

COPIED COPY

PROMISSORY NOTE - 2007  
REVENUE ALLOCATION - KETCHUM URBAN RENEWAL DISTRICT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$2,560,000.00	12-17-2007	12-15-2012	807303474	1A2 / 512		005	[Signature]

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** KETCHUM URBAN RENEWAL AGENCY  
PO BOX 2315  
KETCHUM, ID 83340

**Lender:**  
REGISTERED  
OWNER  
81-0519541

Mountain West Bank  
North Idaho Comm'l Loan Center  
101 IRONWOOD DRIVE SUITE 148  
COEUR D'ALENE, ID 83814  
(800) 641-5401

**Principal Amount:** \$2,560,000.00      **Interest Rate:** 4.850%      **Date of Note:** December 17, 2007

**PROMISE TO PAY.** KETCHUM URBAN RENEWAL AGENCY ("Borrower") promises to pay to Mountain West Bank ("Lender"), or order, in lawful money of the United States of America, the principal amount of Two Million Five Hundred Sixty Thousand & 00/100 Dollars (\$2,560,000.00) or so much as may be outstanding, together with interest at the rate of 4.850% per annum on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

**PAYMENT.** Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on December 15, 2012. In addition, Borrower will pay regular monthly payments of all accrued unpaid interest due as of each payment date, beginning January 15, 2008, with all subsequent interest payments to be due on the same day of each month after that. Unless otherwise agreed or required by applicable law, payments will be applied to (A) Finance Charges (interest); (B) Any Annual Fees; (C) Late Charges; AND (D) Unpaid Principal. Interest on this Note is computed on a 365/365 simple interest basis; that is, by applying the ratio of the annual interest rate over the number of days in a year, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

**INTEREST ON THIS NOTE IS EXCLUDED FROM GROSS INCOME FOR FEDERAL & STATE INCOME TAX PURPOSES.**  
**PREPAYMENT; MINIMUM INTEREST CHARGE.** Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. In any event, even upon full prepayment of this Note, Borrower understands that Lender is entitled to a minimum interest charge of \$7.50. Other than Borrower's obligation to pay any minimum interest charge, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Mountain West Bank, 125 Ironwood Drive, PO Box 1059 Coeur d'Alene, ID 83816.

**LATE CHARGE.** If a payment is 15 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled payment or \$5.00, whichever is greater.

**INTEREST AFTER DEFAULT.** Upon default, including failure to pay upon final maturity, the total sum due under this Note will continue to accrue interest at the interest rate under this Note.

**DEFAULT.** Each of the following shall constitute an event of default ("Event of Default") under this Note:

**Payment Default.** Borrower fails to make any payment when due under this Note.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Death or Insolvency.** The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

**Insecurity.** Lender in good faith believes itself insecure.

**Cure Provisions.** If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after receiving written notice from Lender demanding cure of such default: (1) cures the default within ten (10) days; or (2) if the cure requires more than ten (10) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

**LENDER'S RIGHTS.** Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

**ATTORNEYS' FEES; EXPENSES.** Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and legal expenses, whether or not there is a lawsuit, including without limitation all reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

**GOVERNING LAW.** This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Idaho without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Idaho.

**CHOICE OF VENUE.** If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of KOOTENAI County, State of Idaho.

**DISHONORED ITEM FEE.** Borrower will pay a fee to Lender of \$18.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

**COLLATERAL.** Borrower acknowledges this Note is secured by the following collateral described in the security instruments listed herein:

- (A) a Deed of Trust dated December 17, 2007, to a trustee in favor of Lender on real property located in BLAINE County, State of Idaho.
- (B) a note or an instrument described in a Commercial Pledge Agreement dated December 17, 2007.

**LINE OF CREDIT.** This Note evidences a straight line of credit. Once the total amount of principal has been advanced, Borrower is not entitled to further loan advances. Advances under this Note may be requested either orally or in writing by Borrower or as provided in this paragraph. Lender may, but need not, require that all oral requests be confirmed in writing. All communications, instructions, or directions by telephone or otherwise to Lender are to be directed to Lender's office shown above. The following person or persons are authorized to request advances and authorize payments under the line of credit until Lender receives from Borrower, at Lender's address shown above, written notice of revocation of such authority: **RANDY HALL, CHAIRMAN of KETCHUM URBAN RENEWAL AGENCY.** Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs.

**SUCCESSOR INTERESTS.** The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

**NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES.** Please notify us if we report any inaccurate information about your account(s) to a consumer reporting agency. Your written notice describing the specific inaccuracy(ies) should be sent to us at the following address: Mountain West Bank, North Idaho Comm'l Loan Center, 101 IRONWOOD DRIVE SUITE 148, COEUR D'ALENE, ID 83814.

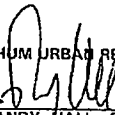
**GENERAL PROVISIONS.** If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

**PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.**

**BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.**

**BORROWER:**

**KETCHUM URBAN RENEWAL AGENCY**

By:   
\_\_\_\_\_  
**RANDY HALL, CHAIRMAN of KETCHUM URBAN  
RENEWAL AGENCY**

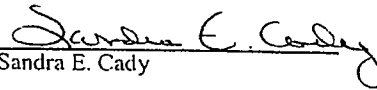
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CERTIFICATE OF AUTHENTICATION

Date of Authentication:

This Note is the Ketchum Urban Renewal Agency, Tax Revenue Allocation Note, 2007, dated as of December 14, 2007, as described in the Note Resolution.

Secretary/Treasurer  
KETCHUM URBAN RENEWAL  
AGENCY, as Note Registrar

  
Sandra E. Cady

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Idaho and resolution of the Agency to exist, to have happened, and to have been performed precedent to and in the issuance of this Note do exist, have happened, and have been performed in due time, form and manner as prescribed by law, and that the amount of this Note, together with all other obligations or indebtedness of the Ketchum Urban Renewal Agency, does not exceed any constitutional or statutory limitations of indebtedness.

KETCHUM URBAN RENEWAL  
AGENCY

By:   
Randy Hall, Chairman

RESOLUTION NO. 07-URA22

A RESOLUTION OF THE KETCHUM URBAN RENEWAL AGENCY AUTHORIZING A LOAN FROM MOUNTAIN WEST BANK IN THE AMOUNT OF \$2,600,000 TO FINANCE THE ACQUISITION OF CERTAIN REAL PROPERTY AND THE IMPROVEMENTS THEREON LOCATED AT 491 SUN VALLEY ROAD EAST, KETCHUM, IDAHO (LOTS 5 AND 6, BLOCK 24, KETCHUM TOWNSITE, BLAINE COUNTY, IDAHO), FOR DEVELOPMENT OF A CENTRAL TOWN PLAZA, PUBLIC PARKING AND OTHER PURPOSES AND AUTHORIZING THE EXECUTION OF ALL NECESSARY DOCUMENTS ON BEHALF OF THE AGENCY.

WHEREAS, the Ketchum Urban Renewal Agency (the "Agency"), an independent public body corporate and politic, is an Urban Renewal Agency created by and existing under the authority of and pursuant to the Idaho Urban Renewal Law of 1965, Title 50, Chapter 20, Idaho Code as amended and supplemented and the Idaho Local Economic Development Act, Title 50, Chapter 29 Idaho Code as amended and supplemented (collectively the "Law"); and

WHEREAS, the Agency is authorized to conduct proceedings and to issue revenue bonds and notes and incur debt pursuant to the terms and provisions of the Law, for the purpose of financing urban renewal projects authorized under its Urban Renewal Plan (defined below); and

WHEREAS, the City Council of the City of Ketchum, Idaho (the "City"), after notice duly published, conducted a public hearing on October 30, 2006, on the Urban Renewal Plan for the Ketchum Urban Renewal Project (the "Urban Renewal Plan"); and

WHEREAS, following said public hearing, the City Council adopted its Ordinance No. 992 adopted on November 15, 2006, approving the Urban Renewal Plan as amended, and making certain findings; and

WHEREAS, the Agency and Mountain West Bank entered that certain Purchase and Sale Agreement dated April 20, 2007 (the "Purchase and Sale Agreement"), for the acquisition of certain real property and the improvements thereon located at Lots 5 & 6, Block 24, Ketchum Townsite (the "Property"), in the amount of \$3,200,000 for the development of a central town plaza, public parking and other downtown redevelopment; and

WHEREAS, the Agency desires to finance the purchase of the Property with a loan (the "Loan") from Mountain West Bank (the "Lender") in the amount of \$2,600,000; and

NOW, THEREFORE, BE IT RESOLVED, by the Chairman and the Commissioners of the Ketchum Urban Renewal Agency as follows:

SECTION 1. THE PROJECT. The Project consists of the acquisition and construction of a central town plaza and public parking on the Property including, without limitation, the projects identified as "Public Facilities" in Section 1.1.5 of Attachment No. 4.1.1 of the Plan, "Public Facilities Projects" in Section 1.2.5 of Attachment 4.1.2 of the Plan and Project No. PF1 New Visitor's Center, all as further described in the Urban Renewal Plan. The Agency hereby authorizes and directs the appropriate officers and agents of the Agency to apply the proceeds of the Loan less amounts required for loan transactional costs in order to finance the acquisition of the Property for the Project, consistent with the terms of the Loan and the Urban Renewal Plan.

SECTION 2. LOAN TERMS AND AUTHORITY TO EXECUTE. 1. The Agency is hereby authorized to enter into the Loan with the Lender pursuant to the terms and conditions set forth in the Purchase and Sale Agreement in an amount of up to \$2,600,000 (TWO MILLION SIX HUNDRED THOUSAND DOLLARS) to finance the acquisition of the Property for the Project, to execute any and all documents required in connection with the said Loan including without limitation a note, deed of trust and related documents. ~~The term of the loan shall not exceed sixty (60) months from closing.~~ The interest rate shall be calculated using the Federal Home Loan Bank Long Term Fixed Rate Index plus 275 basis points adjusted by the Lender's customary and usual municipality pricing formula. The Agency hereby pledges its tax increment revenue and its right, title and interest in the Property as set forth in the loan documents to the payment of the Note and Loan. The Chairman, Vice Chairman, or Executive Director are hereby authorized to execute all necessary loan documents in order to carry out the Loan and the Secretary is hereby authorized to attest to such signature.

SECTION 3. PRIOR PROCEEDINGS RATIFIED. All proceedings, resolutions, and actions of the Agency and its officers and agents, taken in connection with the Loan contemplated herein are hereby ratified, confirmed, and approved.

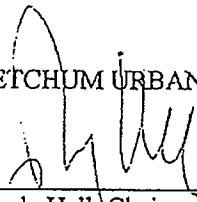
SECTION 4. PUBLICATION AND LIMITATION ON LEGAL ACTION. In accordance with the provisions of Section 50-2027, Idaho Code, as amended, a Notice of this Resolution shall be published one time in a newspaper of general circulation in the City of Ketchum, Idaho. For a period of thirty (30) days from the date of this Resolution, any person in interest may file suit in any court of competent jurisdiction to contest the regularity, formality, or legality of the proceedings, authorizing the Loan, or the legality of this Resolution and its provisions, or the provisions of the documents securing the Loan. After the expiration of such thirty day period, no one shall have any right of action to contest the validity of the Loan, or of such proceedings, or of the Resolution, or the validity of the pledges and covenants made in such proceedings, and the Resolution, and the Loan, and the provisions for payment shall be conclusively presumed to be legal, and no court shall thereafter have authority to inquire into such matters.

SECTION 5. CONFLICTING ACTIONS REPEALED. All ordinances, resolutions, orders and regulations, or parts thereof, heretofore adopted, or passed, which are in conflict with any of the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

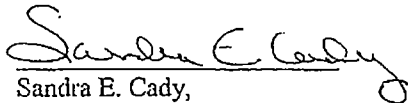
SECTION 6. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants or agreements, or portions thereof, provided in this Resolution shall be contrary to law, then such covenant or covenants, such agreement or agreements or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of the remaining provisions of this Resolution or of the Loan.

SECTION 17. EFFECTIVE DATE. This Resolution will be in full force and effect upon its adoption this fifth (5<sup>th</sup>) day of November, 2007.

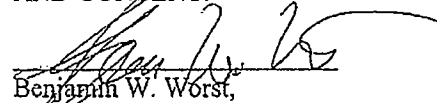
KETCHUM URBAN RENEWAL AGENCY

  
\_\_\_\_\_  
Randy Hall, Chairman

ATTEST:

  
Sandra E. Cady,  
Ketchum Urban Renewal Agency  
Secretary/Treasurer

APPROVED AS TO FORM  
AND CONTENT:

  
Benjamin W. Worst,  
Attorney for Ketchum Urban Renewal  
Agency