

AGENDA ITEM SUMMARY



DATE: 7/26/2010

DEPARTMENT: Legal

DEPT. HEAD SIGNATURE: _____

SUBJECT:

Hailey Ice Lease

AUTHORITY: ID Code _____ IAR _____ City Ordinance/Code _____
(IF APPLICABLE)

BACKGROUND/SUMMARY OF ALTERNATIVES CONSIDERED:

I am enclosing a copy of a redlined and clean version of a lease agreement between Hailey and Hailey Ice. The redlined version will show you the changes which Jim Laski and I are suggesting to be made to the last version of the lease you saw in June.

Ned

FISCAL IMPACT / PROJECT FINANCIAL ANALYSIS: Case # _____
Budget Line Item # _____ YTD Line Item Balance \$ _____
Estimated Hours Spent to Date: _____ Estimated Completion Date: _____
Staff Contact: _____ Phone # _____
Comments:

ACKNOWLEDGEMENT BY OTHER AFFECTED CITY DEPARTMENTS: (IF APPLICABLE)

____ City Attorney ____ Clerk / Finance Director ____ Engineer ____ Building
____ Library ____ Planning ____ Fire Dept. _____
____ Safety Committee ____ P & Z Commission ____ Police _____
____ Streets ____ Public Works, Parks ____ Mayor _____

RECOMMENDATION FROM APPLICABLE DEPARTMENT HEAD:

Motion to approve the Lease and authorize the mayor to sign.

FOLLOW-UP REMARKS:

DRAFT 7-22-10
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This Lease is made this ____ day of _____, 2010, by and between **CITY OF HAILEY**, a municipal corporation ("Lessor") and **HAILEY ICE, INC.**, an Idaho non-profit corporation ("Lessee").

RECITALS

- A. The Lessor is a municipal corporation and political subdivision of the State of Idaho. Richard L. Davis is the duly elected and acting mayor of the City of Hailey. By resolution of the Hailey City Council, the Hailey mayor is authorized to execute this Lease.
- B. The Lessee is a duly organized and operating non-profit corporation in the State of Idaho. Ron Fairfax is the duly elected and acting president of the Lessee. By resolution, the president of the Lessee is authorized to execute this Lease.
- C. Lessor owns real property located at 781 and 791 Main Street So., Hailey Idaho, a portion of which will be developed as an indoor ice skating facility with accessory parking spaces, as depicted on attached **Exhibit "A"** ("Premises").
- D. Pursuant to Idaho Code § 50-1409, the Lessor i) has authority to lease real property not needed for city purposes, upon such terms as may be just and equitable, ii) may set apart portions of city property for athletic contests, golf links, agricultural exhibits, ball parks, fairs, rodeos, swimming pools and other amusements, and iii) may, upon a vote of one half (1/2) plus one (1) of the members of the full Hailey City Council, enter into contracts with organizations and associations necessary and proper to carry out the purposes of Idaho Code § 50-1409.
- E. Subject to the terms and conditions set forth herein, Lessor is willing and agrees to lease the Premises to Lessee and Lessee is willing and agrees to lease the Premises from Lessor.

AGREEMENT

NOW, THEREFORE, based upon the foregoing recitals which are incorporated in the Lease below as though set forth in full, the parties agree as follows:

1. Lease Term.

a) Lease Term. The term of this Lease shall be for a period of twenty (20) years commencing upon the date a certificate of occupancy is issued for the Improvements identified in Section 8, below, ("Commencement Date") and expiring, unless sooner terminated, at midnight on the date twenty years after the Commencement Date, ("Lease Term"). Lessee shall be entitled to possession of the Premises from and after the date this Lease is fully executed (the

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“Possession Date”) for the purpose of construction of the Improvements, which Lessee shall use its best efforts to complete on a timely basis.

b) Extended Term(s). Following the Lease Term, Lessee has the option to renew this Lease up to three additional successive ten (10) year terms (the “Extended Term(s)”) by giving to Lessor written notice of exercise of such option at least one hundred twenty (120) days before the expiration of the Lease Term, or an Extended Term, if applicable; provided, however, that if Lessee is in default on or before the expiration of the Lease Term, or an Extended Term, if applicable, the option notice shall be totally ineffective.

2. Rent. Lessee shall pay to Lessor as minimum rent for the Premises, in advance on the first day of the Lease Term or an Extended Term, if applicable, and on the first day of each and every year thereafter, without offset or deduction, the sum of One Dollar (\$1.00) per year.

3. Use of Premises. The Premises shall be used and operated as a recreation and sports center offering ice programs to the general public such as public skating, hockey, figure skating, curling and similar ice events in the winter season and indoor recreational activities in the spring, summer and fall seasons. ~~The Lessee may use the Premises for other purposes such as instructional clinics, baseball, volleyball, tennis, lacrosse, soccer and similar uses, community and civic uses such as convention uses, farmer’s markets, antique fairs and similar uses, and emergency uses such as an emergency shelter.~~ Lessee shall operate and use the Premises in a safe, reasonable and prudent manner, and offer safe, reasonable and prudent programming within the Premises during the Lease Term and an Extended Term, if applicable. To the extent economically feasible, Lessee shall occupy and use the building on the Premises on a full-time, continuous and year-round basis with a wide variety of uses during the Lease Term and any Extended Term, if applicable. Lessee shall use its best efforts to offer reasonably affordable recreational programming to the public, provided, however, that Lessee shall be entitled to charge usage fees to cover the costs of overhead and recreational programs offered on the Premises. Lessee and its guests, invitees, employees and agents may use the parking area within and adjacent to the Premises, which may be regulated by Lessor so that parking may be restricted or used exclusively by users other than uses of the ice skating facility, in whole or in part, during times of use of the adjacent multi-use arena or skate park (e.g., Fourth of July Rodeo); provided such restrictions shall be communicated to Lessee not less than thirty (30) days in advance of any event and shall be designed so as not to significantly impact the operations of Lessee’s recreational programs. Lessee acknowledges that the parking area within and adjacent to the Premises shall be unavailable for approximately one week each year in conjunction with the Fourth of July rodeo event. Lessee shall not do nor permit anything to be done in or about the Premises or bring or keep anything in the Premises that will in any way increase the rate of fire insurance upon the building in which the Premises are situated or permit the emission of any objectionable noise or odor. Lessee shall not perform any acts or carry on any practices that may injure the Premises or the building of which the Premises form a part.

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4. Security Deposit. Lessee shall pay as a security deposit the sum of Five Thousand and No/100 Dollars (\$5,000.00) (“Security Deposit”), receipt of which is hereby acknowledged, to be held by Lessor as security for the faithful performance by Lessee of all the

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terms, covenants and conditions of this Lease to be kept and performed by Lessee during the Lease Term, or an Extended Term, if applicable. This deposit does not limit Lessor's rights or Lessee's obligations. Lessee understands that all or a portion of the deposit may be retained by Lessor upon termination of the tenancy and that a refund of any portion of the deposit to the Lessee is conditioned on the following:

- a) Lessee shall clean and restore the Premises to its condition at the commencement of this Lease, less normal wear and tear.
- b) Lessee shall have remedied or repaired any damage to the Premises to Lessor's satisfaction.
- c) Lessee shall have complied with all of the provisions of this Lease and with such other rules and regulations as the Lessor may deem necessary.

If Lessee defaults with respect to any provision of this Lease, including but not limited to the provisions relating to the payment of rent and any of the monetary sums due herewith, Lessor may (but shall not be required to) use, apply or retain all or any part of the Security Deposit for the payment of any other amount which Lessor may spend by reason of Lessee's default or to compensate Lessor for any other loss or damage which Lessor may suffer by reason of Lessee's default. If any portion of the Security Deposit is so used or applied, Lessee shall, within ten (10) days after written demand therefor, deposit cash with Lessor in an amount sufficient to restore the Security Deposit to its original amount. Lessee's failure to do so shall be a material breach of this Lease. Lessor shall not be required to keep this Security Deposit separate from his general funds, and Lessee shall not be entitled to interest on such deposit. If Lessee shall fully and faithfully perform every provision of this Lease to be performed by him, the Security Deposit or any balance thereof shall be returned to Lessee (or at Lessor's option, to the last assignee of Lessee's interests hereunder) at the expiration of the Lease Term or an Extended Term, if applicable, and after Lessee has vacated the Premises.

5. **Utilities.** Lessee shall pay directly to the appropriate utility or governmental agency all charges for electricity, gas, water, sewer, trash and telephone, rendered or supplied upon or in connection with the Premises, and shall indemnify the Lessor against any liability or damages on such account.

6. **Insurance.**

a) **Liability Insurance Requirements.** The Lessee shall maintain in full force and effect, at its sole cost and expense, during the Lease Term, or an Extended Term, if applicable, or holding over period, comprehensive liability insurance, including public liability, property damage and contractual liabilities of the Lessee, written by a responsible insurance company licensed to do business in Idaho, for the purpose of protecting Lessor against liability for loss or damage, for bodily injury, property damage, personal injury, death, and errors and omissions, relating to the use of the Premises. Such policy shall provide insurance against property damage in an amount not less than \$500,000.00 and bodily injury with limits of not less than \$500,000.00 per person and \$1,000,000.00 total for each occurrence; provided, however,

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the minimum limits of insurance as set forth herein shall be automatically increased at any time the liability limits of Lessor are increased pursuant to the Idaho Tort Claims Act (*Idaho Code Sections 6-901 et seq.*).

b) Workerman's Compensation and Unemployment Insurance. Lessee shall secure and maintain at least the statutory amounts of worker's compensation, disability benefits, and unemployment insurance in accordance with the laws of the State of Idaho.

c) Fire and Casualty Insurance. During the Lease Term, or an Extended Term, if applicable, Lessor shall provide and maintain fire and casualty coverage insurance for the Premises. Lessee shall reimburse Lessor for the annual cost of such insurance covering the Premises. On or about June 1 of each year of the Lease Term, or an Extended Term, if applicable, Lessor shall provide the Lessee with an estimate of the cost of fire and casualty insurance for the buildings, structures and personal property on the Premises. Lessee shall pay Lessor the annual cost of such insurance, in advance on the first day of the following October and on the first day of October of each and every year thereafter, without offset or deduction. The cost of such insurance shall be considered additional rent. Between the Possession Date and the Commencement Date, Lessee shall pay Lessor the cost of fire and casualty coverage insurance covering the Premises as provided to Lessor from its insurer. In the event the Premises are partially or totally destroyed or damaged by fire or other casualty covered by the Lessor's insurance, the Lessee shall pay Lessor any deductible then due under the Lessor's insurance policy within thirty (30) days of receipt of the bill for the deductible.

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d) Waiver of Subrogation Rights. No party shall have the right or claim against the Lessor for any losses, damages or injury, including losses, damages or injury to property or persons, including death, and for any loss of use or business interruption, occurring on the Premises (whether caused by the negligence or other fault of the Lessor or the Lessee or their respective agents, employees, subtenants, licensees or assignees or whether caused by negligence or the conditions of the Premises or any part thereof) by way of subrogation or assignment. The Lessee hereby waives and relinquishes any such right. The Lessee shall request Lessee's insurance carrier to endorse all applicable policies waiving the carrier's right of recovery under subrogation or otherwise in favor of the Lessor and provide a certificate of insurance verifying this waiver.

e) Form and Delivery of Policies. The Lessee's certificates of insurance shall name Lessor and its officials, employees and agents as additional named insured and shall be endorsed to specify that such policies cover the liability assumed by Lessee under this Lease. All insurance required by this Paragraph 6 shall be in a form and with companies satisfactory to Lessor and shall provide that it shall not be subject to cancellation, suspension, amendment or termination except after at least thirty (30) days' prior written notice to Lessor. The policy or policies, or duly executed certificates for them, shall be deposited with Lessor within fifteen (15) days after the day on which the Lease Term or an Extended Term, if applicable, commences and, upon renewal of such policies, not less than thirty (30) days prior to the expiration of the term of such coverage.

7. Maintenance and Repairs.

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a) Lessee's Obligations. Lessee shall, at its sole cost and expense, keep and maintain the interior and exterior of the building on the Premises (including, without limitation, all fixtures, plumbing and sewage facilities, heating, ventilation and air conditioning equipment, ice making equipment, interior and exterior walls, doors and windows) in good order, condition and repair, remove all rubbish and refuse therefrom, keep all landscaping in good condition, and replace or repair all electrical fixtures and mechanical, heating and plumbing fixtures and equipment that may be damaged or broken, during the Lease Term, or an Extended Term, if applicable. If, after thirty (30) days written notice, Lessee fails to maintain the interior or exterior of the building on the Premises in accordance with this paragraph or commence such work, Lessor may make or cause such repairs to be made and Lessee shall immediately pay Lessor for the costs of such maintenance.

b) Lessor's Obligations. Lessor shall, at its sole cost and expense, keep and maintain the parking area within the Premises in good order, condition and repair, and remove all snow, rubbish and refuse therefrom, in accordance with the Lessor's policies in effect at the time of removal.

8. Construction of Improvements. Lessee shall, at its sole expense, construct improvements on the Premises consisting of a Multi-Purpose Indoor Ice/Recreation Arena pursuant to plans approved by Lessee (the "Improvements") and make such repairs, alterations, additions and improvements thereto as Lessee deems desirable subject to the terms of the Lease. Fee title to the Improvements, together with all additions and alterations, shall be vested in Lessor, subject to Lessee's right to occupy and use the Premises in accordance with this Lease.

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9. Alterations and Improvements.

a) Conditions for Alterations. Lessee shall have the right to make changes, alterations or additions to the Premises only on the following conditions:

(i) No change, alteration or addition shall at any time be made which shall impair the structural soundness or diminish the value of the Premises.

(ii) No change, alteration or addition impacting the exterior or impacting the use or function of the interior shall be made without the prior written consent of the Lessor, such consent not to be unreasonably withheld.

(iii) No change, alteration or addition shall be undertaken until the Lessee shall have procured and paid for all required municipal and other governmental permits and authorizations of the various municipal departments and governmental subdivisions having jurisdiction.

(iv) All work done in connection with any change, alteration or addition shall be done in accordance with the Lessor's consent, in a good and workmanlike manner and in compliance with the building and zoning laws, and with all other laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments, and the appropriate

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departments, commissions, boards and officers thereof, and in accordance with the orders, rules and regulations of the board of fire underwriters or any other body now or hereafter constituted exercising similar functions, and the Lessee shall procure certificates of occupancy and other certificates required by law.

(v) At all times when any change, alteration or addition is in progress, there shall be maintained, at Lessee's expense, workman's compensation insurance in accordance with law covering all persons employed in connection with the change, alteration or addition, and general liability insurance for the mutual benefit of the Lessee and the Lessor expressly covering the additional hazards due to the change, alteration or addition.

b) Expiration of Lease Term or Extended Term. All alterations, improvements, additions or fixtures, including trade fixtures, annexed or affixed to the Premises, including the floors, walls or ceilings, which cannot be removed without further damage to the Premises, shall be the property of Lessor at the end or sooner termination of the Lease Term, or an Extended Term, if applicable, and surrendered with the Premises as a part of the Premises, without disturbance, molestation, or injury. However, if any of the alterations, improvements, additions, or fixtures, including trade fixtures, can be removed without damage to the Premises, these improvements shall be the property of the Lessee, so long as the Premises are in the same condition, except for normal wear and tear, as found at the beginning of the Lease Term or an Extended Term, if applicable. Notwithstanding any provision in this Lease to the contrary, any floor covering that is cemented or otherwise affixed or annexed to the floor of the Premises shall become the property of Lessor at the end or sooner termination of the Lease Term or any Extended Term, if applicable.

c) Lien. Lessee shall pay, when due, all sums of money that may become due or purportedly due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for Lessee in, at, upon, or about the Premises and which may be secured by any mechanic's, materialmen's or other lien against the Premises or Lessor's interest in the Premises, and Lessee shall cause each such lien to be fully discharged and released at the time performance of the obligations secured matures or becomes due. Lessee shall indemnify, defend and hold Lessor harmless against liability for any liens, claims or expenses, including attorney's fees, which may arise as a result of any work on the Premises, which indemnification shall survive the termination or expiration of this Lease.

10. Damage or Destruction.

a) Lessor's Obligation if Fully Insured. If the Premises are partially or totally destroyed or damaged by fire or other casualty so as to become partially or totally untenable and the Premises are fully insured and covered under full standard extended risk insurance, the Premises shall be repaired or rebuilt as speedily as possible at the expense of Lessor with the insurance proceeds. Should there be a substantial interference with Lessee's activities due to such damage or destruction, the parties agree that there shall not be any abatement of rent while the Premises are repaired or rebuilt.

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b) Lessor's Obligation if Not Fully Insured. If the Premises are partially or totally destroyed or damaged by fire or other casualty so as to become partially or totally untenable but the Premises are not fully insured and covered under full standard extended risk insurance, Lessor may, in its sole discretion, either rebuild or put the Premises in good condition and fit for occupancy within a reasonable time after such destruction or damage, or it may give notice terminating this Lease as of a date not later than sixty (60) days after such damage or destruction. If Lessor elects to repair or rebuild the Premises, it shall, within sixty (60) days after such damage or destruction, give Lessee notice of its intention to repair or rebuild and then shall proceed to make the repairs or to rebuild within a reasonable time after such damage or destruction. Unless Lessor elects to terminate this Lease, this Lease shall remain in full force and effect and the parties waive any provision of any law to the contrary. However, if Lessee is prevented from using any portion or all of the Premises during such period, the parties agree that there shall not be any abatement of rent while the Premises are repaired or rebuilt.

c) Lessor's and Lessee's Work if Premises Rebuilt. If Lessor should elect or be obligated to repair or rebuild because of any damage or destruction, Lessor's obligation shall be limited to the basic building and interior work as it existed at the commencement of the Lease Term. Lessee shall fully repair or replace all fixtures, exterior signs, equipment and other installations not covered by insurance.

11. Default and Remedies

a) Event of Default Defined. Each of the following shall be deemed a material default and breach or Event of Default:

(i) if Lessee shall, after written notice, default in the payment of rent or any other sum due under this Lease for thirty (30) days after written notice of failure to do so;

(ii) if Lessee, after written notice, shall default in the performance or observance of any other term, covenant, or condition of this Lease and shall not cure or remedy such default with reasonable dispatch within a period not exceeding thirty (30) days, unless said default or omission complained of shall be of such a nature that the same cannot be completely cured or remedied diligently within such thirty (30) day period, and shall not thereafter with reasonable diligence and in good faith proceed to remedy or cure such default;

(iii) vacating or abandonment of the Premises;

(iv) if Lessee's interest, or any part of his interest, in this Lease be assigned or transferred, either voluntarily or by operation of law, without Lessor's consent;

(v) the filing or execution or occurrence of:

(1) a petition or other proceeding by or against Lessee for, or the appointment of, a trustee, receiver, guardian, conservator, or liquidator of Lessee with respect to all or substantially all of his property, except a receiver appointed at the instance or request of Lessor;

(2) a petition or other proceeding by or against Lessee for its dissolution or liquidation; or the taking of possession of the property of Lessee by any governmental authority in connection with dissolution or liquidation; or

(3) the taking by any person of the leasehold created hereby or any part thereof upon execution, attachment or other process of law or equity.

(vi) if Lessee, after written notice, fails to take action to remove a lien against the Premises for ten (10) days. In the event, Lessee is aware of any lien filed against the Premises, Lessee shall immediately notify Lessor in writing of the existence of the lien.

Notwithstanding anything to the contrary contained in the foregoing default clauses, the parties hereto agree that if the Lessee shall have defaulted in the performance of any (but not necessarily the same) term or condition of this Lease for three or more times during any twelve month period during the term hereof, then such conduct shall, at the election of the Lessor, represent a separate event of default which cannot be cured by the Lessee. Lessee acknowledges that the purpose of this provision is to prevent repetitive defaults by the Lessee under the Lease which work a hardship upon the Lessor and deprive the Lessor of the timely performance by the Lessee hereunder.

b) Lessor's Remedies. Upon occurrence of any Event of Default, Lessor may, at its option without any further demand or notice, in addition to any other remedy or right given hereunder or by law, do any of the following:

(i) Continuation of Lease. Lessor may elect to maintain this Lease in full force and effect and recover the rent and other monetary charges as they become due, without terminating Lessee's right to possession, irrespective of whether Lessee shall have abandoned the premises. In the event Lessor elects not to terminate the lease, Lessor shall have the right to attempt to re-let the Premises at such rent and upon such conditions and for such a term, and to do all acts necessary to maintain or preserve the Premises as Lessor deems reasonable and necessary without being deemed to have elected to terminate the Lease including removal of all persons and property of Lessee from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Lessee. In the event any such re-letting occurs, this Lease shall terminate automatically upon the new Lessee taking possession of the Premises. Notwithstanding that Lessor fails to elect to terminate the Lease initially, Lessor at any time during the term of this Lease may elect to terminate this Lease by virtue of such previous default by Lessee.

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(ii) Termination of Lease. Lessor may elect to declare this Lease terminated, in which event the Lessor may terminate the Lessee's right to possession by any lawful means, the Lease shall terminate and the Lessee shall immediately surrender possession of the Premises to the Lessor. Upon any such re-entry, Lessor shall have the right to make any reasonable repairs, alterations or modifications to the Premises, which Lessor in its sole discretion deems reasonable and necessary.

All rights and remedies of Lessor hereunder shall not be exclusive but shall be cumulative. Any such re-entry or taking of possession of the Premises or property thereon shall be allowed by Lessee without hindrance, and Lessor shall not be liable in damages for any such re-entry or such taking of possession. Re-entry or taking of possession shall not be construed as an election on Lessor's part to terminate this Lease unless a written notice of such intention is given to Lessee.

c) Payment of Expenses Incurred to Cure Defaults by Lessee. In the event of Lessee's breach or default of any covenant in this Lease, Lessor may at any time, after notice to Lessee in the manner required by Paragraph 16 of this Lease, cure such breach or default for the account and at the expense of Lessee. If Lessor at any time, by reason of such breach, is compelled to pay, or elects to pay, any sum of money or to do any act that will require the payment of any sum of money, or is compelled to incur any expense, including reasonable attorney's fees, in instituting, prosecuting or defending any actions or proceedings to enforce Lessor's rights under this Lease or otherwise, the sum or sums so paid by Lessor, with all interest, costs and damages, shall be deemed to be additional rent under this Lease and shall be due from Lessee to Lessor on the first day of the month following the incurring of such expenses.

d) Waiver. A waiver of any breach or default shall not be a waiver of any other breach or default. Lessor's consent or approval shall not be deemed to waive or render unnecessary Lessor's consent to or approval of any subsequent similar act by Lessee.

12. Assignment and Subletting. Lessee shall not assign, mortgage or hypothecate this Lease, or any interest in this Lease, or permit the use of the Premises, in whole or in part, by any person or persons other than Lessee, without the prior written consent of the Lessor, in the sole discretion of Lessor. Lessee may sublet a portion of the Premises to COACHED.COM, or similar recreation entity operated by Remy Goodwin or his affiliates during the Lease Term. Thereafter and for any other potential subtenant, Lessee may only sublet the Premises or any part thereof upon the prior written approval by the Lessor, in the sole discretion of Lessor, of the prospective sublessee; however, Lessee shall remain primarily liable for the obligations arising from this Lease. For the purposes of this paragraph, sublet shall mean a long term lease between the Lessee and a sublessee, not an agreement to use a portion of the Premises for a limited time such as the use of ice time.

13. Lessor's Access to Premises. Lessor and its designees shall have the right to enter the Premises at all reasonable hours, and in emergencies at all times, (a) to inspect the

Premises, (b) to make repairs, additions or alterations to the Premises or the building of which the Premises form a part, and (c) for any lawful purpose.

14. Holding Over.

a) Effect of Holding Over. If Lessee should remain in possession of the Premises after the expiration of the Lease Term, or Extended Term, if applicable, with the consent of Lessor and without executing a new Lease, then such holding over shall be construed as tenancy at will, subject to all conditions, provisions and obligations of this Lease insofar as the same are applicable to a tenancy at will.

b) Obligations of Lessee on Surrender. On the last day or sooner termination of the Lease Term, or Extended Term, if applicable, Lessee shall quit and surrender the Premises, broom clean, in good condition and repair (reasonable wear and tear, and damage by act of God excepted), subject to the requirements of Paragraph 7 of this Lease, together with all alterations, additions, and improvements that may have been made in, to, or on the Premises, except attached fixtures which have been removed without damage to the Premises, moveable furniture and unattached movable trade fixtures, all of which were put in at Lessee's expense. Lessee shall ascertain from Lessor within thirty (30) days before the end of the Lease Term, or Extended Term, if applicable, whether Lessor desires to have the Premises or any part of the Premises restored to the condition the Premises were in when delivered to Lessee, and if Lessor shall so desire, then Lessee shall so restore the Premises or such part of the Premises before the end of the Lease Term, or Extended Term, if applicable, at Lessee's sole cost and expense. On or before the end of the Lease Term, or Extended Term, if applicable, Lessee shall remove all of Lessee's property from the Premises, and all property not removed shall be deemed abandoned by Lessee. On or before the end of the Lease Term, or Extended Term, if applicable, Lessee shall deliver all of the operating manuals of all the equipment, heating and air conditioning systems, refrigeration systems and all other mechanical systems on the Premises. If the Premises are not surrendered at the end of the Lease Term, or Extended Term, if applicable, Lessee shall indemnify Lessor against loss or liability resulting from delay by Lessee in surrendering the Premises, including, without limitation, any claims made by any succeeding Lessee based on the delay.

15. Representations. The Lessee acknowledges and agrees that Lessee has been informed and understands that the Lessor makes no representations or warranties to the Lessee of any kind or nature, directly or indirectly, express or implied, as to any matter whatsoever, with regard to the Premises, its durability, fitness for a particular purpose, merchantability, condition, profitability and/or quality. Furthermore, the Lessee acknowledges that the Lessor and the Lessor's agents have made no representations of any material fact concerning the Premises, that the Lessee has had an adequate opportunity to inspect and investigate the Premises, that the Lessee has made a thorough independent examination and inspection of the Premises, that the Lessee is relying solely on that examination and inspection, and that the Lessee is acquiring possession of the Premises "AS IS." The Lessee's acceptance of possession of the premises shall constitute the Lessee's acknowledgment that the Premises are in good and tenantable condition.

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16. Exculpatory Clauses.

a) Exemption of Lessor from Liability. Lessor shall not be liable to Lessee or to any other person whomsoever for any injury or damage to person or property occurring within or about the Premises or by any other Lessee of Lessor, unless caused by or resulting from the wilful and intentional acts of the Lessor or any of the Lessor's agents, servants or employees in the operation or maintenance of the Premises. Lessor shall not be liable in damages or otherwise for failure to furnish, or any interruption of service of any water, gas, electricity, telephone, or other utility caused by fire, accident, riot, strike, labor disputes, acts of God, the making of any repairs or improvements, or causes beyond the control of Lessor, or for any loss, damage or theft of property of Lessee, its agents, servants or employees.

b) Excusable Delays. Any prevention, delay, or stoppage, due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the reasonable control for the party obligated to perform shall excuse performance by such party for a period equal to any such prevention, delay or stoppage, except as otherwise provided in this Lease.

c) Indemnification and Hold Harmless. Lessee agrees to indemnify, defend and hold Lessor harmless from and against any and all claims, including mechanic's and materialman's liens, by or on behalf of any person(s), firm(s) or corporation(s), arising from the conduct or management of the operations conducted by the Lessee or arising out of any act or omission of Lessee, its contractors, licensees, agents, servants or employees, or arising from any accident, injury, or damage whatsoever caused by any person or property occurring in or about the Premises or any part thereof, and the walkways adjoining the Premises and from and against all costs, expenses, liabilities and attorney's fees incurred in connection with any such claim or proceeding brought thereon.

17. Notices. All notices, statements, demands, requests, consents, approvals, authorizations, offers, agreements, appointments or designations under this Lease by either party or the other shall be in writing and shall be sufficiently given and served upon the other party, if sent by certified mail, return receipt requested, postage prepaid, and addressed to the Lessor at:

City of Hailey.
115 Main Street So.
Suite H
Hailey, ID 83333

or to the Lessee at: Hailey Ice, Inc.
Attn: Rink Manager
PO Box 4616
Hailey, ID 83313

With a copy to:

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Lawson Laski Clark & Pogue, PLLC
Attn: James R. Laski
PO Box 3310
Ketchum, ID 83313

or to such other address as Lessor or Lessee may from time to time designate by notice to the other, which shall then become a new address of the party who shall give such notice. Unless otherwise specifically provided for herein, notices given pursuant to the terms of this Lease shall be deemed received on the date sent.

18. **Waiver.** The failure of either party hereto to insist upon strict performance of any of the covenants and agreements of this Lease, or to exercise any election herein conferred in any one or more instances, shall not be construed to be a waiver or relinquishment of any such, or any other covenants or agreements, and the same shall be and remain in full force and effect. A particular waiver by either party of any said covenants or agreements to be performed by the other party shall not be construed as a waiver of any succeeding breach of the same or other covenants or agreements of this Lease.

19. **Board of Directors.** To further the recreational, cultural and civic goals more specifically described in paragraph 3 of this Lease, the Lessee shall, on or before the Commencement Date, amend its corporate documents, such as its by-laws, to fix the number of directors on its board of directors to five (5) directors, with one (1) director designated by Lessor.

Deleted: recreational

Deleted: Effective

20. **Miscellaneous Provisions.**

a) **Construction.** Whenever the singular number is used in this Lease and when required by the context, the same shall include the plural. The masculine gender shall include the feminine and neuter genders. The word "person" shall include corporation, firm or association. This Lease or any section thereof shall not be construed against any party due to the fact that the Lease or any section thereof was drafted by a particular party.

b) **Title and Captions.** The headings of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part of this Lease.

c) **Final Agreement.** This instrument contains all of the agreements and conditions made between the parties to this Lease and may not be modified orally or in any manner other than by an agreement in writing signed by all parties to this Lease or their respective successors in interest.

d) **Time of Essence.** Time is of the essence of each term and provision of this Lease.

e) **All Required Payments are Additional Rent.** Except as otherwise expressly stated, each payment required to be made by Lessee shall be in addition to and not in substitution for other payments to be made by Lessee and shall be additional rent.

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f) Successors and Assigns. The terms and provisions of this Lease shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors, and assigns of Lessor and Lessee.

g) Governing Law. This Lease, the rights, privileges, interests, and immunities of the parties, the obligations, duties, and performances of the parties, the enforcement of this Lease and the several covenants, conditions and agreements hereof and any and all disputes that may arise between the parties shall be governed exclusively by the provisions of this Lease and by the laws of the State of Idaho.

h) Severability. The invalidity or illegality of any provision shall not affect the remainder of this Lease.

i) Attorney's Fees. In the event that either party hereto has to retain counsel for the purpose of enforcing any of the rights, duties or obligations arising out of or relating to this Lease, the non-prevailing party shall pay to the prevailing party the latter's reasonable attorney's fees and costs, whether or not litigation is actually instituted, and including attorney's fees and costs on appeal and bankruptcy.

j) Authority. Each signatory has full authority and consent to sign this Lease. Lessee represents and warrants to Lessor that it is a corporation organized, existing and in good standing under the laws of the State of Idaho, and it is authorized, by appropriate corporate resolution, to enter into and execute this Lease and any and all documents related thereto.

k) Execution of Necessary Instruments. Each party agrees to execute and deliver to the other all instruments that may be required to effectuate the provisions of this Lease.

l) Separate Counsel. Both parties to this lease have had full legal representation of their choice during the drafting and negotiation of this Lease.

m) Further Action. The parties hereto shall execute and deliver all documents, provide all information and take or forbear from all such action as may be necessary or appropriate to achieve the purposes of this Lease.

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IN WITNESS WHEREOF, the parties, having been duly authorized, have hereunto caused this Lease to be executed, on the day and year first above written, the same being done after public hearing, notice and statutory requirements having been fulfilled.

Dated this _____ day of _____, 2010.

LESSOR:

CITY OF HAILEY, an Idaho municipal corporation

ATTEST:

By: _____
Mary Cone, City Clerk

By: _____
Richard L. Davis, Mayor

LESSEE:

HAILEY ICE, INC., an Idaho non-profit corporation

Ron Fairfax, its President

LEASE

This Lease is made this ____ day of _____, 2010, by and between **CITY OF HAILEY**, a municipal corporation ("Lessor") and **HAILEY ICE, INC.**, an Idaho non-profit corporation ("Lessee").

RECITALS

A. The Lessor is a municipal corporation and political subdivision of the State of Idaho. Richard L. Davis is the duly elected and acting mayor of the City of Hailey. By resolution of the Hailey City Council, the Hailey mayor is authorized to execute this Lease.

B. The Lessee is a duly organized and operating non-profit corporation in the State of Idaho. Ron Fairfax is the duly elected and acting president of the Lessee. By resolution, the president of the Lessee is authorized to execute this Lease.

C. Lessor owns real property located at 781 and 791 Main Street So., Hailey Idaho, a portion of which will be developed as an indoor ice skating facility with accessory parking spaces, as depicted on attached **Exhibit "A"** ("Premises").

D. Pursuant to Idaho Code § 50-1409, the Lessor i) has authority to lease real property not needed for city purposes, upon such terms as may be just and equitable, ii) may set apart portions of city property for athletic contests, golf links, agricultural exhibits, ball parks, fairs, rodeos, swimming pools and other amusements, and iii) may, upon a vote of one half (1/2) plus one (1) of the members of the full Hailey City Council, enter into contracts with organizations and associations necessary and proper to carry out the purposes of Idaho Code § 50-1409.

E. Subject to the terms and conditions set forth herein, Lessor is willing and agrees to lease the Premises to Lessee and Lessee is willing and agrees to lease the Premises from Lessor.

AGREEMENT

NOW, THEREFORE, based upon the foregoing recitals which are incorporated in the Lease below as though set forth in full, the parties agree as follows:

1. Lease Term.

a) Lease Term. The term of this Lease shall be for a period of twenty (20) years commencing upon the date a certificate of occupancy is issued for the Improvements identified in Section 8, below ("Commencement Date") and expiring, unless sooner terminated, at midnight on the date twenty years after the Commencement Date ("Lease Term"). Lessee shall be entitled to possession of the Premises from and after the date this Lease is fully executed (the

“Possession Date”) for the purpose of construction of the Improvements, which Lessee shall use its best efforts to complete on a timely basis.

b) Extended Term(s). Following the Lease Term, Lessee has the option to renew this Lease up to three additional successive ten (10) year terms (the “Extended Term(s)”) by giving to Lessor written notice of exercise of such option at least one hundred twenty (120) days before the expiration of the Lease Term, or an Extended Term, if applicable; provided, however, that if Lessee is in default on or before the expiration of the Lease Term, or an Extended Term, if applicable, the option notice shall be totally ineffective.

2. Rent. Lessee shall pay to Lessor as minimum rent for the Premises, in advance on the first day of the Lease Term or an Extended Term, if applicable, and on the first day of each and every year thereafter, without offset or deduction, the sum of One Dollar (\$1.00) per year.

3. Use of Premises. The Premises shall be used and operated as a recreation and sports center offering ice programs to the general public such as public skating, hockey, figure skating, curling and similar ice events in the winter season and indoor recreational activities in the spring, summer and fall seasons. The Lessee may use the Premises for other purposes such as instructional clinics, baseball, volleyball, tennis, lacrosse, soccer and similar uses, community and civic uses such as convention uses, farmer’s markets, antique fairs and similar uses, and emergency uses such as an emergency shelter. Lessee shall operate and use the Premises in a safe, reasonable and prudent manner, and offer safe, reasonable and prudent programming within the Premises during the Lease Term and an Extended Term, if applicable. To the extent economically feasible, Lessee shall occupy and use the building on the Premises on a full-time, continuous and year-round basis with a wide variety of uses during the Lease Term and any Extended Term, if applicable. Lessee shall use its best efforts to offer reasonably affordable recreational programming to the public, provided, however, that Lessee shall be entitled to charge usage fees to cover the costs of overhead and recreational programs offered on the Premises. Lessee and its guests, invitees, employees and agents may use the parking area within and adjacent to the Premises, which may be regulated by Lessor so that parking may be restricted or used exclusively by users other than uses of the ice skating facility, in whole or in part, during times of use of the adjacent multi-use arena or skate park (e.g., Fourth of July Rodeo); provided such restrictions shall be communicated to Lessee not less than thirty (30) days in advance of any event and shall be designed so as not to significantly impact the operations of Lessee’s recreational programs. Lessee acknowledges that the parking area within and adjacent to the Premises shall be unavailable for approximately one week each year in conjunction with the Fourth of July rodeo event. Lessee shall not do nor permit anything to be done in or about the Premises or bring or keep anything in the Premises that will in any way increase the rate of fire insurance upon the building in which the Premises are situated or permit the emission of any objectionable noise or odor. Lessee shall not perform any acts or carry on any practices that may injure the Premises or the building of which the Premises form a part.

4. Security Deposit. Lessee shall pay as a security deposit the sum of Five Thousand and No/100 Dollars (\$5,000.00) (“Security Deposit”), receipt of which is hereby acknowledged, to be held by Lessor as security for the faithful performance by Lessee of all the

terms, covenants and conditions of this Lease to be kept and performed by Lessee during the Lease Term, or an Extended Term, if applicable. This deposit does not limit Lessor's rights or Lessee's obligations. Lessee understands that all or a portion of the deposit may be retained by Lessor upon termination of the tenancy and that a refund of any portion of the deposit to the Lessee is conditioned on the following:

- a) Lessee shall clean and restore the Premises to its condition at the commencement of this Lease, less normal wear and tear.
- b) Lessee shall have remedied or repaired any damage to the Premises to Lessor's satisfaction.
- c) Lessee shall have complied with all of the provisions of this Lease and with such other rules and regulations as the Lessor may deem necessary.

If Lessee defaults with respect to any provision of this Lease, including but not limited to the provisions relating to the payment of rent and any of the monetary sums due herewith, Lessor may (but shall not be required to) use, apply or retain all or any part of the Security Deposit for the payment of any other amount which Lessor may spend by reason of Lessee's default or to compensate Lessor for any other loss or damage which Lessor may suffer by reason of Lessee's default. If any portion of the Security Deposit is so used or applied, Lessee shall, within ten (10) days after written demand therefor, deposit cash with Lessor in an amount sufficient to restore the Security Deposit to its original amount. Lessee's failure to do so shall be a material breach of this Lease. Lessor shall not be required to keep this Security Deposit separate from his general funds, and Lessee shall not be entitled to interest on such deposit. If Lessee shall fully and faithfully perform every provision of this Lease to be performed by him, the Security Deposit or any balance thereof shall be returned to Lessee (or at Lessor's option, to the last assignee of Lessee's interests hereunder) at the expiration of the Lease Term or an Extended Term, if applicable, and after Lessee has vacated the Premises.

5. Utilities. Lessee shall pay directly to the appropriate utility or governmental agency all charges for electricity, gas, water, sewer, trash and telephone, rendered or supplied upon or in connection with the Premises, and shall indemnify the Lessor against any liability or damages on such account.

6. Insurance.

a) **Liability Insurance Requirements.** The Lessee shall maintain in full force and effect, at its sole cost and expense, during the Lease Term, or an Extended Term, if applicable, or holding over period, comprehensive liability insurance, including public liability, property damage and contractual liabilities of the Lessee, written by a responsible insurance company licensed to do business in Idaho, for the purpose of protecting Lessor against liability for loss or damage, for bodily injury, property damage, personal injury, death, and errors and omissions, relating to the use of the Premises. Such policy shall provide insurance against property damage in an amount not less than \$500,000.00 and bodily injury with limits of not less than \$500,000.00 per person and \$1,000,000.00 total for each occurrence; provided, however,

the minimum limits of insurance as set forth herein shall be automatically increased at any time the liability limits of Lessor are increased pursuant to the Idaho Tort Claims Act (*Idaho Code Sections 6-901 et seq.*).

b) Workerman's Compensation and Unemployment Insurance. Lessee shall secure and maintain at least the statutory amounts of worker's compensation, disability benefits, and unemployment insurance in accordance with the laws of the State of Idaho.

c) Fire and Casualty Insurance. During the Lease Term, or an Extended Term, if applicable, Lessor shall provide and maintain fire and casualty coverage insurance for the Premises. Lessee shall reimburse Lessor for the annual cost of such insurance covering the Premises. On or about June 1 of each year of the Lease Term, or an Extended Term, if applicable, Lessor shall provide the Lessee with an estimate of the cost of fire and casualty insurance for the buildings, structures and personal property on the Premises. Lessee shall pay Lessor the annual cost of such insurance, in advance on the first day of the following October and on the first day of October of each and every year thereafter, without offset or deduction. The cost of such insurance shall be considered additional rent. Between the Possession Date and the Commencement Date, Lessee shall pay Lessor the cost of fire and casualty coverage insurance covering the Premises as provided to Lessor from its insurer. In the event the Premises are partially or totally destroyed or damaged by fire or other casualty covered by the Lessor's insurance, the Lessee shall pay Lessor any deductible then due under the Lessor's insurance policy within thirty (30) days of receipt of the bill for the deductible.

d) Waiver of Subrogation Rights. No party shall have the right or claim against the Lessor for any losses, damages or injury, including losses, damages or injury to property or persons, including death, and for any loss of use or business interruption, occurring on the Premises (whether caused by the negligence or other fault of the Lessor or the Lessee or their respective agents, employees, subtenants, licensees or assignees or whether caused by negligence or the conditions of the Premises or any part thereof) by way of subrogation or assignment. The Lessee hereby waives and relinquishes any such right. The Lessee shall request Lessee's insurance carrier to endorse all applicable policies waiving the carrier's right of recovery under subrogation or otherwise in favor of the Lessor and provide a certificate of insurance verifying this waiver.

e) Form and Delivery of Policies. The Lessee's certificates of insurance shall name Lessor and its officials, employees and agents as additional named insured and shall be endorsed to specify that such policies cover the liability assumed by Lessee under this Lease. All insurance required by this Paragraph 6 shall be in a form and with companies satisfactory to Lessor and shall provide that it shall not be subject to cancellation, suspension, amendment or termination except after at least thirty (30) days' prior written notice to Lessor. The policy or policies, or duly executed certificates for them, shall be deposited with Lessor within fifteen (15) days after the day on which the Lease Term or an Extended Term, if applicable, commences and, upon renewal of such policies, not less than thirty (30) days prior to the expiration of the term of such coverage.

7. Maintenance and Repairs.

a) Lessee's Obligations. Lessee shall, at its sole cost and expense, keep and maintain the interior and exterior of the building on the Premises (including, without limitation, all fixtures, plumbing and sewage facilities, heating, ventilation and air conditioning equipment, ice making equipment, interior and exterior walls, doors and windows) in good order, condition and repair, remove all rubbish and refuse therefrom, keep all landscaping in good condition, and replace or repair all electrical fixtures and mechanical, heating and plumbing fixtures and equipment that may be damaged or broken, during the Lease Term, or an Extended Term, if applicable. If, after thirty (30) days written notice, Lessee fails to maintain the interior or exterior of the building on the Premises in accordance with this paragraph or commence such work, Lessor may make or cause such repairs to be made and Lessee shall immediately pay Lessor for the costs of such maintenance.

b) Lessor's Obligations. Lessor shall, at its sole cost and expense, keep and maintain the parking area within the Premises in good order, condition and repair, and remove all snow, rubbish and refuse therefrom, in accordance with the Lessor's policies in effect at the time of removal.

8. Construction of Improvements. Lessee shall, at its sole expense, construct improvements on the Premises consisting of a Multi-Purpose Indoor Ice/Recreation Arena pursuant to plans approved by Lessee (the "Improvements") and make such repairs, alterations, additions and improvements thereto as Lessee deems desirable subject to the terms of the Lease. Fee title to the Improvements, together with all additions and alterations, shall be vested in Lessor, subject to Lessee's right to occupy and use the Premises in accordance with this Lease.

9. Alterations and Improvements.

a) Conditions for Alterations. Lessee shall have the right to make changes, alterations or additions to the Premises only on the following conditions:

(i) No change, alteration or addition shall at any time be made which shall impair the structural soundness or diminish the value of the Premises.

(ii) No change, alteration or addition impacting the exterior or impacting the use or function of the interior shall be made without the prior written consent of the Lessor, such consent not to be unreasonably withheld.

(iii) No change, alteration or addition shall be undertaken until the Lessee shall have procured and paid for all required municipal and other governmental permits and authorizations of the various municipal departments and governmental subdivisions having jurisdiction.

(iv) All work done in connection with any change, alteration or addition shall be done in accordance with the Lessor's consent, in a good and workmanlike manner and in compliance with the building and zoning laws, and with all other laws, ordinances, orders, rules,

regulations and requirements of all federal, state and municipal governments, and the appropriate departments, commissions, boards and officers thereof, and in accordance with the orders, rules and regulations of the board of fire underwriters or any other body now or hereafter constituted exercising similar functions, and the Lessee shall procure certificates of occupancy and other certificates required by law.

(v) At all times when any change, alteration or addition is in progress, there shall be maintained, at Lessee's expense, workman's compensation insurance in accordance with law covering all persons employed in connection with the change, alteration or addition, and general liability insurance for the mutual benefit of the Lessee and the Lessor expressly covering the additional hazards due to the change, alteration or addition.

b) Expiration of Lease Term or Extended Term. All alterations, improvements, additions or fixtures, including trade fixtures, annexed or affixed to the Premises, including the floors, walls or ceilings, which cannot be removed without further damage to the Premises, shall be the property of Lessor at the end or sooner termination of the Lease Term, or an Extended Term, if applicable, and surrendered with the Premises as a part of the Premises, without disturbance, molestation, or injury. However, if any of the alterations, improvements, additions, or fixtures, including trade fixtures, can be removed without damage to the Premises, these improvements shall be the property of the Lessee, so long as the Premises are in the same condition, except for normal wear and tear, as found at the beginning of the Lease Term or an Extended Term, if applicable. Notwithstanding any provision in this Lease to the contrary, any floor covering that is cemented or otherwise affixed or annexed to the floor of the Premises shall become the property of Lessor at the end or sooner termination of the Lease Term or any Extended Term, if applicable.

c) Lien. Lessee shall pay, when due, all sums of money that may become due or purportedly due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for Lessee in, at, upon, or about the Premises and which may be secured by any mechanic's, materialmen's or other lien against the Premises or Lessor's interest in the Premises, and Lessee shall cause each such lien to be fully discharged and released at the time performance of the obligations secured matures or becomes due. Lessee shall indemnify, defend and hold Lessor harmless against liability for any liens, claims or expenses, including attorney's fees, which may arise as a result of any work on the Premises, which indemnification shall survive the termination or expiration of this Lease.

10. Damage or Destruction.

a) Lessor's Obligation if Fully Insured. If the Premises are partially or totally destroyed or damaged by fire or other casualty so as to become partially or totally untenable and the Premises are fully insured and covered under full standard extended risk insurance, the Premises shall be repaired or rebuilt as speedily as possible at the expense of Lessor with the insurance proceeds. Should there be a substantial interference with Lessee's activities due to such damage or destruction, the parties agree that there shall not be any abatement of rent while the Premises are repaired or rebuilt.

b) Lessor's Obligation if Not Fully Insured. If the Premises are partially or totally destroyed or damaged by fire or other casualty so as to become partially or totally untenable but the Premises are not fully insured and covered under full standard extended risk insurance, Lessor may, in its sole discretion, either rebuild or put the Premises in good condition and fit for occupancy within a reasonable time after such destruction or damage, or it may give notice terminating this Lease as of a date not later than sixty (60) days after such damage or destruction. If Lessor elects to repair or rebuild the Premises, it shall, within sixty (60) days after such damage or destruction, give Lessee notice of its intention to repair or rebuild and then shall proceed to make the repairs or to rebuild within a reasonable time after such damage or destruction. Unless Lessor elects to terminate this Lease, this Lease shall remain in full force and effect and the parties waive any provision of any law to the contrary. However, if Lessee is prevented from using any portion or all of the Premises during such period, the parties agree that there shall not be any abatement of rent while the Premises are repaired or rebuilt.

c) Lessor's and Lessee's Work if Premises Rebuilt. If Lessor should elect or be obligated to repair or rebuild because of any damage or destruction, Lessor's obligation shall be limited to the basic building and interior work as it existed at the commencement of the Lease Term. Lessee shall fully repair or replace all fixtures, exterior signs, equipment and other installations not covered by insurance.

11. Default and Remedies

a) Event of Default Defined. Each of the following shall be deemed a material default and breach or Event of Default:

(i) if Lessee shall, after written notice, default in the payment of rent or any other sum due under this Lease for thirty (30) days after written notice of failure to do so;

(ii) if Lessee, after written notice, shall default in the performance or observance of any other term, covenant, or condition of this Lease and shall not cure or remedy such default with reasonable dispatch within a period not exceeding thirty (30) days, unless said default or omission complained of shall be of such a nature that the same cannot be completely cured or remedied diligently within such thirty (30) day period, and shall not thereafter with reasonable diligence and in good faith proceed to remedy or cure such default;

(iii) vacating or abandonment of the Premises;

(iv) if Lessee's interest, or any part of his interest, in this Lease be assigned or transferred, either voluntarily or by operation of law, without Lessor's consent;

(v) the filing or execution or occurrence of:

(1) a petition or other proceeding by or against Lessee for, or the appointment of, a trustee, receiver, guardian, conservator, or liquidator of Lessee with respect to all or substantially all of his property, except a receiver appointed at the instance or request of Lessor;

(2) a petition or other proceeding by or against Lessee for its dissolution or liquidation, or the taking of possession of the property of Lessee by any governmental authority in connection with dissolution or liquidation; or

(3) the taking by any person of the leasehold created hereby or any part thereof upon execution, attachment or other process of law or equity.

(vi) if Lessee, after written notice, fails to take action to remove a lien against the Premises for ten (10) days. In the event, Lessee is aware of any lien filed against the Premises, Lessee shall immediately notify Lessor in writing of the existence of the lien.

Notwithstanding anything to the contrary contained in the foregoing default clauses, the parties hereto agree that if the Lessee shall have defaulted in the performance of any (but not necessarily the same) term or condition of this Lease for three or more times during any twelve month period during the term hereof, then such conduct shall, at the election of the Lessor, represent a separate event of default which cannot be cured by the Lessee. Lessee acknowledges that the purpose of this provision is to prevent repetitive defaults by the Lessee under the Lease which work a hardship upon the Lessor and deprive the Lessor of the timely performance by the Lessee hereunder.

b) Lessor's Remedies. Upon occurrence of any Event of Default, Lessor may, at its option without any further demand or notice, in addition to any other remedy or right given hereunder or by law, do any of the following:

(i) Continuation of Lease. Lessor may elect to maintain this Lease in full force and effect and recover the rent and other monetary charges as they become due, without terminating Lessee's right to possession, irrespective of whether Lessee shall have abandoned the premises. In the event Lessor elects not to terminate the lease, Lessor shall have the right to attempt to re-let the Premises at such rent and upon such conditions and for such a term, and to do all acts necessary to maintain or preserve the Premises as Lessor deems reasonable and necessary without being deemed to have elected to terminate the Lease including removal of all persons and property of Lessee from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Lessee. In the event any such re-letting occurs, this Lease shall terminate automatically upon the new Lessee taking possession of the Premises. Notwithstanding that Lessor fails to elect to terminate the Lease initially, Lessor at any time during the term of this Lease may elect to terminate this Lease by virtue of such previous default by Lessee.

(ii) Termination of Lease. Lessor may elect to declare this Lease terminated, in which event the Lessor may terminate the Lessee's right to possession by any lawful means, the Lease shall terminate and the Lessee shall immediately surrender possession of the Premises to the Lessor. Upon any such re-entry, Lessor shall have the right to make any reasonable repairs, alterations or modifications to the Premises, which Lessor in its sole discretion deems reasonable and necessary.

All rights and remedies of Lessor hereunder shall not be exclusive but shall be cumulative. Any such re-entry or taking of possession of the Premises or property thereon shall be allowed by Lessee without hindrance, and Lessor shall not be liable in damages for any such re-entry or such taking of possession. Re-entry or taking of possession shall not be construed as an election on Lessor's part to terminate this Lease unless a written notice of such intention is given to Lessee.

c) Payment of Expenses Incurred to Cure Defaults by Lessee. In the event of Lessee's breach or default of any covenant in this Lease, Lessor may at any time, after notice to Lessee in the manner required by Paragraph 16 of this Lease, cure such breach or default for the account and at the expense of Lessee. If Lessor at any time, by reason of such breach, is compelled to pay, or elects to pay, any sum of money or to do any act that will require the payment of any sum of money, or is compelled to incur any expense, including reasonable attorney's fees, in instituting, prosecuting or defending any actions or proceedings to enforce Lessor's rights under this Lease or otherwise, the sum or sums so paid by Lessor, with all interest, costs and damages, shall be deemed to be additional rent under this Lease and shall be due from Lessee to Lessor on the first day of the month following the incurring of such expenses.

d) Waiver. A waiver of any breach or default shall not be a waiver of any other breach or default. Lessor's consent or approval shall not be deemed to waive or render unnecessary Lessor's consent to or approval of any subsequent similar act by Lessee.

12. Assignment and Subletting. Lessee shall not assign, mortgage or hypothecate this Lease, or any interest in this Lease, or permit the use of the Premises, in whole or in part, by any person or persons other than Lessee, without the prior written consent of the Lessor, in the sole discretion of Lessor. Lessee may sublet a portion of the Premises to COACHED.COM, or similar recreation entity operated by Remy Goodwin or his affiliates during the Lease Term. Thereafter and for any other potential subtenant, Lessee may only sublet the Premises or any part thereof upon the prior written approval by the Lessor, in the sole discretion of Lessor, of the prospective sublessee; however, Lessee shall remain primarily liable for the obligations arising from this Lease. For the purposes of this paragraph, sublet shall mean a long term lease between the Lessee and a sublessee, not an agreement to use a portion of the Premises for a limited time such as the use of ice time.

13. Lessor's Access to Premises. Lessor and its designees shall have the right to enter the Premises at all reasonable hours, and in emergencies at all times, (a) to inspect the

Premises, (b) to make repairs, additions or alterations to the Premises or the building of which the Premises form a part, and (c) for any lawful purpose.

14. Holding Over.

a) Effect of Holding Over. If Lessee should remain in possession of the Premises after the expiration of the Lease Term, or Extended Term, if applicable, with the consent of Lessor and without executing a new Lease, then such holding over shall be construed as tenancy at will, subject to all conditions, provisions and obligations of this Lease insofar as the same are applicable to a tenancy at will.

b) Obligations of Lessee on Surrender. On the last day or sooner termination of the Lease Term, or Extended Term, if applicable, Lessee shall quit and surrender the Premises, broom clean, in good condition and repair (reasonable wear and tear, and damage by act of God excepted), subject to the requirements of Paragraph 7 of this Lease, together with all alterations, additions, and improvements that may have been made in, to, or on the Premises, except attached fixtures which have been removed without damage to the Premises, moveable furniture and unattached movable trade fixtures, all of which were put in at Lessee's expense. Lessee shall ascertain from Lessor within thirty (30) days before the end of the Lease Term, or Extended Term, if applicable, whether Lessor desires to have the Premises or any part of the Premises restored to the condition the Premises were in when delivered to Lessee, and if Lessor shall so desire, then Lessee shall so restore the Premises or such part of the Premises before the end of the Lease Term, or Extended Term, if applicable, at Lessee's sole cost and expense. On or before the end of the Lease Term, or Extended Term, if applicable, Lessee shall remove all of Lessee's property from the Premises, and all property not removed shall be deemed abandoned by Lessee. On or before the end of the Lease Term, or Extended Term, if applicable, Lessee shall deliver all of the operating manuals of all the equipment, heating and air conditioning systems, refrigeration systems and all other mechanical systems on the Premises. If the Premises are not surrendered at the end of the Lease Term, or Extended Term, if applicable, Lessee shall indemnify Lessor against loss or liability resulting from delay by Lessee in surrendering the Premises, including, without limitation, any claims made by any succeeding Lessee based on the delay.

15. Representations. The Lessee acknowledges and agrees that Lessee has been informed and understands that the Lessor makes no representations or warranties to the Lessee of any kind or nature, directly or indirectly, express or implied, as to any matter whatsoever, with regard to the Premises, its durability, fitness for a particular purpose, merchantability, condition, profitability and/or quality. Furthermore, the Lessee acknowledges that the Lessor and the Lessor's agents have made no representations of any material fact concerning the Premises, that the Lessee has had an adequate opportunity to inspect and investigate the Premises, that the Lessee has made a thorough independent examination and inspection of the Premises, that the Lessee is relying solely on that examination and inspection, and that the Lessee is acquiring possession of the Premises "AS IS." The Lessee's acceptance of possession of the premises shall constitute the Lessee's acknowledgment that the Premises are in good and tenantable condition.

16. Exculpatory Clauses.

a) Exemption of Lessor from Liability. Lessor shall not be liable to Lessee or to any other person whomsoever for any injury or damage to person or property occurring within or about the Premises or by any other Lessee of Lessor, unless caused by or resulting from the wilful and intentional acts of the Lessor or any of the Lessor's agents, servants or employees in the operation or maintenance of the Premises. Lessor shall not be liable in damages or otherwise for failure to furnish, or any interruption of service of any water, gas, electricity, telephone, or other utility caused by fire, accident, riot, strike, labor disputes, acts of God, the making of any repairs or improvements, or causes beyond the control of Lessor, or for any loss, damage or theft of property of Lessee, its agents, servants or employees.

b) Excusable Delays. Any prevention, delay, or stoppage, due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the reasonable control for the party obligated to perform shall excuse performance by such party for a period equal to any such prevention, delay or stoppage, except as otherwise provided in this Lease.

c) Indemnification and Hold Harmless. Lessee agrees to indemnify, defend and hold Lessor harmless from and against any and all claims, including mechanic's and materialman's liens, by or on behalf of any person(s), firm(s) or corporation(s), arising from the conduct or management of the operations conducted by the Lessee or arising out of any act or omission of Lessee, its contractors, licensees, agents, servants or employees, or arising from any accident, injury, or damage whatsoever caused by any person or property occurring in or about the Premises or any part thereof, and the walkways adjoining the Premises and from and against all costs, expenses, liabilities and attorney's fees incurred in connection with any such claim or proceeding brought thereon.

17. Notices. All notices, statements, demands, requests, consents, approvals, authorizations, offers, agreements, appointments or designations under this Lease by either party or the other shall be in writing and shall be sufficiently given and served upon the other party, if sent by certified mail, return receipt requested, postage prepaid, and addressed to the Lessor at:

City of Hailey.
115 Main Street So.
Suite H
Hailey, ID 83333

or to the Lessee at:

Hailey Ice, Inc.
Attn: Rink Manager
PO Box 4616
Hailey, ID 83313

With a copy to:

Lawson Laski Clark & Pogue, PLLC
Attn: James R. Laski
PO Box 3310
Ketchum, ID 83313

or to such other address as Lessor or Lessee may from time to time designate by notice to the other, which shall then become a new address of the party who shall give such notice. Unless otherwise specifically provided for herein, notices given pursuant to the terms of this Lease shall be deemed received on the date sent.

18. Waiver. The failure of either party hereto to insist upon strict performance of any of the covenants and agreements of this Lease, or to exercise any election herein conferred in any one or more instances, shall not be construed to be a waiver or relinquishment of any such, or any other covenants or agreements, and the same shall be and remain in full force and effect. A particular waiver by either party of any said covenants or agreements to be performed by the other party shall not be construed as a waiver of any succeeding breach of the same or other covenants or agreements of this Lease.

19. Board of Directors. To further the recreational, cultural and civic goals more specifically described in paragraph 3 of this Lease, the Lessee shall, on or before the Commencement Date, amend its corporate documents, such as its by-laws, to fix the number of directors on its board of directors to five (5) directors, with one (1) director designated by Lessor.

20. Miscellaneous Provisions.

a) **Construction.** Whenever the singular number is used in this Lease and when required by the context, the same shall include the plural. The masculine gender shall include the feminine and neuter genders. The word "person" shall include corporation, firm or association. This Lease or any section thereof shall not be construed against any party due to the fact that the Lease or any section thereof was drafted by a particular party.

b) **Title and Captions.** The headings of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part of this Lease.

c) **Final Agreement.** This instrument contains all of the agreements and conditions made between the parties to this Lease and may not be modified orally or in any manner other than by an agreement in writing signed by all parties to this Lease or their respective successors in interest.

d) **Time of Essence.** Time is of the essence of each term and provision of this Lease.

e) **All Required Payments are Additional Rent.** Except as otherwise expressly stated, each payment required to be made by Lessee shall be in addition to and not in substitution for other payments to be made by Lessee and shall be additional rent.

f) Successors and Assigns. The terms and provisions of this Lease shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors, and assigns of Lessor and Lessee.

g) Governing Law. This Lease, the rights, privileges, interests, and immunities of the parties, the obligations, duties, and performances of the parties, the enforcement of this Lease and the several covenants, conditions and agreements hereof and any and all disputes that may arise between the parties shall be governed exclusively by the provisions of this Lease and by the laws of the State of Idaho.

h) Severability. The invalidity or illegality of any provision shall not affect the remainder of this Lease.

i) Attorney's Fees. In the event that either party hereto has to retain counsel for the purpose of enforcing any of the rights, duties or obligations arising out of or relating to this Lease, the non-prevailing party shall pay to the prevailing party the latter's reasonable attorney's fees and costs, whether or not litigation is actually instituted, and including attorney's fees and costs on appeal and bankruptcy.

j) Authority. Each signatory has full authority and consent to sign this Lease. Lessee represents and warrants to Lessor that it is a corporation organized, existing and in good standing under the laws of the State of Idaho, and it is authorized, by appropriate corporate resolution, to enter into and execute this Lease and any and all documents related thereto.

k) Execution of Necessary Instruments. Each party agrees to execute and deliver to the other all instruments that may be required to effectuate the provisions of this Lease.

l) Separate Counsel. Both parties to this lease have had full legal representation of their choice during the drafting and negotiation of this Lease.

m) Further Action. The parties hereto shall execute and deliver all documents, provide all information and take or forbear from all such action as may be necessary or appropriate to achieve the purposes of this Lease.

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IN WITNESS WHEREOF, the parties, having been duly authorized, have hereunto caused this Lease to be executed, on the day and year first above written, the same being done after public hearing, notice and statutory requirements having been fulfilled.

Dated this _____ day of _____, 2010.

LESSOR:

CITY OF HAILEY, an Idaho municipal corporation

ATTEST:

By: _____
Mary Cone, City Clerk

By: _____
Richard L. Davis, Mayor

LESSEE:

HAILEY ICE, INC., an Idaho non-profit corporation

Ron Fairfax, its President

AGENDA ITEM SUMMARY

DATE: 7/26/2010 **DEPARTMENT:** Administration **DEPT. HEAD SIGNATURE:** Heather Dawson

SUBJECT:

Resolution 2010-12 awarding Hailey Rodeo Grounds Redevelopment Bond bid to the successful bidder.

AUTHORITY: ID Code _____ IAR _____ City Ordinance/Cod
(IF APPLICABLE)

BACKGROUND/SUMMARY OF ALTERNATIVES CONSIDERED:

Hailey's Bond Attorney Michael Moore has drafted Resolution 2010 -12, which awards the bond bid to the successful bidder. The draft within this packet has some blanks, because these documents were prepared for you in advance of the competitive bond sale which will occur at 10:00 a.m. on Monday, July 26, 2010. The bond attorney and financial advisor will be present on Monday evening to describe to the council the events of the day, and final documents will be prepared for the council's consideration, approval, and signature by city officials.

In advance of that competitive bond sale, Hailey has prepared a Preliminary Official Statement (attached as an addendum) which was distributed earlier this week by Seattle-Northwest Securities as information to the financial companies who may be interested in bidding on these bonds. In addition, Moody's has rated these bonds. Attached is Moody's rating announcement, and some additional information that defines the bond ratings.

We have also attached, as a bit of fun, a few pages from our financial advisor's March presentation to the Hailey City Council, in which the estimates relative to the costs of these bonds were made. From these pages we see that Hailey has achieved a better bond rating than estimated in March. It will be interesting to see, with the last two to three weeks' plunge in bond rates, how much debt service we will actually incur compared to the \$726,300 estimated in March.

ACKNOWLEDGEMENT BY OTHER AFFECTED CITY DEPARTMENTS: (IF APPLICABLE)

<input checked="" type="checkbox"/> City Attorney	<input checked="" type="checkbox"/> Clerk /Treasurer	<input type="checkbox"/> Engineer	<input type="checkbox"/> Building
<input type="checkbox"/> Library	<input type="checkbox"/> Planning	<input type="checkbox"/> Fire Dept.	<input type="checkbox"/> Arts Commission
<input type="checkbox"/> Safety Committee	<input type="checkbox"/> P & Z Commission	<input type="checkbox"/> Police	
<input type="checkbox"/> Streets	<input type="checkbox"/> Public Works, Parks	<input type="checkbox"/> Mayor	

RECOMMENDATION FROM APPLICABLE DEPARTMENT HEAD:

Approve Resolution awarding bid to the successful bidder and authorize signature of closing documents. The Bond Sale will close next Monday, August 3, 2010.

FOLLOW-UP REMARKS:*

RESOLUTION NO. 2010-12

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HAILEY, BLAINE COUNTY, IDAHO, AUTHORIZING THE SALE OF GENERAL OBLIGATION BONDS, SERIES 2010, IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,500,000, TO THE SUCCESSFUL BIDDER; DIRECTING THE PREPARATION, EXECUTION, AND DELIVERY OF THE BONDS; PROVIDING FOR RELATED MATTERS; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the Mayor and Council (the "Council") of the City of Hailey, Blaine County, Idaho (the "City"), by Ordinance No. 1061, adopted on June 28, 2010, as amended by Ordinance No. 1065, adopted on July 12, 2010, has authorized the issuance and sale of the City of Hailey General Obligation Bonds, Series 2010, in the aggregate principal amount of \$3,500,000 (the "Bonds"), and has directed the giving of Notice of Sale thereof; and

WHEREAS, at the time and place fixed in the Notice of Sale for receiving bids for the Bonds, bids were received and publicly opened, examined, and declared; and

WHEREAS, the Council now desires to confirm the sale of the Bonds to the successful bidder, and to direct the preparation, execution, and delivery of the Bonds, all as provided in Ordinance No. 1061, as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HAILEY, IDAHO, as follows:

Section 1: The General Obligation Bonds, Series 2010, of the City, in the aggregate principal amount of \$3,500,000, are hereby ordered sold to:

as the responsible bidder making the best bid, such sale to be subject to all of the terms and conditions set forth in the Notice of Sale of the Bonds and in the successful bid. All other bids for the Bonds are hereby rejected.

Section 2: The City's Bond Counsel is hereby authorized and directed to have the Bonds prepared in accordance with the book-entry-only system as set forth in Ordinance No. 1061, and the Bonds shall be executed, authenticated, and delivered by the City

to the Depository Trust Company for the account(s) of the successful bidder, all in accordance with the provisions of Ordinance No. 1061, as amended, on receipt of the amounts therefor as above stated, with accrued interest, if any, from the date of the Bonds to their date of delivery, and upon the performance of the conditions contained in the accepted bid and Notice of Sale of the Bonds. The approving legal opinion of Moore Smith Buxton & Turcke, Chartered, Bond Counsel, shall be furnished to the purchasers of the Bonds at the time of delivery of the Bonds.

Section 3: The Mayor, City Clerk, and City Treasurer, or any one or more of such officers, as may be appropriate to the document being executed, are hereby authorized and directed to execute such other and further documents as may reasonably be required to carry out the sale and delivery of the Bonds.

Section 4: This Resolution shall take effect and be in force immediately upon its passage and approval.

DATED this 26th day of July, 2010.

CITY OF HAILEY
Blaine County, IDAHO

By _____
Mayor

ATTEST:

City Clerk

(S E A L)

New Issue: MOODY'S ASSIGNS Aa3 RATING TO THE CITY OF HAILEY, ID, GENERAL OBLIGATION BONDS, 2010

Global Credit Research - 22 Jul 2010

\$3.5 MILLION OF DEBT AFFECTED

Municipality
ID

Moody's Rating

ISSUE	RATING
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General Obligation Bonds, Series 2010	Aa3
---------------------------------------	-----

Sale Amount \$3,500,000

Expected Sale Date 07/26/10

Rating Description General Obligation Bonds

Opinion

NEW YORK, Jul 22, 2010 -- Moody's Investors Service has assigned an Aa3 rating to the City of Hailey, Idaho's \$3.5 million General Obligation Bonds, Series 2010. The current offering is secured by the city's full faith, credit and resources including an unlimited property tax pledge. Proceeds from the current issuance will be used to finance a portion of the redevelopment of public recreational facilities. The Aa3 rating reflects the city's relatively small tax base size, above average wealth levels, history of strong general fund balances and low debt profile including rapid payout of debt.

RELATIVELY SMALL CITY LOCATED NEAR SKI RESORT TOWN OF SUN VALLEY

Located approximately 140 miles from Boise (Aa1 Issuer Rating), the state capitol, the relatively small city serves as the Blaine County (Aa1 UTGO rating) seat. Since the 2000 census, the city's population increased 27% to 7,883 (2009). Local employment opportunities are provided by K-12 education, small engineering and manufacturing entities, retail and local government. The county's unemployment rate is typically below the state, but recently increased to 10.0% (April 2010), compared to the state's 9.1%; the national unemployment was 9.5%. Over the last five years the average annual increase in full market value was 8.6% including declines over the last two years as a result of slowed residential construction activity and reduced housing prices. The 2010 full market value is \$1.46 billion and management estimates the 2011 tax base will be flat or may decline slightly. Positively, the tax base is not significantly concentrated as the top ten taxpayers comprise only 7.5% of 2010 assessed value. According to the 2000 census, wealth levels are strong compared to the state with per capita and median family income levels at \$21,225 (119.1% of state) and \$56,379 (129.6% of state), respectively.

PRUDENT MANAGEMENT MAINTAINS SOLID RESERVE LEVELS

Moody's expects the city to maintain stable general fund reserves given conservative financial operations, prudent management and reliance on relatively stable property tax revenues. Between fiscal 2005 and fiscal 2008 the city maintained ample reserve levels averaging 39% of general fund revenues (\$2.4 million). In fiscal 2009, the city moved a sizeable portion of reserves out of the general fund into a capital improvement fund, although these reserves remain legally available to the general fund. In fiscal 2009 the general fund balance equaled 15.8% of general fund revenues (\$681,000) and still within the city's operations fund balance goal of between 15% and 20% of revenues. Including other legally available reserves, the fiscal 2009 available fund balance was a strong 80.0% of general fund revenues (\$3.4 million). Moody's notes the city's general fund operations are primarily supported by property taxes (43% of general fund revenues) and by law management is allowed to increase its property tax levy annually by 3%. Management plans to continue its practice of increasing the operations levy by 3% in the near term. Additional financial flexibility is provided by a voted local option sales tax, renewed in 2009 for 20 years. The revenue from this tax is included in general fund revenues and used primarily for tourist related services such as additional police officers, street repairs, and snow removal equipment. For the current fiscal year (ending 9/30/2010), the city estimates reserves will mirror FY09 due to budget savings realized from unfilled positions and only minor reductions in service levels. The city has budgeted for similar reserve levels in fiscal 2011.

LOW DEBT PROFILE AND RAPID PAYOUT

Moody's expects the city's debt profile will remain very manageable given currently low debt levels and no plans for future borrowing in the next five years. Proceeds from the current sale will be used to finance a portion of the redevelopment of public recreational facilities; local fundraising will provide the remaining \$4 million. With the current offering the city's direct debt is 0.2% and overall debt is 0.3%. The current sale amortizes rapidly at 100% by 2020. All of the city's debt is fixed rate.

The city's employees are covered under the Public Employee Retirement System of Idaho (PERSI) and the city is currently funding its annual required contribution at 100%. The city does not currently offer Other Post Employment Benefits and does not plan to offer any in the near future.

KEY STATISTICS:

2010 population estimate: 7,883

1999 Per capita income: \$21,255 (119.1% of state)

1999 median family income: \$56,379 (129.6% of state)

2010 full valuation: \$1.46 billion

Full value per capita: \$185,293

Direct debt burden: 0.2%

Overall debt burden: 0.3%

Payout of principal (10 years): 100%

FY09 Total General Fund balance: \$681,000 (15.8% of General Fund revenues)

FY09 Available fund balance: \$3.4 million (80.0% of General Fund revenues)

LAST RATING ACTION

The current rating is an initial rating for the City of Hailey, Idaho.

PRINCIPAL METHODOLOGY

The principal methodology used in assigning the rating was Local Government General Obligation and Related Ratings, available on www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Analysts

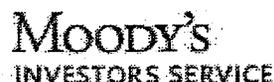
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Aaa	Issuers of issues rated Aaa demonstrate the strongest creditworthiness relative to other US municipal or tax-exempt issuers or issues.
Aa	Issuers of issues rated Aa demonstrate very strong creditworthiness relative to other US municipal or tax-exempt issuers or issues.
A	Issuers of issues rated A present above-average creditworthiness relative to other US municipal or tax-exempt issuers or issues.
Baa	Issuers of issues rated Baa represent average creditworthiness relative to other US municipal or tax-exempt issuers or issues.
Ba	Issuers of issues rated Ba demonstrate below-average creditworthiness relative to other US municipal or tax-exempt issuers or issues.
B	Issuers of issues rated B demonstrate weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.
Baa	Issuers of issues rated Baa demonstrate very weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.
Ca	Issuers of issues rated Ca demonstrate extremely weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.
C	Issuers of issues rated C demonstrate the weakest creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating category from Aa through Caa. The modifier 1 indicates that the issuer or obligator ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking, and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Assumptions for Analysis

3

The table on the following page summarizes the projected property tax rates and tax impact for an \$3.5 million bond proposal for the City of Hailey. Key data and assumptions used in preparing this analysis include:

Bond Amount: \$3,500,000

Interest Rates: Current (as of 3/15/2010) plus 0.75% cushion

Net Market Value: FY 2010 (Tax Year 2009) = \$1,278,745,835 (September 2009 actual)

Projected Annual Growth: 0.00%

Repayment Structure: Level annual debt service

Expected Bond Ratings: "A2" underlying rating with "Aa3" enhanced rating from Assured Guaranty (bond insurance)

Repayment Term: Evaluate 10-year, 15-year, and 20-year.

Summary of Projected Tax Rates

Year	Taxable Assessed Value (in Thousands)	\$3,500,000 - 10 Yr. Term		\$3,500,000 - 15 Yr. Term		\$3,500,000 - 20 Yr. Term	
		Annual Debt Service (in Thousands)	Tax Rate Per \$1,000	Annual Debt Service (in Thousands)	Tax Rate Per \$1,000	Annual Debt Service (in Thousands)	Tax Rate Per \$1,000
2011	\$1,278,746	\$424	\$0.33	\$314	\$0.25	\$270	\$0.21
2012	1,278,746	425	0.33	314	0.25	272	0.21
2013	1,278,746	422	0.33	319	0.25	268	0.21
2014	1,278,746	422	0.33	318	0.25	270	0.21
2015	1,278,746	422	0.33	317	0.25	270	0.21
2016	1,278,746	421	0.33	315	0.25	271	0.21
2017	1,278,746	424	0.33	317	0.25	271	0.21
2018	1,278,746	425	0.33	319	0.25	270	0.21
2019	1,278,746	421	0.33	315	0.25	269	0.21
2020	1,278,746	421	0.33	316	0.25	272	0.21
2025	1,278,746			319	0.25	273	0.21
2030	1,278,746					273	0.21

Total Debt Service \$4,226,300 \$4,750,238 \$5,419,450
 Total Interest \$726,300 \$1,250,238 \$1,919,450
 TIC 3.43% 3.97% 4.47%
 Range of Rates 2.75% - 4.00% 2.75% - 4.50% 2.75% - 5.00%

Tax Rate (2011)	\$0.33	\$0.25	\$0.21
	Annual	Annual	Annual
	Monthly	Monthly	Monthly
Projected Impact on \$100,000 of taxable value	\$33.00	\$25.00	\$21.00
	Annual	Annual	Annual
	Monthly	Monthly	Monthly
	\$2.75	\$2.08	\$1.75

*** Interest rates include 0.75% cushion over current rates (as of 3/15/2010)

