

OFFICIAL STATEMENT DATED AUGUST 5, 2010

NEW ISSUE
BOOK-ENTRY ONLY

UNRATED

In the opinion of Moore Smith Buxton & Turcke, Chartered, Bond Counsel, under currently existing laws, regulations, decisions and interpretations and assuming, among other things, compliance with certain covenants, interest on the Bonds is excluded from gross income subject to federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. The Bonds are not private activity bonds. Bond Counsel is also of the opinion that, under the laws of the State of Idaho, as enacted and construed as of the date hereof, interest on the Bonds is excluded from gross income for purposes of income taxation by the State of Idaho. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Legal and Tax Information—Tax Matters" herein. The Urban Renewal Agency of the City of Ketchum, Idaho (the "Agency") has designated the Bonds as "qualified tax-exempt obligations" for banks, thrift institutions and other financial institutions. See "Legal and Tax Information—Tax Matters" herein for a discussion of this designation.

\$6,440,000

URBAN RENEWAL AGENCY OF THE CITY OF KETCHUM, IDAHO
Revenue Allocation (Tax Increment) Refunding Bonds, Series 2010

Dated: August 19, 2010 (expected date of delivery)

Due: October 15, as set forth below

The Bonds are issuable as fully registered Bonds without coupons in the denomination of \$5,000 each, or any integral multiple thereof provided that no single Bond shall represent more than one maturity and will be registered in the name of Cede & Co. as nominee of Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. Individual purchases will be made in Book-Entry Only form in the principal amount of \$5,000 and in multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchase. Principal of and premium, if any, on the Bonds are payable at the principal corporate trust office of U.S. Bank National Association, Salt Lake City, Utah, as Bond Registrar, Paying Agent and Trustee (the "Trustee"). Semi-annual interest (payable on April 15, 2011, and on each October 15 and April 15 thereafter) on the Bonds is payable by the Trustee to DTC, which will in turn be responsible to remit such principal and interest to its Participants, which will in turn be responsible to remit such principal and interest to the beneficial owners of the Bonds, as described under the caption "Description of the Bonds – Book-Entry Bonds" herein. The Bonds will be subject to optional redemption prior to maturity as described herein.

The Urban Renewal Agency of the City of Ketchum, Idaho (the "Agency") is an urban renewal agency created by and existing under the Idaho Urban Renewal Law of 1965, as amended, and is an independent public body corporate and politic of the State of Idaho. The Bonds are being issued to provide funds to refund certain outstanding borrowings of the Agency and for payment of issuance expenses.

The Bonds are limited obligations of the Agency and do not constitute a debt or liability of the City of Ketchum or of the State of Idaho, its Legislature or any of its political subdivisions or agencies other than the Agency to the extent herein described. Except for the receipt of the incremental tax revenue derived pursuant to Title 50, Chapter 29, Idaho Code, as amended, the Agency is not authorized to levy or collect any taxes or assessments. The Agency has no direct taxing power.

SERIAL BONDS

Due October 15	Principal Amount	Interest Rate	Yield or Price	Due October 15	Principal Amount	Interest Rate	Yield or Price
2011	\$ 50,000	2.000%	2.000%	2018	\$160,000	4.250%	4.250%
2012	65,000	2.250%	2.400%	2019	180,000	4.500%	4.450%
2013	80,000	2.500%	2.600%	2020	200,000	4.500%	4.650%
2014	95,000	2.750%	2.850%	2021	240,000	4.750%	4.850%
2015	110,000	3.250%	3.350%	2022	260,000	4.800%	4.950%
2016	120,000	3.500%	3.700%	2023	295,000	5.000%	5.050%
2017	140,000	4.000%	4.050%	2024	310,000	5.000%	5.150%

TERM BONDS

\$1,800,000 5.300% Term Bonds due October 15, 2029, Price 5.400%
\$2,335,000 5.500% Term Bonds due October 15, 2034, Price 5.600%

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to prior sale and to the delivery of an approving opinion by Moore Smith Buxton & Turcke, Chartered, Boise, Idaho as Bond Counsel and other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, K&L Gates LLP Portland, Oregon. It is expected that the Bonds in book-entry form will be available for delivery to the Trustee for Fast Automated Securities Transfer on behalf of DTC on or about August 19, 2010.



REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Agency to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact. All estimates and assumptions contained herein are based on the best information available and are believed by the Agency to be reliable, but no representations are made that such estimates and assumptions are correct or will be realized. The information set forth herein has been obtained from sources believed by the Agency to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Agency or the matters described herein since the date hereof.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and "forward-looking statements." No assurance is given that any future results discussed herein will be achieved, and actual results may differ materially from any forecasts described herein. In this respect, the words such as "estimate," "project," "forecast," "anticipate," "expect," "intend," "plan," "believe" and similar expressions identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinion and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

UPON ISSUANCE, THE BONDS WILL NOT BE REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE AGENCY, THE TAX INCREMENT REVENUES AND THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The Agency will covenant to provide continuing disclosure as described in this Official Statement in "APPENDIX F – FORM OF CONTINUING DISCLOSURE UNDERTAKING," pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

The delivery of this Official Statement does not imply that the information contained herein is correct as of any time subsequent to the date of the Official Statement as shown on the cover page. This Official Statement does not constitute an offer to sell, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such a sale.

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\$6,440,000

**URBAN RENEWAL AGENCY OF THE CITY OF KETCHUM, IDAHO
REVENUE ALLOCATION (TAX INCREMENT) REFUNDING BONDS
SERIES 2010**

CITY OF KETCHUM, IDAHO

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Physical: 480 East Avenue N., Ketchum, ID 83340
208-726-3841 Phone, 208-726-8234 Fax

BOARD OF COMMISSIONERS

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Randy Hall	Chairman	2013
Larry Helzel	Vice Chairman	2011
Baird Gourlay	Commissioner	2013
Curtis Kemp	Commissioner	2011
Nina Jonas	Commissioner	2013

AGENCY OFFICIALS

<u>Name</u>	<u>Position</u>
Gary B. Marks	Executive Director
Sandra E. Cady	Secretary/Treasurer

Trustee, Registrar and Paying Agent

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OFFICIAL STATEMENT

\$6,440,000

URBAN RENEWAL AGENCY OF THE CITY OF KETCHUM, IDAHO REVENUE ALLOCATION (TAX INCREMENT) REFUNDING BONDS, SERIES 2010

INTRODUCTORY STATEMENT

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. Documents can be obtained by contacting the Agency. All statements herein are qualified in their entirety by reference to each document. See APPENDIX A for definitions of certain words and terms used herein. The attached APPENDICES A, B, C, D, E, F, and G are integral parts of this Official Statement and should be read in their entirety.

Purpose of the Official Statement

This Official Statement, including the cover page and the financial information contained in the Appendices hereto, is furnished in connection with the offering of \$6,440,000 principal amount of Revenue Allocation (Tax Increment) Refunding Bonds, Series 2010 (the “Bonds”) of the Urban Renewal Agency of the City of Ketchum, Idaho (the “Agency”). The Bonds are being issued pursuant to the Idaho Urban Renewal Law of 1965, Title 50, Chapter 20, Idaho Code, as amended and the Local Economic Development Act, constituting Title 50, Chapter 29, Idaho Code, as amended (collectively, the “Urban Renewal Law”). The Bonds are to be issued under a resolution of the Agency adopted on May 3, 2010 and amended on May 17, 2010 (the “Bond Resolution”) to refinance projects that are authorized by the Agency’s Urban Renewal Plan adopted by Ordinance No. 992 of the City on November 15, 2006 (the “Plan”). The Bond Resolution is effective immediately upon its adoption. Under Idaho law, no direct or collateral action attacking or otherwise questioning the validity of the Bonds may be brought after the elapse of thirty days from the publication of notice of adoption of the Bond Resolution. That thirty day period ran out on July 9, 2010. Capitalized terms not defined in this Official Statement have the respective meanings set forth in the Bond Resolution. The Bond Resolution is summarized in Appendix A.

Purpose of the Bonds

The proceeds of the Bonds will be used to provide funds to refund the Agency’s outstanding borrowings (see “Plan of Refunding,” below), to finance a debt service reserve fund and to pay costs of issuance of the Bonds.

Payment and Security for the Bonds

The Bonds are payable from the Pledged Revenues, that consist of the Incremental Tax Revenues for the Revenue Allocation Area, and money and investments in the Bond Fund and Debt Service Reserve Fund, as established by the Bond Resolution. As security for the Bonds, the Agency has pledged all Pledged Revenues for payment of the Bonds and any Additional Bonds allowed under the Bond Resolution.

Under the Bond Resolution, the Bonds are secured by the Agency’s pledge of the Pledged Revenues. Neither the City, the State of Idaho, its Legislature nor any political subdivision thereof is liable for the payment of the principal of or interest or redemption premium, if any, on the Bonds. For a more detailed description of the Bonds and the security therefor, see “THE BONDS – Security for the Bonds” herein.

The availability of Incremental Tax Revenues to pay the Bonds and Additional Bonds is conditioned on the incremental value of property in the Revenue Allocation Area and the aggregate levy of the taxing districts within the Revenue Allocation Area. See “Pledged Revenues Projected to be Available for Debt Service” for more discussion of these variables.

DESCRIPTION OF THE BONDS

Description of the Revenue Allocation (Tax Increment) Refunding Bonds

The Bonds will be issued in the principal amount of \$6,440,000 are dated August 19, 2010 and bear interest payable semiannually on April 15 and October 15 of each year, commencing April 15, 2011. The Bonds bear interest at the rates per annum and mature, in the amounts and on the dates set forth on the cover page hereof. The Bonds will be issued in registered form, initially registered in the name Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), in the denomination of \$5,000 each or any integral multiple thereof within a single maturity. Individual purchases of the Bonds will be made initially in book-entry form only and purchasers will not receive certificates representing their interest in the Bonds purchased.

Trustee

U.S. Bank National Association, Salt Lake City, Utah, has been appointed as registrar, paying agent and trustee (the “Trustee”) for the Bonds.

Payment of Principal and Interest; Payment through DTC

While the Bonds are in Book Entry Only (“BEO”) form, the Registrar will transfer Bond principal and interest payments in the manner required by DTC or any successor Depository. The principal of and interest on the Bonds are payable by the Registrar to DTC, which will in turn remit such principal and interest to DTC participants for subsequent disbursement to the Beneficial Owners of the Bonds as described under “APPENDIX G - BOOK-ENTRY ONLY SYSTEM” herein.

If the Bonds cease to be in BEO form, the provisions described in the Bond Resolution will govern.

Redemption of the Bonds

Optional Redemption. The Bonds maturing on or before October 15, 2020, shall not be subject to redemption prior to their stated dates of maturity. The Bonds maturing on or after October 15, 2021, shall be subject to redemption, at the option of the Agency, in whole or in part, on any date, on or after October 15, 2020, upon notice as hereinafter provided, at the redemption price of 100% of the principal amount of the Bonds or portions thereof to be redeemed, without premium, plus accrued interest to the date of redemption.

Portions of the principal amount of any Bond, in installments of \$5,000 or any integral multiple of \$5,000, may also be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of such Bond at the Principal Corporate Trust Office of the Trustee there shall be issued to the Registered owner, without charge therefor, for the then unredeemed balance of the principal amount thereof, a new Bond or Bonds, at the option of the Registered Owner, with like maturity and interest rate in any of the denominations authorized by the Bond Resolution.

Mandatory Redemption. If not previously redeemed under the provisions for optional redemption, the Term Bonds maturing on October 15, 2029 and October 15, 2034 are subject to mandatory redemption (in

such manner as the Trustee and DTC will determine or by lot by the Trustee) on October 15 of the following years in the following principal amounts, at a price of par plus accrued interest to the date of prepayment.

Mandatory Redemption Schedule

\$1,800,000 5.300% Term Bond due October 15, 2029		\$2,335,000 5.500% Term Bond due October 15, 2034	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2025	\$ 325,000	2030	\$ 420,000
2026	340,000	2031	440,000
2027	360,000	2032	465,000
2028	375,000	2033	490,000
2029 ⁽¹⁾	400,000	2034 ⁽¹⁾	520,000

(1) Final Maturity

Notice of Redemption. Notice of any such redemption shall be sent by the Trustee by first class mail, postage prepaid, not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption, to the Registered Owner of each Bond to be redeemed at the address shown on the Bond Register. This requirement 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 any Bond to be redeemed.

Plan of Refunding

Bond proceeds will be used to refund the outstanding borrowings of the Agency on the date of the closing of the Bonds. The Agency's outstanding borrowings consist of: the Revenue Allocation Note, Series 2007A (the "Series 2007A Note"), in the original principal amount of \$1,000,000 issued under Resolution No. 07-URA15 adopted September 4, 2007 to finance an urban renewal project pursuant to the Plan, the Revenue Allocation Note, Series 2007B (the "Series 2007B Note"), in the original principal amount of \$2,560,000 issued under Resolution No. 07-URA22 adopted on November 5, 2007 to finance an urban renewal project pursuant to the Plan, and the Revenue Allocation Note, Series 2007C (the "Series 2007C Note"), in the original principal amount of \$2,000,000 issued under Resolution No. 07-URA21 adopted on November 5, 2007 to finance an urban renewal project pursuant to the Plan.

When the outstanding borrowings described in the paragraph above are repaid with Bond proceeds, the only outstanding borrowing of the Agency will be the Bonds. The Agency is permitted, under the terms of the Bond Resolution, to issue Additional Bonds and obligations with a lien on the Pledged Revenues that is subordinate to the lien that secures the Bonds and Additional Bonds.

Sources and Uses of Bond Proceeds

Sources:

Bond Proceeds	\$6,440,000
Less Original Issue Discount	<u>(68,937.05)</u>
Total Sources	\$6,371,062.95

Uses:

Redemption of Refunded Notes	\$5,631,041.49
Underwriter’s Discount.....	104,650.00
Costs of Issuance.....	84,000.00
Debt Service Reserve Fund.....	549,625.00
Other	<u>1,746.46</u>
Total Uses	\$6,371,062.95

SECURITY, FUNDS AND COVENANTS

Security for the Bonds

In the Bond Resolution the Agency has pledged for the payment of the Bonds, and any Additional Bonds, equally and ratably, the Pledged Revenues and all money in the Bond Fund and Debt Service Reserve Fund. The Pledged Revenues and other money in the Revenue Allocation Fund, the Bond Fund, and the Debt Service Reserve Fund, if any, shall not, except as provided in the Bond Resolution, be used for any other purpose while any of the Bonds remain Outstanding. This pledge shall constitute a first and exclusive lien on the Pledged Revenues and such other moneys in the Revenue Allocation Fund, the Bond Fund, and the Debt Service Reserve Fund, if any, for the payment of the Bonds and Additional Bonds.

The Agency covenants and agrees that all Incremental Tax Revenues, when and as received, will be received by the Agency in trust under the Bond Resolution and will be immediately deposited by the Agency in the Revenue Allocation Fund and will be accounted for through and held in trust in the Revenue Allocation Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as provided in the Bond Resolution.

Incremental Tax Revenues are defined in the Bond Resolution to mean the incremental tax revenues received by the Agency pursuant to Idaho law and the Urban Renewal Plan for the Revenue Allocation Area. A description of the Incremental Tax Revenues is included under “The Revenue Allocation Area” and “Pledged Revenues Projected to be Available for Debt Service” herein.

Pledged Revenues are defined in the Bond Resolution to include the Incremental Tax Revenues, moneys in the Bond Fund and investment earnings on money held in the Bond Fund and Debt Service Reserve Fund.

The availability of Incremental Tax Revenues to pay the Bonds and Additional Bonds is conditioned on the incremental value of property in the Revenue Allocation Area and the aggregate levy of the taxing districts within the Revenue Allocation Area. See “Pledged Revenues Projected to be Available for Debt Service” for more discussion of these variables.

Funds and Accounts Created under the Bond Resolution

Revenue Allocation Fund. The Revenue Allocation Fund is held by the Agency, separate and apart from all other funds of the Agency. All Incremental Tax Revenues shall be promptly deposited upon receipt by

the Agency into the Revenue Allocation Fund. The Incremental Tax Revenues deposited therein shall be used only for the following purposes and in the following order of priority:

First, to pay the interest accruing on the Bonds and any Additional Bonds by required deposits into the Bond Fund;

Second, to pay the principal of the Bonds and any Additional Bonds payable within the next Bond Year by required deposits into the Bond Fund;

Third, to fund the Debt Service Reserve Fund by required deposits thereto, if any;

Fourth, to fund the Administration Fund;

Fifth, for any other lawful purpose of the Agency.

Bond Fund. The Bond Fund is held by the Trustee, separate and apart from all other funds of the Trustee. Not less than two (2) Business Days prior to the due date of any installment of principal and/or interest on the Bonds and Additional Bonds, the Agency shall transfer, or authorize the transfer, of such amount due on the Bonds and Additional Bonds from the Revenue Allocation Fund to the Bond Fund. Interest earnings for amounts in the Bond Fund shall be paid into the Bond Fund.

Debt Service Reserve Fund. The Debt Service Reserve Fund is held by the Trustee, separate and apart from all other funds of the Trustee. Simultaneously with the issuance of the Bonds, the Agency shall deposit, from the reserve funds established for the Refunded Notes and, to the extent necessary, from proceeds of the Bonds, an amount equal to the Reserve Fund Requirement, into the Debt Service Reserve Fund. So long as the balance in the Debt Service Reserve Fund equals the Reserve Fund Requirement, interest earnings shall be paid into the Bond Fund.

The Reserve Fund Requirement under the Bond Resolution is equal to the lesser of: (i) Maximum Annual Debt Service with respect to all Bonds and Additional Bonds Outstanding secured by the Debt Service Reserve Fund, (ii) 125% of average annual Debt Service on all Bonds and Additional Bonds secured by the Debt Service Reserve Fund, or (iii) 10% of the aggregate principal amount of the Bonds, and any Additional Bonds secured by the Debt Service Reserve Fund hereafter issued upon original issuance thereof (but not taking into account any series of bonds, or portion thereof, which has been paid in full or provision for which payment in full has been made pursuant to the Bond Resolution); provided that the Reserve Fund Requirement shall not exceed the amount permitted to be capitalized from Net Proceeds under then applicable provisions of federal tax law in order to protect the tax-exempt status of interest on the Bonds or any Additional Bonds issued on a tax-exempt basis. At the time of issuance of the Bonds, the Reserve Fund Requirement is equal to \$549,625.00.

If on any debt service payment date the amount in the Bond Fund is less than the amount required to pay such debt service, the Trustee shall cause to be deposited from the Debt Service Reserve Fund into the Bond Fund amounts necessary to make said payments.

Any deficiency in the Debt Service Reserve Fund created by a withdrawal as authorized by the preceding paragraph shall be replaced as soon as practicable by deposits of legally available moneys from the Revenue Allocation Fund until the Debt Service Reserve Fund is restored to the Reserve Fund Requirement.

Whenever the amount in the Debt Service Reserve Fund, together with the amounts in the Bond Fund, is sufficient to pay in full the amount of Bonds and Additional Bonds Outstanding, including interest

thereon, in accordance with the terms of the Bonds and Additional Bonds, the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Bond Fund. Any provision of the Bond Resolution to the contrary notwithstanding, so long as there shall be held in the Bond Fund and Debt Service Reserve Fund an amount sufficient to pay in full the total principal amount Outstanding and interest accrued thereon, in accordance with the terms of the Bonds and Additional Bonds, no deposits shall be required to be made into the Debt Service Reserve Fund.

Priority of Lien of Payments into the Bond Fund. The amounts so pledged to be paid into the Bond Fund and the Debt Service Reserve Fund from the Pledged Revenues are a prior lien and charge upon the Pledged Revenues superior to all other charges of any kind or nature whatsoever.

Additional Bonds or Other Obligations

For so long as any of the Bonds or Additional Bonds remain Outstanding, the Agency will not issue any obligations having a greater or equal priority of lien upon the Pledged Revenues to pay and secure the payment of the principal of and interest and redemption premiums, if any, on such obligations than the priority of lien created on such Pledged Revenues to pay and secure the payment of the principal of and interest on the Bonds except as follows:

A. The Agency reserves the right to issue Additional Bonds for the purposes of:

First, providing money to pay for any project as authorized under the Urban Renewal Plan, or

Second, refunding, as permitted by law, at or prior to their maturity, any bonds or other obligations payable out of Pledged Revenues.

Third, to pledge that payments will be made out of the Pledged Revenues and into the Bond Fund and the Debt Service Reserve Fund to pay and secure the payment of the principal of and interest, and redemption premiums, if any, on such Additional Bonds on a parity with the payments required under the Bond Resolution to be made out of such Pledged Revenues into the Bond Fund to pay and secure the payment of the principal of and interest, and redemption premiums, if any, on the Bonds and any Additional Bonds then Outstanding, upon compliance with the following conditions:

(1) At the time of issuance of any Additional Bonds there is not a deficiency in the Bond Fund or in the Debt Service Reserve Fund.

(2) The principal of and interest, and redemption premiums, if any, on any Additional Bonds shall be payable out of the Bond Fund, and the requirements for the Debt Service Reserve Fund payments in the Bond Resolution shall be met.

(3) Prior to the delivery of any Additional Bonds, (i) the Agency shall have on file a Consultant's Report, dated not earlier than 90 days prior to the date of delivery of such Additional Bonds, showing that the Pledged Revenues for the Fiscal Year immediately prior to issuance of such Additional Bonds was not less than at least 1.25 times the amount required in any year for the payment of the principal of and interest, and redemption premiums, if any, on the Bonds and all Additional Bonds Outstanding, including the Additional Bonds proposed to be issued. Said Certificate shall state that there has been no material event (such as a material decrease in the property values or tax levies) since the publication of the financial statements from which such conclusions were derived that would significantly reduce the Pledged Revenues available. No such

certificate shall be required for Additional Bonds issued for the purpose of refunding a portion of the Bonds or any Additional Bonds if the combined Debt Service of the Bonds then Outstanding and any Additional Bonds does not exceed by more than \$10,000 annually the Debt Service on the Bonds then Outstanding and Additional Bonds issued prior to the refunding; or (ii) the Agency has on file a Feasibility Consultant's Certificate stating, as of the time immediately after the issuance of such Additional Bonds, that for each of the two Fiscal Years immediately following the Fiscal Year during which it is estimated that the project to be financed by the Additional Bonds will be completed, the Pledged Revenues available for Debt Service is projected or forecasted to be an amount not less than 135% of the anticipated Maximum Annual Debt Service during such two Fiscal Year period.

The certificate of such consultant shall be conclusive and the only evidence required to show compliance with the provisions and requirements of this subsection.

(4) The resolution authorizing such Additional Bonds shall contain the provisions for payment, security and deposits as set in the Bond Resolution and shall also contain administrative provisions related to such Additional Bonds.

B. Nothing herein contained shall prevent the Agency from issuing obligations which are a charge upon the Pledged Revenues junior or inferior to the payments required by the Bond Resolution.

Other Covenants

Punctual Payment. The Agency will punctually pay the interest on and principal of and redemption premiums, if any, to become due with respect to the Bonds and Additional Bonds, in strict conformity with the terms of the Bonds, Additional Bonds and of this Resolution, and will faithfully satisfy, observe, and perform all conditions, covenants, and requirements of the Bonds, Additional Bonds and of this Resolution.

Against Encumbrances. Except as provided in this Resolution, the Agency will not mortgage or otherwise encumber, pledge, or place any charge upon any of the Pledged Revenues or moneys in the Bond Fund, and will not issue any obligation or security superior to or on a parity with the Bonds or Additional Bonds payable in whole or in part from the Pledged Revenues.

Extension or Funding of Claims for Interest. In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for any interest on the Bonds or Additional Bonds.

Management and Operation of Properties. The Agency will manage and operate all properties owned by the Agency in a sound and business-like manner and in conformity with all valid requirements of any governmental authority relative to the properties, and will keep such properties insured at all times in conformity with sound business practice.

Payment of Claims. The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid might become a lien or charge upon the properties owned by the Agency or upon the Pledged Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds or Additional Bonds; provided that nothing contained in the Bond Resolution shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

Payment of Taxes and Other Charges. Subject to the provisions of the Bond Resolution, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or any other properties owned by the Agency in the Urban Renewal Plan, or upon the revenues therefrom, when the same shall become due; provided that nothing contained in the Bond Resolution shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges. (The Agency is not currently subject to the payment of taxes.)

Taxation of Leased Property. Whenever any property in the Revenue Allocation Area is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Revenue Allocation Area to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease shall be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments shall be treated as Pledged Revenues and shall be deposited by the Agency in the Revenue Allocation Fund.

Disposition of Property in Revenue Allocation Area. The Agency will not, except as otherwise provided in the Bond Resolution authorize the disposition of any real property in the Revenue Allocation Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Urban Renewal Plan in effect on the date of adoption of this Resolution, or property to be used for public streets or easements or rights of way for public utilities, pedestrian/bicycle pathways, or other similar uses). If such dispositions, together with all similar prior dispositions on or subsequent to the effective date of this Resolution, shall comprise more than ten percent (10%) of the land area in the Revenue Allocation Area, it shall cause to be filed with the Trustee a Consultant's Report on the effect of such proposed disposition. If the Consultant's Report concludes that the Pledged Revenues will not be materially reduced by such proposed disposition, the Agency may proceed with such proposed disposition. If the Consultant's Report concludes that Pledged Revenues will be materially reduced by such proposed disposition, the Agency shall, as a condition precedent to proceeding with such proposed disposition, require that such new owner or owners either:

(1) Pay to the Agency, so long as any of the Bonds or Additional Bonds are Outstanding, an amount equal to the amount that would have been received by the Agency as Pledged Revenues if such property were assessed and taxed in the same manner as privately-owned non-exempt property, which payment shall be made within thirty (30) days after taxes for each year would become payable to the taxing agencies for non-exempt property and in any event prior to the delinquency date of such taxes established by law; or

(2) Pay to the Agency a single sum equal to the amount estimated by an independent redevelopment consultant to be receivable from taxes on such property from the date of such payment to the last maturity date of all Bonds and Additional Bonds then Outstanding, less a reasonable discount value.

All such payments to the Agency in lieu of taxes shall be treated as Pledged Revenues and shall be deposited by the Agency in the Revenue Allocation Fund.

Amendment of Urban Renewal Plan. The Agency will not amend the Urban Renewal Plan except as provided in the Bond Resolution. If the Agency proposes to amend the Urban Renewal Plan, it shall cause to be filed with the Trustee a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that Pledged Revenues will not be materially reduced and the Agency's obligations will not be materially adversely affected by such proposed amendment, the Agency may undertake such amendment. If the Consultant's Report concludes that the Pledged Revenues will be materially reduced, or the Agency's obligations will be materially adversely affected, by such proposed amendment, the Agency may not undertake such proposed amendment. A Consultant's Report shall not be required if the amendment consists of increasing the amount of property in the Revenue Allocation Area.

Not an Indebtedness of the State of Idaho or the City of Ketchum

THE BONDS AND THE INTEREST PAYABLE THEREON DO NOT CONSTITUTE A DEBT OR LIABILITY, OR A PLEDGE OR LENDING OF THE FAITH AND CREDIT, OF THE CITY, OR OF THE STATE, ITS LEGISLATURE OR OF ANY OF ITS POLITICAL SUBDIVISIONS OR AGENCIES OTHER THAN THE AGENCY TO THE EXTENT HEREIN DESCRIBED, BUT ARE PAYABLE SOLELY FROM THE FUNDS PLEDGED THEREFOR IN ACCORDANCE WITH THE BOND RESOLUTION. THE ISSUANCE OF THE BONDS DOES NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE THE CITY, OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, TO LEVY OR COLLECT ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT THEREOF, AND ANY SUCH LEVY OR APPROPRIATION IS PROHIBITED. THE BONDS AND THE INTEREST PAYABLE THEREON DO NOT NOW AND WILL NEVER CONSTITUTE A DEBT OF THE STATE WITHIN THE MEANING OF THE CONSTITUTION OR THE STATUTES OF THE STATE AND DO NOT NOW AND WILL NEVER CONSTITUTE A CHARGE AGAINST THE CREDIT OR TAXING POWER OF THE CITY, OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE CITY NOR THE STATE IS OR WILL BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, OR THE REDEMPTION PREMIUMS, IF ANY, OR INTEREST ON, THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, MORTGAGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER WHICH MAY BE UNDERTAKEN BY THE AGENCY. NO BREACH BY THE AGENCY OF ANY SUCH PLEDGE, MORTGAGE, OBLIGATION OR AGREEMENT MAY IMPOSE ANY PECUNIARY LIABILITY UPON THE CITY OR THE STATE OR ANY CHARGE UPON THE GENERAL CREDIT OR AGAINST THE TAXING POWER OF EITHER. THE AGENCY HAS NO DIRECT TAXING POWER.

Events of Default and Acceleration

If any one or more of the following events of default shall happen, that is to say:

- (1) if default shall be made in the due and punctual payment of the principal or redemption price of the Bonds or Additional Bonds when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;
- (2) if default shall be made in the due and punctual payment of any installment of interest on the Bonds or Additional Bonds, when and as such interest installment shall become due and payable;
- (3) if default shall be made by the Agency in the performance or observance of any other of the covenants, agreements, or conditions on its part in this resolution or in the Bonds or Additional Bonds contained, and such default shall continue for a period of sixty (60) days after written notice thereof to the Agency by any Registered Owner;

- (4) if judgment for the payment of money shall be rendered against the agency, and any such judgment shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such levy under such judgment, or order, decree or process or the enforcement thereof;
- (5) if there shall occur dissolution or liquidation of the Agency or the filing by the Agency of a voluntary petition in bankruptcy, or the commission by the Agency of any act of bankruptcy, or adjudication of the Agency as a bankrupt, or assignment by the Agency for the benefit of its creditors, or the entry by the Agency into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Agency in any proceeding for its reorganization instituted under the provisions of the federal bankruptcy act, as amended, or under any similar act in any jurisdiction which may now be in effect or which may hereafter be enacted;
- (6) if an order or decree shall be entered, with the consent or acquiescence of the Agency, appointing a receiver or receivers of the Refunding Project, or any part thereof, or if such order or decree, having been entered without the consent and acquiescence of the agency, shall not be vacated or discharged or stayed within ninety (90) days after the entry thereof;

then, and in each and every such case, so long as such Event of Default shall have been remedied, unless the Outstanding amount of the Bonds and Additional Bonds shall have already become due and payable, the Registered Owners of not less than twenty-five percent (25%) of the Bonds and Additional Bonds then Outstanding (by notice in writing to the Agency) may declare the Bonds and Additional Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Bond Resolution or in the Bonds or Additional Bonds contained to the contrary notwithstanding. The right of the Registered Owners of not less than twenty-five (25%) of the Bonds and Additional Bonds then Outstanding to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds and Additional Bonds shall have matured by their terms, all overdue installments of Debt Service on the Bonds and Additional Bonds, together with interest on such overdue installment of Debt Service to the extent permitted by law and reasonable and proper charges, if any, and all the principal of, and interest accrued since the next preceding Debt Service payment date on, the Bonds and Additional Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Agency or provision shall be made for such payment, than the payment of principal and interest due and payable, solely by reason of such declaration) shall be made good or be secured, then and in every such case the Registered Owners of not less than twenty-five percent (25%) of the Bonds and Additional Bonds then Outstanding, by written notice to the Agency, may rescind such declaration and annul such default in its entirety. No such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Continuing Disclosure Undertaking

The Agency will enter into a continuing disclosure agreement (the "Continuing Disclosure Agreement") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis, the identity of the information repositories and the other terms of the Continuing Disclosure Agreement, including termination, amendment and remedies, is substantially set forth in the "FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto, as Appendix F. A failure by the Agency to comply with the Continuing Disclosure Agreement will not constitute an event of

default under the Bond Resolution and Bondholders are limited to the remedies described in the Continuing Disclosure Agreement. A failure by the Agency to comply with the Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

THE AGENCY

The Urban Renewal Agency of the City of Ketchum, Idaho (the “Agency”) is an independent body corporate and politic under the Idaho Urban Renewal Law, Chapter 20, Title 50, Idaho Code as amended and supplemented. The City of Ketchum by adoption of Ordinance No. 992 on November 15, 2006, duly adopted the Urban Renewal Plan to be administered by the Agency.

Under the Urban Renewal Law, the Agency has the powers, among others:

- (a) to borrow money and to issue bonds to finance the undertaking of any urban renewal project (as defined in the Act);
- (b) to undertake and carry out urban renewal projects and related activities within its area of operation and to make and execute contracts and other instruments necessary or convenient to the exercise of its powers under the Act;
- (c) to install, construct and reconstruct streets, utilities, parks, playgrounds, off-street parking facilities, public facilities, other buildings or public improvements; and any improvements necessary or incidental to a redevelopment project;
- (d) to acquire by purchase, lease, option, gift, grant, bequest, devise eminent domain or otherwise, any real property or personal property for its administrative purposes together with any improvements thereon; to hold, improve, renovate, rehabilitate, clear or prepare for redevelopment any such property or buildings; to mortgage, pledge, hypothecate or otherwise encumber or dispose of any real property;
- (e) with the approval of the Commissioners prior to approval of any urban renewal plan to acquire real property in an urban renewal area, demolish and remove any structures on the property, and pay all costs related to the acquisition, demolition or removal, including any administrative or relocation expenses;
- (f) to invest any urban renewal funds held in reserves or sinking funds or any such funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control; and
- (g) to construct foundations, platforms and other like structural forms necessary for the provision or utilization of air rights sites for buildings and to be used for residential, commercial, industrial and other uses contemplated by the urban renewal plan, and to provide utilities to the development site.

Under the Local Economic Development Act (the “Act”) first enacted in 1988 and subsequently amended, to provide, among other things, for financing urban renewal projects with incremental tax revenues, the Agency was granted the following additional powers:

- (a) To apply incremental revenues allocated to the Agency for the payment of the project cost of any urban renewal project located in a revenue allocation area;
- (b) to borrow money, incur indebtedness and issue one or more series of bonds secured by tax increment revenues to finance or refinance, in whole or in part, urban renewal projects; and
- (c) to pledge the incremental tax revenues to the payment of the principal of and interest on moneys borrowed, indebtedness incurred, or bonds issued.

General Description

The powers of the Agency are exercised by a board of commissioners (“Board” or “Commissioners”), which is appointed by the Mayor of the City of Ketchum with the consent of the Ketchum City Council. By ordinance, the Board currently consists of five members, who also serve as the Mayor and City Council for the City of Ketchum. The term of each Board member runs concurrently with the Board member’s term of office for the City. In the event a person ceases to hold the office of Mayor or City councilmember, that person also ceases to be a member of the Board of Commissioners. The actions of the Board of Commissioners are entirely separate and distinct from the City.

The Board meets as needed in open public meetings, which have been duly noticed to the public. A chairman is elected for a term of office of one year by the Commissioners from among their members. Action may be taken by the Agency upon a vote of a majority of Commissioners present, provided a quorum is present. A majority of the Commissioners constitutes a quorum for all purposes. The Agency is empowered to employ an executive director, legal counsel, technical experts and other agents and employees, as it may require.

The City is empowered to increase or decrease the number of Commissioners by ordinance provided that the Board shall consist of no less than 3 Commissioners nor more than 9 Commissioners. The City is also empowered to enact an ordinance that would eliminate the current requirement that each Commissioner hold a City office as mayor or city councilmember. The following are the current members of the Board of Commissioners:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Randy Hall	Chairman	2013
Larry Helzel	Vice Chairman	2011
Baird Gourlay	Commissioner	2013
Curtis Kemp	Commissioner	2011
Nina Jonas	Commissioner	2013

Legislative Action

The Agency acts through the passage of resolutions and motions. Specific regulatory and resolution powers are granted by State statute.

Administrative and Management

Current administrative and management personnel most directly involved in the management of the Agency are as follows:

