to take appropriate steps to carry out the terms and provisions of, and complete the transactions contemplated by this ordinance.
- Section 17. Validity of Insurance Recites that the Bond is issued pursuant to Local Improvement Act, Idaho Code Sections 50-1701 through 50-1771.
- Section 18. Publication. Provides for publication of the Ordinance or a summary thereof once in the official newspaper of the District and describes the process of appeal of any provision of the Ordinance or in LID No. 1. Further provides that if no appeal is taken in 30 days from publication of this Summary, that the validity, legality and regularity of any proceedings with respect to LID No. 1 and the Bond are conclusively presumed.
- Section 19. Effective Date. Provides that the Ordinance shall take effect from and after its passage and publication as required by law.

\*The full text of Ordinance No. 2008-05 will be mailed without cost to any party requesting it from:

North Kootenai Water and Sewer District  
P.O. Box 2290  
Hayden, ID 83835

DATED this 1st day of May, 2008.

NORTH KOOTENAI WATER AND  
SEWER DISTRICT

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Chairman

ATTEST

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Secretary


CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Secretary of the North Kootenai Water and Sewer District, and keeper of the records of the Board of Directors of the District (herein called the "Board"), DO HEREBY CERTIFY:

1. That the attached Ordinance No. 2008-05 (herein called the "Ordinance") is a true and correct copy of an Ordinance of the District, as finally passed at a regular meeting of the Board held on the 1st day of May, 2008, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum was present throughout the meeting and a legally sufficient number of members of the Board voted in the proper manner for the passage of the Ordinance; that all other requirements and proceedings incident to the proper passage of the Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of May, 2008.

  
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Secretary

CERTIFICATION OF BOND COUNSEL

I, the undersigned Bond Counsel for North Kootenai Water and Sewer District, Kootenai County, Idaho, hereby certify that I have read the attached Summary of Ordinance No. 2008-05 of said District and that the same is true and complete and provides adequate notice to the public of the contents of said Ordinance.

Dated this 1st day of May, 2008.

K&L PRESTON GATES ELLIS LLP

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Michael C. Ormsby