

ORDINANCE NO. 92-4

AN ORDINANCE OF THE BAYVIEW WATER AND SEWER DISTRICT, OF KOOTENAI COUNTY, IDAHO, DECLARING THE COST OF ACQUIRING, CONSTRUCTING, AND INSTALLING IMPROVEMENTS TO THE WATER AND SEWER SYSTEM OF THE DISTRICT; AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$514,581 AGGREGATE PRINCIPAL AMOUNT OF LOCAL IMPROVEMENT DISTRICT BONDS; PROVIDING FOR THE DATE, FORM, MATURITIES, AND DESIGNATION OF SAID BOND; FIXING THE RATE OF INTEREST ON SAID BONDS; PROVIDING FOR REGISTRATION AND AUTHENTICATION OF SAID BOND; APPROVING THE SALE OF SAID BOND TO THE UNITED STATES OF AMERICA, DEPARTMENT OF AGRICULTURE--FARMERS HOME ADMINISTRATION; PROVIDING FOR THE COLLECTION, HANDLING, AND DISPOSITION OF REVENUE; PROVIDING FOR CERTAIN COVENANTS WITH RESPECT TO FEDERAL TAX LAW; PROVIDING FOR THE EFFECTIVE DATE HEREOF; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

BAYVIEW WATER AND SEWER DISTRICT  
Kootenai County, Idaho

LOCAL IMPROVEMENT DISTRICT NO. 1 BONDS  
AGGREGATE PRINCIPAL AMOUNT \$514,581  
SERIES A - \$302,200  
SERIES B - \$212,381

BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE BAYVIEW WATER AND SEWER DISTRICT, OF KOOTENAI COUNTY, IDAHO, as follows:

WHEREAS, the Bayview Water and Sewer District (the "District"), of Kootenai County, Idaho, is a duly incorporated and existing sewer district organized and operating under the laws of the State of Idaho; and

WHEREAS, the Board of Directors (the "Board"), of the District is authorized and empowered by Idaho Code Sections 50-1701 through 50-1771, inclusive (the "Local Improvement District Code") and Idaho Code, Title 57, Chapter 2 (the "Municipal Bond Law") to conduct proceedings to form a local improvement district and to authorize, issue, sell, and deliver local improvement district bonds to finance the acquisition, construction and installation of improvements and additions to the sewer system within a local improvement district of the District; and

WHEREAS, the District by Ordinance 88-1, adopted on June 8, 1988, created Local Improvement District No. 1 for the purpose of the acquisition, construction and installation of improvements to its sewer system; and

WHEREAS, the District by the passage of Ordinance No. 88-1 ordered the acquisition, construction and installation of sewer improvements and authorized the issuance of local improvement bonds to finance a portion of the cost thereof; and

WHEREAS, the total assessment roll within LID No. 1, as confirmed by Ordinance No. 92-3, adopted on September 16, 1992, has been determined to be \$ 739,441.97; and

WHEREAS, no appeals from assessments have been filed in the District Court of the First Judicial District of the State of Idaho, Kootenai County; and

WHEREAS, the owners of the property within said LID No. 1 have heretofore paid in the sum of \$224,861, leaving an unpaid balance of \$514,581, which amount shall be produced by the issuance and sale of local improvement district bonds; and

WHEREAS, the United States of America, Department of Agriculture--Farmers Home Administration has agreed to purchase said bonds from the District and the Board desires to authorize and enter into a contract for the sale of said bonds; and

WHEREAS, it has been determined to issue the local improvement district bonds as a Series A Bond in the principal amount of \$302,200 and a Series B Bond in the principal amount of \$212,381.

WHEREAS, the Board now desires to authorize the issuance of Local Improvement District No. 1 Bonds; ..

NOW, THEREFORE, BE IT FURTHER ORDAINED BY THE BOARD OF DIRECTORS OF THE BAYVIEW WATER AND SEWER DISTRICT, OF KOOTENAI COUNTY, IDAHO, as follows:

**Section 1: DEFINITIONS**

As used in this Ordinance, the terms herein have the meanings provided in this Section. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words imparting the singular number shall include the plural numbers and vice-versa unless the context shall otherwise indicate.

**Acquisition** or **Acquire** includes the opening, laying out, establishment, purchase, construction, securing, installation, reconstruction, lease, gift, grant from the federal government, the State of Idaho, any public body therein or any person or entity, the condemnation, transfer, option to purchase, other contract, or other acquirement, or any combination thereof.

**Board** shall mean the Board of Directors of the Bayview Water and Sewer District, of Kootenai County, Idaho.

Bond or Bonds shall mean the herein authorized \$514,581 aggregate principal amount of bonds issued in two series, designated "Bayview Water and Sewer District Local Improvement District No. 1 Bond, Series A" in the principal amount of \$302,200 and designated "Bayview Water and Sewer District Local Improvement District No. 1 Bond, Series B" in the principal amount of \$212,381.

Bond Fund shall mean the "Bayview Water and Sewer District Local Improvement District No. 1 Bond Fund" created by Section 9 of Ordinance No. 92-3, adopted by the Board on September 16, 1992, and referred to in Section 11 of this Ordinance.

Bond Registrar shall mean the Treasurer of the District, who shall also act as transfer agent, authenticating agent, and paying agent, pursuant to Section 9 of this Ordinance.

Bond Year shall mean the one-year period (or shorter period from the date of issue) that ends on the close of business on October 31.

Chairman shall mean the de facto or de jure Chairman of the Board, or any presiding officer or titular head of the District, or his/her successor in functions, if any.

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

Construction Fund shall mean the "Bayview Water and Sewer District Local Improvement District No. 1 Construction Fund" created by Section 9 of Ordinance No. 88-2, adopted on December 14, 1988, and referred to in Section 10 of this Ordinance.

Cost of the Project or any phrase of similar import, shall mean all or any part designated by the Board of the costs of the Project, or interest therein, which costs, at the option of the Board, may include all or any part of the incidental costs pertaining to the Project, including, without limitation:

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

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

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

- (4) The costs of contingencies;
- (5) The costs of issuance of the Bonds;
- (6) The costs of funding any short-term financing, bond anticipation notes, and other temporary loans appertaining to the Project and of the incidental expenses incurred in connection with such loans;
- (7) The costs of any properties, rights, easements, or other interest in properties, or any licenses, privileges, agreements and franchises;
- (8) The cost of the Acquisition of the Project; and
- (9) All other expenses necessary or desirable and appertaining to the Project, as estimated or otherwise ascertained by the Board.

District shall mean the Bayview Water and Sewer District, of Kootenai County, Idaho.

Guarantee Fund shall mean the Local Improvement Guarantee Fund created by Ordinance No. 92-3, adopted on September 16, 1992, and referred to in Section 12 of this Ordinance, created for the purpose of guaranteeing, to the extent of such fund, the payment of principal and interest on local improvement district bonds and warrants of the District.

Interest Fund shall mean the "Bayview Water and Sewer District Local Improvement District No. 1 Interest Fund" created by Section 9 of Ordinance No. 92-3, adopted on September 16, 1992 and referred to in Section 11 of this Ordinance.

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

Net Proceeds, when used with reference to the Bond, shall mean the face amount of the Bond, plus accrued interest and original issue premium, if any, and less proceeds deposited into the Guarantee Fund, if any.

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

Private Person Use shall mean the use of property in a trade or business by a Private Person if such use is other than as a

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

Project shall mean the sewer improvement project described and authorized by Ordinance No. 88-1, adopted on May 16, 1988, and consisting generally of the acquisition, construction and installation of improvements and additions to the Bayview Water and Sewer District sewer system and facilities.

Registered Owner or Registered Owners shall mean the purchaser or purchasers of the Bonds and any subsequent transferees or purchasers of the Bonds.

Secretary shall mean the de facto or de jure Secretary of the Board, or other officer of the District who is the custodian of the seal of the District and of the records of the proceedings of the District, or his/her successor in functions, if any.

Series A Bond shall mean the herein authorized \$302,200 principal amount of a bond designated "Bayview Water and Sewer District Local Improvement District No. 1 Bond, Series A."

Series B Bond shall mean the herein authorized \$212,381 principal amount of a bond designated "Bayview Water and Sewer District Local Improvement District No. 1 Bond, Series B."

System shall mean the municipal wastewater treatment facility and sewerage system of the District, as it now exists, including its assets, real and personal, tangible and intangible, and as it may later be added to, extended, and improved, and shall include buildings, structures, utilities, or other income producing sewer facilities from the operation of or in connection with which the revenues for the payment of the Bond to be issued hereunder will be derived, and the lands appertaining thereto, including, without limitation, any Improvement to be acquired with the proceeds of the Bonds.

Treasurer shall mean the de facto and de jure Treasurer of the District, or his/her successor in functions, if any.

United States shall mean the United States of America.

**Section 2: THE PROJECT**

A. Project Description. The Project consists of the improvements to the sewer system of the District, as approved by Ordinance No. 88-1, adopted on May 16, 1988.

B. Cost of the Project. The cost and expenses of construction, Acquisition and installation of facilities and equipment for a gravity effluent collection system, including lateral lines and septic tanks for improved lots; a transmission main to a treatment site disposal facility; and related improvements, is estimated to be approximately \$3,949,652, of which \$514,581 shall be paid from the issuance and sale of the Bonds, hereinafter defined, authorized to be issued by the Board by this Ordinance. The remainder of the Cost of the Project or \$3,197,960, has been paid with grant funds from the State of Idaho, grant funds from the United States, and prepaid assessments from property owners and other legally available funds.

**Section 3: BONDS AUTHORIZED**

Local improvement district bonds of the District, in fully registered form, designated "Bayview Water and Sewer District Local Improvement District No. 1 Bonds" (the "Bonds"), in the aggregate principal amount of \$514,581, are hereby authorized to be issued, sold, and delivered pursuant to the laws of the State of Idaho, particularly the Local Improvement District Act and the Municipal Bond Law, as defined hereinabove.

**Section 4: DESCRIPTION OF BONDS**

Bonds, designated "Bayview Water and Sewer District Local Improvement District No. 1 Bond, Series A" in the principal amount of \$302,200, and designated "Bayview Water and Sewer District Local Improvement District No. 1 Bond, Series B" in the principal amount of \$212,381 are hereby authorized to be issued, sold and delivered.

The Bonds shall be issued in fully registered form and shall be dated as of the date of delivery, shall be in the total aggregate principal amount of \$514,581 (Series A shall be in the amount of \$302,200 and Series B in the amount of \$212,381) and shall bear interest on the unpaid balance from the date of the Bonds until paid at the rate of five and one-half percent (5.5%) per annum. Interest shall be calculated on a 360-day year consisting of twelve 30-day months.

The first amortized installment of principal and interest on the Series A Bond in the amount of \$20,793 will be payable on November 1, 1993, and each November 1 thereafter to the date of

maturity or prior redemption. The first amortized installment of principal and interest on the Series B Bond in the amount of \$14,614 will be payable on November 1, 1993, and each November 1 thereafter to the date of maturity or prior redemption. The final annual installments for both the Series A Bond and Series B Bond may be in such greater or lesser amount as is necessary to fully pay said Bonds. The principal of and interest on the Bonds shall be fully paid within thirty (30) years.

The fully registered Series A Bonds referred to herein shall be substantially in the form as set forth in Exhibit A, attached hereto and hereby made a part hereof. The fully registered Series B Bonds referred to herein shall be substantially in the same form as set forth in Exhibit B, attached hereto and made a part hereof.

**Section 5: SALE OF BONDS AUTHORIZED**

The sale of the Bonds to the United States of America, Department of Agriculture--Farmers Home Administration (hereinafter the "Registered Owner"), in accordance with its offer to purchase, is hereby accepted, authorized and approved. The Registered Owner has requested, and the District has agreed, that the obligation of the District thereunder shall be represented in the form of two fully registered, transferable bonds without coupons. The Registered Owner thereof shall have the right, at its expense, to convert said single bonds to fully registered serial bonds, without coupons, in the aggregate principal amount then remaining unpaid, bearing the same interest rate, maturing annually on the first day of the month in which the Bonds are originally issued, and dated as of the year in which such conversion is effected.

**Section 6: PLACE AND MANNER OF PAYMENT**

Both principal of and interest on the Bonds are payable in lawful money of the United States of America by check or draft mailed on or before the due date to the Registered Owner at the address of such Registered Owner as shown on the registration books of the District (the "Bond Register") maintained by the Bond Registrar as of the close of business on the 15th day of the calendar month next preceding the payment date.

**Section 7: REDEMPTION PRIOR TO MATURITY**

A. Optional Redemption. The District hereby reserves the right, at its option, to redeem, on any payment date, the principal amount outstanding, in whole, or, in the manner hereinafter provided, in part, at any time while the registered Bonds are held by the Registered Owner.

Redemption shall be made on any interest payment date, and partial redemption shall be in the amount of \$1,000 or in multiples thereof. No partial redemption shall extend or postpone the due

date of any subsequent installment. Any redemption shall be made without penalty, additional interest, or charges.

B. Notice of Redemption. Notice of any such intended redemption shall be mailed by registered mail to the Registered Owner of the Bond at its address appearing on the Bond Register or at such other address as designated in writing to the Bond Registrar by the Registered Owner, at least thirty (30) days prior to the redemption date.

If the Bonds referred to herein are converted to fully registered serial bonds, without coupons, the District reserves the right to redeem and call said serial bonds, at par plus accrued interest to the date of redemption in inverse numerical order, at the option of the District, on any interest payment date, subject to written notice of such intended redemption to the Registered Owner in the manner provided in this Section 7.

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

D. Voluntary Redemption Notice. If the Bonds are converted to fully registered serial bonds as provided for in section 5 herein, in addition to the notice required by Section B above, further notice may be given by the Bond Registrar as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed in said Section 7, Subsection B.

(1) Each further notice of redemption given hereunder shall contain the following information:

- (a) the redemption date;
- (b) the redemption price;
- (c) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;
- (d) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date;
- (e) the place where such Bonds are to be surrendered for payment of the redemption price, which place

of payment shall be the principal office of the Bond Registrar;

(f) the CUSIP numbers, if any, of all Bonds being redeemed;

(g) the date of issue of the Bonds as originally issued;

(h) the rate of interest borne by each Bond being redeemed;

(i) the maturity date of each Bond being redeemed;  
and

(j) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent at least thirty-five (35) days before the redemption date by registered or certified mail or overnight delivery service to:

(a) all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bond, such depositories now being:

(i) Depository Trust Company, New York, New York, and

(ii) Philadelphia Depository Trust Company, Philadelphia, Pennsylvania; and to

(b) one or more national information services that disseminate notices of redemption of obligations such as the Bond (such as Moody's Municipal and Government, or Standard & Poor's Called Bond Record).

(3) Each such further notice may be published one time in the Bond Buyer of New York, New York or, if such publication is impractical or unlikely to reach a substantial number of the Registered Owners of the Bonds, in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds, such publication to be made at least thirty (30) days prior to the date fixed for redemption.

(4) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number, if any, identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

**Section 8: EXECUTION AND DELIVERY OF BONDS**

Without unreasonable delay, the District shall cause definitive Bonds to be prepared, executed and delivered, which Bond shall be lithographed or printed with engraved or lithographed borders. The Bonds shall be signed by the Chairman, countersigned by the Treasurer, and attested by the Secretary (all of which signatures shall be done manually), and the official seal of the District shall be impressed thereon. The Bond shall then be delivered to the Bond Registrar for authentication.

Until the definitive Bonds are prepared, the District may, if deemed necessary by the Chairman, utilize a temporary Bond which shall be typewritten, and which shall be delivered to the Registered Owner of the Bonds in lieu of definitive Bonds, subject to the same provisions, limitations, and conditions as the definitive Bonds. The temporary Bond shall be dated as of the date of the Bonds, shall be in the denomination of \$5,000, shall be numbered T-1, shall be substantially of the tenor of such definitive Bonds, but with such omissions, insertions, and variations as may be appropriate to temporary bonds, and shall be manually signed by the Chairman, the Treasurer, the Secretary, and the Bond Registrar, and shall have the seal of the District impressed thereon.

In case any of the officers who shall have signed or countersigned the Bonds shall cease to be such officer or officers of the District before the Bonds so signed or countersigned shall have been authenticated or delivered by the Bond Registrar, or issued by the District, the Bonds may nevertheless be authenticated, delivered, and issued and, upon such authentication, delivery, and issue, shall be as binding upon the District as though those who signed and countersigned the same had continued to be such officers of the District. The Bonds may also be signed and countersigned on behalf of the District by such persons as at the actual date of execution of the Bonds shall be the proper officers of the District although at the original date of the Bonds any such person shall not have been such officer of the District.

Only a Bond as shall bear therein a certificate of authentication in the form set forth in Exhibit B, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Ordinance, and such certificate of authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated, and delivered hereunder and is entitled to the benefits of this Ordinance.

**Section 9: BOND REGISTRAR**

The Treasurer of the District is hereby appointed as bond registrar, transfer agent, authenticating agent, and paying agent, and is herein referred to as the "Bond Registrar." The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds. The Bond Registrar is authorized to authenticate and deliver the Bonds transferred or exchanged in accordance with the provisions of such Bonds and this Ordinance and to carry out all of the Bond Registrar's powers and duties under this Ordinance.

The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

The Bonds may be transferred only upon the Bond Register, upon the surrender thereof at the principal office of the Bond Registrar, together with a form of transfer duly executed by the Registered Owner or their attorney duly authorized in writing, substantially in the form set forth in the form of the Bonds referred to in Section 8 hereof. Upon the transfer of any Bond, there shall be issued in the name of the transferee or transferees a new fully registered Bond or Bonds of the same aggregate principal amount, maturity and interest rate as the surrendered Bond. The new Bond or Bonds shall bear the same date as the date of the surrendered Bond, but shall bear interest from the immediately preceding interest payment date to which interest has been paid or duly provided for.

The Bond Registrar shall not be required to exchange or transfer any Bond within fifteen (15) days of an interest payment date or, in the case of any redemption of Bond, within fifteen (15) days of the redemption date.

**Section 10: CONSTRUCTION FUND**

There has heretofore been created by Section 9 of Ordinance No. 88-2, adopted on December 14, 1988 a fund known as the "Bayview Water and Sewer District Local Improvement District No. 1 Construction Fund," herein called the "Construction Fund," into which shall be deposited all of the proceeds of the sale of the Bonds, plus all grant funds received from any source and/or funds received from any other legally available source, to be used and applied for the payment of the Cost of the Project. Any interest earnings on moneys invested from the Construction Fund shall be deposited into the Construction Fund. The District's share of any liquidated damages or other moneys paid by defaulting contractors or their sureties will be deposited into said Construction Fund to assure the completion of the Project.

When the Project has been completed and all costs related thereto have been paid in full, any balance remaining in the Construction Fund derived from the Bonds will be deposited into the Bond Fund described by Section 11 of this Ordinance.

**Section 11: BOND FUND AND INTEREST FUND**

The District Treasurer was authorized and empowered by Ordinance No. 92-3, adopted by the Board on September 16, 1992, to receive and collect for LID No. 1 all assessments levied on property within said local improvement district to pay the Cost of the Project, the installments thereof, the interest thereon, and the penalties accrued, and to pay and disburse such payments to the person or persons lawfully entitled to receive the same, in accordance with the laws of the State of Idaho and all ordinances and resolutions of the District.

All moneys constituting payment of principal on said unpaid installments of assessments for LID No. 1 are to be deposited into a special fund, designated "Bayview Water and Sewer District Local Improvement District No. 1 Bond Fund" (the "Bond Fund"), created by Ordinance No. 92-3, adopted on September 16, 1992, and shall be used and applied for the purpose of paying the principal of the Bonds herein authorized and for no other purpose whatsoever, and as security for such payment the Bond Fund is hereby pledged.

All moneys constituting payment of interest on said unpaid installments of assessments for LID No. 1 are to be deposited into a special fund, designated "Bayview Water and Sewer District Local Improvement District No. 1 Interest Fund" (the "Interest Fund"), created by Ordinance No. 92-3, adopted on September 16, 1992, and shall be used and applied for the purpose of paying the interest on the Bonds herein authorized and for no other purpose whatsoever, and as security for such payment the Interest Fund is hereby pledged.

Both principal of and interest on the Bonds are payable only out of said Bond Fund and Interest Fund, or out of the Local Improvement Guarantee Fund, created by Section 10 of Ordinance No. 92-3, adopted on September 16, 1992, to the extent of such fund and not otherwise.

Moneys in the Bond Fund and Interest Fund for LID No. 1 shall be deposited in such bank or banks as are designated as depositories of public moneys for the funds of the District under the depository laws of the State of Idaho. Interest received on such funds to be deposited or invested shall be placed to the credit of the fund from which it was earned.

**Section 12: GUARANTEE FUND**

The District authorized the creation of a Guarantee Fund by Ordinance No. 92-3, adopted on September 16, 1992. The District hereby covenants to make deposits into the Guarantee Fund from legally available sources (including the tax levy provided by I.C. 50-1762). Whenever there shall be, on any payment date on the Bonds, insufficient funds in the Bond Fund, or Interest Fund to make any payment of principal of or interest on the Bonds as the same becomes due, payment therefor shall be made by warrant drawn against the Guarantee Fund in the manner provided by Section 50-1763, Idaho Code. If funds for the payment of such warrant are not available in the Guarantee Fund, such warrant shall be registered as provided in Section 50-1763, Idaho Code, and the District shall cause a special tax to be levied and collected therefor as provided in Section 50-1762, Idaho Code. The Guarantee Fund shall thereafter be maintained in the manner provided by Sections 50-1762 through 1769, Idaho Code.

**Section 13: LOST, STOLEN, MUTILATED OR DESTROYED BOND**

In case any Bond shall be lost, stolen, mutilated or destroyed, the Bond Registrar may authenticate and deliver a new Bond of like date, denomination, number, tenor and effect to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the District in connection therewith and upon his filing with the District evidence satisfactory to the District that such Bond was actually lost, stolen or destroyed and of his ownership thereof, and upon furnishing the District with indemnity satisfactory to the District.

**Section 14: TRANSFER OR EXCHANGE OF BONDS**

The Bonds shall be transferable by the Registered Owner thereof in person, or by its attorney duly authorized in writing, upon surrender of said Bond at the principal office of the Bond Registrar for cancellation and issuance of a new Bond registered in the name of the transferee, in exchange therefor.

The Bonds shall be exchangeable for Bonds of any authorized denomination or denominations, upon surrender and cancellation of said Bonds at the office of the Bond Registrar.

Whenever the Bond or Bonds shall be surrendered for transfer or exchange, the Bond Registrar shall authenticate and deliver to the transferee or exchangee, in exchange therefor, a new fully registered Bond or Bonds of any authorized denomination or denominations, of the same maturity and interest rate, and for the aggregate principal amount of such Bond or Bonds being surrendered.

The Bond Registrar shall require the payment by the Registered Owner requesting such transfer or exchange of any tax, fee or

governmental charge required to be paid with respect to such transfer or exchange. The costs imposed by the Bond Registrar for such transfer or exchange shall be deemed to be a Cost of the Project to be borne by the District.

**Section 15: ARBITRAGE; SPECIAL TAX COVENANTS**

The District hereby covenants that it will not make any use of the proceeds of sale of the Bonds or any other funds of the District which may be deemed to be proceeds of such Bonds pursuant to Section 148 of the Code which will cause the Bonds to be "arbitrage bonds" within the meaning of said Section. The District will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bonds) throughout the term of the Bonds.

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

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

**Section 16: QUALIFIED TAX EXEMPT OBLIGATION**

The District hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code, and the District hereby represents that it does not reasonably expect to issue tax exempt obligations in an aggregate principal amount in excess of \$10,000,000 during the 1992 calendar year.

**Section 17: PRIVATE PERSON USE LIMITATION**

The District covenants that so long as the Bonds are outstanding, it will not permit:

(a) More than 10% of the Net Proceeds of the Bonds to be used for any Private Person Use; and

(b) More than 10% of the principal or interest payments on the Bonds in a Bond Year to be (under the terms of this Ordinance or any underlying arrangement) directly or indirectly: (i) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (ii) derived from payments (whether or not made to the District) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The District further covenants that, if:

(c) More than 5% of the Net Proceeds of the Bonds are to be used for any Private Person Use; and

(d) More than 5% of the principal or interest payments on the Bonds in a Bond Year are (under the terms of this Ordinance or any underlying arrangement) directly or indirectly: (i) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (ii) derived from payments (whether or not made to the District) in respect of property, or borrowed money, used or to be used for any Private Person Use

then, (i) any Private Person Use of the System described in subsection (c) hereof or Private Person Use payments described in subsection (d) hereof that is in excess of the 5% limitation described in such subsections (c) or (d) will be for a Private Person Use that is related to the state or local governmental use of the System, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the state or local governmental use portion of the System to which the Private Person Use of such portion of the System relates. The District further covenants that it will comply with any limitations on the use of the System by other than state and local governmental users that are necessary, in the opinion of bond counsel, to preserve the tax exemption of the interest on the Bonds.

**Section 18: PRIVATE LOAN LIMITATION**

The District covenants that so long as the Bonds are outstanding, it will not permit Bond proceeds in excess of the lesser of:

- (a) 5% of the Net Proceeds of the Bonds, or
- (b) \$5,000,000

of the proceeds of the Bonds, to be used (directly or indirectly) to make loans (other than loans that enable a borrower to finance a governmental tax or assessment of general application for a specific essential governmental function) to a Private Person.

**Section 19: EXEMPTION FROM ARBITRAGE REBATE REQUIREMENT**

The District hereby covenants and represents that it shall not issue more than \$5,000,000 in tax exempt obligations during the 1992 calendar year. Accordingly, the District is not required to comply with the arbitrage rebate rules by virtue of Section 148(f)(4)(C) of the Code.

**Section 20: FEDERAL GUARANTY PROHIBITION**

The District covenants that so long as the Bonds are outstanding, it will not take any action or permit or suffer any action to be taken if the result thereof would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

**Section 21: TAX COVENANTS - BOND COUNSEL OPINION**

The District shall comply with the provisions of the sections of this Ordinance pertaining to the Code unless in the written opinion of Preston Thorgrimson Shidler Gates & Ellis or other nationally recognized bond counsel to the District, such compliance is not required to maintain the exemption of the interest on the Bonds from federal income taxation.

**Section 22: VALIDITY OF ISSUANCE**

The Bonds are issued pursuant to the Local Improvement District Act, being Idaho Code Section 50-1701 through 50-1771, inclusive. This recital is conclusive evidence of the validity of the Bonds and the regularity of their issuance.

**Section 23: ORDINANCE A CONTRACT**

The provisions of this Ordinance shall constitute a contract between the District and the Registered Owner so long as the Bonds hereby authorized remain unpaid.

**Section 24: DETERMINATION**

The Board does hereby find, determine, and declare that it is essential to the public interest, welfare, and convenience of the District and the inhabitants thereof to undertake and acquire the Project. Said Project will be paid for in part by the issuance of the Bonds in conformity with the Idaho Code, as set forth herein.

The Project shall conform to the description contained in this Ordinance and ratified and approved by the Board in Ordinance No. 88-1 of the District approved on May 16, 1988, for which proper notice was given and the public hearing properly conducted.

**Section 25: SEVERABILITY**

If any one or more of the covenants or agreements provided in this Ordinance to be performed on the part of the District shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this Ordinance and shall in

no way affect the validity of the other provisions of the Ordinance or of the Bonds.

**Section 26: REPEALER**

All prior resolutions or ordinances inconsistent herewith are hereby repealed and shall, to the extent of such inconsistency, have no further force or effect.

**Section 27: PUBLICATION OF ORDINANCE AND APPEAL PROVISIONS**

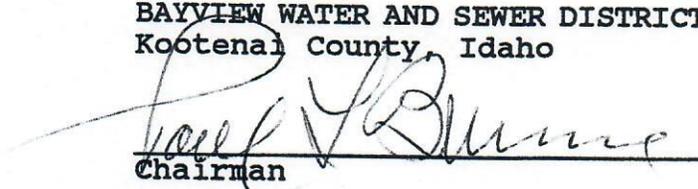
Pursuant to Section 50-1727, Idaho Code, this Ordinance, or a summary thereof in compliance with Section 50-901A, Idaho Code, shall be published once in the official newspaper of the District. Any contest or proceeding to question the validity or legality of this Ordinance, or of any ordinance, resolution, or proceedings heretofore taken with respect to LID No. 1, or of the Bonds authorized hereby, shall be brought in court by any person for any cause whatsoever after the expiration of thirty (30) days from the publication of this Ordinance, and after such time the validity, legality and regularity of this Ordinance and any ordinance, resolution, or proceedings with respect to LID No. 1, or the Bonds authorized hereby, shall be conclusively presumed.

**Section 28: EFFECTIVE DATE**

This Ordinance shall take effect and be in force from and after its passage, approval and publication as provided herein.

ADOPTED this 28th day of October, 1992.

BAYVIEW WATER AND SEWER DISTRICT  
Kootenai County, Idaho

  
Chairman

ATTEST:

  
Secretary

( S E A L )



**CERTIFICATE**

I, the undersigned, the Secretary of the Bayview Water and Sewer District of Kootenai County, Idaho, hereby certify that the foregoing Ordinance is a full, true, and correct copy of a Ordinance duly adopted at a special meeting of the Board of said District, duly and regularly held at the regular meeting place thereof on October 28, 1992, of which meeting all members of said Board had due notice and at which a majority thereof were present; and that at said meeting said Ordinance was adopted by the following vote:

AYES, and in favor thereof, Directors: *Three*

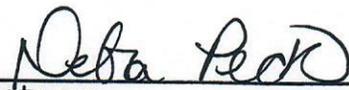
NOES, Directors: *None*

ABSENT, Directors: *Two*

ABSTAIN, Directors: *None*

I further certify that I have carefully compared the same with the original Ordinance on file and of record in my office; that said Ordinance is a full, true and correct copy of the original Ordinance adopted at said meeting; and that said Ordinance has not been amended, modified or rescinded since the date of its adoption, and is now in full force and effect.

IN WITNESS WHEREOF, I have set my hand and affixed the official seal of said District on October 28, 1992.

  
\_\_\_\_\_  
Secretary

( S E A L )

(Face of Bond)

REGISTERED  
\*\*\*1\*\*\*

REGISTERED  
\$302,200

UNITED STATES OF AMERICA  
STATE OF IDAHO  
COUNTY OF KOOTENAI

BAYVIEW WATER AND SEWER DISTRICT  
LOCAL IMPROVEMENT DISTRICT NO. 1 BOND  
SERIES A

(The Bonds of This Series Have Been Designated  
"Qualified Tax-Exempt Obligations")

See Reverse Side For  
Additional Provisions

KNOW ALL MEN BY THESE PRESENTS: That the Bayview Water and Sewer District, Kootenai County, Idaho (the "District"), for value received, promises to pay from the "Bayview Water and Sewer District Local Improvement District No. 1 Bond Fund" (the "Bond Fund") created by Ordinance No. 92-3, adopted on September 16, 1992, (the "Bond Ordinance") to:

UNITED STATES OF AMERICA, DEPARTMENT OF AGRICULTURE  
FARMERS HOME ADMINISTRATION

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

(\$302,200) in lawful money of the United States of America, with interest on the unpaid balance at the rate of five and one-half percent (5.5%) per annum from the date of this Bond until paid. The first installment of principal and interest in the amount of \$20,793 is payable on November 1, 1993, and each November 1 thereafter to the date of maturity or prior redemption. Both principal of and interest on this Bond shall be fully paid by November 1, 2012. The final installment may be in such lesser or greater amount as is necessary to pay the balance of principal and interest then remaining due. Both principal of and interest on this Bond are payable only out of said Bond Fund and Interest Fund, respectively. However, in the event said Bond Fund and Interest Fund shall be insufficient to pay the Bonds and the interest thereon as they become due, the deficiency shall be paid out of the District's Local Improvement Guarantee Fund. The Bonds have been authorized to be issued by Ordinance No. 92-4, adopted on October 28, 1992.

EXHIBIT "A"

Both principal of and interest on this Bond are payable in lawful money of the United States of America to the Registered Owner hereof, whose name shall appear on the registration books of the District (the "Bond Register") maintained by the Treasurer (the "Bond Registrar"). Payments of principal and interest shall be paid to the Registered Owner at the address shown on the Bond Register as of the close of business on the 15th day of the calendar month next preceding the payment date, and shall be paid by check or draft of the Bond Registrar mailed to such Registered Owner on the due date at the address appearing on the Bond Register, or such other address as may be furnished in writing by such Registered Owner to the Bond Registrar.

Section 50-1723, Idaho Code, reads as follows:

"LIABILITY OF MUNICIPALITY. The holder of any bond, issued under the authority of this code, shall have no claim therefor against the municipality by which the same is issued, except to the extent of the funds created and received by assessments against the property within any local improvement district as herein provided and to the extent of the local improvement guarantee fund which may be established by any such municipality under the provisions of this code, but the municipality shall be held responsible for the lawful levy of all special taxes or assessments herein provided and for the faithful accounting of settlements and payments of the special taxes and assessments levied for the payment of the bonds as herein provided. The owners and holders of such bonds shall be entitled to complete enforcement of all assessments made for the payment of such bonds. A copy of this section shall be plainly written, printed or engraved on the face of each bond so issued."

REFERENCE IS HEREBY MADE TO ADDITIONAL PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF, AND SUCH ADDITIONAL PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN THIS SPACE.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

IN WITNESS WHEREOF, Bayview Water and Sewer District, of Kootenai County, Idaho, acting through its Board of Directors has caused this Local Improvement District No. 1 Bond to be signed by the manual signature of the Chairman of its Board, countersigned by the manual signature of the Treasurer, and attested by the manual signature of the Secretary, and the official seal of the

EXHIBIT "A"

District to be impressed hereon, as of this 9th day of November, 1992.

BAYVIEW WATER AND SEWER DISTRICT  
Kootenai County, Idaho

Paul A. Benson  
Chairman

Debra Peck  
Treasurer

ATTEST:

Debra Peck  
Secretary

( S E A L )

CERTIFICATE OF AUTHENTICATION

This Bond is one of the "Bayview Water and Sewer District Local Improvement District No. 1 Bonds", dated as of November 9, 1992, described in the within-mentioned Bond Ordinance.

Date of Authentication:

BAYVIEW WATER AND SEWER DISTRICT  
Kootenai County, Idaho

By: Debra Peck  
Treasurer, as Bond Registrar

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(Reverse Side of Bond)

ADDITIONAL BOND PROVISIONS

This series of duly authorized Bonds aggregating \$302,200 in principal amount, is issued pursuant to and in full compliance with the Constitution and laws of the State of Idaho, particularly Title 50, Chapter 17 and Title 57, Chapter 2 of the Idaho Code and the Bond Ordinance.

The Board of Directors of said District as the agent for said Local Improvement District No. 1, created by Ordinance No. 88-1, adopted on June 8, 1988 has caused this Bond to be issued in the

EXHIBIT "A"

name of the District as a Bond of said Local Improvement District No. 1, said Bond, or the proceeds thereof, to be applied in payment of sewer improvements within Local Improvement District No. 1.

Payment of the principal of and interest on this Bond is to be borne by owners of property within Local Improvement District No. 1 from special assessments levied upon all property benefited by the sewer improvements made therein. The Registered Owner of this Bond shall look only to the Bond Fund, the Interest Fund, and the Local Improvement Guarantee Fund provided by Section 50-1762 of the Idaho Code, for the payment of either the principal of or the interest on this Bond. The principal sum of this Bond shall be payable from a separate fund under the control of the District Treasurer and designated "Bayview Water and Sewer District Local Improvement District No. 1 Bond Fund," pledged solely for the payment of the principal of the Bonds of the series of which this is one and consisting of all moneys constituting the payment of principal of assessments unpaid at the time of the issuance of this Bond. Interest hereon shall be payable from a separate fund under the control of the District Treasurer and designated "Bayview Water and Sewer District Local Improvement District No. 1 Interest Fund," pledged for the payment of the interest on the Bonds of the series of which this is one, and consisting of all moneys constituting the payment of interest on assessments unpaid at the time of the issuance of this Bond. Both Funds have been created by Ordinance No. 92-3.

This Bond is transferable by the Registered Owner hereof or their attorney duly authorized in writing at the principal office of the Bond Registrar upon surrender of this Bond, accompanied by a duly executed instrument of transfer in the form attached hereto and with guaranty of signature satisfactory to the Bond Registrar, subject to such reasonable regulations as the Bond Registrar may prescribe, and upon payment of any tax, fee, or other governmental charge incident to such transfer. Upon any such transfer, there shall be issued in the name of the transferee a new fully registered Bond or Bonds of authorized denominations of the same aggregate principal amount, maturity, and interest rate as this Bond. The person in whose name this Bond is registered shall be deemed the owner hereof for all purposes, and the Bond Registrar shall not be affected by any notice to the contrary.

The Bonds are subject to redemption at the times and upon the giving of notice as provided in the Bond Ordinance.

The assessments authorized by the assessment roll in Local Improvement District No. 1, confirmed by Ordinance No. 92-3, adopted on September 16, 1992, are a lien upon the property assessed and have been pledged to pay the principal of and interest on the Bonds of this issue, pursuant to Chapter 17, Title 50, Idaho

EXHIBIT "A"

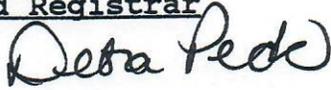
Code, the Local Improvement District Code of Idaho, and pursuant also to the ordinances and resolutions of the District.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all acts and things required by the Constitution and laws of the State of Idaho and the ordinances and resolutions of the District to exist, to happen, and to be performed precedent to and in the issuance of this Bond and the issue of which it forms a part, necessary to constitute the same legal, binding, and valid special obligations of Local Improvement District No. 1, in accordance with the tenor and terms of said Bonds, have existed, have happened, and have been performed in due time, form, and manner; and that the aforesaid special assessments have been legally levied and that this series of Bonds does not exceed the amount of unpaid assessments.

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(NO WRITING TO BE PLACED HEREIN EXCEPT BY THE BOND REGISTRAR)

REGISTRATION CERTIFICATE

This Bond shall be payable only to the order of the Registered Owner or his legal representative.

<u>Date of Registration</u>	<u>Name of Registered Owner</u>	<u>Signature of Bond Registrar</u>
November 1, 1993	United States of America Department of Agriculture Farmers Home Administration Finance Office 1520 Market Street St. Louis, MO 63103	

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REGISTRAR'S CERTIFICATE

I, the undersigned, Treasurer of the Bayview Water and Sewer District, of Kootenai County, Idaho, hereby certify that the within Bayview Water and Sewer District Local Improvement District No. 1 Bond, has been duly registered by me in my office in the Bond Register kept for that purpose.

BAYVIEW WATER AND SEWER DISTRICT  
Kootenai County, Idaho

  
\_\_\_\_\_  
Treasurer, as Bond Registrar

LEGAL OPINION

I, the undersigned, Secretary of the Board of Directors of Bayview Water and Sewer District, of Kootenai County, Idaho, DO HEREBY CERTIFY that the legal opinion of Preston Thorgrimson Shidler Gates & Ellis, of Spokane, Washington, which opinion is dated the date of delivery of and payment for the Bonds described therein, an original of which was delivered to me on said date, and is a part of the permanent records of the District.

BAYVIEW WATER AND SEWER DISTRICT  
Kootenai County, Idaho

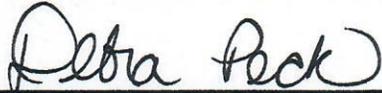
  
\_\_\_\_\_  
Secretary

EXHIBIT "A"

(Face of Bond)

REGISTERED  
\*\*\*1\*\*\*

REGISTERED  
\$212,381

UNITED STATES OF AMERICA  
STATE OF IDAHO  
COUNTY OF KOOTENAI

BAYVIEW WATER AND SEWER DISTRICT  
LOCAL IMPROVEMENT DISTRICT NO. 1 BOND  
SERIES B

(The Bonds of This Series Have Been Designated  
"Qualified Tax-Exempt Obligations")

See Reverse Side For  
Additional Provisions

KNOW ALL MEN BY THESE PRESENTS: That the Bayview Water and Sewer District, Kootenai County, Idaho (the "District"), for value received, promises to pay from the "Bayview Water and Sewer District Local Improvement District No. 1 Bond Fund" (the "Bond Fund") created by Ordinance No. 92-3, adopted on September 16, 1992, (the "Bond Ordinance") to:

UNITED STATES OF AMERICA, DEPARTMENT OF AGRICULTURE  
FARMERS HOME ADMINISTRATION

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

(\$212,381) in lawful money of the United States of America, with interest on the unpaid balance at the rate of five and one-half percent (5.5%) per annum from the date of this Bond until paid. The first installment of principal and interest in the amount of \$20,793 is payable on November 1, 1993, and each November 1 thereafter to the date of maturity or prior redemption. Both principal of and interest on this Bond shall be fully paid by November 1, 2012. The final installment may be in such lesser or greater amount as is necessary to pay the balance of principal and interest then remaining due. Both principal of and interest on this Bond are payable only out of said Bond Fund and Interest Fund, respectively. However, in the event said Bond Fund and Interest Fund shall be insufficient to pay the Bonds and the interest thereon as they become due, the deficiency shall be paid out of the District's Local Improvement Guarantee Fund. The Bonds have been authorized to be issued by Ordinance No. 92-4, adopted on October 28, 1992.

EXHIBIT "B"

Both principal of and interest on this Bond are payable in lawful money of the United States of America to the Registered Owner hereof, whose name shall appear on the registration books of the District (the "Bond Register") maintained by the Treasurer (the "Bond Registrar"). Payments of principal and interest shall be paid to the Registered Owner at the address shown on the Bond Register as of the close of business on the 15th day of the calendar month next preceding the payment date, and shall be paid by check or draft of the Bond Registrar mailed to such Registered Owner on the due date at the address appearing on the Bond Register, or such other address as may be furnished in writing by such Registered Owner to the Bond Registrar.

Section 50-1723, Idaho Code, reads as follows:

"LIABILITY OF MUNICIPALITY. The holder of any bond, issued under the authority of this code, shall have no claim therefor against the municipality by which the same is issued, except to the extent of the funds created and received by assessments against the property within any local improvement district as herein provided and to the extent of the local improvement guarantee fund which may be established by any such municipality under the provisions of this code, but the municipality shall be held responsible for the lawful levy of all special taxes or assessments herein provided and for the faithful accounting of settlements and payments of the special taxes and assessments levied for the payment of the bonds as herein provided. The owners and holders of such bonds shall be entitled to complete enforcement of all assessments made for the payment of such bonds. A copy of this section shall be plainly written, printed or engraved on the face of each bond so issued."

REFERENCE IS HEREBY MADE TO ADDITIONAL PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF, AND SUCH ADDITIONAL PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN THIS SPACE.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

IN WITNESS WHEREOF, Bayview Water and Sewer District, of Kootenai County, Idaho, acting through its Board of Directors has caused this Local Improvement District No. 1 Bond to be signed by the manual signature of the Chairman of its Board, countersigned by the manual signature of the Treasurer, and attested by the manual signature of the Secretary, and the official seal of the

EXHIBIT "B"

District to be impressed hereon, as of this 9th day of November, 1992.

BAYVIEW WATER AND SEWER DISTRICT  
Kootenai County, Idaho

Paul Blum  
Chairman

Deba Peck  
Treasurer

ATTEST:

Deba Peck  
Secretary

( S E A L )

CERTIFICATE OF AUTHENTICATION

This Bond is one of the "Bayview Water and Sewer District Local Improvement District No. 1 Bonds", dated as of November 9, 1992, described in the within-mentioned Bond Ordinance.

Date of Authentication:

BAYVIEW WATER AND SEWER DISTRICT  
Kootenai County, Idaho

By: Deba Peck  
Treasurer, as Bond Registrar

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(Reverse Side of Bond)

ADDITIONAL BOND PROVISIONS

This series of duly authorized Bonds aggregating \$212,381 in principal amount, is issued pursuant to and in full compliance with the Constitution and laws of the State of Idaho, particularly Title 50, Chapter 17 and Title 57, Chapter 2 of the Idaho Code and the Bond Ordinance.

The Board of Directors of said District as the agent for said Local Improvement District No. 1, created by Ordinance No. 88-1, adopted on June 8, 1988 has caused this Bond to be issued in the

EXHIBIT "B"

name of the District as a Bond of said Local Improvement District No. 1, said Bond, or the proceeds thereof, to be applied in payment of sewer improvements within Local Improvement District No. 1.

Payment of the principal of and interest on this Bond is to be borne by owners of property within Local Improvement District No. 1 from special assessments levied upon all property benefited by the sewer improvements made therein. The Registered Owner of this Bond shall look only to the Bond Fund, the Interest Fund, and the Local Improvement Guarantee Fund provided by Section 50-1762 of the Idaho Code, for the payment of either the principal of or the interest on this Bond. The principal sum of this Bond shall be payable from a separate fund under the control of the District Treasurer and designated "Bayview Water and Sewer District Local Improvement District No. 1 Bond Fund," pledged solely for the payment of the principal of the Bonds of the series of which this is one and consisting of all moneys constituting the payment of principal of assessments unpaid at the time of the issuance of this Bond. Interest hereon shall be payable from a separate fund under the control of the District Treasurer and designated "Bayview Water and Sewer District Local Improvement District No. 1 Interest Fund," pledged for the payment of the interest on the Bonds of the series of which this is one, and consisting of all moneys constituting the payment of interest on assessments unpaid at the time of the issuance of this Bond. Both Funds have been created by Ordinance No. 92-3.

This Bond is transferable by the Registered Owner hereof or their attorney duly authorized in writing at the principal office of the Bond Registrar upon surrender of this Bond, accompanied by a duly executed instrument of transfer in the form attached hereto and with guaranty of signature satisfactory to the Bond Registrar, subject to such reasonable regulations as the Bond Registrar may prescribe, and upon payment of any tax, fee, or other governmental charge incident to such transfer. Upon any such transfer, there shall be issued in the name of the transferee a new fully registered Bond or Bonds of authorized denominations of the same aggregate principal amount, maturity, and interest rate as this Bond. The person in whose name this Bond is registered shall be deemed the owner hereof for all purposes, and the Bond Registrar shall not be affected by any notice to the contrary.

The Bonds are subject to redemption at the times and upon the giving of notice as provided in the Bond Ordinance.

The assessments authorized by the assessment roll in Local Improvement District No. 1, confirmed by Ordinance No. 92-3, adopted on September 16, 1992, are a lien upon the property assessed and have been pledged to pay the principal of and interest on the Bonds of this issue, pursuant to Chapter 17, Title 50, Idaho

EXHIBIT "B"

Code, the Local Improvement District Code of Idaho, and pursuant also to the ordinances and resolutions of the District.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all acts and things required by the Constitution and laws of the State of Idaho and the ordinances and resolutions of the District to exist, to happen, and to be performed precedent to and in the issuance of this Bond and the issue of which it forms a part, necessary to constitute the same legal, binding, and valid special obligations of Local Improvement District No. 1, in accordance with the tenor and terms of said Bonds, have existed, have happened, and have been performed in due time, form, and manner; and that the aforesaid special assessments have been legally levied and that this series of Bonds does not exceed the amount of unpaid assessments.

-----  
(NO WRITING TO BE PLACED HEREIN EXCEPT BY THE BOND REGISTRAR)

REGISTRATION CERTIFICATE

This Bond shall be payable only to the order of the Registered Owner or his legal representative.

<u>Date of Registration</u>	<u>Name of Registered Owner</u>	<u>Signature of Bond Registrar</u>
November 1, 1993	United States of America Department of Agriculture Farmers Home Administration Finance Office 1520 Market Street St. Louis, MO 63103	<i>Debra Peck</i>

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REGISTRAR'S CERTIFICATE

I, the undersigned, Treasurer of the Bayview Water and Sewer District, of Kootenai County, Idaho, hereby certify that the within Bayview Water and Sewer District Local Improvement District No. 1 Bond, has been duly registered by me in my office in the Bond Register kept for that purpose.

BAYVIEW WATER AND SEWER DISTRICT  
Kootenai County, Idaho

*Debra Peck*  
\_\_\_\_\_  
Treasurer, as Bond Registrar

LEGAL OPINION

I, the undersigned, Secretary of the Board of Directors of Bayview Water and Sewer District, of Kootenai County, Idaho, DO HEREBY CERTIFY that the legal opinion of Preston Thorgrimson Shidler Gates & Ellis, of Spokane, Washington, which opinion is dated the date of delivery of and payment for the Bonds described therein, an original of which was delivered to me on said date, and is a part of the permanent records of the District.

BAYVIEW WATER AND SEWER DISTRICT  
Kootenai County, Idaho

  
Secretary