

RESOLUTION NO. 6

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DOVER, BONNER COUNTY, IDAHO, PROVIDING FOR THE ISSUANCE OF WATER REVENUE BOND ANTICIPATION NOTES IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$193,700 IN ORDER TO OBTAIN INTERIM FUNDS TO PAY PART OF THE COSTS OF THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF IMPROVEMENTS TO THE WATER SYSTEM AND FACILITIES OF THE CITY; PROVIDING FOR THE SALE OF THE NOTES TO PANHANDLE STATE BANK, SANDPOINT, IDAHO; PROVIDING FOR THE REGISTRATION OF SAID NOTES; CREATING CERTAIN FUNDS; FIXING THE INTEREST RATE, MATURITY, FORM, TERMS AND COVENANTS OF SAID NOTES; PROVIDING CERTAIN COVENANTS WITH RESPECT TO FEDERAL TAX LAW; PROVIDING FOR THE EFFECTIVE DATE OF THIS RESOLUTION; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

CITY OF DOVER
Bonner County, Idaho

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

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DOVER, BONNER COUNTY, IDAHO, as follows:

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

WHEREAS, a special bond election was duly called, noticed and conducted on Tuesday, March 28, 1989, for the purpose of submitting to the qualified electors of the City the proposition of whether or not the City should be authorized to issue and sell its water revenue bonds in the principal amount of not to exceed \$214,000 to pay part of the costs of the acquisition, construction and installation of improvements to the water system and facilities of the City as set forth in Ordinance No. 5, adopted by the City Council (the "Council") on March 3, 1989; and

WHEREAS, at said special bond election, the qualified electors of the City authorized the issuance of water revenue bonds in the principal amount of not to exceed \$214,000; and

WHEREAS, the Return of Judge and Clerks of Election was accepted by the City by Resolution No. 2, adopted by the Council

on March 28, 1989, and the time period to appeal the results and validity of the election has expired; and

WHEREAS, Idaho Code Section 50-1036 authorizes the City to issue bond anticipation notes in anticipation of revenue bonds if said bonds have been authorized to be issued; and

WHEREAS, Panhandle State Bank, Sandpoint, Idaho, has offered to purchase water revenue bond anticipation notes of the City in an amount of not to exceed \$193,700 on the terms hereinafter set forth; and

WHEREAS, in the judgment of the Council, it is in the best interest of the City to accept said offer;

NOW, THEREFORE, IT IS HEREBY FOUND, DETERMINED AND ORDERED as follows:

Section 1: DEFINITIONS

As used in this Resolution, capitalized terms shall 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, and vice versa. Words imparting the singular number shall include the plural numbers and vice versa, unless the context shall otherwise indicate.

Acquire, Acquiring or Acquisition 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 or entity, the condemnation, transfer, option to purchase, other contract, or other acquirement, or any combination thereof.

Bonds shall mean the herein authorized bonds designated "City of Dover Water Revenue Bonds, Series 1991," in the principal amount of not to exceed \$193,700.

Bond Anticipation Notes or Notes shall mean the interest-bearing "City of Dover Water Revenue Bond Anticipation Notes, Series 1991," issued in the aggregate principal amount of not to exceed \$193,700, pursuant to, and for the purposes authorized in this Resolution.

City shall mean the City of Dover, Bonner County, Idaho, a duly incorporated and existing municipal corporation organized and operating under the Constitution and laws of the State of Idaho.

Clerk shall mean the de facto or de jure City Clerk, or other officer of the City who is the custodian of the seal of the City

and of the records of the proceedings of the Council, or his/her successor in function, if any.

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

Construction Fund shall mean the "City of Dover Water Construction Fund" created by Section 15 of this Resolution for the purpose of paying the Cost of the Project.

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 and reasonable pro rata budget charges for services provided to the System, but excludes depreciation, payments for debt service or into reserve funds, costs of capital additions to or replacements of the System, municipal taxes, 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 the Project or Costs of the Project or any phrase of similar import, shall mean all or any part designated by the Council of the costs of the Project, or interest therein, which costs, at the option of the Council, may include all or any part of the incidental costs pertaining to the Acquisition of the Project, including, without limitation:

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

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

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

(4) The costs of contingencies;

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

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

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

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

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

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

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 Notes, shall mean the face amount of the Notes, plus accrued interest, if any, and original issue premium, if any, and less original issue discount, if any.

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

Note Fund shall mean the "City of Dover Water Revenue Bond Anticipation Note Fund" created by Section 12 of this Resolution.

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

Note Year shall mean the one-year period (or shorter period from the date of issue) that ends at the close of business on February 28.

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

Private Person Use shall mean the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property of the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such

a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private Person at municipal meetings or business rental of property to the Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged on a de minimis fee to cover custodial expenses.

Project shall mean the undertaking or undertakings of Acquiring the Improvements described in Section 2 hereof.

Registered Owner shall mean Panhandle State Bank, Sandpoint, Idaho, or its successors or assigns, as the initial purchaser of the Notes.

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

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 Water Revenue Fund and the Note Fund or from any other investment thereof irrevocably pledged to the payment of water revenue bonds pursuant to a plan of retirement or refunding. The words "Revenue of the System" also shall include any federal, state and municipal reimbursements of operating expenses to the extent such expenses are included as Costs of Maintenance and Operation of the System.

System shall mean the water system and facilities of the City, as it now exists, including the assets, real and personal, tangible and intangible, as it will be added to by the Acquisition of the Project, and as it may later be added to, improved and extended, 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 Notes 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 Notes.

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

United States shall mean the United States of America.

Water Revenue Fund shall mean the "City of Dover Water Revenue Fund" created by Section 14 of this Resolution.

Section 2: THE PROJECT

The City shall Acquire certain Improvements to the System, consisting of the following:

- (a) A new water system, including water lines, fire hydrants, storage, reservoir, booster intake and treatment facilities; and
- (b) Engineering fees, administrative costs, legal fees and all other costs incidental thereto; together with sites and easements therefor, and all appurtenances, equipment and machinery necessary or useful for said System.

Said Project is more fully described in the plans and specifications prepared by Ruen-Yeager and Associates, consulting engineers, of Coeur d'Alene, Idaho, on file in the office of the Clerk and hereby incorporated herein by this reference.

Section 3: COST OF THE PROJECT

The total Cost of the Project is estimated to be \$762,800, of which not to exceed \$193,700 will be temporarily financed by the proceeds of the Notes and the balance of which will be paid from other legally available funds including grant funds from the United States.

Section 4: AUTHORIZATION OF THE BONDS

For the purpose of providing funds with which to permanently pay for a portion of the Cost of the Project authorized by Section 2 of this Resolution and all necessary expenses in connection therewith, there shall be issued, sold and delivered not to exceed \$214,000 principal amount of water revenue bonds of the City to be designated "City of Dover Water Revenue Bonds, Series 1991" (herein called the "Bonds"), or such other designation to accurately reflect the year the Bonds are issued.

The Bonds shall be in such denomination(s) and form; shall be dated, and bear interest at such rate or rates; shall be payable at such place or places; shall have such option of redemption prior to maturity; and may be combined with any subsequently authorized series of water revenue bonds and issued as a single combined series, as provided hereafter by an ordinance of the Council.

Section 5: AUTHORIZATION OF THE NOTES

In order to provide interim financing to pay a portion of the Cost of the Project, and in anticipation of the issuance of the Bonds, the City shall issue its short-term obligations in the form of water revenue bond anticipation notes in an amount of not to exceed \$193,700. Said notes shall be designated "City of Dover Water Revenue Bond Anticipation Notes, Series 1991" (the "Notes"), shall be dated as of the date of issue thereof, shall be issued in the form of a single Note or as serial Notes, shall mature on July 15, 1991, and shall be numbered from One upward. The Notes shall be substantially in form set forth in Exhibit A attached hereto and by this reference made a part hereof.

The Notes shall bear interest on the unpaid balance at the rate of five and ninety-five hundredths percent (5.95%) per annum, from its date of issuance to the date of maturity or prior redemption. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months, and shall be payable at maturity.

A request for draw pursuant to the Notes may be made by the City in writing at any time, which request shall be approved by the engineer chosen by the City for the Project and by an authorized representative of the United States of America, Farmers Home Administration.

Section 6: PLACE AND MANNER OF PAYMENT

Both principal of and interest on the Notes shall be payable in immediately available lawful money of the United States to the Registered Owner thereof whose name and address appear on the Note Register maintained by the Registrar, upon presentation and surrender of each of the Notes on or after the date of maturity or prior redemption at the principal office of the Registrar.

Section 7: REDEMPTION PRIOR TO MATURITY

The Notes are subject to call or redemption on any business day prior to their fixed date of maturity at the price of par, plus accrued interest, if any, to the date of redemption.

Notice of any such intended redemption shall be mailed by first-class mail, postage prepaid, at least ten (10) days prior to the redemption date, to the Registered Owner of the Notes at its address appearing on the Note Register.

Section 8: LOST, STOLEN, MUTILATED OR DESTROYED NOTES

In case any of the Notes are lost, stolen, mutilated or destroyed, the Registrar may register and deliver a new Note of like date, rate of interest, maturity, 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 Registrar and the City evidence satisfactory to the Registrar and the City that such Note was actually lost, stolen, mutilated or destroyed and of his ownership thereof, and upon furnishing the Registrar and the City with indemnity satisfactory to the Registrar and the City.

Section 9: TRANSFER OR EXCHANGE OF NOTES

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

Whenever any Note shall be surrendered for transfer, the Registrar shall register and deliver to the transferee, in exchange therefor, a new Note of the same denomination, maturity and interest rate as the Note surrendered.

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

Section 10: REGISTRAR

The Treasurer is hereby appointed as Registrar, paying agent, and transfer agent with respect to the Notes, subject to the following terms and conditions:

A. The Registrar shall keep, or cause to be kept, at his/her principal office, sufficient books for the registration and transfer of the Notes (the "Note Register"), in which shall be maintained the name and address of the Registered Owner of the Notes.

B. The Registrar is authorized, on behalf of the City, to register and deliver any Note issued or transferred in accordance with the provisions of such Note and this Resolution, and to carry out all of the Registrar's powers and duties under this Resolution.

C. The Registrar shall be responsible for his/her representations contained in the Registration Certificate on the Notes.

D. The City hereby adopts as its system of registration the system of registration set forth herein.

Section 11: UNIFORM RATES AND CHARGES

The City shall establish, may from time to time revise, and shall maintain and 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 12: NOTE FUND

There is hereby created, and shall be maintained by the Treasurer, a fund known as the "City of Dover Water Revenue Bond Anticipation Note Fund" (the "Note Fund") which shall be drawn upon for the sole purpose of paying the principal of and interest on the Notes. Money on deposit in the Note Fund not immediately needed to pay such interest or principal may be temporarily deposited in such institutions or invested in any obligations which are legal investments for City funds. Any interest earnings from the investment of such money shall be deposited into the Note Fund.

The City hereby covenants that it will issue the Bonds, additional bond anticipation notes or a combination thereof, which will provide proceeds sufficient, together with other money of the City to be paid out of the Revenue of the System and money in the Water Revenue Fund, if any, legally available and specifically set aside for the purpose of paying the principal of and interest on the Notes.

The City further covenants that simultaneously with the receipt of the proceeds of sale of the Bonds it will pay into the Note Fund moneys sufficient to pay the principal of and interest on the Notes then outstanding to the date of their maturity or prior redemption.

All grants, if any, received by the City for the Project, and the proceeds of sale of the Bonds issued to pay a portion of the Costs of the Project, shall be paid into the Note Fund to the extent necessary (together with other available funds) to pay and redeem the Notes. When the Notes and interest accrued thereon have been paid in full, any balance in the Note Fund shall be deposited into the Construction Fund to pay the cost of additional Improvements to the System.

Section 13: SECURITY FOR THE NOTES

The amounts pledged in Section 12 of this Resolution to be paid into the Note Fund, out of the Revenue of the System and moneys in the Water Revenue Fund, are hereby declared to be a lien and charge upon such Revenue of the System and moneys in the Water Revenue Fund junior in rank to the charges necessary to pay Costs of Maintenance and Operation but superior to all other liens or charges of any kind or nature.

Section 14: WATER REVENUE FUND

There is hereby created, and shall be maintained by the Treasurer, a fund known as the "City of Dover Water Revenue Fund" (the "Water Revenue Fund") into which the Revenue of the System, except income from investment of moneys in the Note Fund or Construction Fund, shall be deposited as collected. The Water Revenue Fund shall be held separate and apart from all other funds and accounts of the City.

The moneys in the Water Revenue Fund shall be used only for the following purposes and in the following order of priority:

First Charge and Lien: To pay the Costs of Maintenance and Operation of the System.

Second Charge and Lien: To pay the principal of and interest on the Notes by payments into the Note Fund.

Third Charge and Lien: To retire by redemption or purchase in the open market any outstanding revenue bonds, bond anticipation notes, or revenue warrants of the City or to make necessary additions, betterments, Improvements, extraordinary repairs, extensions and replacements of the System, or for any other lawful City purpose.

Section 15: CONSTRUCTION FUND

There is hereby created, and shall be maintained by the Treasurer, a fund known as the "City of Dover Water Construction Fund" (herein called the "Construction Fund"), into which shall be deposited all of the proceeds of the sale of the Notes, to be used for the payment of part of the Cost of the Project. 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 shall be deposited into the Construction Fund to assure the completion of the Project.

When the Project has been completed and all Costs of the Project have been paid in full, any balance remaining in the

Construction Fund shall be deposited into the Note Fund, hereinbefore described, or, if the Notes have been fully paid, into the Revenue Fund.

Section 16: PROVISION FOR DEFEASANCE OF THE NOTES

In the event that money and/or direct obligations of, or obligations guaranteed by the United States (hereinafter referred to as "government obligations") as provided by Section 57-504, Idaho Code, as it now reads or is hereafter amended, maturing or having guaranteed redemption prices, at such time or times and bearing interest to be earned thereon in such amounts as are sufficient (together with any resulting cash balances) to redeem and retire part or all of the Notes in accordance with their terms, are hereafter irrevocably set aside in a special account and pledged to effect such redemption and retirement, then no further payments need be made into the Note Fund for the payment of the principal of and interest on the Notes so provided for and such Notes shall then cease to be entitled to any lien, benefit or security of this Resolution, except the right to receive the funds so set aside and pledged, and such Notes shall no longer be deemed to be outstanding hereunder.

Section 17: COVENANTS

A. Maintenance, Repair and Operation of System. 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. Rates and Charges. The City shall fix, maintain and collect rates and charges for the use of the services and facilities and all commodities sold, furnished or supplied by the System, which shall be fair and nondiscriminatory for a particular class of service, and shall adjust such rates and charges from time to time so that the Revenue of the System derived therefrom will at all times be sufficient:

- (1) to pay the Costs of Maintenance and Operation;
- (2) to make adequate provision for the payment of the Notes, to the extent Bond proceeds, proceeds of the Notes and capitalized interest thereon are insufficient;

(3) to make when due all payments which the City is obligated to make pursuant to this Resolution; and

(4) to pay all taxes, assessments or other governmental charges lawfully imposed on the System or the Revenue of the System 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.

C. Sale of System. 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 the payment into the Note Fund of cash or government obligations (as now or hereafter defined in Idaho Code 57-504) sufficient (taking into account interest to be earned on any such government obligations) to fully pay the principal of and interest on the Notes, 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 Note Fund of the greatest of the following:

(1) An amount which will be in the same proportion to the net amount of the Notes then outstanding (defined as the total principal amount of the Notes less the amount of cash and investments in the Note 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 Notes 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 Notes 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 System (to the extent required above) shall be paid into the Note Fund.

Notwithstanding any other provision of this Subsection (C), the City may sell or otherwise dispose of any of the works, plants, 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 Note Fund.

D. Liens or Other Encumbrances. 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 Notes, 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 System or the Revenue of the System, or any part thereof, or upon any funds in the hands of the City, prior to or superior to the lien of the Notes, or which might impair the security of the Notes.

E. Insurance. 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 private corporations operating like properties, or will implement a self-insurance program with reserves adequate, in the judgment of the Council, to protect the City and the Registered Owner of the Notes 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 Note Fund to the extent that such transfer shall be necessary to make up any deficiency in said Note 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 Notes, or for deposit into the Note Fund.

F. Books of Account. The City shall keep proper books of account which shall be kept in accordance with applicable rules and regulations prescribed by the State of Idaho.

G. No Free Service. The City will not, except as authorized by law, furnish or supply or permit the furnishing or supplying of any commodity, 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 any of the Notes are outstanding and unpaid.

H. Expenditure of Revenues. The City will not expend any of the revenues derived by it 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.

Section 18: EXECUTION OF THE NOTES

Without unreasonable delay the City shall cause the Notes to be prepared, executed and delivered, which Notes shall be typed, lithographed or printed with steel engraved or lithographed borders. Each Note shall be executed on behalf of the City by the Mayor, countersigned by the Treasurer, shall be attested by the Clerk (all of which signatures shall be by manual signature), and shall have the seal of the City impressed thereon. Each Note shall be substantially in the form as set forth in Exhibit A attached hereto and made a part hereof.

The Notes shall then be delivered to the Registrar for registration and delivery. Only such Notes as shall bear thereon a Registration Certificate in the form hereinafter recited, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such Registration Certificate shall be conclusive evidence that the Notes so registered have been duly executed and delivered hereunder and are entitled to the benefits of this Resolution.

Section 19: SALE OF NOTES

The sale of the Notes to Panhandle State Bank, Sandpoint, Idaho, in accordance with its offer to purchase dated January 7, 1991, is hereby authorized and approved.

The proper officials of the City are hereby authorized and directed to do all things necessary for the prompt execution and delivery of the Notes and for the proper use and application of the proceeds of sale thereof.

Section 20: AMENDMENTS

A. The Council, from time to time and at any time, may adopt a resolution or resolutions supplemental hereto, which resolution or resolutions hereafter shall become a part of this Resolution, for any one or more or all of the following purposes:

(1) To add to the covenants and agreements of the City in this Resolution, other covenants and agreements hereafter to be observed, which shall not adversely affect the interests of the Registered Owner of the Notes, 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 Resolution or any resolution authorizing future notes or warrants in regard to matters or questions arising under such resolutions as the Council may deem necessary or desirable and not inconsistent with such resolutions and which shall not adversely affect, in any material respect, the interest of the Registered Owner of the Notes.

Any such supplemental resolution may be adopted without the consent of the Registered Owner of the Notes at any time outstanding, notwithstanding any of the provisions of subsection B of this Section.

B. With the consent of the Registered Owner, the Council may adopt a resolution or resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Resolution or of any supplemental resolution; provided, however, that no such supplemental resolution shall:

(1) Extend the fixed maturity of the Notes, or reduce the rate of interest thereon, or extend the time of payment of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Registered Owner of the Notes; or

(2) Delete the above requirement for the consent of the Registered Owner of the Notes then outstanding before the approval of any such supplemental resolution.

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

C. Upon the adoption of any supplemental resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the City under this Resolution and the Registered Owner of Notes 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 resolution shall be deemed to be part of the terms and conditions of this Resolution for any and all purposes.

D. Notes executed and delivered after the execution of any supplemental resolution adopted pursuant to the provisions of this Section may have a notation as to any matter provided for in such

supplemental resolution and if such supplemental resolution shall so provide, new Notes so modified as to conform, in the opinion of the Council, to any modification of this Resolution contained in any such supplemental resolution, may be prepared and delivered without cost to the Registered Owner of any affected Notes then outstanding, upon surrender for cancellation of such Notes, in equal aggregate principal amounts.

Section 21: ARBITRAGE; SPECIAL TAX COVENANTS

The City hereby covenants that it will not make any use of the proceeds of sale of the Notes or any other funds of the City which may be deemed to be proceeds of said Notes pursuant to Section 148 of the Code which will cause the Notes to be "arbitrage bonds" 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 Notes) throughout the term of the Notes.

The City hereby further covenants that it will comply with the registration requirements of Section 149(a) of the Code so long as any of the Notes are outstanding.

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

Section 22: NOTES DESIGNATED QUALIFIED TAX-EXEMPT OBLIGATIONS

The City hereby designates the Notes as "qualified tax-exempt obligations" pursuant to 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 calendar year 1991.

Section 23: EXEMPTION FROM ARBITRAGE REBATE REQUIREMENTS

The City hereby covenants and represents that: (i) all proceeds of the Notes will be expended within six (6) months of the date of issuance; and (ii) it does not reasonably expect to issue more than \$5,000,000 in tax-exempt obligations during the 1991 calendar year. Accordingly, the City is not required to comply with the arbitrage rebate rules by virtue of Sections 148(f)(4)(B) and 148(f)(4)(C), respectively, of the Code.

Section 24: PRIVATE PERSON USE LIMITATION

The City hereby covenants that so long as the Notes are outstanding, it will not permit the use of any Net Proceeds of the Notes for any Private Person Use as determined under the Code.

The City further covenants that it will comply with any limitations on the use of the Project by other than state and local governmental users that are necessary, in the opinion of bond counsel, to preserve the tax exemption of the interest on the Notes.

Section 25: PRIVATE LOAN LIMITATION

The City hereby covenants that so long as the Notes are outstanding, it will not permit Note proceeds to be used in a manner which may be characterized as a loan to a Private Person.

Section 26: FEDERAL GUARANTY PROHIBITION

The City hereby covenants that so long as the Notes are 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 Notes to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Section 27: TAX COVENANTS; BOND COUNSEL OPINION

The City hereby covenants that it will comply with the provisions of this Resolution pertaining to the Code unless, in the written opinion of Preston Thorgrimson Shidler Gates & Ellis, or other nationally recognized bond counsel to the City, such compliance is not required in order to maintain the exemption of the interest on the Notes from federal income taxation.

Section 28: SEVERABILITY

If any one or more of the covenants or agreements provided in this Resolution 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 Resolution and shall in no way affect the validity of the other provisions of this Resolution or of the Notes.

Section 29: RESOLUTION A CONTRACT

The provisions of this Resolution shall constitute a contract between the City and the Registered Owner so long as the Notes hereby authorized remain unpaid.

Section 30: RATIFICATION

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

Section 31: REPEALER

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

Section 32: EFFECTIVE DATE

This Resolution shall be effective from and after its adoption.

PASSED AND ADOPTED this 12th day of February, 1991.

CITY OF DOVER
Bonner County, Idaho



Mayor

ATTEST:



City Clerk

(S E A L)

CERTIFICATION

I, the undersigned Clerk of the City of Dover, of Bonner County, Idaho, HEREBY CERTIFY that the foregoing Resolution is a full, true and correct copy of a Resolution duly adopted at a regular meeting of the City Council of said City, duly and regularly held at the regular meeting place thereof on February 12, 1991 of which meeting all members of said Council had due notice and at which a majority thereof were present; and that at said meeting said Resolution was adopted by the following vote:

AYES, and in favor thereof, Councilmembers: 4

NOES, Councilmembers: 0

ABSENT, Councilmembers: 0

ABSTAIN, Councilmembers: 0

I FURTHER CERTIFY that I have carefully compared the same with the original Resolution on file and of record in my office; that said Resolution is a full, true and correct copy of the original Resolution adopted at said meeting; and that said Resolution 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 February 12, 1991.

CITY OF DOVER
Bonner County, Idaho

Teena M. Wenz
City Clerk

(S E A L)

[Face of Note]

REGISTERED
1

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF IDAHO
COUNTY OF BONNER

CITY OF DOVER
WATER REVENUE BOND ANTICIPATION NOTE, SERIES 1991

(The City has Designated the Notes of this Series
as "Qualified Tax-Exempt Obligations")

THE CITY OF DOVER (the "City"), Bonner County, Idaho, a duly incorporated and existing municipal corporation organized and operating under the laws of the State of Idaho, acknowledges itself to owe, and for value received, promises to pay from the City of Dover Water Revenue Bond Anticipation Note Fund" (the "Note Fund"), created by Resolution No. 6 (the "Note Resolution"), adopted on February 12, 1991, to

PANHANDLE STATE BANK

or registered assigns, on the maturity date specified above, the principal sum of

_____ DOLLARS

and to pay interest thereon from the aforesaid Note Fund from the date hereof, or the most recent date to which interest has been paid or duly provided for, at the rate per annum specified above, payable on the date of maturity or prior redemption of this Note. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Capitalized terms used herein shall have the meanings given to them by the Note Resolution.

Both principal of and interest on this Note are payable in immediately available lawful money of the United States of America to the Registered Owner hereof whose name and address appear on the Note Register maintained by the Registrar, upon presentment and surrender of this Note on or after the date of maturity or prior redemption at the principal office of the Registrar.

Reference is hereby made to the Additional Provisions of this Note 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 Note shall not become obligatory for any purpose or be entitled to any security or benefit under the Note Resolution until the Registration Certificate hereon shall have been manually signed by the Registrar.

IT IS HEREBY CERTIFIED AND DECLARED that this Note is issued pursuant to and in strict compliance with the Constitution and laws of the State of Idaho and resolutions of the City, specifically the Note Resolution, and that all acts, conditions and things required to be done precedent to and in the issuance of this Note have happened, been done and performed.

IN WITNESS WHEREOF, the City has caused this Note to be executed by the manual signature of its Mayor, countersigned by the manual signature of its Treasurer, and attested by the manual signature of its Clerk, with the official seal of the City impressed hereon this ____ day of _____, 1991.

CITY OF DOVER
Bonner County, Idaho

Mayor

Treasurer

ATTEST:

City Clerk

(S E A L)

[Reverse Side of Note]

ADDITIONAL PROVISIONS

The Notes are issued pursuant to and in full compliance with the Constitution and laws of the State of Idaho, particularly the Revenue Bond Act of the State of Idaho (being Sections 50-1027 through 50-1042, inclusive, Idaho Code), and also pursuant to all proceedings duly adopted and authorized by the Council, more particularly the Note Resolution. Capitalized terms used herein shall have the meanings given to them by the Note Resolution.

This Note is subject to call or redemption prior to its fixed date of maturity at the price of par, plus accrued interest, if any, to the date of redemption. Notice of any such redemption shall be mailed by first-class mail, postage prepaid, at least ten (10) days prior to the redemption date, to the Registered Owner of the Note at its address appearing on the Note Register.

The Notes are issued by the City in the aggregate principal amount of not to exceed \$193,700 in anticipation of the issuance of water revenue bonds to be designated "City of Dover Water Revenue Bonds, Series 1991" (the "Bonds"), and said Bond proceeds have been irrevocably pledged to the payment of the principal of and interest on this Note and the Notes of this series.

To provide for the payment of the Notes, the City has created the Note Fund, into which shall be deposited the first proceeds of the Bonds, and which shall be drawn upon for the sole purpose of paying the principal of and interest on the Notes.

Reference is hereby made to the Note Resolution for a description of the covenants and conditions under which this Note is issued. The City hereby covenants and agrees with the Registered Owner of this Note that it will keep and perform all of the covenants of this Note and of the Note Resolution to be kept and performed by the City.

This Note is transferable by the Registered Owner hereof in person, or by his attorney duly authorized in writing, upon presentation and surrender of this Note at the principal office of the Registrar. Upon such transfer, a new fully registered Note of the same denomination, maturity and interest rate will be issued to the transferee, in exchange therefor.

LEGAL OPINION

I, the undersigned Clerk of the City of Dover, of Bonner County, Idaho, DO HEREBY CERTIFY that the legal opinion of Preston Thorgrimson Shidler Gates & Ellis, of Spokane, Washington, which opinion was dated the date of delivery of and payment for the Notes described therein, was delivered to me on said date, and is now part of the permanent records of the City.

CITY OF DOVER
Bonner County, Idaho

City Clerk

REGISTRATION CERTIFICATE

(No writing to be placed herein except by the Registrar)

This Note has been duly registered in my office in the registration records kept therein for that purpose. This Note is payable only to the order of the Registered Owner shown hereon, or his legal representative.

<u>Date of Registration</u>	<u>Name & Address of Registered Owner</u>	<u>Signature of Registrar</u>
_____, 1991	Panhandle State Bank _____ _____ _____	