

ORDINANCE NO. 1014

AN ORDINANCE OF THE CITY OF KETCHUM, BLAINE COUNTY, IDAHO, AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS, SERIES 2007, IN THE PRINCIPAL AMOUNT OF \$1,550,000; PROVIDING FOR THE DATE, FORM, MATURITIES, DESIGNATION, REGISTRATION, AUTHENTICATION, AND REDEMPTION OF THE BONDS; FIXING THE RATES OF INTEREST ON THE BONDS; DESCRIBING THE PROJECT TO BE FINANCED WITH THE PROCEEDS OF THE BONDS; PROVIDING FOR THE SALE OF THE BONDS TO ZIONS BANK PUBLIC FINANCE; PROVIDING FOR THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS BY THE ANNUAL LEVY OF TAXES; ESTABLISHING FUNDS; PROVIDING COVENANTS WITH RESPECT TO THE TAX-EXEMPT STATUS OF INTEREST ON THE BONDS; PROVIDING FOR RELATED MATTERS; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City of Ketchum, Blaine County, Idaho (the "City"), is a municipal corporation duly organized and operating under the laws of the State of Idaho; and

WHEREAS, the Mayor and Council (the "Council") of the City, by adoption of Ordinance No. 991 on September 18, 2006, ordered a special election to be held within the City on November 7, 2006, for the purpose of submitting to the electors of the City the question of whether or not the City should be authorized to incur an indebtedness and issue its general obligation bonds in the principal amount of \$1,550,000 for the purpose of financing the cost of acquisition of snow removal equipment, together with costs incident thereto, as set forth in Ordinance No. 991; and

WHEREAS, at the special election, duly noticed, held, and conducted within the City on November 7, 2006, the requisite two-thirds majority of the qualified electors of the City voting at the special election approved the incurring of indebtedness in the amount and for the purpose specified in Ordinance No. 991, and the issuance of general obligation bonds of the City therefor; and

WHEREAS, the Council now desires to provide for the issuance and sale of the general obligation bonds of the City in the principal amount of \$1,550,000 for the aforesaid purposes; and

WHEREAS, Sections 57-215, as amended, and 57-232, Idaho Code, authorize the sale of general obligation bonds at private sale, and the Council has determined that it is in the best interests of the City to sell its bonds at private sale; and

WHEREAS, the City has heretofore published a notice of its intention to sell its bonds at private sale in the manner provided by law; and

WHEREAS, the City has received an offer from Zions Bank Public Finance to purchase the bonds of the City, and the Council has determined to accept such offer.

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF KETCHUM, IDAHO, as follows:

Section 1: DEFINITIONS

As used in this Ordinance, unless the context shall otherwise require, the following terms shall have the following meanings:

Act means, collectively, Chapter 10 of Title 50 and Chapters 2 and 9 of Title 57, Idaho Code, as amended.

Bond Counsel means Moore Smith Buxton & Turcke, Chartered, Boise, Idaho, or another attorney at law or a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt status of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States.

Bond Fund means the Bond Fund established in Section 14 hereof.

Bond Registrar means Zions Corporate Trust as bond registrar, transfer agent, authenticating and paying agent for the Bonds, appointed and designated in Section 8 of this Bond Ordinance.

Bond Ordinance means this Ordinance No. 1014, adopted on May 21, 2007, authorizing the issuance and sale of the Bonds.

Bonds means the "City of Ketchum General Obligation Bonds, Series 2007" herein authorized to be issued, sold, and delivered in the principal amount of \$1,550,000.

Business Day means any day, other than a Saturday or Sunday, on which banks located in the State of Idaho and in the state where the Bond Registrar's Principal Corporate Trust Office is located, are open for the purpose of conducting commercial banking business.

Capital Improvement Fund means the fund by that name established in Section 11 hereof.

Cede means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds pursuant to Section 4 hereof.

City means the City of Ketchum, Blaine County, Idaho.

Clerk means the clerk of the City.

Code means the Internal Revenue Code of 1986, as amended.

Council means the City Council as governing body of the City.

Exchange Bond means any Exchange Bond as defined in Section 8 hereof.

Fiscal Year means the fiscal year of the City, commencing on October 1 of each year and ending on September 30 of the following year.

Interest Payment Date(s) means the payment date(s) set forth in Section 4 of this Bond Ordinance.

Mayor means the mayor of the City.

Principal Corporate Trust Office means, with respect to the Bond Registrar, the office of the Bond Registrar at Salt Lake City, Utah, or such other or additional offices as may be specified by the Bond Registrar.

Purchaser means Zions Bank Public Finance as purchaser of the Bonds.

Record Date means in the case of each interest payment date, the Bond Registrar's close of business on the fifteenth day of the month next preceding such interest payment date.

Registered Owner or Owner means the registered owner of any Bond as shown in the registration books of the City kept by the Bond Registrar for such purpose.

Regulations means the Treasury Regulations issued or proposed under Section 103, Section 148, Section 149, or Section 150 of the Code (26 CFR Part 2) or other sections of the Code relating to "arbitrage bonds" or rebate, including without limitation Sections 1.148-0 through 1.148-11 and 1.150-1 of the

Treasury Regulations, to the extent applicable, and includes amendments thereto or successor provisions.

Treasurer means the treasurer of the City.

Section 2: BONDS AUTHORIZED

General obligation bonds of the City, in fully registered form, designated "City of Ketchum General Obligation Bonds, Series 2007" in the aggregate principal amount of \$1,550,000, are hereby authorized to be issued, sold, and delivered pursuant to the Act.

Section 3: PURPOSE OF BONDS

The Bonds are being issued for the purpose of paying the cost of acquisition of snow removal equipment for the City, together with fiscal agent fees, legal fees, and all other fees and charges incident and necessary thereto.

Section 4: DESCRIPTION OF THE BONDS

A. The Bonds. The Bonds shall be dated as of their date of delivery, shall be substantially in the form of Exhibit "A" which is annexed hereto, shall be dated as of their date of delivery, shall be issued only in fully registered form, in denominations of \$1,000 each, or integral multiples thereof within a maturity, not exceeding the total amount of Bonds maturing in a single maturity, and shall be numbered separately in a consecutive series, in the manner and with any additional designation as the Bond Registrar deems necessary for the purposes of identification. Interest on the Bonds shall be calculated on the basis of a 360-day year and twelve 30-day months. The Bonds bear interest from their date, payable commencing on February 1, 2008, and semiannually on August 1 and February 1 thereafter until their maturity or prior redemption, at the following rates of interest, and shall mature on August 1 of each year in the amounts set forth in the following schedule:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
August 1, 2008	\$ 76,000	3.720%
August 1, 2009	89,000	3.770
August 1, 2010	92,000	3.820
August 1, 2011	96,000	3.870
August 1, 2012	100,000	3.890
August 1, 2013	103,000	3.940
August 1, 2014	108,000	3.990
August 1, 2015	112,000	4.030

August 1, 2016	116,000	4.080
August 1, 2017	121,000	4.130
August 1, 2018	126,000	4.280
August 1, 2019	131,000	4.330
August 1, 2020	137,000	4.380
August 1, 2021	143,000	4.430

Section 5: PAYMENT OF BONDS

Both the principal of and interest on the Bonds shall be payable in lawful money of the United States of America to the registered owners thereof whose names and addresses shall appear on the registration records of the City (the "Bond Register"), maintained by the Bond Registrar.

Principal of each Bond shall be paid to the registered owner thereof, upon presentation and surrender of such Bond by the registered owner at the principal corporate trust office of the Bond Registrar, on or after the date of maturity or prior redemption.

Payment of each installment of interest shall be made to the registered owner whose name appears on the Bond Register on the Record Date next preceding the interest payment date, and shall be paid by check or draft of the Bond Registrar mailed to such registered owner on the due date at the address appearing on the Bond Register, or at such other address as may be furnished in writing by such registered owner to the Bond Registrar.

Section 6: EXECUTION OF BONDS

The Bonds shall be numbered separately in the manner and with such additional designation as the Bond Registrar shall deem necessary for purposes of identification.

The Bonds shall be executed on behalf of the City by the Mayor, countersigned by the Treasurer, and attested by the Clerk and the corporate seal of the City shall be impressed thereon. The said officials and each of them are hereby authorized and instructed to execute the Bonds accordingly. The Bonds shall then be delivered to the Bond Registrar for manual authentication. Only such of the Bonds shall bear thereon a certificate of authentication, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Bond Ordinance, and such certificate of the Bond Registrar shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered under, and are entitled to the benefits of, this Bond Ordinance and that the Registered Owner thereof is entitled to

the benefits of this Bond Ordinance. The certificate of authentication of the Bond Registrar on any Bond shall be deemed to have been executed by it if (a) such Bond is signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder or that all of the Bonds hereunder be authenticated by the same Bond Registrar, and (b) the date of registration and authentication of the Bond is inserted in the place provided therefor on the certificate of authentication.

The Mayor, Treasurer, and Clerk are authorized to execute, countersign, and seal from time to time, in the manner described above, Bonds (the "Exchange Bonds") to be issued and delivered for the purpose of effecting transfers and exchanges of Bonds pursuant to Section 8 hereof. At the time of the execution, countersigning, and sealing of the Exchange Bonds by the City, the payee, maturity, or due date, as applicable, and interest rate, if applicable, shall be in blank. All Exchange Bonds shall be in the denomination of \$1,000 or integral multiples thereof. Upon any transfer or exchange of Bonds pursuant to Section 8 hereof, the Bond Registrar shall cause to be inserted in appropriate Exchange Bonds the appropriate payee, maturity, or due date, as applicable, and interest rate. The Bond Registrar is hereby authorized and directed to hold the Exchange Bonds, and to complete, authenticate, and deliver the Exchange Bonds, for the purpose of effecting transfers and exchanges of Bonds; provided that any Exchange Bonds authenticated and delivered by the Bond Registrar shall bear the same series, maturity, or due date, as applicable, and interest rate as Bonds delivered to the Bond Registrar for exchange or transfer, and shall bear the name of such payee as the Registered Owner requesting an exchange or transfer shall designate; and provided further that upon the delivery of any Exchange Bonds by the Bond Registrar a like principal amount, if applicable, of Bonds submitted for transfer or exchange, and of like series and having like maturities and interest rates, if applicable, shall be canceled. The execution, countersigning, and sealing by the City and delivery to the Bond Registrar of any Exchange Bond shall constitute full and due authorization of such Bond containing such payee, maturity, or due date, as applicable, and interest rate, if applicable, as the Bond Registrar shall cause to be inserted, and the Bond Registrar shall thereby be authorized to authenticate and deliver such Exchange Bond in accordance with the provisions hereof.

In case any officer whose signature or a facsimile of whose signature shall appear on any Bond (including any Exchange Bond) shall cease to be such officer before the issuance or deliver of such Bond, such signature or such facsimile shall nevertheless be

valid and sufficient for all purposes, the same as if such officer had remained in office until such issuance of delivery, respectively.

Section 7: BOND REGISTRAR

Zions Corporate Trust is hereby appointed the Bond Registrar for the Bonds. The City may remove any Bond Registrar, and any successor thereto, and appoint a successor or successors thereto. Each Bond Registrar shall signify its acceptance of the duties and obligations imposed upon it by the Bond Ordinance by executing and delivering to the City a written acceptance thereof. The principal of and interest on the Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts. Principal of the Bonds shall be payable when due to the Registered Owner of each Bond at the Principal Corporate Trust Office of the Bond Registrar. Payment of interest on each Bond shall be made to the person who, as of the Record Date, is the Registered Owner of the Bond and shall be made by check or draft mailed to the Registered Owner, at the address of such Registered Owner as it appears on the registration books of the City kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such Registered Owner on or prior to the Record Date.

Section 8: TRANSFER AND EXCHANGE OF BONDS

A. Transfer of Bonds.

(1) Any Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Bond Registrar pursuant to Paragraph C of this Section 8, by the Registered Owner, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Bond Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Bond Registrar. The City and the Bond Registrar may treat and consider the Registered Owner as the absolute owner thereof for the purpose of receiving payment of, or on Fund of, the principal, if any, or redemption price thereof and interest due thereon and for all other purposes whatsoever.

(2) Whenever any Bond or Bonds shall be surrendered for transfer, the Bond Registrar shall authenticate and deliver a new fully registered Bond or Bonds (which may be an Exchange Bond or Bonds pursuant to Paragraph B of this Section 8) of the same series, designation, maturity, or due date, as applicable, and

interest rate and of authorized denominations duly executed by the City, for a like aggregate principal amount or interest amount, as applicable. The Bond Registrar shall require the payment by the Registered Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. With respect to each Bond, no such transfer shall be required to be made after the Record Date with respect to any interest payment date to and including such interest payment date.

B. Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Bond Registrar for a like aggregate principal amount of fully registered Bonds (which may be an Exchange Bond or Bonds) of the same series, designation, maturity, or due date, as applicable, and interest rate of other authorized denominations or amounts, as applicable. The Bond Registrar shall require the payment by the Registered Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. With respect to each Bond, no such exchange shall be required to be made after the Record Date with respect to any interest payment date to and including such interest payment date.

C. Bond Registration Books. This Bond Ordinance shall constitute a system of registration within the meaning and for all purposes of the Registered Public Obligations Act of Idaho, Chapter 9 of Title 57, Idaho Code. The Bond Registrar shall keep or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the City; and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as herein provided.

D. List of Registered Owners. The Bond Registrar shall maintain a list of the names and addresses of the Registered Owners of all Bonds and upon any transfer shall add the name and address of the new Registered Owners and eliminate the name and address of the transferor Registered Owner.

E. Duties of Bond Registrar. If requested by the Bond Registrar, the Mayor is authorized to execute the Bond Registrar's standard form of agreement between the City and the Bond Registrar with respect to the compensation, obligations, and duties of the Bond Registrar hereunder which may include the following:

(1) to act as bond registrar, authenticating agent, paying agent, and transfer agent as provided herein;

(2) to maintain a list of Registered Owners as set forth herein and to furnish such list to the City upon request, but otherwise to keep such list confidential;

(3) to give notice of redemption of Bonds as provided herein;

(4) to cancel and/or destroy Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer;

(5) to furnish the City upon request annually a certificate with respect to Bonds canceled and/or destroyed;

(6) to furnish the City upon request annually an audit confirmation of Bonds paid, Bonds outstanding and payments made with respect to interest on the Bonds; and

(7) to comply with all applicable provisions of the Representation Letter, as called for in Section 4(B) hereof.

Section 9: REDEMPTION PRIOR TO MATURITY

A. Optional Redemption. Bonds maturing on or before August 1, 2017, shall not be subject to call or redemption prior to their stated dates of maturity. On any date on or after August 1, 2017, Bonds maturing on August 1, 2018, shall be subject to redemption, at the option of the City, in whole or in part (and by lot selected by the Bond Registrar if less than the entire maturity is being redeemed), upon notice as hereinafter provided, at the redemption price of 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

B. Notice of Redemption. Notice of redemption of any Bonds prior to their stated maturity shall be given by mailing of notice by the Bond Registrar to the registered owner of any Bond being called for redemption not less than thirty nor more than sixty days prior to the redemption date by first class mail, postage prepaid, at the address appearing on the Bond Register, or at such other address as may be furnished in writing by such registered owner to the Bond Registrar. The foregoing requirements shall be deemed to be complied with when notice is mailed as provided herein, regardless of whether or not it is actually received by the owner of such Bond. The notice shall specify the Bonds to be redeemed, the date and place of

redemption, and shall provide that the Bonds so called for redemption shall cease to accrue interest on the specified redemption date, provided funds for such redemption are on deposit at the place of payment at such time, and shall not be deemed to be outstanding as of such redemption date.

C. Other Redemption Provisions. Portions of any Bond of a denomination of more than \$1,000 may be redeemed. The portion of any Bond of a denomination of more than \$1,000 to be redeemed shall be in the principal amount of \$1,000 or any integral multiple of \$1,000, and in selecting portions of such Bonds for redemption, the Bond Registrar will treat each such Bond as representing that number of Bonds of \$1,000 denomination which is obtained by dividing the principal amount of such bond by \$1,000.

Section 10: DEFEASANCE OF THE BONDS

In the event that money and/or government obligations, maturing or having guaranteed redemption prices at the option of the owner 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 Bonds in accordance with its terms, are hereafter irrevocably set aside in a special fund and pledged to effect such redemption and retirement, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on the Bonds so provided for, and the Bonds and interest accrued thereon shall then cease to be entitled to any lien, benefit, or security of this Bond Ordinance, except the right to receive the funds so set aside and pledged, and the Bonds and interest accrued thereon shall no longer be deemed to be outstanding hereunder.

Section 11: FUNDS

A. Establishment of Funds. The following funds of the City are hereby created with respect to the Bonds:

- (1) Capital Improvement Fund, to be held by the City.
- (2) Bond Fund, to be held by the City.

B. Delivery of Bonds; Application of Proceeds. The Treasurer is hereby instructed to make delivery of the Bonds to the purchasers and to receive payment therefor in accordance with the terms of this Bond Ordinance and to deposit the proceeds of sale into the Capital Improvement Fund, to be used as described in Section 14(C).

C. Capital Improvement Fund. There is hereby created in the office of the Treasurer a fund separate and distinct from all other funds of the City, known as the "City of Ketchum Capital Improvement Fund" (the "Capital Improvement Fund"), into which shall be deposited all of the proceeds of the sale of the Bonds, except accrued interest, if any, which shall be deposited into the Bond Fund. The proceeds of the Bonds shall be used to pay for the costs of the capital improvements heretofore authorized, including the reasonable and necessary costs of issuance of the Bonds. Monies in the Capital Improvement Fund may be invested in lawful investments until needed for purposes for which the Bonds are issued. Any investment earnings shall accrue to and be used solely for the purposes of the Capital Improvement Fund. In the event there are funds remaining in said Capital Improvement Fund after all expenditures for improvements as set forth hereinabove, any surplus funds shall be deposited into the Bond Fund and used for the payment of principal of and interest on the outstanding Bonds as the same shall accrue.

D. Bond Fund. The proceeds of taxes levied without limitation as to rate or amount to pay the principal of and interest on the Bonds, as set forth in Section 12 of this Ordinance, shall be kept by the Treasurer in a special fund, which is hereby created, separate and apart from all other funds of the City which is hereby designated the "City of Ketchum General Obligation Bonds, Series 2007, Bond Fund" (the "Bond Fund") or such other designation as shall conform to banking requirements and good accounting practices, which Bond Fund shall be used for no other purpose than the payment of the principal of and interest on the Bonds as the same fall due. Monies in the Bond Fund may be invested in lawful investments until needed for the purposes of the Bond Fund, and all investment earnings shall accrue to and be used solely for the purposes of the Bond Fund. At least one (1) day before each Interest Payment Date, the Treasurer shall cause to be transferred to the Bond Registrar, from the Bond Fund, the amount of interest, or principal and interest, as the case may be, then falling due. The Bond Fund shall be maintained by the Treasurer until the principal of and interest on the Bonds have been paid in full.

Section 12: COVENANTS AND UNDERTAKINGS

A. Levy of Taxes. In accordance with the provisions of Sections 50-1026 and 57-222, Idaho Code, as amended, there shall be levied on all taxable property in the City, in addition to all other taxes, a direct annual ad valorem tax in an amount sufficient to meet the payment of the principal and interest on the Bonds as the same mature, and to constitute a sinking fund for the payment of the principal thereof.

Said taxes in each of said years shall be levied, assessed, certified, extended, and collected by the proper officers and at the times, all as fixed by law, and as other taxes are levied, assessed, certified, extended, and collected in, for and by the City and by the same officers thereof and are hereby appropriated for the purpose of paying any of the Bonds until the Bonds shall be fully paid.

Principal of or interest on the Bonds falling due at any time when the proceeds of said tax levy may not be available shall be paid from other funds of the City and shall be reimbursed from the proceeds of said taxes when said taxes shall have been collected. Said taxes in each of the several years shall be and are hereby certified to the Board of County Commissioners of Blaine County, Idaho, as being taxes necessary to be levied on all of the taxable property in the City for the purpose of paying the principal of and the interest on the Bonds as the same become due. Said taxes when collected shall be placed in the Bond Fund and shall be used for no other purpose than for the payment of the principal of and the interest on the Bonds as the same become due, so long as any of the Bonds remain outstanding and unpaid, but nothing herein contained shall be construed to prevent the City from paying the interest on or the principal of the Bonds from any other funds in its hands and available for that purpose, or to prevent the City from levying any further or additional taxes which may be necessary to fully pay the interest on or the principal of the Bonds.

The full faith and credit and all taxable property in the City are hereby pledged for the prompt payment of the principal of and the interest on the Bonds as the same become due, and the tax levies to that end herein provided shall be in full force and effect, and forever remain so until the indebtedness hereby incurred, principal and interest, shall have been fully paid, satisfied and discharged, except as hereinbefore provided, and any collection fees or charges made in connection with the payment of the Bonds and interest thereon are to be paid by the City.

B. Arbitrage Covenant; Covenant to Maintain Tax Exemption.

(1) The Treasurer and other appropriate officials of the City are each hereby authorized and directed to execute a Tax Certificate as shall be necessary to establish that the Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code and the Regulations and to establish that interest on the Bonds is not and will not become subject to taxation under the Code and applicable regulations. The City covenants and certifies to and for the benefit of the Registered Owners that no

use will be made of the proceeds of the issue and sale of the Bonds, or any funds of the City which may be deemed to be proceeds of the Bonds, pursuant to Section 148 of the Code and the Regulations which use, if it had been reasonably expected on the date of issuance of the Bonds, would have caused the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code. Pursuant to this covenant, the City obligates itself to comply throughout the term of the Bonds with the requirements of Section 148 of the Code and the Regulations proposed or promulgated thereunder.

(2) The City further covenants and agrees to and for the benefit of the Registered Owners that the City (i) will not take any action that would cause interest on the Bonds to be or to become ineligible for the exclusion from gross income of the Registered Owners as provided in Section 103 of the Code, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause interest on the Bonds to be or to become ineligible for the exclusion from gross income of the Registered Owners as provided in Section 103 of the Code and (iii) without limiting the generality of the foregoing, (a) will not take any action which would cause the Bonds, or any Bond, to be a "private activity bond" within the meaning of Section 141 of the Code or to fail to meet any applicable requirement of Section 149 of the Code and (b) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the Bonds, or any Bond, to be a "private activity bond" or to fail to meet any applicable requirement of Section 149 of the Code. The Mayor, Clerk, and Treasurer of the City and other appropriate officials of the City are each hereby authorized and directed to execute from time to time such Tax Certificates as shall be necessary to establish that the Bonds are not and will not become "private activity bonds," that all applicable requirements of Section 149 of the Code are and will be met, and that the covenants of the City contained in this Section 12 will be complied with.

(3) The City covenants and certifies to and for the benefit of the Registered Owners that: (i) the City will at all times comply with the provisions of any Tax Certificate and (ii) no bonds or other evidences of indebtedness of the City have been or will be sold within a period beginning 15 days prior to the sale of the Bonds and ending 15 days following the date of sale of the Bonds and (iii) that no bonds or other evidences of indebtedness of the City have been or will be issued or delivered within a period beginning 15 days prior to the issuance and delivery of the Bonds and ending 15 days following the date of delivery of and payment for the Bonds.

(4) A Tax Certificate, in the form acceptable to Bond Counsel, is hereby authorized and approved to be delivered in connection with the initial delivery of the Bonds. The Mayor, Clerk, or Treasurer of the City, or their duly authorized deputies, are hereby authorized to execute such Tax Certificate. Approval of the Tax Certificate by the Mayor, Clerk, or Treasurer shall be conclusively established by their execution of the Tax Certificate in its final form.

The City hereby covenants to adopt, make, execute, and enter into (and to take such actions, if any, as may be necessary to enable it to do so) any resolution or Tax Certificate necessary to comply with any changes in Regulations in order to preserve the exclusion of interest on the Bonds from gross income of the Registered Owners thereof for purposes of the federal income tax to the extent that it may lawfully do so. The City further covenants to (a) impose such limitations on the investment or use of moneys or investment related to the Bonds, (b) make such payments to the United States Treasury, (c) maintain such records, (d) perform such calculations and (e) perform such other acts as may be necessary to preserve the exclusion of interest on the Bonds from gross income of the Registered Owners thereof for purposes of the federal income tax and which it may lawfully do.

The City hereby covenants that it will take all steps to comply with the requirements of the Code to the extent necessary to maintain the exclusion of interest on the Bonds from gross income and alternative minimum taxable income (except to the extent of certain adjustments applicable to corporations) under present federal income tax laws.

Pursuant to these covenants, the City obligates itself to comply throughout the term of the issue of the Bonds with the requirements of Section 103 of the Code and the Regulations.

D. Bonds in Registered Form. The City recognizes that Section 149(a) of the Code requires the Bonds to be issued and to remain in fully registered form in order that interest thereon is exempt from federal income taxation under laws in force at the time the Bonds are delivered. In this connection, the City agrees that it will not take any action to permit the Bonds to be issued in, or converted into, bearer form.

E. Reimbursement. None of the proceeds of the Bonds will be used to reimburse the City for capital expenditures made prior to the date of delivery of the Bonds unless the City, not later than 60 days after the payment of such expenditure, shall have adopted an official intent resolution as provided by Section 1.150-2 of the Treasury Regulations.

Section 13: SALE OF BONDS

The Bonds are hereby sold to the Purchaser upon the terms and conditions set forth in the Bond Purchase Agreement which is annexed hereto as Exhibit "C."

Section 14: FURTHER AUTHORITY

The Mayor, Clerk, and Treasurer, and other officers of the City are, and each of them is, hereby authorized to do or perform all such acts and to execute all such certificates, documents, and other instruments as may be necessary or advisable to provide for the issuance, sale, and delivery of the Bonds and the fulfillment of the covenants and obligations of the City contained herein and therein.

Section 15: DESIGNATION AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"

The City hereby designates the Bonds as "qualified tax-exempt obligations" for the purposes and within the meaning of Section 265(b)(3) of the Code.

Section 16: RATIFICATION

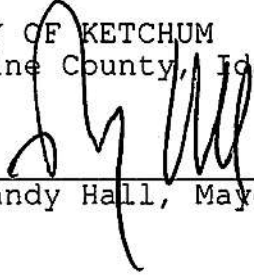
All actions (not inconsistent with the provisions of this Ordinance) heretofore taken by the Council and its employees, with respect to the acquisition, construction, and installation of the capital improvements, and the issuance, sale, and delivery of the Bonds, are hereby in all respects ratified,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

Section 17: PUBLICATION

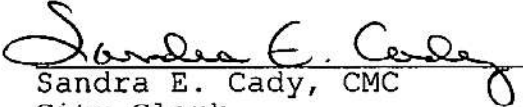
This Ordinance, or a summary thereof in compliance with Section 50-901A, Idaho Code, substantially in the form annexed hereto as Exhibit "B," shall be published once in the official newspaper of the City, and shall take effect immediately upon its passage, approval, and publication.

DATED this 21st day of May, 2007.

CITY OF KETCHUM
Blaine County, Idaho

By 
Randy Hall, Mayor

ATTEST:


Sandra E. Cady, CMC
City Clerk
(S E A L)





[FORM OF BOND]

CUSIP:

Number
R-

\$ _____

UNITED STATES OF AMERICA
STATE OF IDAHO
COUNTY OF BLAINE

CITY OF KETCHUM
GENERAL OBLIGATION BOND, SERIES 2007

THE CITY OF KETCHUM, Blaine County, Idaho (the "City"), for value received, promises to pay from the "City of Ketchum General Obligation Bonds, Series 2007, Bond Fund" (the "Bond Fund"), created by an ordinance of the City adopted on May 21, 2007, (the "Bond Ordinance"), to ZIONS BANK PUBLIC FINANCE or registered assigns, on August 1, _____, the principal sum of

DOLLARS

and to pay interest thereon from the aforesaid Bond Fund from June 5, 2007, or the most recent date to which interest has been paid or duly provided for, at the rate of _____ percent (____%) per annum, payable on February 1, 2008, and semiannually on each August 1 and February 1 thereafter, until the date of maturity or prior redemption of this Bond. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

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 shall appear on the registration books of the City maintained by Zions Corporate Trust (the "Bond Registrar"). Interest shall be paid to the registered owner whose name appears on the Bond Register on the fifteenth day of the month next preceding the interest payment date, and shall be paid by check or draft of the Bond Registrar mailed to such registered owner on the due date at the address appearing on the Bond Register, or at such other address as may be furnished in writing by such registered owner to the Bond Registrar. Principal shall be paid to the registered owner upon presentation and surrender of this Bond at the principal corporate trust office of the Bond Registrar, on or after the date of maturity or prior redemption.

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 Bond Registrar.

This Bond is one of a duly authorized issue of Bonds of like date, tenor, and effect, except for variations required to state numbers, denominations, rates of interest, and dates of maturity, aggregating \$1,550,000 in principal amount. The Bonds are issued pursuant to and in full compliance with the Constitution and statutes of the State of Idaho, particularly Title 50, Chapter 10, and Title 57, Chapters 2 and 9, Idaho Code, and proceedings duly adopted and authorized by the Mayor and Council of the City acting for and on behalf of the City, more particularly the Bond Ordinance, and also pursuant to the legal authorization of a special election duly noticed, held, and conducted within the City on November 7, 2006. The full faith and credit of the City have been pledged for the punctual and full payment of the principal of and interest on this Bond and the Bonds of this issue. The Bonds are payable from ad valorem taxes levied and to be levied upon all the taxable property within said City without limitation as to rate or amount.

It is hereby certified by the City that the whole indebtedness of said City, including this issue of Bonds, does not exceed any limitation of indebtedness fixed by the Constitution or statutes of the State of Idaho, and that all things necessary to the validity of this issue of Bonds have existed, and do exist, and that all things requisite to such validity have been accomplished and have been done and fulfilled prior to and in the issuance of this Bond.

Bonds of this issue maturing on or before August 1, 2017, are not subject to call or redemption prior to their stated dates of maturity. The City has reserved the right to redeem any Bonds maturing on or after August 1, 2018, on any date on or after August 1, 2017, in whole or in part, at the discretion of the City (and by lot selected by the Bond Registrar within a maturity), at par plus accrued interest to the redemption date.

Portions of any Bond of a denomination of more than \$1,000 may be redeemed. The portion of any Bond of a denomination of more than \$1,000 to be redeemed shall be in the principal amount of \$1,000 or any integral multiple of \$1,000, and in selecting portions of such Bonds for redemption the Bond Registrar will treat each such Bond as representing that number of Bonds of \$1,000 denomination which is obtained by dividing the principal amount of such Bond by \$1,000.

Notice of any intended redemption shall be given by mailing of notice to the registered owner of any Bond being called for redemption not less than thirty nor more than sixty days prior to

the redemption date by first class mail, postage prepaid, at the address appearing on the Bond Register. The requirements of the Bond 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 such Bond. Interest on all of such Bonds so called for redemption shall cease to accrue on the specified redemption date unless such Bond or Bonds so called for redemption are not redeemed upon presentation made pursuant to such call.

The Bonds are issued for the purpose of providing funds to pay the costs of acquiring capital equipment for the City, as more fully described in the Bond Ordinance.

The Bonds are issued in fully registered form in the denomination of \$1,000 each, or integral multiples thereof within a maturity. This Bond is transferable by the registered owner hereof in person, or by his attorney duly authorized in writing, upon presentation and surrender of this Bond at the principal corporate trust office of the Bond Registrar. Upon such transfer, a new Bond, of the same denomination, maturity, and interest rate, will be issued to the transferee, in exchange therefor.

Reference is hereby made to the Bond Ordinance for the covenants and declarations of the City and other terms and conditions under which this Bond and the Bonds of this issue have been issued. The covenants contained herein and in the Bond Ordinance may be discharged by making provision, at any time, for the payment of the principal of and interest on this Bond in the manner provided in the Bond Ordinance.

The City and the Bond Registrar may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payments of principal hereof and interest due hereon and for all other purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED AND DECLARED that all acts, conditions, and things required by the Constitution and statutes of the State of Idaho to exist, to have happened, been done, and performed precedent to and in the issuance of this Bond have happened, been done, and performed, and that the issuance of this Bond and the Bonds of this issue does not violate any Constitutional, statutory, or other limitation upon the amount of bonded indebtedness that the City may incur.

IN WITNESS WHEREOF, the City of Ketchum, Blaine County, Idaho, has caused this Bond to be executed by the signature of the Mayor, countersigned by the City Treasurer, attested by the Clerk, and the corporate seal of the City to be impressed hereon, as of this 5th day of June, 2007.

CITY OF KETCHUM
Blaine County, Idaho

Mayor

ATTEST:

City Clerk

(SEAL)

CERTIFICATION OF AUTHENTICATION

Date of Authentication:

This Bond is one of the City of Ketchum, Blaine County, Idaho, General Obligation Bonds, Series 2007, dated as of June 5, 2007, described in the within-mentioned Bond Ordinance.

ZIONS CORPORATE TRUST
as Bond Registrar

By: _____
Authorized Signature

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 face 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

Authorized Officer

SUMMARY OF

ORDINANCE NO. 1014

AN ORDINANCE OF THE CITY OF KETCHUM, BLAINE COUNTY, IDAHO, AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS, SERIES 2007, IN THE PRINCIPAL AMOUNT OF \$1,550,000; PROVIDING FOR THE DATE, FORM, MATURITIES, DESIGNATION, REGISTRATION, AUTHENTICATION, AND REDEMPTION OF THE BONDS; FIXING THE RATES OF INTEREST ON THE BONDS; DESCRIBING THE PROJECT TO BE FINANCED WITH THE PROCEEDS OF THE BONDS; PROVIDING FOR THE SALE OF THE BONDS TO ZIONS BANK; PROVIDING FOR THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS BY THE ANNUAL LEVY OF TAXES; ESTABLISHING FUNDS; PROVIDING COVENANTS WITH RESPECT TO THE TAX-EXEMPT STATUS OF INTEREST ON THE BONDS; PROVIDING FOR RELATED MATTERS; AND PROVIDING AN EFFECTIVE DATE

A summary of the principal provisions of Ordinance No. 1014, of the City of Ketchum, Blaine County, Idaho, adopted on May 21, 2007, is as follows:

Section 1: Defines the terms and phrases used in the Ordinance.

Section 2: Authorizes the issuance of the "City of Ketchum, Blaine County, Idaho, General Obligation Bonds, Series 2007" (the "Bonds"), in the aggregate principal amount of \$1,550,000.

Section 3: Describes the purpose of the Bonds, consisting generally of payment of the cost of acquisition of snow removal equipment for the City, and costs and fees incident thereto.

Section 4: Describes the Bonds and sets forth a schedule of maturities of and interest rates on the principal amount of the Bonds.

Section 5: Provides for the place and manner of payment of the Bonds.

Section 6: Provides for the manner of execution and authentication of the Bonds.

Section 7: Appoints Zions Corporate Trust as Bond Registrar, and provides for the system of registration of the Bonds.

Section 8: Provides for the transfer and exchange of Bonds.

Section 9: Provides for redemption prior to maturity of the Bonds.

Section 10: Provides for defeasance of the Bonds.

Section 11: Establishes funds and accounts.

Section 12: Provides covenants of the City with the Registered Owners and Beneficial Owners of the Bonds.

Section 13: Provides for sale of the Bonds to Zions Bank.

Section 14: Authorizes the Mayor, City Clerk, and City Treasurer to execute such additional documents as may be required for the sale and delivery of the Bonds.

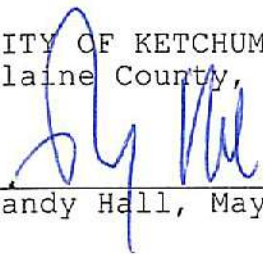
Section 15: Provides for ratification of prior actions.

Section 16: Provides for the publication of the Ordinance or a summary thereof and the effective date of the Ordinance.

The full text of Ordinance No. 1014 is available at City Hall and will be provided to any person upon personal request during normal office hours.

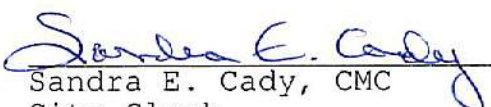
DATED this 21st day of May, 2007.

CITY OF KETCHUM
Blaine County, Idaho



Randy Hall, Mayor

ATTEST:



Sandra E. Cady, CMC
City Clerk

CERTIFICATION OF CITY ATTORNEY

I, the undersigned City Attorney for and legal advisor to the City of Ketchum, Blaine County, Idaho, hereby certify that I have read the attached summary of Ordinance No. 1014 of the City of Ketchum and that the same is true and complete and provides adequate notice to the public of the contents of said Ordinance.

Dated as of the 21st day of May, 2007.



Benjamin W. Worst
Attorney at Law

ZIONS BANK

Public Finance

Zions First National Bank
60 East South Temple, Suite 1325
Salt Lake City, Utah 84111-1027
Telephone 801.844.7373
FAX 801.844.4484

\$1,550,000
City of Ketchum
General Obligation Bonds
Series 2007

Bond Purchase Agreement

May 21, 2007

Mayor and City Council
City of Ketchum
P.O. Box 2315
Ketchum, Idaho 83340

Dear Mayor and Councilmembers:

The undersigned, Zions First National Bank (the "Purchaser"), offers to purchase from the City of Ketchum, Idaho (the "City"), all (but not less than all) of \$1,550,000 General Obligation Bonds, Series 2007 (the "Bonds") of the City, with delivery and payment at the offices of Bond Counsel in Boise, based upon the covenants, representations and warranties set forth below. This offer is made subject to your acceptance of this Purchase Contract on or before 11:59 P.M., MDT, on the date hereof.

1. Upon the terms and conditions and upon the basis of the representations set forth herein, the Purchaser hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Purchaser, the Bonds. Exhibit "A", which is hereby incorporated by reference into this Bond Purchase Agreement, contains a brief description of the Bonds, the manner of their issuance, the purchase price to be paid and the date of delivery and payment (the "Closing").
2. Concurrently with the execution hereof, the Issuer will adopt a Bond Ordinance (the "Bond Ordinance") satisfactory in form and substance to the Purchaser.

EXHIBIT "C"

3. You represent and covenant to the Purchaser that (a) you have and will have at the Closing the power and authority to enter into and perform this Bond Purchase Agreement, to adopt the Bond Ordinance and to deliver and sell the Bonds to the Purchaser, (b) this Bond Purchase Agreement and the Bonds do not and will not conflict with or create a breach or default under any existing law, regulation, order or agreement to which the Issuer is subject, (c) no governmental approval or authorization other than the Bond Ordinance is required in connection with the sale of the Bonds to the Purchaser, (d) this Bond Purchase Agreement and the Bonds are and shall be at the time of the Closing legal, valid and binding obligations of the City enforceable in accordance with their respective terms, subject only to applicable bankruptcy, insolvency or other similar laws generally affecting creditors' rights, and (e) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the City, threatened against or affecting the City or affecting the corporate existence of the City or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or in any way contesting or affecting the transactions contemplated hereby or the validity or enforceability of the Bonds, the Bond Ordinance or this Bond Purchase Agreement or contesting the powers of the City or any authority for the issuance of the Bonds, the adoption of the Bond Ordinance or the execution and delivery of this Bond Purchase Agreement,

4. As conditions to the Purchaser's obligations hereunder:
 - (a) From the time of the execution and delivery of this Bond Purchase Agreement to the date of Closing, there shall not have been any (i) material adverse change in the financial condition or general affairs of the City; (ii) event, court decision, proposed law or rule which may have the effect of changing the federal income tax incidents of the Bonds or the interest thereon or the contemplated transaction; or (iii) international or national crisis, suspension of stock exchange trading or banking moratorium materially affecting, in the Purchaser's opinion, the market price of the Bonds.

 - (b) At the Closing, the City will deliver or make available to the Purchaser:
 - (i) The Bonds, in definitive form, duly executed;

 - (ii) A certificate from authorized officers of the City, in form and substance acceptable to the Purchaser, to the effect that the representations of the City contained in this Bond Purchase Agreement are true and correct when made and as of the Closing;

 - (iii) The unqualified approving opinion of Moore, Smith, Buxton and Turcke, Bond Counsel, satisfactory to the Purchaser, dated the date of Closing, relating to the legality and validity of the Bonds and the excludability of interest on the Bonds from gross income of the holders thereof for federal income tax purposes;

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- (iv) Such additional certificates, instruments and other documents (including, without limitation, those set forth on Exhibit "A", if any) as the Purchaser may deem necessary with respect to the issuance and sale of the Bonds, all in form and substance satisfactory to the Purchaser.
5. The City will pay the cost of the fees and disbursements of counsel to the City and of Bond Counsel, the fees of the Paying Agent and other miscellaneous expenses.
6. This Bond Purchase Agreement is intended to benefit only the parties hereto, and the City's representations and warranties shall survive any investigation made by or for the Purchaser, delivery and payment for the Bonds and the termination of this Bond Purchase Agreement.

Sincerely,

Zions First National Bank

Alan Westenskow, Vice President

Accepted for and on behalf of the Mayor and City Council acting in their capacity as the governing body of the City of Ketchum by its Mayor.

Mayor

Attest and Countersign:

Clerk/Treasurer

[S E A L] ↑

EXHIBIT A

Description of Certificates:

- a) Issue Size..... \$1,550,000.00
- b) Dated Date..... June 5, 2007
- c) Closing Date..... June 5, 2007
- d) Purchase Price:..... \$1,550,000.00
- e) Rating not rated
- f) TIC 4.177 %
- g) Maturity Schedule, Principal Amounts and Interest Rates:
(See Attached Debt Service Schedule)