

ORDINANCE NO. 2009-03

AN ORDINANCE PROVIDING FOR THE SALE AND ISSUANCE OF BONDS FOR LOCAL IMPROVEMENT DISTRICT 2008-1 (THE "LID") FOR THE SUN VALLEY WATER AND SEWER DISTRICT, BLAINE COUNTY, IDAHO; PROVIDING FOR THE PAYMENT AND COLLECTION OF SPECIAL ASSESSMENTS LEVIED IN SAID LID; PROVIDING FOR THE HANDLING OF FUNDS RECEIVED FROM SPECIAL ASSESSMENTS AND THE CREATION AND ENFORCEMENT OF LIENS IN CONNECTION WITH THE SALE AND ISSUANCE OF BONDS; PROVIDING FOR THE CREATION OF A LID BOND FUND AND INTEREST FUND; PRESCRIBING DETAILS CONCERNING THE FOREGOING; ALLOCATING TO THE LID A PORTION OF THE DISTRICT'S SMALL ISSUER AUTHORITY FOR PURPOSES OF EXEMPTION FROM ARBITRAGE REBATE; PROVIDING FOR A REASSESSMENT OF ASSESSMENTS AND THE REISSUE OF BONDS; REPEALING CONFLICTING PROCEEDINGS; ORDERING PUBLICATION; PROVIDING IRREPEALABILITY; PROVIDING SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Board of Directors (the "Board") of the Sun Valley Water and Sewer District, Blaine County, Idaho (the "District"), has taken the requisite legal action preliminary to and in the creation of Local Improvement District No. 2008-1 for the District, for the purpose of making certain improvements in said Local Improvement District No. 2008-1 (the "LID") as hereinafter designated, and has, in Ordinances Nos. 2008-2 and 2009-1, passed and approved respectively by the Board on May 19, 2008, and February 17, 2009, created said LID and levied valid special assessments on certain real property in said LID to defray the cost and expenses of said improvements, all pursuant to Chapter 17, Title 50, Idaho Code, as amended; and

WHEREAS, the property to be assessed of said LID, from which the funds are to be received from the levy of said assessments in order to make payments on the hereinafter mentioned Bond, is as described on Exhibit "A" attached hereto and by this reference made a part hereof; and the improvements made within the said boundaries of or for the LID are the acquisition, construction and installation of improved and additional water and sewer facilities, including pipelines, service lines, service connections, hydrants, manholes, lift station, electrical equipment and related easements, facilities and improvements, for the extension and provision of water and sewer service to 16 (which now constitute 13 current parcels) of 18 former parcels of property located in the area known as McHanville and recently annexed into the District, and the project and improvements extend and provide water and sewer services only to the property line of each individual parcel of property within the boundaries of the LID (the "Improvements"); and

WHEREAS, the total estimated cost and expenses of said Improvements in said LID are in the amount of \$610,097.11, of which the sum of \$-0- is estimated to be paid from state, federal, county, city or other sources and the remaining amount, \$610,097.11, which shall be paid from the proceeds of Bonds (defined below) secured by the levy of special assessments in said LID as well as from the amount of special assessments which have been paid in full or from other

amounts received or to be received by the District on or prior to March 19, 2009, and interest earnings thereon; and

WHEREAS, the total cost and expenses of the improvements, the total amount to be paid from the proceeds of the levy of special assessments, the amount of special assessments which have been paid in full, and the amount of special assessments yet to be paid are as follows:

Local Improvement District No. 2008-1

Total Cost and Expenses of Improvements.....	\$610,097.11
Total Amount of Assessments	\$610,097.11
Amount of Assessments Paid in Full	\$207,511.42
Amount of Assessments Unpaid	\$402,585.69

WHEREAS, under the provisions of Chapter 17, Title 50, Idaho Code, as amended, the District is authorized to pledge the unpaid portion of the aforementioned special assessments in said LID for the payment of the Bond hereinafter authorized, and to provide for the payment of said unpaid portion of the special assessments in installments; and

WHEREAS, the District and District Treasurer and District Manager have negotiated for the sale of the Local Improvement Bonds for Local Improvement District No. 2008-1 (herein the "Bond" or "Bonds") with Wells Fargo Brokerage Services, LLC (the "Purchaser") in the par amount of \$402,585.69; and

WHEREAS, pursuant to said negotiation, the Purchaser has agreed to accept from the District future prepayments on the Bonds on any annual interest payment date for the Bonds on or after May 1, 2011 prior to maturity as set forth hereinafter and to re-amortize and re-calculate thereafter the remaining equal annual installments of principal and interest due from the District on the Bonds, and Purchaser has agreed not to require the District to create a reserve fund either from certain assessment collections that the District has previously received and/or from Bond proceeds and/or from other future assessment collections; and

WHEREAS, pursuant to said negotiation, and, upon the recommendation of the financial advisors of the District and the District Treasurer and District Manager, the Board has determined it is in the best interests of the District and the LID to award the sale of said Bonds to the Purchaser, at the price of par (plus a premium of \$8,257.03) and accrued interest to date of delivery, if any, and at the interest rate of 6.35% per annum for the Bonds as shown in Exhibit "B," attached hereto and by this reference made a part hereof, and it is deemed desirable now to authorize the issuance of said Bonds and to confirm the sale thereof.

NOW, THEREFORE, BE IT ORDAINED AND RESOLVED BY THE BOARD OF DIRECTORS OF THE SUN VALLEY WATER AND SEWER DISTRICT, BLAINE COUNTY, IDAHO:

Section 1.0 Assessments; Interest; Treasurer to Send to Property Owners Notice of Final Installment Payment Schedule. The assessments within the LID levied by Ordinance No. 2009-1, and which have not been paid, shall be payable in as nearly as may be possible twenty

(20) further substantially equal amortized annual installments of principal and interest, which shall be due on or before the 19th day of March, in each of the years 2010 to 2029, inclusive, and shall bear interest on the unpaid amount thereof from the 19th day of March, 2009, at the annual rate of interest of at least 6.35%. The first of such amortized annual installments of principal and interest, and any additional annual charges for District costs of administration as set forth herein below, shall be payable commencing on March 19, 2010, and thereafter on the 19th day of March until principal is paid in full, the annual installments and annual administration charges and the interest on said unpaid assessments being payable in lawful money of the United States of America, at the Office of the District Treasurer of said District, all as otherwise provided in Ordinance No. 2009-1 levying said assessments. Said amortized annual installments of principal and interest are estimated to at least equal the payments due on the Bonds. Each property owner in the LID who is paying its assessment by way of annual installment payments shall also pay and be billed an additional annual charge of no more than \$100.00 per year for certain additional amounts to pay for prior and ongoing District administration and issuance costs for or related to the LID Bonds. The District Treasurer shall send to each property owner in the LID that is presumed to have elected to pay its assessment by installment a notice of the assessment and annual administration charge due and the terms of payment set out in this Ordinance and in Ordinance No. 2009-1 as amended, and shall file an affidavit of such mailing in the office of the Treasurer.

Section 2.0 Bond Fund and Interest Fund. There are also hereby created the Bond Fund for Local Improvement District No. 2008-1 (herein the "Bond Fund") and the Interest Fund for Local Improvement District No. 2008-1 (herein the "Interest Fund") as more fully described hereinafter. For the purposes of securing the issuance of the Bonds, all installment payments of assessments levied under the LID, including all principal of and interest on such assessments and any penalties accrued shall be collected by the Treasurer of the District and deposited in the Bond Fund or Interest Fund as hereinafter provided. All monies in the Bond Fund and Interest Fund are hereby irrevocably pledged for the payment of the Bonds. The District hereby ratifies and confirms the creation of the funds, docket and accounts relating to the assessments and the Bonds as provided under the District's Ordinance Nos. 2008-2 and 2009-1, except as provided herein.

Section 3.0 Collection and Application of Funds. The District Treasurer shall be, and she or he hereby is, authorized and empowered, and it shall be her or his duty to receive and collect for said LID all assessments levied to pay the costs of said Improvements, the installments thereof, the interest thereon, and the penalties accrued, including, without limiting the generality of the foregoing, the whole of the unpaid principal which becomes due and payable immediately because of the failure to pay any installment, whether of principal or interest, when due, and to pay and disburse such payments to the person or persons lawfully entitled to receive the same, in accordance with the laws of the State of Idaho and all the ordinances and resolutions of said District. All monies constituting the payment of principal of said unpaid installments of assessments for the LID shall be placed in the Bond Fund and shall be used as soon as they are available therefor for the purpose of paying, in regular numerical order, the principal of the Bonds for said LID when the same is due, and for no other purpose whatsoever, and as security for such payment the Bond Fund is hereby irrevocably pledged. All monies constituting the payment of interest on said unpaid installments of assessments for the LID shall be placed in the Interest Fund and shall be used as soon as they are available therefor for the purpose of paying

the interest on the Bonds of said LID when the same is due, and for no other purpose whatsoever, and as security for such payment said Interest Fund is hereby pledged. Money in the Bond Fund of said LID shall be kept separate and apart from the bond funds of any other local improvement districts, and from any other funds of said District, and shall from time to time, as received, be deposited in such bank or banks as are designated as depositories of public monies for the funds of said District under the depository laws of the State of Idaho for the deposit of public funds or invested as provided by law. Interest received on such funds so deposited or invested shall be placed to the credit of the fund from which it is earned.

Section 4.0 Delinquent Assessments. If the owner of any lot or parcel of land assessed for said Improvements shall be delinquent in the payment of any assessment installment of principal or interest due, it shall be the duty of the Board to cause the original purchaser of the Bonds to be immediately notified of such delinquency, in writing, and if such delinquency shall not be paid within ten (10) days after the date of such delinquency, then said Board, at its own expense, shall forthwith collect the assessment and foreclose the special assessment lien against the property in the manner now or hereafter provided by the Local Improvement District Code (Title 50, Chapter 17, Idaho Code, as amended) of the State of Idaho for the collection of said assessment and the foreclosure of said lien, or otherwise as provided by law. In addition, the Treasurer may take such actions as necessary to cause delinquent certificates to be issued in accordance with Title 50, Chapter 17, Idaho Code, as amended.

Section 5.0 Assessment Lien. The assessments and the interest thereon have been and shall continue to constitute, and are hereby declared to be, a lien in the several amounts assessed against each lot or tract of land hereinbefore specified, which lien shall be superior to the lien of any mortgage or other encumbrance, whether prior in time or not, and shall constitute such lien until paid.

Section 6.0 Authorization and Description of Bonds. For the purpose of defraying a portion of the cost of said Improvements in the LID, there shall be issued in the name of the District, one or more Local Improvement Bonds for the Sun Valley Water and Sewer District, Blaine County, Idaho, Local Improvement District No. 2008-1 (herein the "Bond" or "Bonds") in the aggregate principal amount of \$402,585.69, which amount is not in excess of the contract price and the expenses of said Improvements, and which Bonds shall be dated May 5, 2009, and shall be in authorized minimum denominations of \$100,000 and integral multiples of \$1,000 and bear interest on the unpaid principal thereof until paid at the interest rate of 6.35% per annum, as described in Exhibit "B" hereto, with amortized principal and interest payable in twenty (20) substantially equal annual installments of principal and interest on May 1 of each year, commencing May 1, 2010, and ending May 1, 2029, both principal and interest being payable at the Office of the District Treasurer of the District, at Sun Valley, Idaho. The Bond shall be in substantially the form of and shall bear interest at the rate and mature in the amounts and at the times as set forth in Exhibit "B" hereto. The annual installments of amortized principal and interest are originally as calculated and set forth on Schedule I attached hereto, and are subject to re-amortization and re-calculation in each of the years 2011 to 2029, inclusive, on May 1 if and to the extent the District and LID make future prepayments on or redemption of any of the Bonds pursuant to Section 7.0 herein.

Section 7.0 Redemption. The LID hereby reserves the right to prepay and redeem any of the Bonds, at the redemption price of par and accrued interest thereon, in whole or in part, at its option on any annual Bond payment date on or after May 1, 2011, prior to maturity. Bonds to be prepaid or redeemed shall be selected by the Bond Registrar and shall, in the event less than all of the outstanding Bonds are to be redeemed, insofar as can be done taking into consideration the denominations of the outstanding Bonds, be in even dollar increments of \$1,000 or multiples thereof. Bonds called for redemption shall be redeemed at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. Notice of any intended redemption shall be given not less than thirty (30) nor more than forty-five (45) days prior to the redemption date by first-class mail, postage prepaid, to the registered owner of any Bonds to be redeemed at the address appearing in the bond register described in Section 9.0 hereof. The requirement of this Ordinance shall be deemed to be complied with when notice is mailed as herein provided, regardless of whether or not it is actually received by the owner of the Bond. Interest on a Bond shall cease to accrue on the date fixed for prepayment and redemption unless the Bond is not prepaid and redeemed upon presentation made pursuant to such call. Notice having been given in the manner hereinbefore provided, the Bond shall become due and payable on the redemption date so designated, and upon presentation thereof at said office, the LID will pay the Bond. Following any such prepayments and redemptions, all subsequent annual installments of principal and interest which are outstanding on any remaining unpaid or unredeemed portion of the Bonds shall be reamortized and recalculated, as new equally amortized annual payments of principal and interest, taking into account any prepayments and redemptions previously made, and a revised Schedule I shall be prepared and shall govern and be incorporated into the future annual payment terms for the remaining Bonds.

Section 8.0 Execution of Bonds. The Bonds shall be payable to the registered owners thereof and shall be executed and signed as follows:

A. If facsimile signatures are to be printed on the Bonds, then pursuant to Sections 59-1018 through 59-1023, Idaho Code, the Chairman of the Board, the District Treasurer, and the District Secretary shall each forthwith file with the Secretary of State of the State of Idaho, his or her manual signature certified by him or her under oath.

B. The Bonds shall be signed on behalf of the District with the manual or facsimile signature of the Chairman of the Board; the Bonds shall be countersigned with the manual or facsimile signature of the District Treasurer and attested with the manual or facsimile signature of the District Secretary; and the Bonds shall bear the manual or facsimile of the seal of the District. The certificate endorsed on the Bonds shall be executed with a manual or facsimile signature of the District Secretary. The Bonds bearing the signatures of the officers in office at the time of the signing thereof shall be the valid and binding obligations of the District, notwithstanding that before the delivery thereof and payment therefor, any or all of the persons whose signatures appear thereon shall have ceased to fill their respective offices. The Chairman of the Board, District Treasurer and District Secretary, at the time of the execution of the Bonds and a signature certificate appertaining thereto, each may adopt as and for his or her own manual or facsimile signature the signature of his or her predecessor in office in the event that such manual or facsimile signature appears upon the Bonds.

Section 9.0 Bond Registration. The Bonds shall be registered for payment as to both principal and interest. The District Treasurer is appointed bond registrar (herein the "Registrar" or "Bond Registrar") and shall maintain books for the registration, transfer and conversion of the Bonds, including a listing of all registered owners of the Bonds and their correct addresses (the "Bond Register"), and shall authenticate the Bonds and do all things authorized by the Idaho Registered Public Obligations Act, Chapter 9, Title 57, Idaho Code. The Registrar shall register or permit to be transferred or discharged from registration any Bond presented for such purpose subject to said Act and such reasonable regulations as the Registrar may prescribe and after the District is reimbursed for any tax or governmental charge payable in connection therewith. For the purposes of said Registered Public Obligations Act, this Bond Ordinance shall constitute a "system of registration" within the meaning, and for all purposes, of said Act.

Section 10.0 Ownership of Bonds. The District and its officers shall treat the person in whose name the Bond is registered as the absolute owner, whether or not such Bond shall be overdue. All payments made as provided in this Ordinance shall be valid and effectual to discharge the liability upon the Bonds to the extent of the amount so paid.

Section 11.0 Form of Bonds. The Bonds for said LID shall be in substantially the form as set forth on Exhibit "B" hereto.

Section 12.0 Sale of Bonds, Interest of Bondowners. The Bonds herein authorized, when executed, shall be issued to the Purchaser thereof or his lawful designee(s). The sale of the Bonds to the Purchaser, is hereby authorized and approved in accordance with this Ordinance or with a Bond Purchase Contract with Purchaser which is hereby authorized and approved. The sale of the Bonds herein authorized to said Purchaser, at the price of par (plus a premium of \$8,257.03) and accrued interest to the date of delivery, if any, is hereby ratified and confirmed; and when issued, said Bonds shall transfer to the owner thereof all the rights and interest of the District in and with respect to every assessment against the property in said LID liable to assessment for such local improvements and the liens thereby created against the property in said LID liable to assessment for such local improvements and the liens thereby created against the property of each property owner assessed as shall not have availed himself of the provisions of law in regard to the redemption of his property from the lien or such assessment and shall authorize the owner or owners of said Bonds to receive and have collected the assessment or assessments embraced in any such Bond through any of the methods provided by law for the collection of assessments for local improvements; and the District hereby pledges to such owner or owners of said Bonds the exercise of all lawful corporate powers in the collection of the assessments for the redemption of said Bonds.

Section 13.0 Bondowner Remedies. Any owner of the Bonds, may, either at law or in equity, by suit, action, mandamus or other appropriate proceeding in any court of competent jurisdiction, protect the liens created by this Ordinance on the proceeds of said assessments, and may by suit, action, mandamus or other appropriate proceedings enforce and compel the performance of any duty imposed upon the District by the provisions of this Ordinance, including, without limiting the generality of the foregoing, the segregation of assessments and the proper application thereof.

Section 14.0 Reassessment. Pursuant to Section 50-1720, Idaho Code, the District hereby covenants with the Purchaser and with all subsequent owners of the Bonds that if ever the assessments of the LID have failed to be valid in whole or in part for want of form or sufficiency, informality, irregularity or nonconformance with the laws governing such assessment, the Board shall, to the extent permitted by law, reassess such assessments and enforce their collection in accordance with the provisions of the law existing at the time the reassessment is made. The District further covenants that when for any cause, mistake or inadvertence the amounts heretofore assessed shall not be sufficient to pay the cost and expenses of the Improvements made and enjoyed by owners of property in the LID, the Board shall make reassessments on all property in the LID sufficient to pay for such Improvements. Such reassessment shall be made and collected in accordance with the provisions of the law existing at the time of its levy.

Section 15.0 Reissuance of Bonds. The District additionally covenants with the Purchaser and the subsequent owners of the Bonds, pursuant to Section 50-1725, Idaho Code, that if the District shall ever default in the payment of principal or interest or if the Bonds shall have been declared invalid or void by order or decree of court, the District shall, to the extent permitted by law, reissue the Bonds at the same rate of interest and in such amount as will cover the principal and interest due on the Bonds, and the Bonds upon which there has been default or which have been declared invalid or void shall thereupon be surrendered and canceled. The lien created by the levy of assessments heretofore made for the LID shall remain in full force and effect.

Section 16.0 Filing for Tax Deed. Pursuant to Sections 63-1005 and 63-1006, Idaho Code, as amended, any bondholder may file with the County Treasurer of Blaine County, Idaho, a written request for notice of the issuance of a tax deed on property upon which said lien for assessments located in said Local Improvement District on behalf of which his Bond was issued. Said request, if made, shall be in the form prescribed in said Sections 63-1005 and 63-1006, Idaho Code, as amended.

Section 17.0 Non-Arbitrage. The District additionally covenants with the Purchaser that it will make no use of the proceeds of the Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder, and that it will comply with the requirements of said Section and the applicable U.S. Treasury regulations throughout the term of the Bonds, as well as the Tax Certificate of the LID to be delivered at the closing of the Bonds.

Section 18.0 Small Issuer Exception. The District hereby represents, for purposes of Section 148(f) and 265(b)(3) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), that the District (including all "subordinate entities" of the District within the meaning of Section 265(b)(3)(E) and 148(f)(4)(D) of the Code) has not issued and reasonably anticipates not to issue in the 2009 calendar year obligations bearing interest exempt from federal income taxation under Section 103 of the Code (other than "private activity bonds" as defined in Section 141 of the Code), which when taken together with the Bonds, will not exceed an amount greater than \$5,000,000, and the District hereby irrevocably allocates to the LID \$402,585.69 of its small issuer exemption under Section 148(f)(4)(D)(iv). Such allocation bears a reasonable relationship to the benefits received by the District from the Improvements of the LID financed by the Bonds.

Section 19.0 Bonds as Qualified Obligations. Pursuant to Section 265(b)(3) of the Code, the District, on behalf of the LID, hereby specifically designates the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code.

Section 20.0 Prepayment of Assessments. As provided in the Notice sent to property owners within the LID pursuant to Ordinance No. 2009-1, and in accordance with Section 50-1715, Idaho Code, as amended, any prepayments of assessments after March 19, 2009, must include the full principal amount of the unpaid assessments plus any applicable penalties and all accrued interest through the date of payment of the same, plus additional interest thereon, at the rate of interest of 6.35% per annum from the date of the last installment of assessment due through a date which is one (1) year after the next interest date on the Bonds.

Section 21.0 Conflicting Actions Repealed; Publication. All ordinances, resolutions and parts thereof, in conflict with the provisions of this Ordinance, to the extent of such conflict, are hereby repealed, and this Ordinance or a summary thereof shall be published as may be deemed advisable and appropriate under Section 50-1727, Idaho Code.

Section 22.0 Ordinance Is a Contract and Irrepealable. The provisions of this Ordinance shall constitute a contract between the District and the registered owners of the Bonds so long as principal and interest thereon remain unpaid. After the Bonds are issued, this Ordinance shall be and remain irrepealable until the Bonds and the interest thereon shall be fully paid and discharged, as herein provided.

Section 23.0 Severability. If any section, paragraph, clause or provision of this Ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, clause or provision shall in no manner affect any remaining provision of this Ordinance.

Section 24.0 Effective Date. This Ordinance shall be in full force and effect from and after its passage and approval hereof.

PASSED By the Board of Directors of the Sun Valley Water and Sewer District, Blaine County, Idaho, this 29th day of April, 2009.

APPROVED:

By:



CHAIRMAN, Board of Directors

ATTEST:



DISTRICT SECRETARY

PUBLISH: on or before May 6, 2009

EXHIBIT "A"

Description of Boundaries of LID

A general description is a substantial portion of the area known as McHanville, located in Blaine County, Idaho, approximately 2.0 miles south of the city limits of Ketchum, Idaho, and located generally along State of Idaho Highway 75. The overall McHanville area contains approximately 9.23 acres and was divided in 18 former parcels, approximately 8.90 acres and 16 former parcels (now constituting 13 current parcels) of which are to be within the proposed LID boundaries.

The LID's boundaries shall be as generally described hereinabove and in Schedule A-1 hereto and as further described by the map set forth in Schedule A-2 hereto.

SCHEDULE A-1

Boundary Description

Beginning at the westerly right-of-way line of State of Idaho Highway 75 with its intersection with the easterly right-of-way line of Hospital Road, thence North $5^{\circ} 04' 34''$ East 132.79 feet north along the easterly right-of-way line of Hospital Road to the general Point of Beginning; thence continuing north along the east right-of-way line of Hospital Road North $5^{\circ} 04' 34''$ East 1,292.76 feet to a point of curve; thence along a curved line to the left approximately 200.14 feet, more or less, said curve has a central angle of $5^{\circ} 51' 02''$, and a radius of 1,960.00 feet, to a point; thence North $73^{\circ} 58' 46''$ East 96.02 feet to the westerly right of way line of State of Idaho Highway 75; thence South $18^{\circ} 45' 00''$ East 432.45 feet along the westerly right-of-way line of State of Idaho 75 to a point of curve; thence southerly along a curve to the right approximately 1,194.07 feet, more or less, said curve has a central angle of $62^{\circ} 41' 55''$, and a radius of 1,114.2 feet, more or less, to a point of tangency on the said westerly right-of-way of State of Idaho Highway 75; thence North $52^{\circ} 32' 14''$ West, 92.43 feet, more or less, to the general Point of Beginning.

SCHEDULE A-2

Boundary Map

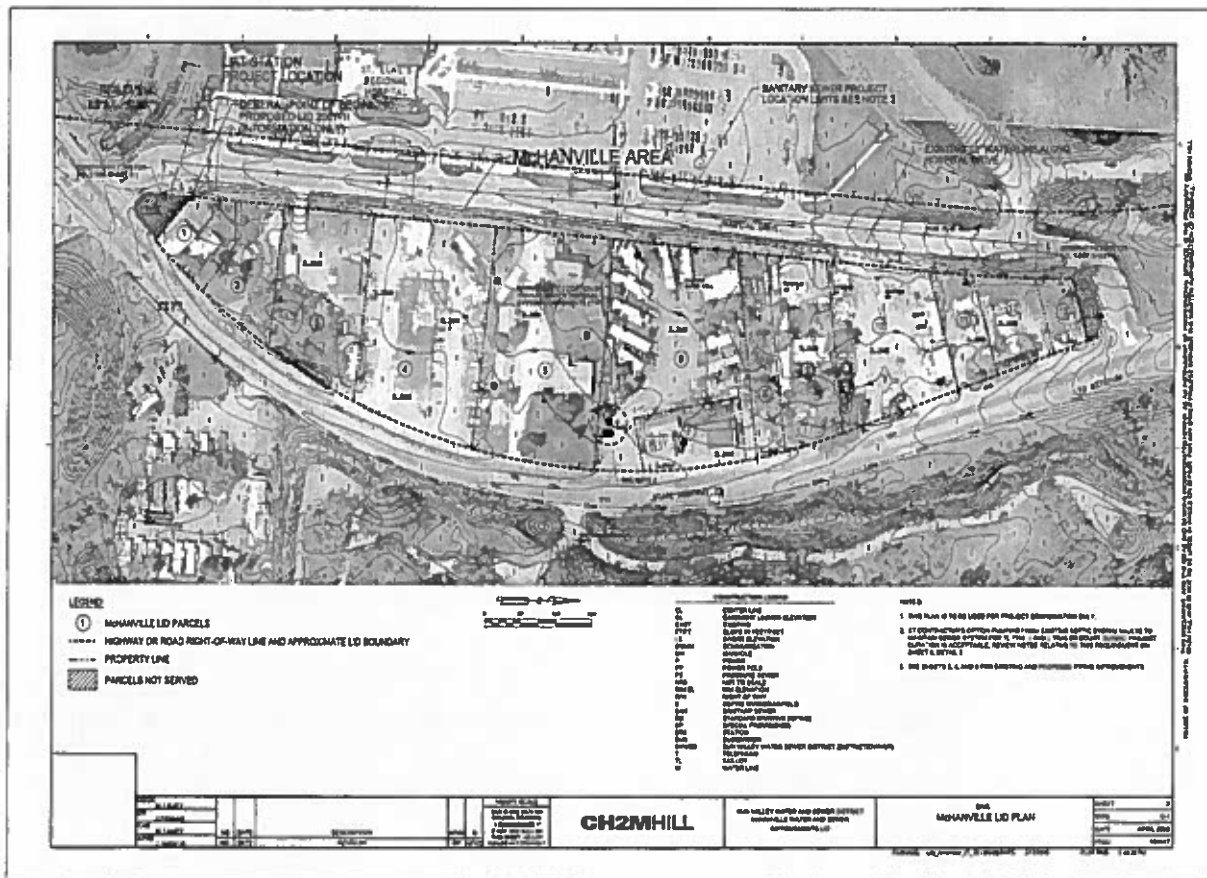


EXHIBIT "B" TO ORDINANCE

(Form of Bond)

Number: R-1

\$402,585.69

UNITED STATES OF AMERICA
STATE OF IDAHO
COUNTY OF BLAINE

LOCAL IMPROVEMENT DISTRICT NO. 2008-1
FOR THE SUN VALLEY WATER AND SEWER DISTRICT, BLAINE COUNTY, IDAHO
LOCAL IMPROVEMENT BOND

INTEREST RATE:
6.35%

DATED DATE:
May 5, 2009

KNOW ALL MEN BY THESE PRESENTS that the Sun Valley Water and Sewer District, Blaine County, Idaho (the "District"), on behalf of Local Improvement District No. 2008-1 (the "LID") of the District, for value received, hereby promises to pay to

***** WELLS FARGO BROKERAGE SERVICES, LLC *****

or registered assigns from the funds hereinafter described, the sum of:

***** FOUR HUNDRED TWO THOUSAND FIVE HUNDRED EIGHTY FIVE AND 69/100
DOLLARS *****

in lawful money of the United States of America with interest on the unpaid principal balance at the rate of SIX AND 35/100 PERCENT (6.35%) per annum from the date hereof until said principal sum is paid in full, with amortized principal and interest payable at the times and in the amounts as set forth on Schedule I attached hereto, or on any future revised Schedule I prepared and attached as a consequence of subsequent prepayments made on this Bond. Amortized principal and interest shall be paid in twenty (20) substantially equal annual installments of principal and interest commencing on May 1, 2010, and annually on May 1 of each year thereafter, until the principal amount of this Bond is paid in full. Both principal of and interest on this Bond are payable in lawful money of the United States of America to the registered owner hereof whose name and address appear on the registration books of the District (the "Bond Register") maintained by the District Treasurer as Bond Registrar.

This Local Improvement Bond is issued by the District for the purpose of paying part of the cost of constructing certain improvements within or for the LID, the nature of which being the acquisition, construction and installation of improved and additional water and sewer facilities, including pipelines, service lines, service connections, hydrants, manholes, lift station, electrical equipment and related easements, facilities and improvements, for the extension and provision of water and sewer service to 16 (which now constitute 13 current parcels) of 18 former parcels of

property located in the area known as McHanville and recently annexed into the District, and the project and improvements extend and provide water and sewer services only to the property line of each individual parcel of property within the boundaries of the LID (the "Improvements"). This Bond is payable as to principal and interest from and is secured by the irrevocable pledge and dedication of the funds to be derived from the collection of special assessments on real property in said LID, which special assessments were levied by Ordinance No. 2009-1, passed and approved by the Board of Directors of the District on February 17, 2009, and the unpaid portion of which has been pledged to the payment of this Bond, pursuant to Ordinance No. 2009-03 passed and approved by the Board of Directors of the District on the 29th day of April, 2009 (the "Bond Ordinance"), all in accordance with and under the authority of Chapter 17, Title, 50, Idaho Code, as amended. The assessments made and levied to pay the costs and expenses of the work or improvements authorized by the provisions of the Local Improvement District Code, or any law of the State of Idaho, are by statute made a lien upon and against the property in said LID upon which such assessment or assessments were made and levied from and after the 19th day of February, 2009, which lien is superior to the lien of any mortgage or other encumbrance, whether prior in time or not, and shall constitute such lien until paid. Pursuant to Sections 63-1005 and 63-1006, Idaho Code, as amended, a bondholder may file with the County Treasurer of Blaine County, Idaho, a written request for notice of the issuance of a tax deed on property located in said LID, upon which said lien for assessments exists. The District hereby obligates itself, and is bound under the terms and provisions of said law, to cause said assessments to be properly collected, and to apply the proceeds of said assessments to no other purpose than to pay when due, the principal of and interest on this Bond.

In conformity with said law, it is hereby provided that the principal sum herein named shall be payable from the Bond Fund in the hands of the District Treasurer designated "Bond Fund for Local Improvement District No. 2008-1 for the Sun Valley Water and Sewer District, Blaine County, Idaho" (herein the "Bond Fund"), pledged solely for the payment of the principal of this Bond, and consisting of all monies constituting payment of principal on assessments unpaid at the time of issuance of this Bond, and the interest herein shall be payable from the Interest Fund designated "Interest Fund for Local Improvement District No. 2008-1 for the Sun Valley Water and Sewer District, Blaine County, Idaho," pledged for the payment of the interest on this Bond, and consisting of all monies constituting the payment of interest on assessments unpaid at the time of the issuance of this Bond.

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 bonds as herein provided. The owners and holders of such bonds

shall be entitled to complete enforcement of all assessments made for the payment of such bonds. A copy of this section shall be plainly written, printed or engraved on the face of each bond so issued."

The LID hereby reserves the right to prepay and redeem any of the Bonds, in whole or in part, on any annual Bond payment date on or after May 1, 2011, prior to maturity. Bonds to be prepaid or redeemed shall be selected by the Bond Registrar and shall, in the event less than all of the outstanding Bonds are to be redeemed, insofar as can be done taking into consideration the denominations of the outstanding Bonds, be in even dollar increments of \$1,000 or multiples thereof. Bonds called for redemption shall be redeemed at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. Notice of any intended redemption shall be given not less than thirty (30) nor more than forty-five (45) days prior to the redemption date by first-class mail, postage prepaid, to the registered owner of any Bonds to be redeemed at the address appearing in the bond register described in Section 9.0 of the Bond Ordinance. The requirement of the Bond Ordinance shall be deemed to be complied with when notice is mailed as therein provided, regardless of whether or not it is actually received by the owner of the Bond. Interest on a Bond shall cease to accrue on the date fixed for prepayment and redemption unless the Bond is not prepaid and redeemed upon presentation made pursuant to such call. Notice having been given in the manner hereinbefore provided, the Bond shall become due and payable on the redemption date so designated, and upon presentation thereof at said office, the LID will pay the Bond. If any prepayments and redemptions are made pursuant to Section 7.0 of the Bond Ordinance, a revised Schedule I shall thereafter be prepared and attached to this Bond in accordance with Section 7.0 of the Bond Ordinance and it shall govern any future annual payment dates and amounts on the remaining Bonds.

It is certified that this Local Improvement Bond is authorized by and issued in conformity with the requirements of the Constitution and statutes of the State of Idaho.

It is further 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 Local Improvement Bond necessary to constitute the same legal, binding and valid obligations of the District on behalf of the LID, in accordance with the tenor and terms of this Bond, have existed, have happened and have been performed in due time, form and manner; and that the aforesaid special assessments have been legally levied, and that this Bond does not exceed the amount of unpaid assessments as set forth in the Bond Ordinance.

This Bond is issued upon the above terms and conditions, to which each taker and owner hereof consents and agrees, and it shall be subject to the specific provisions stated herein.

IN WITNESS WHEREOF, the Sun Valley Water and Sewer District, Blaine County, Idaho, acting through its Board of Directors, has caused this Local Improvement Bond to be executed with the manual or facsimile signature of its Chairman of the Board, countersigned with the manual or facsimile signature of its District Treasurer, and attested by the manual or facsimile signature of its District Secretary and the facsimile of the corporate seal of the District to be imprinted thereon, as of the 5th day of May, 2009.

(Facsimile or Manual Signature)
CHAIRMAN, Board of Directors

(Facsimile or Manual Signature)
DISTRICT TREASURER

(FACSIMILE SEAL)

(Facsimile or Manual Signature)
DISTRICT SECRETARY

IT IS HEREBY CERTIFIED That attached hereto is a true and complete copy of the legal opinion of Skinner Fawcett of Boise, Idaho, which opinion was dated the date of delivery 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 Sun Valley Water and Sewer District, Blaine County, Idaho.

SUN VALLEY WATER AND SEWER
DISTRICT, BLAINE COUNTY, IDAHO

(Facsimile or Manual Signature)
DISTRICT SECRETARY

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Name of Transferee: _____

Address: _____

Tax Identification No. _____

the within Bond and hereby irrevocably constitutes and appoints

_____ of _____

to transfer said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____.

Registered Owner
NOTE: The signature on this Assignment must correspond with the name of the registered owner as it appears upon the fact of the within Bond in every particular, without alteration or enlargement or any change whatever.

SIGNATURE GUARANTEED:

Bank, Trust Company or Member Firm
of the New York Stock Exchange

By: _____
Authorized Officer

SCHEDULE I

Schedule of Principal and Interest Payments on the Bonds

Date (May 1)	Principal	Interest	Total
2010	10,585.69	25,280.14	35,865.83
2011	11,000.00	24,892.00	35,892.00
2012	12,000.00	24,193.50	36,193.50
2013	13,000.00	23,431.50	36,431.50
2014	14,000.00	22,606.00	36,606.00
2015	14,000.00	21,717.00	35,717.00
2016	15,000.00	20,828.00	35,828.00
2017	16,000.00	19,875.50	35,875.50
2018	17,000.00	18,859.50	35,859.50
2019	18,000.00	17,780.00	35,780.00
2020	20,000.00	16,637.00	36,637.00
2021	21,000.00	15,367.00	36,367.00
2022	22,000.00	14,033.50	36,033.50
2023	23,000.00	12,636.50	35,636.50
2024	25,000.00	11,176.00	36,176.00
2025	27,000.00	9,588.50	36,588.50
2026	28,000.00	7,874.00	35,874.00
2027	30,000.00	6,096.00	36,096.00
2028	32,000.00	4,191.00	36,191.00
2029	34,000.00	2,159.00	36,159.00
Total	\$402,585.69	\$319,221.64	\$721,807.33