

Mary Cone

From: Mike C. Moore [MCM@msbtlaw.com]
Sent: Monday, June 21, 2010 1:22 PM
To: Mary Cone
Cc: Heather Dawson; Heringer, Eric; Keith, Michael
Subject: Ordinance No. 1061
Attachments: Bond Ordinance.doc; Global ExA.doc; Issuer Letter of Representation - Exhibit B.PDF; Notice Sale ExC Comp. Sale.doc; Official Notice of G.O. Bond Sale (City of Hailey) EXH D.docx; Information Reporting Agr Exh E.doc; Ordinance Summary ExF.doc; Ordinance Summary (CLEAN).doc

Mary: Here is Ordinance No. 1061, together with its six exhibits and a clean copy of the Summary of Ordinance for publication. Hard copies are being mailed to you, too.

Two of the exhibits (C and D) are forms of Notice of Sale. I have already sent you the form that needs to be published (it's the short form, Exhibit "C"). The longer form (Exhibit "D") does NOT have to be published. Seattle-Northwest Securities Corporation will use it as part of the Official Statement – the disclosure document relating to the Bonds. We attach it as an exhibit to the ordinance so that, by adoption of the ordinance, the Mayor and Council will have officially approved the form before the Preliminary Official Statement gets distributed.

At the June 28 meeting, the Council will need to suspend the rules and give the ordinance all three readings and adopt it at that meeting. (Because of the length of the ordinance, I recommend that the Council also suspend the rule requiring that one reading be in full. The usual practice is to do all the readings by title only, as long as your City Attorney is comfortable with that procedure). After the ordinance has been adopted, please have it signed and sealed on the signature page (page 18) and send one signed copy to me. The Summary of Ordinance No. 1061 needs to be signed by the Mayor and yourself on page 3 and by the City Attorney on page 4. It needs to be published once, within 30 days of the adoption of the ordinance. (This is in addition to the publication of the Notice of Sale which I sent you a few minutes ago.) Please send me a copy of the affidavit of publication of the Summary of Ordinance No. 1061 when you receive it.

Then we just have to wait for the bids on the Bonds to come in on July 26. I will have a resolution for the Council to adopt at the July 26 meeting, awarding the sale of the Bonds to the successful bidder. We will have to fill in the name of the successful bidder after the bidding closes on July 26.

Let me know if you have any questions. Thanks, Mary.

Mike

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RESOLUTION NO. 2010-08

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HAILEY, BLAINE COUNTY, IDAHO, EXPRESSING OFFICIAL INTENT, PURSUANT TO SECTION 1.150-2 OF THE FEDERAL INCOME TAX REGULATIONS, TO REIMBURSE THE CITY, FROM THE PROCEEDS OF THE CITY'S GENERAL OBLIGATION BONDS, SERIES 2010, CERTAIN EXPENSES TO BE PAID FROM FUNDS OF THE CITY; AND PROVIDING AN EFFECTIVE DATE

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HAILEY, Blaine County, Idaho, as follows:

Section 1: The City Council of the City of Hailey, Blaine County, Idaho (the "City"), reasonably expects to reimburse the expenditures and other costs described herein from the proceeds of the "City of Hailey General Obligation Bonds, Series 2010," which the City anticipates will be issued on August 3, 2010 (the "Reimbursement Bonds").

Section 2: This declaration of official intention is made pursuant to Section 1.150-2 of the Federal Income Tax Regulations.

Section 3: The expenditures with respect to which the City reasonably expects to reimburse the City from the proceeds of the Reimbursement Bonds are for the costs of the payment of certain expenses of the City which would otherwise be paid from proceeds of the Reimbursement Bonds.

Section 4: The expenditures with respect to which the City expects to reimburse the City from proceeds of the Reimbursement Bonds are being made from the Capital Fund and from the General Fund.

Section 5: The reimbursement allocation from the proceeds of the Reimbursement Bonds will be made no later than ninety (90) days after the date of issuance of the Reimbursement Bonds.

Section 6: This resolution shall take effect and be in force from and after its passage and approval.

DATED this 28th day of June, 2010.

CITY OF HAILEY
Blaine County, Idaho

Mayor

ATTEST:

City Clerk

ORDINANCE NO. 1061

AN ORDINANCE OF THE CITY OF HAILEY, BLAINE COUNTY, IDAHO, AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS, SERIES 2010, IN THE PRINCIPAL AMOUNT OF \$3,500,000; PROVIDING FOR THE DATE, FORM, MATURITIES, DESIGNATION, REGISTRATION, AUTHENTICATION, AND REDEMPTION OF THE BONDS; FIXING THE MAXIMUM RATE OF INTEREST ON THE BONDS; DESCRIBING THE PROJECT TO BE FINANCED WITH THE PROCEEDS OF THE BONDS; PROVIDING FOR THE DATE, TIME, AND PLACE OF SALE OF THE BONDS; 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 Hailey, Blaine County, Idaho (the "City"), is a municipal corporation of the State of Idaho, duly organized and operating under the laws thereof; and

WHEREAS, the Mayor and Council (the "Council") of the City, by adoption of Ordinance No. 1054 on April 12, 2010, ordered a special election to be held within the City on May 25, 2010, 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 \$3,500,000 for the purpose of financing the cost of acquisition and construction of public recreational facilities, together with costs incident thereto, as set forth in Ordinance No. 1054; and

WHEREAS, at the special election, duly noticed, held, and conducted within the City on May 25, 2010, 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. 1054, 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 aggregate principal amount not to exceed \$3,500,000 for the aforesaid purposes.

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND COUNCIL OF CITY OF HAILEY, BLAINE COUNTY, 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.

Beneficial Owner(s) means the beneficial owner(s) of Bonds issued under the Book-Entry-Only System.

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 U.S. Bank National Association, 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. 1061, adopted on June 28, 2010, authorizing the issuance and sale of the Bonds.

Bonds means, the "City of Hailey, Idaho, General Obligation Bonds, Series 2010," herein authorized to be issued, sold, and delivered in the principal amount of \$3,500,000.

Book-Entry-Only System means the system of recordation of ownership of the Bonds on the books of DTC pursuant to Section 4 of this Bond Ordinance.

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 14 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.

Certificated Bond(s) means a Bond or Bonds evidenced by a printed certificate in the event that the Book-Entry-Only System is discontinued.

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

Clerk means the clerk or other custodian of the official records of the City.

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

Council means the City Council of the City.

DTC means The Depository Trust Company, New York, New York, and its successors and assigns.

Exchange Bond means any Exchange Bond as defined in Section 9 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 5 of this Bond Ordinance.

Mayor means the mayor or other chief executive official of the City.

Official Notice of Sale means the notice of sale of the Bonds substantially in the form of Exhibit "D" to this Bond Ordinance.

Participants mean those broker-dealers, banks, and other financial institutions from time to time for which DTC holds Bonds as securities depository.

Principal Corporate Trust Office means, with respect to the Bond Registrar, the office of the Bond Registrar at Salt Lake County, Utah; provided, however, that with respect to payments on the Bonds and any exchange, transfer, or surrender of the Bonds, Principal Corporate Trust Office shall mean the office of the Bond Registrar at U.S. Bank Trust National Association, 60 Livingston Avenue, St. Paul, Minnesota 55107 or such other or additional offices as may be specified by the Bond Registrar.

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.

Representation Letter means the representation letter from the City to DTC, as authorized in Section 4 hereof.

Term Bonds means Bonds representing two or more consecutive maturities of Bonds if so specified by the successful bidder, as set forth in the Official Notice of Sale for the Bonds, which Term Bonds shall be subject to mandatory sinking fund redemption as specified in the Official Notice of Sale and in the successful bid.

Treasurer means the treasurer of the City.

Section 2: BONDS AUTHORIZED

General obligation bonds of the City, in fully registered form, designated "City of Hailey, Idaho, General Obligation Bonds, Series 2010" in the aggregate principal amount of \$3,500,000, 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 acquiring and constructing public recreational facilities, including an ice skating facility, skate park, multi-use event arena, and a site interpretative center, together with related improvements, and fees and charges incident and necessary to the issuance of the Bonds.

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 issued in accordance with the Book-Entry-Only System described in this Section 4, shall be issued only in fully registered form, in denominations of \$5,000 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 (hereinafter defined) deems necessary for the purposes of identification. The Bonds 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>
August 1, 2011	\$315,000
August 1, 2012	320,000
August 1, 2013	330,000
August 1, 2014	335,000
August 1, 2015	345,000
August 1, 2016	350,000
August 1, 2017	360,000
August 1, 2018	370,000

August 1, 2019	380,000
August 1, 2020	395,000

B. Term Bonds and Adjustment of Principal Amounts. The amounts set forth above shall constitute principal maturities of the Bonds unless Term Bonds are specified by the successful bidder for the Bonds, in which case said amounts shall constitute mandatory sinking fund redemptions of Term Bonds. The City reserves the right to increase or decrease the total par amount of each series of Bonds by an amount not to exceed ten percent (10%) following the receipt of bids, and to increase or decrease the principal amount of any maturity set forth above by an amount not to exceed the greater of \$100,000 or fifteen percent (15%); provided, that the aggregate total principal amount of the Bonds shall not exceed \$3,500,000.

C. The Book-Entry-Only System

(1) Book-Entry Only System; Limited Obligation of City. The Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities set forth hereinabove. Each such Bond shall be manually executed by the Mayor, manually countersigned by the Treasurer, and manually attested by the Clerk, and shall have the official seal of the City impressed thereon. Each Bond shall also be manually authenticated by the Bond Registrar. Upon initial issuance, the ownership of each Bond shall be registered in the registration books kept by the Bond Registrar in the name of Cede, as nominee of DTC. Except as provided in Section 8 hereof, all of the outstanding Bonds shall be registered in the registration books kept by the Bond Registrar in the name of Cede, as nominee of DTC.

With respect to Bonds registered in the registration books kept by the Bond Registrar in the name of Cede, as nominee of DTC, the City and the Bond Registrar shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the Bonds with respect to (i) the accuracy of the records of DTC, Cede or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person, other than a Registered Owner, as shown in the registration books kept by the Bond Registrar, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than a Registered Owner, as shown in the registration books kept by the Bond Registrar, of any amount with respect to principal of or interest on the Bonds. The City and the Bond Registrar may treat and consider the person in whose name each Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, and for all other purposes whatsoever. The Bond Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the respective Registered

Owners, as shown in the registration books kept by the Bond Registrar, or their respective attorneys duly authorized in writing, as provided in Section 8 hereof, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the registration books kept by the Bond Registrar, shall receive a Bond certificate evidencing the obligation of the City to make payments of principal and interest pursuant to this Bond Ordinance. Upon delivery by DTC to the City of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the provisions herein with respect to Record Dates, the word "Cede" in this Bond Ordinance shall refer to such new nominee of DTC; and upon receipt of such a notice the City shall promptly deliver a copy of the same to the Bond Registrar.

(2) Representation Letter. The Representation Letter in substantially the form annexed hereto as Exhibit "B" and by reference incorporated herein, is hereby authorized for use in connection with the Bonds. The Representation Letter shall not in any way limit the provisions of Paragraph A of this Section 4 or in any other way impose upon the City any obligation whatsoever with respect to persons having interests in the Bonds other than the Registered Owners, as shown on the registration books kept by the Bond Registrar. In the written acceptance of each Bond Registrar referred to in Section 8 hereof, such Bond Registrar shall agree to take all action necessary for all representations of the City in the Representation Letter with respect to the Bond Registrar to at all times be complied with.

(3) Transfers Outside Book-Entry-Only System. In the event that (a) the City determines that DTC is incapable of discharging or is unwilling to discharge its responsibilities described herein and in the Representation Letter, (b) DTC determines to discontinue providing its service as securities depository with respect to the Bonds at any time as provided in the Representation Letter, or (c) the City determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain Certificated Bonds in certificated form, and an alternative book-entry system is not available or is not selected as provided in the succeeding sentence, the City shall notify DTC and direct DTC to notify the Participants of the availability through DTC of Bond certificates, and the Bonds shall no longer be restricted to being registered in the registration books kept by the Bond Registrar in the name of Cede, as nominee of DTC. At that time, the City may determine that the Bonds shall be registered in the name of and deposited with such other depository operating a universal book-entry system, as may be acceptable to the City, or such depository's agent or designee, and if the City does not select such alternate universal book-entry system, then the Bonds shall no longer be restricted to being registered in the registration books kept by

the Bond Registrar in the name of Cede, as nominee of DTC, but may be registered in whatever name or names Registered Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of Section 8 hereof.

(4) Payments to Cede. Notwithstanding any other provision of this Bond Ordinance to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

Section 5: INTEREST ON BONDS

The Bonds shall bear interest from their date at a net effective rate of not to exceed 5.0% per annum or at any lower net effective rate as shall be stated in the successful bid proposal for the Bonds, which interest shall be payable on February 1, 2011, and semiannually on each August 1 and February 1 thereafter, until their respective dates of maturity or prior redemption. Bidders must specify the rate, or rates, of interest which Bonds herein offered for sale shall bear. Bidders must comply with the requirements set forth in the Official Notice of Sale which is annexed hereto.

Section 6: 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 7: EXECUTION OF CERTIFICATED BONDS

In the event that the Book-Entry-Only System is discontinued with respect to the Bonds, the City shall cause Certificated Bonds to be prepared, executed, authenticated, and delivered. The Certificated Bonds shall be numbered separately in the manner

and with such additional designation as the Bond Registrar shall deem necessary for purposes of identification.

Certificated Bonds shall be executed on behalf of the City by the Mayor, countersigned by the Treasurer, and attested by the Clerk (such signatures being either manual or by facsimile), and the official seal of the City shall be impressed thereon or the facsimile of the official seal of the City shall be printed thereon. The said officials and each of them are hereby authorized and instructed to execute the Certificated Bonds accordingly, and the use of such facsimile signatures of the Mayor, Treasurer, and Clerk and such facsimile of the seal of the City on the Certificated Bonds are hereby authorized, approved, and adopted as the authorized and authentic execution, countersigning, and sealing of the Certificated Bonds by said officials. The Certificated Bonds shall then be delivered to the Bond Registrar for manual authentication. Only such of the Certificated 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 Certificated 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 Certificated Bond shall be deemed to have been executed by it if (a) such Certificated 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 Certificated Bonds issued hereunder or that all of the Certificated Bonds hereunder be authenticated by the same Bond Registrar, and (b) the date of registration and authentication of the Certificated 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, Certificated Bonds (the "Exchange Bonds") to be issued and delivered for the purpose of effecting transfers and exchanges of Bonds pursuant to Section 9 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 \$5,000 or integral multiples thereof. Upon any transfer or exchange of Bonds pursuant to Section 9 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 Certificated 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 Certificated 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 Certificated 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 delivery 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 or delivery, respectively.

Section 8: BOND REGISTRAR

U.S. Bank National Association 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 9: 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 9, 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 account 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 9) 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. If Exchange Bonds are prepared in connection with transfers outside the book-entry registration system as provided in Section 4, the foregoing provisions of this Section 8 shall apply to such transfers or exchanges.

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 at least annually a certificate with respect to Bonds canceled and/or destroyed;

(6) to furnish the City at least 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 10: NO REDEMPTION PRIOR TO MATURITY

The Bonds shall not be subject to call or redemption prior to their stated dates of maturity.

Section 11: 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 12: DATE OF SALE

None of the Bonds shall be sold at less than par and accrued interest, if any, to their date of delivery. The Bonds shall be sold at public sale on July 26, 2010. The Council shall meet at 5:30 o'clock P.M. or as soon thereafter as the matter may be heard, on said date, at the regular meeting place of the Council, in Hailey, Idaho, for the purpose of receiving electronic bids for the purchase of the Bonds. The bids will be publicly examined and declared at such time and place, and considered at the meeting of the Council on said date. All bids shall be accompanied by a good faith deposit in the form of a financial security bond acceptable to the City and meeting the requirements set forth in the Official Notice of Sale which is annexed hereto as Exhibit "D." At said meeting, or no later than 24 hours after the expiration of the time specified in the Official Notice of Sale for the receipt of bids, unless such time of award is waived by the successful bidder, the Board shall accept the bid providing the lowest true interest cost to the City, and shall return the deposits of all other bidders. Said sale shall be held, and notice thereof given, in accordance with Title 57, Chapter 2, Idaho Code.

Section 13: NOTICE OF SALE

The Notice of Sale for publication attached hereto as Exhibit "C" and by this reference incorporated herein, is hereby approved. The Mayor and Clerk are hereby directed to execute the Notice of Sale on behalf of the City, and to call for bids for the sale of the Bonds, such bids to be received on July 26, 2010, all in the manner more particularly set forth in the Notice of Sale. The Notice of Sale shall be published in the official newspaper of the City in at least three weekly publications, once a week on the same day of the week for three (3) consecutive weeks, the first publication being at least 21 days prior to the day the bids are opened. The City's financial consultant is authorized and directed to cause the Official Notice of Sale and a Preliminary Official Statement pertaining to the sale of the Bonds, upon prior approval of the City, to be distributed to such municipal bond broker-dealers, such banking institutions, and to such other persons as may be interested in purchasing the Bonds herein offered for sale, and to cause to be distributed a Final Official Statement following the sale of the Bonds. The Official Notice of Sale substantially in the form attached hereto as Exhibit "C" is hereby approved for use in conjunction with the Preliminary Official Statement and the Final Official Statement.

Section 14: 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 purchaser 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 11(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 Hailey, Idaho, 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, and such other funds as the City may appropriate for such purpose, as set forth in Section 15 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 Hailey, Idaho, General Obligation Bonds, Series 2010, 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 two days 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 15: COVENANTS AND UNDERTAKINGS

A. Levy of Taxes. In accordance with the provisions of Section 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 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 of 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 and Beneficial 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 and Beneficial 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 and Beneficial 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 and Beneficial 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 15 will be complied with.

(3) The City covenants and certifies to and for the benefit of the Registered Owners and Beneficial Owners that will at all times comply with the provisions of any Tax Certificate.

(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 are hereby authorized to execute such Tax Certificate. Approval of the Tax Certificate by any such officer 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 and Beneficial 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 and Beneficial 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. Continuing Disclosure. The City will comply with the requirements of Rule 15c2-12(a)(5) of the U.S. Securities and Exchange Commission with respect to the continuing disclosure of certain material events with respect to the Bonds, substantially in the form of the Information Reporting Agreement which is annexed hereto as Exhibit "E". U.S. Bank National Association is hereby designated as agent of the City for purposes of Rule 15c2-12(a)(5).

F. 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 16: 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 17: MISCELLANEOUS

A. Ratification. All proceedings, resolutions, and actions of the Council, the City, and their officers, agents, and employees taken in connection with the authorization, sale, and issuance of the Bonds are hereby in all respects ratified, confirmed, and approved.

B. Severability. It is hereby declared that all parts of this Bond Ordinance are severable, and if any section, paragraph, clause, or provision of this Bond shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of any such section, paragraph, clause, or provision shall not affect the remaining sections, paragraphs, clauses or provisions of this Bond.

C. Conflict. All resolutions, orders, and regulations or parts thereof heretofore adopted or passed which are in conflict with any of the provisions of this Bond Ordinance are, to the extent of such conflict, hereby repealed.

D. Captions. The table of contents and captions or headings herein are for convenience of reference only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Bond Ordinance.

D. Designation of Bonds 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. The City hereby certifies that the Bonds are the only bonds or similar obligations of the City for which a designation as "Qualified Tax-Exempt Obligations" has been made in calendar year 2010.

G. Effective Date. This Ordinance, or a summary thereof substantially in the form attached hereto as Exhibit "F," shall be published once and shall take effect immediately upon its passage and approval.

DATED this 28th day of June, 2010.

THE CITY OF HAILEY,
Blaine County, Idaho

By: _____
Mayor

ATTEST:

City Clerk

(S E A L)

SUMMARY OF

ORDINANCE NO. 1061

AN ORDINANCE OF THE CITY OF HAILEY, BLAINE COUNTY, IDAHO, AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS, SERIES 2010, IN THE PRINCIPAL AMOUNT OF \$3,500,000; PROVIDING FOR THE DATE, FORM, MATURITIES, DESIGNATION, REGISTRATION, AUTHENTICATION, AND REDEMPTION OF THE BONDS; FIXING THE MAXIMUM RATE OF INTEREST ON THE BONDS; DESCRIBING THE PROJECT TO BE FINANCED WITH THE PROCEEDS OF THE BONDS; PROVIDING FOR THE DATE, TIME, AND PLACE OF SALE OF THE BONDS; 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. 1061 of the City of Hailey, Blaine County, Idaho, adopted on June 28, 2010, is as follows:

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

Section 2: Authorizes the "City of Hailey, Idaho, General Obligation Bonds, Series 2010," in the principal amount of \$3,500,000, to be issued, sold, and delivered.

Section 3: Describes the purpose of the Bonds.

Section 4: Describes the Bonds, provides for term Bonds and the adjustment of principal amounts, and describes the book-entry-only system pursuant to which the Bonds will be issued.

Section 5: Provides for the determination of interest rates on the Bonds.

Section 6: Provides for the place and manner of payment on the Bonds.

Section 7: Provides for the issuance of Bonds in certificate form of the book-entry-only system is discontinued.

Section 8: Appoints U.S. Bank National Association as Bond Registrar.

Section 9: Provides for the transfer, exchange, and registration of Bonds.

Section 10: Provides that the Bonds shall not be subject to redemption prior to stated maturity.

Section 11: Provides for defeasance of Bonds.

Section 12: Provides for the date of public sale of the Bonds.

Section 13: Approves the form of Notice of Sale of the Bonds.

Section 14: Establishes a Capital Improvement Fund and a Bond Fund.

Section 15: Sets for the covenants and undertakings of the City with respect to the Bonds.

Section 16: Provides further authority to the officers of the City for the sale and delivery of the Bonds.

Section 17: Authorizes the City's financial advisor to bid on the Bonds.

Section 18: Provides miscellaneous terms and provisions of the Ordinance, and provides that the Ordinance shall take effect immediately upon its passage and approval.

The full text of Ordinance No. 1061 is available at City Hall and will be provided to any person upon personal request during normal office hours.

DATED this 28th day of June, 2010.

CITY OF HAILEY
Blaine County, Idaho

ATTEST:

Mayor

City Clerk

CERTIFICATION OF CITY ATTORNEY

I, the undersigned City Attorney for and legal advisor to the City of Hailey, Blaine County, Idaho, hereby certify that I have read the attached summary of Ordinance No. 1061 of the City of Hailey 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 28th day of June, 2010.

Ned Williamson
City Attorney

[FORM OF BOND]

CUSIP:

Number

R-

\$ _____

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA
STATE OF IDAHO
COUNTY OF BLAINE

CITY OF HAILEY
GENERAL OBLIGATION BOND, SERIES 2010

THE CITY OF HAILEY, IDAHO (the "City"), for value received, promises to pay from the "City of Hailey, Idaho, General Obligation Bonds, Series 2010, Bond Fund" (the "Bond Fund"), created by Ordinance No. 1061 of the City, adopted on June 28, 2010 (the "Bond Ordinance"), to _____ or registered assigns, on August 1, _____, the principal sum of

DOLLARS

and to pay interest thereon from the aforesaid Bond Fund from the date hereof, 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, 2011, 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 U.S. Bank National Association (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 Resolution 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 \$3,500,000 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 May 25, 2010. 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 the 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 are not subject to call or redemption prior to their stated dates of maturity.

The Bonds are issued for the purpose of providing funds to pay the costs of acquiring and constructing public recreational facilities, as more fully described in the Bond Ordinance.

The Bonds are issued in fully registered form in the denomination of \$5,000 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 County 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 County may incur.

IN WITNESS WHEREOF, the City of Hailey, Idaho, has caused this Bond to be executed by the signature of the Mayor, countersigned by the City Treasurer, attested by the City Clerk, and the official seal of the City to be impressed hereon, as of this 3rd day of August, 2010.

THE CITY OF HAILEY
Blaine County, Idaho

Mayor

ATTEST:

City Clerk

(SEAL)

CERTIFICATION OF AUTHENTICATION

Date of Authentication:

This Bond is one of the City of Hailey, Blaine County, Idaho, General Obligation Bonds, Series 2010, dated as of August 3, 2010, described in the within-mentioned Bond Ordinance.

U.S. BANK NATIONAL ASSOCIATION
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

NOTICE OF SALE

CITY OF HAILEY
Blaine County, Idaho

GENERAL OBLIGATION BONDS, SERIES 2010
PRINCIPAL AMOUNT \$3,500,000

NOTICE IS HEREBY GIVEN that electronic bids will be received until 10:00 A.M., Mountain Time, on

MONDAY, JULY 26, 2010

Via BidCOMP/PARITY, for the above issue of General Obligation Bonds, Series 2010, in the principal amount of \$3,500,000 (the "Bonds"). The bids will be declared at a meeting of the Mayor and Council of the City at 5:30 o'clock P.M., Mountain Daylight Time, on said date, or within 24 hours thereafter, as set forth in the Official Notice of Sale.

None of the Bonds will be sold at less than par and accrued interest, if any, to their date of delivery. The Bonds will be in the denomination of \$5,000 each, or integral multiples thereof within a maturity, will be dated their date of delivery, will bear interest from their date at a net effective rate not exceeding 5.0% per annum, payable commencing on February 1, 2011, and semiannually on each August 1 and February 1 thereafter, and will be due serially on August 1 in the years and amounts as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>
August 1, 2011	\$315,000
August 1, 2012	320,000
August 1, 2013	330,000
August 1, 2014	335,000
August 1, 2015	345,000
August 1, 2016	350,000
August 1, 2017	360,000
August 1, 2018	370,000
August 1, 2019	380,000
August 1, 2020	395,000

The Bonds will be issued in book-entry-only form, in accordance with the book-entry only practices of The Depository Trust Company, New York, New York.

The City has reserved the right to revise the principal amounts and annual maturity amounts, so long as the aggregate

principal amount of the Bonds does not exceed \$3,500,000.

The Bonds are not subject to call or redemption prior to their stated dates of maturity.

All bids must be accompanied by a good faith deposit in the amount as set forth in the Official Notice of Sale.

The approving legal opinion will be furnished by the law firm of Moore Smith Buxton & Turcke, Chartered, Boise, Idaho.

Copies of the Official Statement and Official Notice of Sale and other related information with respect to said Bonds may be obtained from the office of the City Clerk, 115 Main Street South, Suite H, Hailey, Idaho, 83333. telephone: (208)788-4221, or Seattle-Northwest Securities Corporation, 101 S. Capitol Blvd., Suite 603, Boise, Idaho, 83702, telephone: (208)344-8577.

DATED: June 28, 2010.

CITY OF HAILEY
Blaine County, Idaho

City Clerk

OFFICIAL NOTICE OF BOND SALE

**CITY OF HAILEY
BLAINE COUNTY, IDAHO
\$3,500,000
GENERAL OBLIGATION BONDS, SERIES 2010**

Electronic bids for the General Obligation Bonds, Series 2010 (the "Bonds"), of the City of Hailey, Blaine County, Idaho (the "City"), will be received via BiDCOMP/PARITY ("Parity") in the manner described below until

10:00 A.M., MOUNTAIN DAYLIGHT TIME, ON JULY 26, 2010,

or at such later date or time as may be established by the City Administrator (the "City Administrator") and communicated through TM3, the Bond Buyer Wire or the Bloomberg News Network not less than 18 hours prior to the time bids are to be received, for the purchase of the Bonds. All bids received with respect to the Bonds will be considered by the City Council of the City of Hailey (the "City Council") at its regularly scheduled meeting commencing at 5:30 p.m. MDT on the day bids are received. If the City accepts a bid for the Bonds, it will be awarded to the successful bidder and its terms will be approved by the City Council at such meeting.

The Bonds will be sold on an all-or-none basis. Bids for the Bonds must be submitted electronically via Parity in accordance with its Rules of Participation and this notice, and no bid will be received after the time for receiving bids specified above. For further information about Parity, potential bidders may contact Parity at (212) 849-5021.

By submitting an electronic bid for the Bonds, each bidder hereby agrees to the following terms and conditions:

- (i) If any provision in this Official Notice of Bond Sale conflicts with information or terms provided or required by Parity, this Official Notice of Bond Sale, including any amendments issued by public wire, will control.
- (ii) Bids may only be submitted via Parity. The bidder is solely responsible for making necessary arrangements to access Parity for purposes of submitting a bid timely and in compliance with the requirements of this Official Notice of Bond Sale.
- (iii) The City has no duty or obligation to provide or assure access to Parity, and is not responsible for the proper operation of, or have any liability for, any delays or interruptions of, or any damages caused by, use of Parity.
- (iv) The City is using Parity as a communication mechanism, and not as an agent of the City.
- (v) Upon acceptance of a bid by the City, this Official Notice of Bond Sale and the information that is electronically transmitted through Parity will form a contract between the bidder and the City.

If all bids for the Bonds are rejected, the City Administrator may fix a new date and time for the receipt of bids for the Bonds by giving notice communicated through TM3, the Bond Buyer Wire or the Bloomberg News Network not less than 18 hours prior to such new date and time. Any notice specifying a new date and/or time for the receipt of bids, following the rejection of bids received or otherwise, will be considered an amendment to this Official Notice of Bond Sale.

A copy of the City's Preliminary Official Statement (with this Official Notice of Sale), dated July __, 2010, and further information regarding the details of the Bonds may be obtained from i-Deal Prospectus, a service of i-Deal LLC, at www.i-dealprospectus.com, or upon request to the Finance and Records Department of the City or the City's financial advisor. See "Contact Information."

Contact Information

Finance & Records Dept.	Heather Dawson City of Hailey (208) 788-4221 <i>heather.dawson@haileycityhall.org</i>
Financial Advisor	Eric Heringer Seattle-Northwest Securities Corporation (208) 344-8577 <i>eheringer@snwsc.com</i>
Bond Counsel	Michael C. Moore Moore Smith Buxton and Turcke, Chartered (208) 331-1800 <i>MCM@msbtlaw.com</i>

Description of the Bonds

The Bonds will be dated the date of their initial delivery. The Bonds bear interest payable semiannually on each February 1 and August 1, beginning February 1, 2011, to maturity or earlier redemption of the Bonds.

The Bonds are issuable only as fully registered bonds and when issued will be registered in the name of Cede & Co. as Bond owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. The principal of and interest on the Bonds are payable by U.S. Bank National Association as paying agent and bond registrar, (the "Paying Agent"), to DTC, which in turn is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to beneficial owners of the Bonds.

Bank Qualified

The City has designated the Bonds as "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, which affords banks and thrift institutions purchasing the Bonds more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code for taxable years of such financial institutions ending after December 31, 1986.

Election of Maturities

The bidder for the Bonds will designate whether the principal amounts of the Bonds as set forth below will be retired on August 1 of each respective year as serial bonds maturing in such year or as amortization installments of term bonds maturing in the years specified by the bidder.

The Bonds will mature as follows:

<u>Due August 1</u>	<u>Serial Maturities or Amortization Installments⁽¹⁾</u>	<u>Due August 1</u>	<u>Serial Maturities or Amortization Installments⁽¹⁾</u>
2011	\$ 285,000	2016	\$ 355,000
2012	325,000	2017	365,000
2013	330,000	2018	375,000
2014	335,000	2019	385,000
2015	345,000	2020	400,000

- (1) These amounts are preliminary, subject to change and will constitute principal maturities of the Bonds unless Term Bonds are specified by the successful bidder, in which case these amounts may constitute mandatory sinking fund redemptions of Term Bonds

Redemption of the Bonds

Optional Redemption: The Bonds are not subject to redemption prior to maturity.

Mandatory Redemption: The Bonds may be subject to mandatory redemption if the successful bidder for the Bonds designates certain maturities as Term Bonds.

Term Bonds, if any, must consist of the total principal payments of two or more consecutive years and mature in the latest of those years.

Security

The Bonds are general obligations of the City and the full faith, credit and resources of the City are pledged for the punctual payment of the principal of and interest on the Bonds. The City has covenanted and is obligated by law to levy annually ad valorem taxes without limitation as to rate or amount on all taxable property in the City sufficient to pay the principal of and interest on the Bonds.

THE BONDS DO NOT CONSTITUTE A DEBT OR INDEBTEDNESS OF THE STATE OF IDAHO, BLAINE COUNTY, OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE CITY.

Bidding Information

Bidders are invited to submit bids for the purchase of each series of the Bonds fixing the interest rate or rates that the Bonds will bear, but:

- (i) Interest rates bid shall be in multiples of 1/8 or 1/20 of one percent, or both
- (ii) interest shall be computed from the dated date of a bond to its stated maturity date at the single interest rate specified in the Bid for the Bonds of such maturity;
- (iii) no more than one rate of interest may be fixed for any one maturity;
- (iv) a zero percent (0%) interest rate may not be used;
- (v) there shall be no supplemental interest coupons;
- (vi) the highest interest rate bid for any of the Bonds shall not exceed five percent (5.00%) per annum;
- (vii) and Bids must be without condition and may only be submitted electronically via Parity.

No bid will be considered for the Bonds that is less than an amount equal to 101.0 percent of the par value of the Bonds nor more than an amount equal to 104.0 percent of the par value of the Bonds, or for less than the entire offering of the bonds bid on. Each individual maturity must be reoffered at a yield that will produce a price of not less than 100 percent of the principal amount for that maturity.

For the purpose of comparing bids only, the interest rate bid being controlling, each bid must state the true interest cost of the bid, determined by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payment from the payment date to the date of the Bonds and to the price bid.

Bidders are requested to provide a list of any syndicate members with their bids or within 24 hours of submitting their bids.

Adjustment of Principal Amounts Before Bid Opening

Bidders are advised that the City may increase or decrease the total principal amount of the Bonds and/or the amounts of individual maturities stated in this Official Notice of Bond Sale (including any amendments issued by the City through a wire service) prior to the bidding. If such changes are made, they will be made available through Parity.

Adjustment of Par Amount and Bid Price After Award

The City has reserved the right to increase or decrease the preliminary principal amount of the Bonds by an amount not to exceed 5 percent following the opening of the bids. The City also reserves the right to increase or decrease the preliminary principal amount of any maturity of the Bonds by the greater of \$20,000 or 5 percent of the preliminary principal amount of that maturity.

The price bid by the successful bidder for the Bonds will be adjusted by the City on a proportionate basis to reflect an increase or decrease in the principal amount and maturity schedule of the Bonds by 12 p.m., Mountain Daylight Time, on the day of the bid opening. The City will not be responsible in the event and to the extent that any adjustment affects the net compensation to be realized by the successful bidder of the Bonds.

Good Faith Deposit

The successful bidder for the Bonds is required to deliver a good faith deposit in the amount of \$35,000 by federal funds wire transfer to the Finance and Records Department of the City by 12:30 pm Mountain

Daylight Time following the successful bidder's receipt of the verbal award. Wiring instructions will be provided to the successful bidder at the time of the verbal award.

The good faith deposit of the successful bidder of the Bonds will be retained by the City as security for the performance of such bid, and will be applied to the purchase price of the Bonds on the delivery of the Bonds to the successful bidder. Pending delivery of the Bonds, the good faith deposit may be invested for the sole benefit of the City. No credit will be allowed to the successful bidder for interest, if any, earned on the good faith deposit.

If the Bonds are ready for delivery and the successful bidder fails to complete the purchase of the Bonds within 40 days following the acceptance of its bid, the good faith deposit will be forfeited to the City, and, in that event, the City Council may accept the next best bid or call for additional proposals.

Insurance

Bids for the Bonds will not be conditioned upon obtaining insurance or any other credit enhancement. If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of a bidder, any purchase of such insurance or commitment therefor will be at the sole option and expense of the bidder and any increased costs of issuance of the Bonds resulting by reason of such insurance, unless otherwise paid, will be paid by such bidder. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued will not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds.

Award

The Bonds will be sold to the bidder making a bid for the Bonds that conforms to the terms of the offering and that, on the basis of the lowest net interest cost, is the best bid. For the purpose of comparing bids only, each bid must state the net interest cost of the bid determined in the manner hereinafter stated. The net interest cost will be equal to the total interest cost plus any premium and minus any discount, divided by the bond year dollars.

If there are two or more equal bids for the Bonds and those bids are the best bids received, the City Council will determine by lot which bid will be accepted. The City reserves the right to reject any or all bids submitted and to waive any formality in the bidding or bidding process. If all bids for an offering are rejected, the Bonds may be readvertised for sale in the manner provided by law and as provided above or by private sale.

Award or rejection of the bids will be made at the July 26, 2010 regular City Council meeting to be held at 5:30 p.m. Mountain Daylight Time.

Issue Price Information

Upon award of the Bonds, the successful bidder will advise the City and Bond Counsel of the initial reoffering prices to the public of the Bonds (the "Initial Reoffering Prices"). Simultaneously with or before delivery of the Bonds, the successful bidder is required to furnish to the City and Bond Counsel a certificate in form and substance acceptable to Bond Counsel:

- (i) confirming the Initial Reoffering Prices,
- (ii) certifying that a *bona fide* offering of the Bonds has been made to the public (excluding bond houses, brokers and other intermediaries),
- (iii) stating the prices at which a substantial amount (at least ten percent) of the Bonds was sold to the public (excluding bond houses, brokers and other intermediaries),
- (iv) stating the prices at which any portion of the Bonds that remains unsold at the date of closing would have been sold on the date the Bonds were awarded, and

- (v) stating the offering price of each portion of the Bonds sold to institutional or other investors at discount.

Delivery

The City will deliver the Bonds (consisting of one word-processed certificate for each maturity of the Bonds) to DTC in New York, New York, or to the Paying Agent on behalf of DTC by Fast Automated Securities Transfer, prior to the date of closing. Closing will occur within 40 days after the sale date. Settlement will be in federal funds available in Hailey, Idaho, on the date of delivery. Delivery is expected to be August 3, 2010.

If, prior to the delivery of the Bonds, the interest receivable by the owners of the Bonds becomes includable in gross income for federal income tax purposes, or becomes subject to federal income tax other than as described in this Preliminary Official Statement for the Bonds, the successful bidder for the Bonds, at its option, may be relieved of its obligation to purchase the Bonds, and in that case the good faith deposit accompanying its bid will be returned without interest.

The approving legal opinion of Moore Smith Buxton and Turcke Chartered, Boise, Idaho, Bond Counsel, will be provided to the purchaser at the time of the delivery of the Bonds. Bond Counsel's opinion will express no opinion concerning the accuracy, completeness or sufficiency of the Preliminary Official Statement, this Official Notice of Bond Sale, or other offering material relating to the Bonds, nor will there be an opinion of Bond Counsel relating to the undertaking of the City to provide ongoing disclosure pursuant to SEC Rule 15c2-12. A no-litigation certificate will be included in the closing papers of the Bonds.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on the Bonds nor any error with respect thereto will constitute cause for a failure or refusal by the purchaser of the Bonds thereof to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Sale.

The successful bidder for the Bonds is responsible for obtaining CUSIP numbers for the Bonds. The charge of the CUSIP Service Bureau will be paid by the successful bidder.

Ongoing Disclosure Undertaking

To assist bidders in complying with SEC Rule 15c2-12(b)(5), the City will undertake to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in this Preliminary Official Statement and will also be set forth in the final Official Statement.

Preliminary Official Statement

The Preliminary Official Statement is in a form that the City expects to deem final for the purpose of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final Official Statement, which the City will deliver, at the expense of the City, to the purchaser not later than seven business days after the City's acceptance of the purchaser's bid, in sufficient quantities to permit the successful bidder to comply with SEC Rule 15c2-12(b)(1).

By submitting the successful proposal, the purchaser's designated senior representative agrees:

- (i) to provide to the Finance and Records Department of the City, in writing, within 24 hours after the acceptance of the bid, pricing and other related information, including the Initial Reoffering Prices of the Bonds, necessary for completion of the final Official Statement;
- (ii) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any amendments or supplements prepared by the City;
- (iii) to take any and all actions necessary to comply with applicable rules of the SEC and Municipal Securities Rulemaking Board ("MSRB") governing the offering, sale and delivery of the Bonds to ultimate purchasers, including the delivery of a final Official Statement to each investor who purchases the Bonds; and
- (iv) to file the final Official Statement or cause it to be filed with the MSRB within one business day following its receipt from the City.

Official Statement

At closing, the City will furnish a certificate of an official or officials of the City, stating that, to the best knowledge of such official(s), as of the date of the Official Statement and as of the date of delivery of the Bonds,

- (i) the information (including financial information) regarding the City contained in the Official Statement was and is true and correct in all material respects and did not and does not contain any untrue statement of a material fact or omit any statement or information which is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (however, the City will make no representation regarding Bond Counsel's form of opinion or the information provided by DTC, the Paying Agent, or any entity providing bond insurance or other credit facility); and
- (ii) the descriptions and statements, including financial data, of or pertaining to other bodies and their activities contained in the Official Statement have been obtained from sources that the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect.

DATED at Hailey, Idaho, this _th day of July, 2010.

_____/s/_____
Clerk of the City of Hailey

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INFORMATION REPORTING AGREEMENT

AGREEMENT, made and executed as of the 3rd day of August, 2010, between the CITY OF HAILEY, Blaine County, Idaho (the "Issuer"), and U.S. BANK NATIONAL ASSOCIATION, Salt Lake City, Utah (the "Agent").

The parties agree:

FIRST: DEFINITIONS

For purposes of this Agreement, the following terms shall have the following definitions:

"Agent" means the Corporate Trust Department of U.S. Bank National Association, Salt Lake City, Utah, or such successor agent as the Issuer may designate.

"Agreement" means this Information Reporting Agreement between the Issuer and the Agent.

"Annual Financial Information" means the Financial Statements and other financial information and operating data set forth in Paragraph THIRD of this Agreement.

"Bonds" means the City of Hailey, Idaho, General Obligation Bonds, Series 2010, dated August 3, 2010, and issued in the initial principal amount of \$3,500,000 pursuant to the Ordinance.

"EMMA" means the Electronic Municipal Market Access System maintained by the MSRB.

"Financial Statements" means within the annual financial statements of the Issuer for the most current Fiscal Year, prepared in accordance with generally accepted accounting principles applicable to governmental units, as such principles may be changed from time to time, and audited in accordance with generally accepted auditing standards.

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

"IRS" means the U.S. Internal Revenue Service.

"Issuer" means the City of Hailey, Blaine County, Idaho, an Idaho municipal corporation.

"Material Event" means any of the events listed in paragraph FOURTH of this Agreement.

"MSRB" means the Municipal Securities Rulemaking Board, Washington, D.C.

"Ordinance" means Ordinance No. ___ of the Issuer adopted on June 21, 2010, authorizing the issuance and sale of the Bonds.

"Owners" means the beneficial owners, registered owners, and holders of the Bonds.

"Repository" means EMMA.

"Rule" means SEC Rule 15c2-12(b)(5), as amended or interpreted by the SEC.

"SEC" means the U.S. Securities and Exchange Commission.

SECOND: PURPOSE

This Agreement is being executed for the benefit of the Owners of the Bonds in accordance with the Rule. The Agent hereby accepts appointment, pursuant to the Resolution, as agent of the Issuer for purposes of the Rule.

THIRD: PROVISION OF ANNUAL FINANCIAL INFORMATION

The Issuer, through the Agent, shall file annually, through the Repository, not later than 180 days following the end of each Fiscal Year of the Issuer, beginning with the Fiscal Year which ends on September 30, 2010, the following financial information and operating data:

- (1) Financial Statements of the Issuer:
- (2) Other financial, statistical, and operating data for the Fiscal Year of the Issuer in the form and scope similar to the financial, statistical, and operating data contained in the Official Statement of the Issuer relating to the Bonds, specifically the tables and/or information contained under the following headings and subheadings of the Official Statement:
 - Outstanding Long-Term Debt
 - Property Values
 - Tax Collection Record
 - Ad Valorem Tax Levies for the Issuer and Overlapping Taxing Districts

- Major Taxpayers

If the Issuer fails to provide the required Annual Financial Information, the Agent shall provide notice of such failure to the Repository.

The Issuer reserves the right to modify from time to time the specific types of information provided, or the format of the presentation of such information, in a manner consistent with the Rule.

FOURTH: REPORTING OF MATERIAL EVENTS

The Issuer shall provide, through the Agent, in a timely manner, notice of the occurrence of any of the following events, if material, with respect to the Bonds:

1. Principal and interest payment delinquencies on the Bonds;
2. Nonpayment related defaults under the Ordinance;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bondholders;
8. Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds; and
11. Rating changes.

Whenever the Issuer obtains knowledge of the occurrence of a Material Event, the Issuer shall, as soon as possible, determine whether such event would constitute material information for Owners of the Bonds; provided, that any event listed under 1, 3, 4, 5, 8, 9, or 11 above will always be deemed to be material.

FIFTH: AMENDMENTS

This Agreement may be amended only if the Issuer receives an opinion of independent bond counsel to the effect that:

1. such amendment is made on connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the types of activities in which the Issuer is engaged;
2. this Agreement, as so amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule as well as any change in circumstances; and
3. such amendment does not materially impair the interest of the Owners of the Bonds.

If the amendment results in a change of the annual financial information and operating data required to be reported pursuant to this Agreement, the first annual report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. If the amendment involves a change in the accounting principles to be followed in preparing financial statements, the first annual report shall present a comparison between the financial statements or information based on the new accounting principles and those prepared based on the former accounting principles. Further, if the annual financial information required to be provided in the annual report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first annual report that does not include such information.

SIXTH: DUTIES, IMMUNITIES, AND LIABILITIES OF AGENT

The Agent shall have only such duties as are specifically set forth in this Agreement, and the Issuer agrees to indemnify and save the Agent and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to Agent's gross negligence or willful misconduct. The Agent shall have no duty or obligation to review or verify any information provided to it by the Issuer or to determine the materiality of a listed material event and shall

not be deemed to be acting in any fiduciary capacity for the Issuer, Bondowners or any other party. The Agent shall have no responsibility for the Issuer's failure to comply with this Agreement or the Rule. The obligations of the Issuer under this Section shall survive resignation or removal of the Agent and payment of the Bonds.

SEVENTH: TERMINATION

The Issuer reserves the right to terminate its obligation to provide Annual Financial Information and notices of Material Events, as set forth above, if and when the Issuer no longer remains an "obligated person" with respect to the Bonds within the meaning of the Rule.

EIGHTH: REMEDIES

In the event of a failure of the Issuer to comply with any provision of this Agreement, the Owner of any Bond may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to comply with its obligations under this Agreement. A default under this disclosure Agreement shall not be deemed to constitute a default under the Resolution, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with this Agreement shall be an action to compel performance.

NINTH: ADDITIONAL INFORMATION

Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any annual report or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any annual report or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future annual report or notice of occurrence of a Material Event.

TENTH: BENEFICIARIES

This Agreement shall inure solely for the benefit of the Issuer and the Owners of the Bonds, and shall create no rights in any other person or entities.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

THE CITY OF HAILEY
Blaine County, Idaho

By _____
Mayor

ATTEST:

City Clerk

U.S. BANK NATIONAL ASSOCIATION

By _____
Corporate Trust Officer

