

SUMMARY OF RESOLUTION NO. 07-01  
RESOLUTION OF THE COOLIN SEWER DISTRICT

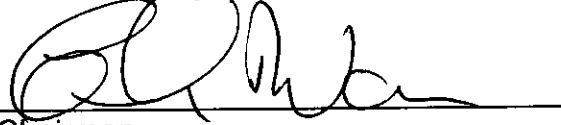
The title of this Resolution is AN RESOLUTION OF COOLIN SEWER DISTRICT, BONNER COUNTY, IDAHO, AUTHORIZING THE ISSUANCE AND SALE OF LOCAL IMPROVEMENT DISTRICT NO. 2002-1 BONDS, SERIES 2007, IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,319,000; SPECIFYING THE DATE, FORM, AND MATURITIES OF SAID BONDS; PROVIDING FOR REGISTRATION AND AUTHENTICATION OF THE BONDS; PROVIDING FOR CERTAIN FUNDS; PROVIDING FOR REDEMPTION OF THE BONDS; DECLARING THE DISTRICT'S INTENT TO REIMBURSE; PROVIDING FOR CONTINUING DISCLOSURE; PROVIDING FOR CERTAIN COVENANTS WITH RESPECT TO FEDERAL TAX LAW; APPROVING THE SALE OF THE SERIES 2006 BONDS TO THE STATE OF IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY; PROVIDING FOR THE EFFECTIVE DATE OF THIS RESOLUTION; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO. Section 1 provides for definitions. Section 2 authorizes the Bonds. Section 3 describes the Bonds as maturing on May 1, 2007, bearing an interest rate of 3.75% with annual payments due August 1, 2007 and each August 1 thereafter until maturity or redemption. Section 4 provides for the execution and delivery of the Bonds. Section 5 provides for the place and manner of payment on the Bonds. Section 6 pledges the special assessments levied upon all property in LID No 2002-1. Section 7 provides that the Bonds are not an indebtedness of the District. Section 8 provides for registration of the Bonds. Section 9 provides for action by Registered Owners of the Bonds. Section 10 provides for transfer of the Bonds. Section 11 provides for redemption of the Bonds. Section 12 provides for the replacement of lost, stolen, mutilated or destroyed Bonds. Section 13 creates a Bond Fund and an Interest Fund. Section 14 creates a Guarantee Fund. Section 15 creates a Construction Fund. Section 16 approves the sale of the Bonds to the State of Idaho Department of Environmental Quality. Section 17 provides for covenants to comply with the arbitrage and special tax provisions of the Code. Section 18 provides that the District is exempt from arbitrage rebate requirements. Section 19 designates the Bonds as bank eligible. Section 20 provides that the District will not cause the Bonds to be federally guaranteed. Section 21 declares that the District intends to use the Bond proceed to reimburse certain accounts for past expenses. Section 22 declares that the District will comply with the provisions of the Code. Section 23 provides for amendments of the Resolution. Section 24 constitutes the District's written undertaking to provide ongoing disclosure. Section 25 provides that there is no personal recourse against any member, officer or employee of the District. Section 26 provides for the continuing covenants of the District. Section 27 states that the headings in the Resolution are for convenience only. Section 28 provides for construing the Resolution under Idaho law. Section 29 provides for substitute notice. Section 30 provides for severability. Section 31 provides additional authority for the Chairman and other officers of the District. Section 32 ratifies past actions taken consistent with

the provisions of this Resolution. Section 33 provides for an effective date of the Resolution. Section 34 provides for publication of the Resolution.

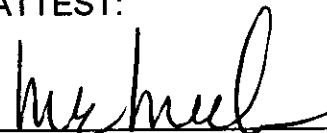
The full text of Resolution No. 07-01 is available during normal business hours of the Coolin Sewer District in Coolin, Idaho. The District Secretary shall provide a full copy of the Resolution to any citizen so requesting.

The Chairman and Board of Directors approved the foregoing summary for publication pursuant to Idaho Code Section 50-901(A) this 1<sup>st</sup> day of May, 2007.

COOLIN SEWER DISTRICT  
Bonner County, Idaho

  
Chairman


ATTEST:

  
District Secretary

(S E A L)

#### STATEMENT OF LEGAL ADVISOR

I have reviewed the foregoing summary and believe this summary of Resolution No. 07-01 is true and complete and provides adequate notice to the public of the provisions provided therein

  
Dana L. Rayborn Wetzel  
Bond Counsel

**RESOLUTION NO. 07- 01**

**A RESOLUTION OF COOLIN SEWER DISTRICT, BONNER COUNTY, IDAHO, AUTHORIZING THE ISSUANCE AND SALE OF LOCAL IMPROVEMENT DISTRICT NO. 2002-1 BONDS, SERIES 2007, IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,319,000; SPECIFYING THE DATE, FORM, AND MATURITIES OF SAID BONDS; PROVIDING FOR REGISTRATION AND AUTHENTICATION OF THE BONDS; PROVIDING FOR CERTAIN FUNDS; PROVIDING FOR REDEMPTION OF THE BONDS; DECLARING THE DISTRICT'S INTENT TO REIMBURSE; PROVIDING FOR CONTINUING DISCLOSURE; PROVIDING FOR CERTAIN COVENANTS WITH RESPECT TO FEDERAL TAX LAW; APPROVING THE SALE OF THE SERIES 2007 BONDS TO THE STATE OF IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY; PROVIDING FOR THE EFFECTIVE DATE OF THIS RESOLUTION; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO**

**COOLIN SEWER DISTRICT  
Bonner County, Idaho**

**LOCAL IMPROVEMENT DISTRICT NO. 2002-1 BONDS, SERIES 2007,  
IN THE PRINCIPAL AMOUNT OF \$3,319,000**

WHEREAS, Coolin Sewer District, Bonner County, Idaho, (the "District") is a District operating and existing under and pursuant to the provisions of the Constitution and laws of the State of Idaho, and as such is authorized by Idaho Code, Title 50, Chapter 17, to issue local improvement district bonds for the purpose of paying the cost of improvements and betterments within local improvement districts of the District;

WHEREAS, the Board of Directors of the District (the "Board"), by Resolution No. 02-2, adopted February 15, 2002, heretofore created Local Improvement District No. 2002-1 pursuant to Idaho Code Section 50-1728 for the sole purpose of issuing bonds;

WHEREAS, appeals from assessments have been filed in the District Court of the First Judicial District of the State of Idaho, in and for the County of Bonner and are being duly resolved by the District;

WHEREAS, the State of Idaho Department of Environmental Quality will purchase the LID No. 2002-1 Bonds designated as "Coolin Sewer District Local Improvement District No. 2002-1, Series 2007,"

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOLIN SEWER DISTRICT, BONNER COUNTY, IDAHO, as follows:

**Section 1:            DEFINITIONS**

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.

Board shall mean the Board of Directors of the Coolin Sewer District as the same shall be duly and regularly constituted from time to time.

Bond or Bonds shall mean the heretofore authorized collective aggregate principal amount of bonds designated "Coolin Sewer District Local Improvement District No. 2002-1, Series 2007 Bonds and Bond" authorized to be issued by this Resolution.

Bond Counsel shall mean Wetzel & Wetzel, P.L.L.C., or their successors in functions, if any.

Bond Fund shall mean the Coolin Sewer District Local Improvement District No. 2002-1 Bond Fund.

Bond Resolution shall mean this Resolution adopted by the District on May 2, 2007 authorizing the issuance and sale of the Bonds.

Bond Register shall mean the registration records of the District, maintained by the Bond Registrar, on which shall appear the names and addresses of the Registered Owners of the Bonds.

Bond Registrar shall mean the Treasurer of the District, as Bond Registrar, authenticating agent, paying agent, and transfer agent with respect to the Bonds, its successor in functions, or any successor or substitute Bond Registrar appointed by the District.

Bond Year shall mean the one-year period beginning on the date of issue of the Bond and ending one year later, and each subsequent one-year period.

District shall mean Coolin Sewer District, Bonner County, Idaho.

Chairman shall mean the Chairman of the District or his/her successor in function, if any.

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

Guarantee Fund shall mean the Local Improvement Guarantee Fund created by this Resolution, for the purpose of guaranteeing, to the extent of such fund, the payment of the principal of and interest on local improvement District bonds and warrants of the District.

LID No. 2002-1 Construction Fund shall mean the Coolin Sewer District Local Improvement District No. 2002-1 Construction Fund.

MSRB means the Municipal Securities Rulemaking Board or any successor to its functions.

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

NRMSIR means a nationally recognized municipal securities information repository.

Outstanding, when used with reference to a bond or bonds, as of any particular date, shall mean all bonds which have been issued, executed, authenticated and delivered by the District, except (i) bonds canceled because of payment or redemption prior to their stated date of maturity, and (ii) any bonds (or portion thereof) for the payment or redemption of which money has been separately set aside and held for the payment thereof.

Project shall mean the undertaking or undertakings of acquiring and installation of improvements described in Resolution No. 02-2 adopted by the District on February 15, 2002.

Register shall mean the registration records of the District, maintained by the Bond Registrar, on which shall appear the names and addresses of the Registered Owners of the Bonds.

Registered Owner or Owners shall mean the person or persons whose names and addresses shall appear on the Bond Register maintained by the Registrar as owner or owners of a specific Bond or Bonds.

Registrar shall mean the District Treasurer as Bond Registrar, authenticating agent, paying agent, and transfer agent with respect to the Bonds, its successor in functions, or any successor or substitute Bond Registrar appointed by the Board.

Secretary shall mean the Secretary of the District or his/her successor in function, if any.

Series 2007 Bond shall mean the heretofore authorized \$3,319,000 aggregate

principal amount of Bonds designated "Coolin Sewer District Local Improvement District No. 2002-1 Bonds, Series 2007" sold to the State of Idaho Department of Environmental Quality and issued by this Resolution.

SID means the state information depository for the State of Idaho.

Treasurer shall mean the Treasurer of the District or his/her successor in function, if any.

**Section 2:                    BONDS AUTHORIZED**

Bonds designated "Coolin Sewer District Local Improvement District No. 2002-1 Bonds, Series 2007," in the principal amount of \$3,319,000 (the "Bonds"), are hereby authorized to be issued, sold, and delivered to the State of Idaho Department of Environmental Quality.

**Section 3:                    DESCRIPTION OF THE SERIES 2007 BONDS**

A.     Dated Date and Interest. The Series 2007 Bonds shall be dated as of May 1, 2007, shall be in the aggregate principal amount of \$3,319,000, and shall be issued only in fully registered form as provided herein. Interest on the Bonds shall be calculated on the basis of a 360-day year and twelve 30-day months. The Series 2007 Bonds shall mature May 1, 2027 and shall bear interest at three and seventy-five one hundredths percent (3.75%) per annum. The first amortized installment of principal and interest in the amount of \$229,534.40 shall be payable commencing on August 1, 2007 and the same amount shall be due annually thereafter on each August 1, until maturity or prior redemption.

The Series 2007 Bonds shall be executed, authenticated and numbered as provided herein.

B.     Designation. The Series 2007 Bonds shall be numbered separately in a consecutive series in the manner and with any additional designation as the Bond Registrar or Treasurer deems necessary for the purpose of identification.

C.     Form. The Series 2007 Bonds shall initially be issued as a single bond and shall be issued substantially in the form as set forth in Exhibit "A" attached hereto and by reference made a part hereof. The Bond is convertible, at the option and expense of the Registered Owner hereof, into fully registered serial Bonds in denominations of \$5,000, or integral multiples thereof within a maturity, maturing on the dates and bearing interest at the rates set forth hereinabove.

**Section 4:                    EXECUTION AND DELIVERY OF THE BONDS**

Without unreasonable delay the District shall cause definitive Bonds to be prepared, executed, and delivered, which Bonds shall be typewritten or may be

lithographed or printed with engraved or lithographed borders. The Bonds shall be signed by the manual signature of the Chairman, countersigned by the manual signature of the Treasurer, and attested by the manual signature of the Secretary, and shall have the seal of the District impressed thereon.

Until the definitive Bond is prepared, the District may, if deemed necessary by the Secretary, utilize a temporary Bond, which shall be typewritten, and which shall be delivered to the purchaser of the Bond in lieu of the definitive Bond, but subject to the same provisions, limitations and conditions as the definitive Bond. The temporary Bond shall be dated as of the date of the Bond, shall be in the denomination of \$3,319,000, shall be numbered T-1, shall be substantially of the tenor of such definitive Bond, but with such omissions, insertions and variations as may be appropriate to temporary bonds, shall be issued in fully registered form, shall be manually signed by the Chairman, countersigned by the Treasurer and attested by the signature of the Secretary, and shall have the seal of the District impressed thereon. The Treasurer of the District shall be the Bond Registrar for the purpose of any such temporary Bond.

The Bonds shall be executed, certified, registered, authenticated, and payable as set forth herein. Only such Bonds that bear a Certificate of Authentication in the form set forth in Exhibit "A" attached hereto, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution. 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 Resolution.

In case any of the officers who shall have executed the Series 2007 Bonds shall cease to be such officer or officers of the District before the Series 2007 Bonds so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the District, such Series 2007 Bonds may nevertheless be authenticated, delivered, and issued and upon such authentication, delivery, and issuance, shall be as binding upon the District as though those who signed the same had continued to be such officers of the District. The Series 2007 Bonds may also be signed and attested on behalf of the District by such persons as at the actual date of execution of the Series 2007 Bonds shall be the proper officers of the District, although at the original date of the Series 2007 Bonds any such person shall not have been such officer.

**Section 5: PLACE AND MANNER OF PAYMENT**

A. Payable in Lawful Money. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America to the Registered Owner thereof, whose name and address shall appear on the registration books of the District (the "Bond Register") maintained by the Bond Registrar, hereinafter appointed.

B. Due Date. Payment of each installment of principal and interest shall be made on its annual due date to the Registered Owner whose name appears on the Bond Register as of the close of business on the fifteenth day of the calendar month of

the interest payment date, and shall be paid by check or draft of the Bond Registrar mailed to such Registered Owner on the due date at the address appearing on the Bond Register, or such other address as may be furnished in writing by such Registered Owner to the Bond Registrar.

**Section 6: PLEDGE OF SPECIAL ASSESSMENTS**

The District hereby covenants with the Registered Owners of the Bonds that it pledges the first proceeds of all special assessments levied upon all property benefitted by the improvements made in LID No. 2002-1 to pay the principal of and interest on the Bonds authorized herein.

**Section 7: LIMITATION OF LIABILITY**

The Bonds shall not constitute an indebtedness of the District within the meaning of any state constitutional provision or statutory limitation, or a charge against the general credit or taxing power of the District, and except as otherwise permitted in this Resolution, the Registered Owner of the Bonds shall have no claim against the District, its funds or property.

**Section 8: REGISTRATION**

A. System of Registration. The District hereby adopts a system of registration with respect to the Bonds as required by Title 57, Chapter 9, Idaho Code, as amended.

B. Appointment of Registrar. The District Treasurer is hereby appointed as Registrar, authenticating agent, paying agent, and transfer agent with respect to the Bonds. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds, which books are hereby defined as the "Bond Register," in which shall be maintained the names and addresses of the Registered Owners of the Bonds. Said Bond Register shall at all reasonable times be open to inspection by the District.

**Section 9: ACTS OF REGISTERED OWNERS; EVIDENCE OF OWNERSHIP**

Any action to be taken by Registered Owners may be evidenced by one or more concurrent written instruments of similar tenor, signed or executed by such Registered Owners in person or by agent appointed in writing. The fact and date of the execution by any person of any such instrument may be proved by acknowledgment before a notary public or other officer empowered to take an acknowledgment, or by an affidavit of a witness to such execution. Where such execution is by an officer of a corporation or a member of a partnership on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and



date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner which the Registrar deems sufficient. The ownership of the Bonds shall be proved by the Bond Registrar. Any action by the Registered Owner of any Bond shall bind all future Registered Owners of the same bond in respect to anything done or suffered by the District or the Registrar in pursuant thereof.

**Section 10:            TRANSFER OF BONDS**

A.    Bond Register. The Bonds may be transferred only upon the Bond Register, upon the surrender thereof at the principal office of the Registrar, together with a form of transfer duly executed by the Registered Owner or his attorney duly authorized in writing, substantially in the form set forth in the form of the Bonds referred to herein. Upon the transfer of a Bond, there shall be issued in the name of the transferee or transferees a new fully registered Bond of the same aggregate principal amount as the surrendered Bond. The new Bond 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.

B.    Exchange or Transfer. The Registrar shall not be required to exchange or transfer the Bond after the Registrar's close of business on the last business day of the month next preceding such interest payment date or, in the case of redemption of the Bond, within fifteen (15) days of mailing the notice of redemption.

**Section 11:            REDEMPTION OF THE BONDS**

A.    Optional Redemption. The District has reserved the right to redeem any portion of the Bonds on any interest payment date, in such amount as the District Treasurer has cash in the Bond Fund to pay the same over and above amounts to pay principal due on the next principal payment date.

B.    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.

C.    Notice of Redemption. Unless waived by the Registered Owner of any Bond to be redeemed, notice of any intended redemption shall be given not less than ten (10) nor more than thirty (30) days prior to the redemption date by first class mail, postage prepaid, to the Registered Owner of any Bond to be redeemed at the address appearing on the Bond Register. The requirements of this Resolution shall be deemed to be complied with when notice is mailed as herein provided, regardless of whether or not it is actually received by the Registered Owner of such Bond.

D.    Voluntary Redemption Notice. If the Bonds are converted to fully registered serial bonds as provided for 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 B.

(1) Each further notice of redemption given hereunder may 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 of all Bonds being redeemed, if any;

(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 may be sent at least ten (10) 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 Bonds, such depositories now being:

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

(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 Bonds (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 a newspaper of general circulation in Bonner County, Idaho, and 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 ten (10) 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 identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

E. Open Market Purchase and Cancellation. The District hereby reserves the right to purchase the Bonds on the open market at any price. In the event that the District shall purchase the Bonds at a price (exclusive of accrued interest) of less than the principal amount thereof, the Bonds so purchased shall be credited at the par amount thereof against the debt service requirement. All Bonds so purchased shall be canceled.

#### **Section 12: LOST, STOLEN, MUTILATED OR DESTROYED BONDS**

In case any Bonds 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 Bond Registrar and the District evidence satisfactory to the Bond Registrar and the District that such Bond was actually lost, stolen, mutilated or destroyed and of his ownership thereof, and upon furnishing the Bond Registrar and the District with indemnity satisfactory to the Bond Registrar and the District.

#### **Section 13: BOND FUND AND INTEREST FUND**

A. Receive and Collect Assessments. The Treasurer is hereby authorized and empowered and it shall be his duty to receive and collect assessments levied on property within LID No. 2002-1 to pay the costs of improvements therein, 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 Resolutions and resolutions of the District.

B. Bond Fund. All moneys constituting payment of principal on said unpaid installments of assessments for LID No. 2002-1 are to be deposited into a special fund to be known as the "Coolin Sewer District Local Improvement District No. 2002-1 Bond Fund" (the "LID No. 2002-1 Bond Fund") which is hereby created, 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 LID No. 2002-1 Bond Fund is hereby pledged.

C. Interest Fund. All moneys constituting payment of interest on said unpaid installments of assessments for LID No. 2002-1 are to be deposited into a special fund, designated "Coolin Sewer District Local Improvement District No. 2002-1 Interest Fund" (the "LID No. 2002-1 Interest Fund"), which is hereby created, 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 LID No. 2002-1 Interest Fund is hereby pledged.

D. Payment of Principal and Interest. 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 to the extent of such fund and not otherwise.

E. Deposits. Moneys in the Bond Fund and Interest Fund 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 for the deposit of public funds or investments as provided by law. 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 14:            GUARANTEE FUND**

There is hereby established a special fund designated the Coolin Sewer District Local Improvement District No. 2002-1 Guarantee Fund (the "Guarantee Fund"). The District hereby covenants to deposit Two Hundred One Thousand (\$201,000) into the Guarantee Fund from payments received from assessments and other legally available sources (including the tax levy provided by Idaho Code Section 50-1762). The District hereby covenants that the balance in the Guarantee Fund will be not less than five percent (5.00%) of the principal balance of all local improvement district bonds and warrants of the District outstanding. If the Guarantee Fund is drawn upon the District shall restore the balance within thirty-six (36) months from the date of the draw or the District will levy a tax as provided by Idaho Code Section 50-1762 to restore the balance within the next fiscal year.

**Section 15: LID NO. 2002-1 CONSTRUCTION FUND**

A. Creation of Fund. There is hereby created a special fund designated the Coolin Sewer District Local Improvement District No. 2002-1 Construction Fund (the "LID No. 2002-1 Construction Fund") which shall be maintained by the Treasurer and into which shall be deposited the proceeds of the sale of the Bonds.

B. Use of Fund. Moneys in the LID No. 2002-1 Construction Fund shall be used for the payment of part of the cost and expense of the acquisition, construction and installation of the improvements made within LID No. 2002-1.

C. Interest and Other Monies. All interest earnings on moneys invested from the LID No. 2002-1 Construction Fund shall be deposited into said 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.

D. Funds Remaining. When improvements have been completed and all costs thereof paid in full, any funds remaining in the LID No. 2002-1 Construction Fund (or so much thereof as may be needed) shall be transferred to the Bond Fund created by the Bond Resolution and used to pay the principal of and interest on the outstanding Bonds.

**Section 16: SALE OF THE BONDS**

The sale of the Series 2007 Bonds in the aggregate principal amount of \$3,319,000 to the State of Idaho Department of Environmental Quality is hereby approved.

**Section 17: ARBITRAGE; SPECIAL TAX COVENANTS**

A. Compliance. The District shall comply with the provisions of this Section unless, in the written opinion of Wetzel & Wetzel, P.L.L.C., or other nationally recognized bond counsel to the District, such compliance is not required in order to maintain the exemption of the interest on the Bonds from federal income taxation.

B. Arbitrage Bonds. 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 Bond pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and any Treasury Regulations promulgated thereunder (the "Code") which will cause the Bonds to be an "arbitrage bond" 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 Bond) throughout the term of the Bonds.

C. Registration. 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.

D. Private Activity Bond. 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 a "private activity bond" under Section 141 of the Code.

**Section 18: EXEMPTION FROM ARBITRAGE REBATE REQUIREMENTS**

The District hereby covenants and represents that it reasonably expects that all of the proceeds of the Bonds will be expended within six (6) months after their date of issuance, accordingly the District is not required to comply with the Arbitrage Rebate Rules by virtue of Section 148(f)(4)(B) of the Code.

The District hereby covenants and represents that it will not issue more than \$5,000,000 of tax-exempt obligations during the 2003 calendar year. Accordingly, the District is not required to comply with the Arbitrage Rebate Rules by virtue of Section 148(C) of the Code.

**Section 19: BANK ELIGIBLE**

The District hereby designates the Bonds as "Qualified Tax-Exempt Obligations" pursuant to and as defined in Section 265(b) of the Code. The District covenants that it shall not designate more than \$10,000,000 of tax-exempt obligations during the calendar year 2003. The District does not reasonably anticipate that it will issue in the aggregate more than \$10,000,000 principal amount of tax-exempt obligations during the calendar year 2003. In applying this \$10,000,000 limitation, the District has taken into account (1) tax-exempt obligations that it has issued and anticipates issuing, (2) tax-exempt obligations that any "subordinate entity" has issued or anticipates issuing, (3) tax-exempt obligations that any entity that issues obligations on behalf of the District has issued or anticipates issuing, and (4) tax-exempt obligations that an entity formed to avoid this \$10,000,000 limitation has issued or anticipates issuing. However, in applying this \$10,000,000 limitation, the District need not take into account any private activity bond (other than qualified 501(c)(3) bonds) and any obligation issued to refund (other than in an advance refunding) another obligation to the extent that the amount of the refunding obligation does not exceed the amount of the refunded obligation.

**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 and any Regulations promulgated thereunder.

**Section 21:            DECLARATION TO REIMBURSE**

The District hereby declares that it intends to issue Bonds to reimburse the District for preliminary expenditures made to secure the capital improvements for the Project as described herein. The District reasonably expects to reimburse these expenditures with proceeds from the Bonds to be issued for the Project. This declaration is intended to be a declaration of official intent under the Department of Treasury, IRS Regulations CFR 1.103-18 "Proceeds of Bonds Used for Reimbursement." A general, functional description of the Project is described herein. The maximum principal amount of the Bonds expected to be issued for reimbursement is \$1,460,000. Reimbursing the expenditures for the Project is consistent with the financial and budgetary circumstances of the District and the proceeds of the Bonds shall not be used in any manner inconsistent with the intent of and provisions found in CFR 1.103-18 "Proceeds of Bonds Use for Reimbursement." This declaration of intent to reimburse shall be available for public inspection at the District Secretary's Office of Bonner County, Idaho, from and after its passage.

**Section 22:            COMPLIANCE WITH THE CODE**

The District covenants to comply with the provisions of the Resolution pertaining to the Code unless, in the written opinion of Wetzel & Wetzel, P.L.L.C. or other nationally recognized bond counsel to the District, such compliance is not required in order to maintain the exemption of the interest on the Bond from federal income taxation.

**Section 23:            AMENDMENTS**

A.     Supplemental Resolution. The Board from time to time and at any time may adopt an Resolution or Resolutions supplemental hereto, which Resolution or Resolutions thereafter shall become a part of this Resolution, for any one or more or all of the following purposes:

(1)    To add to the covenants and agreements of the District in this Resolution, other covenants and agreements thereafter to be observed, which shall not adversely affect the interests of the Registered Owner of the Bond, or to surrender any right or power herein reserved.

(2)    To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this Resolution or any Resolution authorizing future Bonds in regard to matters or questions arising under such Resolutions as the Board may deem necessary or desirable and not inconsistent with such Resolutions and which shall not adversely affect, in any material respect, the interest of the Registered Owner of the Bonds.

Any such supplemental Resolution may be adopted without the consent of the Registered Owner of the Bond at any time outstanding, notwithstanding any of the provisions of subsection B of this section.

B. Consent of Owners. With the consent of sixty-five percent (65%) of the Registered Owners of the Bond, the Board may adopt an Resolution or Resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Resolution or of any supplemental Resolution; provided, however, that no such supplemental Resolution shall extend the fixed maturity of the Bond, or reduce the rate of interest thereon, or extend the time of payment of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof or change the redemption provisions, without the consent of the Registered Owner of the Bond.

It shall not be necessary for the consent of the Registered Owner of the Bond under this subsection B to approve the particular form of any proposed supplemental Resolution, but it shall be sufficient if such consent shall approve the substance thereof.

C. Modified and Amended. Upon the adoption of any supplemental Resolution pursuant to the provisions of this section, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the District under this Resolution and the Registered Owners of the Bond hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all terms and conditions of any such supplemental Resolution shall be deemed to be part of the terms and conditions of this Resolution for any and all purposes.

D. Bond Notation. Bonds executed and delivered after the execution of any supplemental Resolution adopted pursuant to the provisions of this section may have a notation as to any matter provided for in such supplemental Resolution, and if such supplemental Resolution shall so provide, new Bonds so modified as to conform in the opinion of the Board, to any modification of this Resolution contained in any such supplemental Resolution, may be prepared and delivered without cost to the Registered Owner of the affected Bond and surrendered for cancellation of such Bond, in any equal principal amount.

**Section 24:                   UNDERTAKING TO PROVIDE ONGOING DISCLOSURE**

A. Contract/Undertaking. This section constitutes the District's written undertaking for the benefit of the owners of the Series 2007 Bonds as required by Section 15c2-12(b)(5) of the Rule. The Bond has been sold to a buyer qualifying as a "sophisticated purchaser" and continuing disclosure is therefore not required for the Bond.



**Section 25: NO PERSONAL RECOURSE**

No recourse shall be had for any claim based on the Resolution or on the Bonds against any member, officer or employee, past, present or future, of the District or of any successor body as such, either directly or through the District or such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

**Section 26: SUCCESSORS AND ASSIGNS**

All the covenants, promises and agreements in this Resolution contained by or on behalf of the District, or by or on behalf of the Registrar, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

**Section 27: HEADINGS FOR CONVENIENCE ONLY**

The descriptive headings of this Resolution are inserted for convenience only and shall not control or affect the meaning or construction of any provision thereof.

**Section 28: APPLICABLE LAW**

This Resolution shall be governed by and construed in accordance with the laws of the State of Idaho.

**Section 29: SUBSTITUTE NOTICE**

If for any reason it shall be impossible to make publication of any notice required hereunder in a newspaper or newspapers, then such publication or other notice in lieu thereof as shall be made with the approval of the Registrar, shall constitute as sufficient giving of such notice.

**Section 30: SEVERABILITY**

If any one or more of the covenants or agreements provided in this Resolution 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 Resolution and shall in no way affect the validity of the other provisions of this Resolution or of the Bonds.

**Section 31: ADDITIONAL AUTHORITY**

The Chairman, Secretary, and Treasurer and other officials of the District are hereby authorized to do or perform all such acts, to complete other documents, and to execute all such certificates, documents, and other instruments as may be necessary or

advisable to carry this Resolution into effect.

**Section 32:            RATIFICATION**

All action heretofore taken by the Board, and the employees of the District (not inconsistent with the provisions of this Resolution), in connection with the making of said acquisitions and improvements within and for LID No. 2002-1, and the issuance of the Bonds, are hereby in all respects ratified, approved and confirmed.

**Section 33:            EFFECTIVE DATE**

This Resolution shall take effect and be in force from and after its passage and approval.

**Section 34:            PUBLICATION OF RESOLUTION**

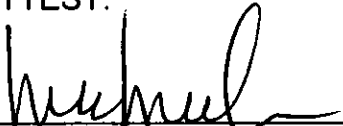
Pursuant to Idaho Code Section 50-1727, this Resolution or a summary thereof may be published once in the official newspaper of the District.

DATED this 1<sup>st</sup> day of May 2007.

COOLIN SEWER DISTRICT  
Bonner County, Idaho

\_\_\_\_\_  
Chairman

ATTEST:

  
\_\_\_\_\_  
District Secretary

( S E A L )

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I, the undersigned Secretary of the Coolin Sewer District, Bonner County, Idaho, hereby certify that the foregoing Resolution is a full, true, and correct copy of an Resolution duly adopted at a regular meeting of the District of said District, duly and held at the regular meeting place thereof held on May 1, 2007, 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 Resolution was adopted by the following vote:

AYES, and in favor thereof: 4

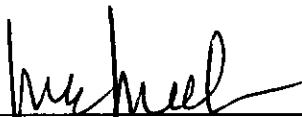
NOES: 0

ABSENT: 1

ABSTAIN: 0

I further certify that I have carefully compared the same with the original Resolution on file and of record in my office; that said Resolution is a full, true, and correct copy of the original Resolution adopted at said meeting; and that said Resolution 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 May 1, 2007.

  
\_\_\_\_\_  
District Secretary

(SEAL)