

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES

Notice of Change in Water Right Ownership

RECEIVED
SEP 20 2017
WATER RESOURCES
WESTERN REGION

1. List the numbers of all water rights and/or adjudication claim records to be changed. If you only acquired a portion of the water right or adjudication claim, check "Yes" in the "Split?" column. If the water right is leased to the Water Supply Bank, check "Yes". If you are not sure if the water right is leased to the Water Supply Bank, see #6 of the instructions.

Water Right/Claim No.	Split?	Leased to Water Supply Bank?	Water Right/Claim No.	Split?	Leased to Water Supply Bank?
63-07307	Yes ☐	Yes ☐		Yes ☐	Yes ☐
63-11671	Yes ☐	Yes ☐		Yes ☐	Yes ☐
63-12251	Yes ☐	Yes ☐		Yes ☐	Yes ☐
63-12157	Yes ☐	Yes ☐		Yes ☐	Yes ☐
* See letter *	Yes ☐	Yes ☐		Yes ☐	Yes ☐

2. Previous Owner's Name: Meridian Heights Water & Sewer District
Name of current water right holder/claimant
3. New Owner(s)/Claimant(s): City of Meridian
New owner(s) as listed on the conveyance document Name connector ☐ and ☐ or ☐ and/or
- | | | | |
|-----------------------|--------------------------------|-----------|--------------|
| <u>33 E. Broadway</u> | <u>Meridian</u> | <u>ID</u> | <u>83642</u> |
| Mailing address | City | State | ZIP |
| <u>208-898-5500</u> | <u>kradek@meridiancity.org</u> | | |
| Telephone | Email | | |
4. If the water rights and/or adjudication claims were split, how did the division occur?
☐ The water rights or claims were divided as specifically identified in a deed, contract, or other conveyance document.
☐ The water rights or claims were divided proportionately based on the portion of their place(s) of use acquired by the new owner.
5. Date you acquired the water rights and/or claims listed above: 12/19/2014
6. If the water right is leased to the Water Supply Bank changing ownership of a water right will reassign to the new owner any Water Supply Bank leases associated with the water right. Payment of revenue generated from any rental of a leased water right requires a completed IRS Form W-9 for payment to be issued to an owner. A new owner for a water right under lease shall supply a W-9. Water rights with multiple owners must specify a designated lessor, using a completed Lessor Designation form. Beginning in the calendar year following an acknowledged change in water right ownership, compensation for any rental will go to the new owner(s).
7. This form must be signed and submitted with the following **REQUIRED** items:
- ☒ A copy of the conveyance document – warranty deed, quitclaim deed, court decree, contract of sale, etc. The conveyance document must include a legal description of the property or description of the water right(s) if no land is conveyed.
 - ☐ Plat map, survey map or aerial photograph which clearly shows the place of use and point of diversion for each water right and/or claim listed above (if necessary to clarify division of water rights or complex property descriptions).
 - ☒ Filing fee (see instructions for further explanation):
 - ☐ \$25 per *undivided* water right.
 - ☐ \$100 per *split* water right.
 - ☐ No fee is required for pending adjudication claims.
 - ☐ If water right(s) are leased to the Water Supply Bank AND there are multiple owners, a Lessor Designation form is required.
 - ☐ If water right(s) are leased to the Water Supply Bank, the individual owner or designated lessor must complete, sign and submit an IRS Form W-9.

SUPPORT DATA
IN FILE # 63-7307

8. Signature: [Signature] PUBLIC WORKS DIRECTOR 9/6/17
Signature of new owner/claimant Title, if applicable Date

Signature: [Signature] Asst City Engr. 9/6/17
Signature of new owner/claimant Title, if applicable Date

For IDWR Office Use Only:

Received by [Signature] Date 9/20/17 Receipt No. W045684 Receipt Amt. \$100⁰⁰

Active in the Water Supply Bank? Yes ☐ No ☒ If yes, forward to the State Office for processing W-9 received? Yes ☐ No ☒

Name on W-9 X Approved by AG/CS Processed by _____ Date _____

**QUITCLAIM DEED AND TRANSFER OF INTEREST
IN REAL PROPERTY AND ACCEPTANCE**

PARTIES:

Meridian Heights Water & Sewer District	Grantor	2589 S. Groom Way, Meridian, ID 83642 P.O. Box 472, Meridian, ID 83642
City of Meridian	Grantee	33 E. Broadway Ave., Meridian, ID 83642

This Quitclaim Deed and Transfer of Interest in Real Property and Acceptance, made effective as of the 30th day of December, 2014, by and between MERIDIAN HEIGHTS WATER & SEWER DISTRICT, ("Grantor" or "District" herein), an Idaho political subdivision, whose physical address is 2589 S. Groom Way, Meridian, Idaho 83642, and the CITY OF MERIDIAN, ("Grantee" or "City" herein), a municipal corporation of the State of Idaho, whose address is 33 E. Broadway Ave., Meridian, Idaho 83642.

ADA COUNTY RECORDER Christopher D. Rich
BOISE IDAHO Pgs=7 NIKOLA OLSON
MERIDIAN CITY

2015-09741
10/21/2015 03:00 P
NO F

**SECTION I
RECITALS**



The Parties recite and declare:

- 1.1 The District is the holder of Water Right No. 63-07307, evidenced and represented by Water Right Partial Decree No. 63-07307 issued to the District's predecessor in interest, the Meridian Heights Water & Sewer Association, Inc., a dissolved Idaho non-profit corporation, by the Fifth Judicial District of the State of Idaho, in and for the County of Twin Falls, In re SRBA, Case No. 39576, a copy of which is attached hereto as **Exhibit A** and incorporated herein by this reference as if set forth in full.
- 1.2 By letter dated November 7, 2013, the District received confirmation of ownership change of Water Right No. 63-07307 from the Idaho Department of Water Resources, a copy of which is attached hereto as **Exhibit B** and incorporated herein by this reference as if set forth in full.
- 1.3 The City has the authority and the right to acquire either by purchase or other legal means, interests in real property necessary for the maintenance and improvement of water and sewer systems; and
- 1.4 The City Council of the City and the Board of Directors of the District have each determined that a quitclaim deed herein provided for to transfer the Water Right is advisable and in the public interest and facilitates the intent of the District for maintenance and improvement of its existing water and sewer systems by the City.

In consideration of the mutual covenants contained in this quitclaim deed, the parties agree and act as follows:

**SECTION II
QUITCLAIM DEED GRANT AND CONVEYANCE OF INTEREST IN REAL
PROPERTY FOR CITY MAINTENANCE PURPOSES**

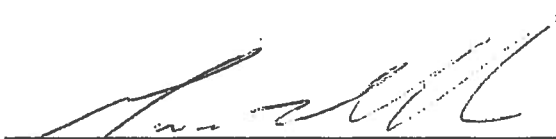
2.1 The District does hereby grant, convey and release and quitclaim all right, title and interest, to the above mentioned real estate, including any and all rents, issues and profits thereof, which the District now has or may hereafter acquire, unto the City, and/or its assigns as hereinafter provided for, from the effective date hereof.

SECTION III
ACCEPTANCE OF GRANT AND CONVEYANCE
FOR CITY MAINTENANCE PURPOSES

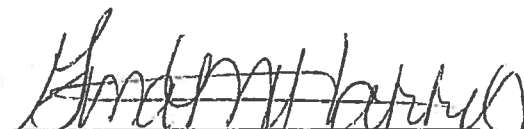
3.1 The City does hereby accept this conveyance of the Real Property herein provided for.

IN WITNESS WHEREOF, this Quitclaim Deed and Acceptance has been executed on the 17th day of December, 2014, with the intent that it shall be recorded in the office of the recorder of the County of Ada, State of Idaho.

**MERIDIAN HEIGHTS WATER & SEWER
DISTRICT**, an Idaho political subdivision


Gordon Hamilton, Chairman

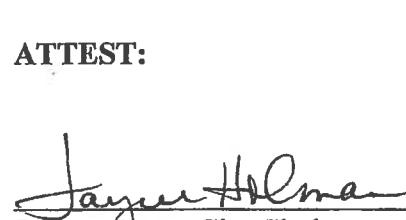
ATTEST:


Gina Harris, District Clerk

CITY OF MERIDIAN, an Idaho municipal
corporation


Tammy DeWeerd, Mayor

ATTEST:

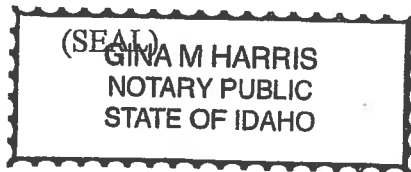

Jaycee Holman, City Clerk



STATE OF IDAHO)
 : ss.
County of Ada)

On this 19th day of December in the year of 2014, before me, a notary public, personally appeared Gordon Hamilton, known or identified to me to be **Chairman** of the **Meridian Heights Water & Sewer District** that executed this Quitclaim Deed and Acceptance, and acknowledged to me that such District executed the same.

DATED this 19th day of December, 2014.



Gina M. Harris
Notary Public for Idaho
Residing At: 2589 S. Groom Lake, Meridian
My Commission Expires: 2/3/18 TD

STATE OF IDAHO)
 : ss.
County of Ada)

On this 20 day of October in the year of 2015, before me, a notary public, personally appeared Tammy DeWeerd, known or identified to me to be the Mayor of the **City of Meridian**, Ada County, State of Idaho, that executed this Quitclaim Deed and Acceptance, and acknowledged to me that such City executed the same.

DATED this 20 day of October, 2014: 2015



Jessica Jones
Notary Public for Idaho
Residing At: Meridian, ID
My Commission Expires: Jan 4, 2020

IDAHO DEPARTMENT OF WATER RESOURCES
Water Right Report

10/6/2014

WATER RIGHT NO. 63-7307

<u>Owner Type</u>	<u>Name and Address</u>
Current Owner	MERIDIAN HEIGHTS WATER & SEWER DISTRICT PO BOX 472 MERIDIAN, ID 83680 (208)887-1052
Original Owner	MERIDIAN HEIGHTS SUBDIVISION , ID
Original Owner	SOUTHWEST DEVELOPMENT CO INC 212 10TH AVE S NAMPA, ID 83651

Priority Date: 03/10/1970

Basis: Decreed

Status: Active

<u>Source</u>	<u>Tributary</u>
GROUND WATER	

<u>Beneficial Use</u>	<u>From</u>	<u>To</u>	<u>Diversion Rate</u>	<u>Volume</u>
DOMESTIC	01/01	12/31	0.93 CFS	68.4 AFA
Total Diversion			0.93 CFS	

Location of Point(s) of Diversion:

GROUND WATER	NENE	Sec. 25	Township 03N	Range 01 W	ADA County
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EXHIBIT "B"



State of Idaho

DEPARTMENT OF WATER RESOURCES

Western Region, 2735 Airport Way • Boise, Idaho 83705-5082

Phone: (208) 334-2190 • Fax: (208) 334-2348 • Web Site: www.idwr.idaho.gov

C. L. "BUTCH" OTTER
Governor

GARY SPACKMAN
Director

November 7, 2013

MERIDIAN HEIGHTS WATER & SEWER DISTRICT
PO BOX 472
MERIDIAN ID 83680

Re: Ownership Change in Water Right No's: 63-07307, 63-11671

Dear Applicants:

The Department acknowledges the receipt of correspondence changing ownership of the above referenced water right(s) to you. The Department has modified its records to reflect the change in ownership and has enclosed a computer-generated report for your records.

However, Water Right No.'s 63-12157 and 63-12251 have not been modified. These water right numbers are associated with water permits and an Assignment of Permit will need to be submitted to the Department in order to change them. If you do not want to change these water rights at this time please contact the department and a refund of \$50.00 will be requested.

Updating the ownership record for a water right does not reconfirm the validity of the right. When processing an ownership change notice, the department does not review the history of water use to determine if the right has been forfeited through five years or more of non-use. To read more about water right forfeiture, including how to protect a water right from forfeiture, please see Sections 42-222 and 42-223, Idaho Code.

Please note that as of July 1, 1996, water right owners are required to report any change of water right ownership and any change of mailing address of the owner of a water right, to the Department. Notice of the change must be provided to the Department within 120 days of the change. Change reporting forms are available from any office of the Department, or at www.idwr.idaho.gov.

Thank you for your patience and cooperation. If you have any questions concerning the enclosed information, please feel free to contact this office at 208-334-2190.

Sincerely,

For
Rachel Sommer
Office Specialist II
Western Regional Office

Enclosures: Assignment of Permit

EXHIBIT "B"

GROUND WATER	SENE	Sec. 25	Township 03N	Range 01W	ADA County
GROUND WATER	NENW	Sec. 25	Township 03N	Range 01W	ADA County

Place(s) of use:

Place of Use Legal Description: DOMESTIC ADA County

Township	Range	Section	Lot	Tract	Acres	Lot	Tract	Acres	Lot	Tract	Acres	Lot	Tract	Acres
03N	01W	25		SENE										

Conditions of Approval:

1.	C18	This partial decree is subject to such general provisions necessary for the definition of the rights or for the efficient administration of the water rights as may be ultimately determined by the Court at a point in time no later than the entry of a final unified decree. Section 42-1412(6), Idaho Code.
2.	R65	This right when combined with all other rights shall provide no more than 0.02 cfs per acre nor more than 4.5 afa per acre for irrigation of the lands above.
3.	T07	The right holder shall accomplish the change authorized by Transfer No. 5271 within one (1) year of the date of the approval.
4.	T08	Failure of the right holder to comply with the conditions of this transfer is cause for the Director to rescind approval of the transfer.
5.	T17	Prior to diversion of water under this approval, the right holder shall provide a means of measurement acceptable to the Department from all authorized points of diversion which will allow determination of the total rate of diversion.
6.	WB4	The total instantaneous diversion of water from all points of diversion under Rights 63-7307 and 63-11671 shall not exceed 2.38 cfs, nor a total combined annual volume of 249.5 af.
7.	01M	After specific notification by the Department, the right holder shall install a suitable measuring device or shall enter into an agreement with the Department to determine the amount of water diverted from power records and shall annually report the information to the Department.
8.	X01	Domestic use is for 57 mobile homes.
9.	J01	Property is also known as Meridian Heights Subdivision.

Dates:

Licensed Date:

Decreed Date: 02/16/2007

Permit Proof Due Date:

Permit Proof Made Date:

Permit Approved Date:

Permit Moratorium Expiration Date:

Enlargement Use Priority Date:

EXHIBIT "B"

Enlargement Statute Priority Date:
Water Supply Bank Enrollment Date Accepted:
Water Supply Bank Enrollment Date Removed:
Application Received Date:
Protest Deadline Date:
Number of Protests: 0

Other Information:
State or Federal: S
Owner Name Connector:
Water District Number:
Generic Max Rate per Acre:
Generic Max Volume per Acre:
Civil Case Number:
Old Case Number:
Decree Plaintiff:
Decree Defendant:
Swan Falls Trust or Nontrust:
Swan Falls Dismissed:
DLE Act Number:
Cary Act Number:
Mitigation Plan: False

Close

EXHIBIT "B"

4. 6/17/14 Meridian Heights Water & Sewer District Resolution No. 14-3
5. 12/11/14 Ada County District Court Order for Transfer of Assets and Assumption of Liabilities of the Meridian Heights Water & Sewer District to the City of Meridian, Ada County, Idaho and Order of Dissolution (the "Order")
6. 12/19/14 Bill of Sale (Accepted by City on 10/20/15).
7. 06/24/14 City of Meridian Resolution No. 14-996A

The four water rights conveyed by the District to the City include a decreed right (63-07307), a licensed right (63-11671), and two permits (63-12157 and 63-12251). The decreed right was conveyed pursuant to the Quitclaim Deed and Transfer of Interest in Real Property and Acceptance (hereinafter "Quitclaim Deed") identified as a part of Exhibit No. 1 attached hereto. With respect to the other three rights, normally IDWR would require a deed of conveyance for the licensed right, and Assignment of Permit forms for the two permitted rights. Unfortunately, the completion of such deed and forms is impossible as the entity that could complete them is no longer in existence.

However, there is sufficient documentation to establish the ownership of the license and two permits in the City's name. First, the 10/4/13 Agreement (Exhibit 2) indicates the parties' intent to dissolve the District (if approved pursuant to a District election) and transfer its assets to the City in return for connection to City water and sewer services to ensure continued water and sewer service for the District's residents. The water rights that are subject to the Agreement and intended to be conveyed are specifically listed in Exhibit J to the Agreement, and include all four rights discussed herein. Second, the parties reiterated their intent to transfer the water rights in their First Addendum to the Agreement (Exhibit 3) by amending portions of the Agreement related to asset conveyance, but at the same time not in any way amending the language related to water rights transfer.

Third, the District carried the Agreement into effect by holding an election that resulted in a majority of its electorate approving the dissolution of the District and its transfer of assets to the City as outlined in the District's Resolution No. 14-3 (Exhibit 4). Fourth, this process culminated in Ada County District Court's issuance of its 12/11/14 Order implementing the intent of the Agreement, approving the transfer of assets contemplated by that Agreement, and dissolving the District as of December 19, 2014 (Exhibit 5). Finally, also on December 19, 2014 the District executed a Bill of Sale conveying the permitted rights (Exhibit 6) and a Quitclaim Deed conveying the decreed right (attached to Exhibit 1). Both the Bill of Sale and Quitclaim Deed were signed by the City on 10/20/15, indicating its acceptance thereof.

Unfortunately, the District failed to include licensed water right no. 63-11671 in its 12/19/14 Quitclaim Deed that conveyed decreed right no. 63-07307 to the City, and failed to

complete Assignment of Permit forms for the permitted rights prior to dissolution. There is no indication of a reason for this failure in any of the paperwork surrounding the dissolution of the District. What we do know is that the District intended to convey all four of the rights from the language of the Agreement if the election proposing transfer of assets and dissolution of the District was successful. *See* Agreement, p. 5, § 2. The “assets” referenced in the Agreement specifically included the four water rights. *See* Agreement, p. 2, § 1j; Exhibit J. The Agreement also states that “*MHWSD shall transfer, give and assign to the City, and the City agrees to accept . . . all right, title and interest of the MHWSD in and to the . . . Water Rights.*” Agreement, p. 11, § 10b. Additionally the parties reiterated their intent to convey the District’s water rights by amending the language of the Agreement’s section regarding the transfer of assets without amending the portion addressing the water rights. *See* Addendum, p. 2, § 1.

As a further indication of the parties’ intent with respect to conveyance of the water rights, the Agreement states that following a “*successful election to dissolve the District the MHWSD shall adopt a resolution of dissolution and transfer of assets . . . and the City shall adopt a resolution accepting such transfer of assets.*” Agreement, p. 11, § 10a. Both parties followed through on this provision by adopting their respective resolutions approving the transfer of assets and indicating their intent to finalize the transaction. *See* District Resolution No. 14-3 (Exhibit 4); City Resolution No. 14-966A (Exhibit 7).

Finally, the Ada County District Court’s Order approving the District’s dissolution and transfer of its assets references the Agreement by stating “*the transfer of the District’s assets and liabilities as contemplated by the Agreement . . . is approved.*” *See* Exhibit 5. The Order contains the caption of the District’s attorneys, indicating it was drafted by those attorneys prior to its execution by the Court. Presumably if the District had intended to convey only a portion of the water rights, its attorneys would have so indicated when they drafted the order.

Given (1) the content of the Agreement discussing the transfer of assets (including all four of the District’s water rights) to the City; (2) the Addendum reiterating that intent; (3) the Resolutions adopted by both the District and the City referencing the Agreement and approving the transfer of assets; (4) the Court’s Order approving the transfer of those assets pursuant to the Agreement’s provisions; (5) the quitclaim deed and Bill of Sale (executed by both parties) conveying and accepting the decreed and permitted water rights; and (6) the context of the non-existence of the District, sufficient evidence exists for IDWR to change ownership of licensed right no. 63-11671 and permit nos. 63-12157 and 63-12251 into the name of the City of Meridian.

Please contact me with any questions or concerns this correspondence has raised. Otherwise, I look forward to hearing from you that IDWR has processed the attached Notice of Change of Ownership, thereby changing the ownership of water right nos. 63-7307 and 63-11671 into the name of the City of Meridian, and have likewise changed the ownership of permit nos. 63-12157 and 63-12251 into the name of the City of Meridian.

Angela M. Grimm
September 14, 2017
Page 4

Sincerely,


Charles L. Honsinger

enclosures

cc: Client

Exhibit 2

**AGREEMENT FOR THE DISSOLUTION AND TRANSFER OF ASSETS AND
LIABILITIES FROM MERIDIAN HEIGHTS WATER AND SEWER DISTRICT TO
THE CITY OF MERIDIAN; SETTLEMENT AGREEMENT AND RELEASE**

This Agreement ("Agreement") is made and entered into and made effective as of the date of the latest signature below (the "Effective Date"), by, between and among MERIDIAN HEIGHTS WATER & SEWER DISTRICT, a political subdivision of the State of Idaho, and its successors, legal representatives, agents, assigns, and all other persons or entities acting for, by, or through it ("MHWSD" or "District"), L.C. DEVELOPMENT, INC., an Idaho corporation, and its successors, heirs, legal representatives, agents, and assigns, ("L.C."), the President of which is Lee Centers ("Centers"), and the City of Meridian, an Idaho municipal corporation, and its successors, legal representatives, agents, assigns, and all other persons or entities acting for, by, or through it ("City"), collectively called "Parties."

RECITALS

WHEREAS, MHWSD is a duly organized and existing water and sewer district operating under and pursuant to Idaho Code §§42-3201 *et seq.* in Ada County, Idaho within the area of city impact of the City. The boundaries of MHWSD generally encompass two subdivisions, the Meridian Heights Subdivision and the Kentucky Ridge Subdivision (collectively, the "Subdivisions"); and

WHEREAS, MHWSD operates a wastewater reuse system pursuant to the Idaho Recycled Water Rules (IDAPA 58.01.17), the Idaho Wastewater Rules (IDAPA 58.01.16), the Idaho Groundwater Quality Rule (IDAPA 58.01.11) and a Municipal Wastewater Reuse Permit (LA-000067-04) (the "Permit") issued by the Idaho Department of Environmental Quality ("IDEQ") on December 3, 2009; and

WHEREAS, in connection with its wastewater reuse system, MHWSD owns approximately sixteen (16) acres of real property more particularly described in **Exhibit A** attached hereto and incorporated herein by this reference (the "District Property"); and

WHEREAS, Centers' predecessors in interest conveyed to the MHWSD's predecessor in interest an easement on the Condemnation Property, as described herein, for the purpose of land application of the MHWSD's sewer effluent, which easement was originally conveyed on April 8, 1976 and recorded as Instrument No. 2601976 in the records of Ada County (the 1976 easement also appears to have been recorded as Instrument No. 1387080485 in the records of Ada County), and conveyed again on August 9, 1995 and recorded as Instrument No. 1965001651 in the records of Ada County (the 1995 easement was recorded again on January 16, 1996 as Instrument No. 96004015 in the records of Ada County) (the "Easement"), copies of which are attached hereto as **Exhibit B** and incorporated herein by this reference; and

WHEREAS, the MHWSD approved a Revenue Bond in the amount of \$1.5 million in 2010 to either purchase the Condemnation Property or pursue connection to the City; and

WHEREAS, MHWSD filed a Complaint against Centers in the Fourth Judicial District of the State of Idaho, in and for Ada County, Case No. CV OC 1201196 (the "Lawsuit") to acquire title to forty (40) acres of real property owned by Centers, more particularly described in **Exhibit C** attached hereto and incorporated herein by this reference (the "Condemnation Property") for the current and future use by MHWSD for land application of sewer effluent as permitted by the Permit and the Easement; and

WHEREAS, Centers and L.C. desire that the land application of sewer effluent on the Condemnation Property pursuant to the Permit and Easement cease, that MHWSD connect its water and sewer systems to the City, and the Lawsuit be dismissed; and

WHEREAS, in addition to the Condemnation Property, Centers owns 152 +/- acres of property adjacent to the Condemnation Property and within the area of city impact of the City, which is more particularly described on **Exhibit D** attached hereto and incorporated herein by this reference (the "Centers Property"); and

WHEREAS, the City is a duly organized municipal corporation of the State of Idaho which owns, operates and maintains municipal drinking water and wastewater systems as authorized by Idaho Code §§50-323, 50-332 and 50-1030; and

WHEREAS, the City is not a party to the Lawsuit, but is a party to this Agreement, as in order for the land application to cease and the condemnation to be unnecessary, the City would have to agree to allow MHWSD residents to connect to City sewer; and

WHEREAS, the parties wish to settle the disputed claim in the Lawsuit and agree on a solution which would allow MHWSD residents to connect to City sewer, and resolve all related claims that are known or that should be known as of the Effective Date of this Agreement to the party with the right to assert the claim or claims, without further litigation and related expenses; and

WHEREAS, all properties in the MHWSD, the District Property, the Condemnation Property, the Centers Property, and property owned by Merle Hansen ("Hansen"),¹ more particularly described in **Exhibit E** attached hereto and incorporated herein by this reference as if set forth in full (the "Hansen Property") are identified as being within the area of city impact of the City; and

WHEREAS, in order to facilitate a resolution of the Lawsuit, to provide cost-effective municipal water and sewer services to residents of MHWSD, and to promote the orderly development and expansion of the City, the City is desirous of finding a way for the MHWSD to

¹ Merle Hansen is not a party to this Agreement. The Parties acknowledge and agree that the Hansen Property is identified herein for the sole purpose of describing parcels that will be included in the City's annexation application as described herein.

dissolve and for the properties to annex into the City; and

WHEREAS, the MHWSD intends to protect its residents to ensure that in the event of a transfer of its water system and sewer system to the City that the MHWSD residents who are receiving water service and/or sewer service shall continue to receive such services from the City; and

WHEREAS, the MHWSD, the City and L.C. have agreed in concept that the best way to further the goals of all Parties is to dissolve MHWSD pursuant to the procedures outlined in Idaho Code §42-3239, transfer all of its assets to the City, and connect MHWSD's water and sewer systems to City services.

NOW, THEREFORE, in consideration of the mutual promises herein contained, and for other good and valuable consideration, acknowledged by each of them to be satisfactory and adequate, MHWSD, the City and L.C. hereby mutually undertake, promise and agree, each for itself, and its successors and assigns as follows:

1. Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

a. Annexation. The term "Annexation" herein shall mean a Category B Annexation into the City of Meridian city limits pursuant to Idaho Code § 50-222 (3)(B).

b. Election. The term "Election" refers to a special election to be held by MHWSD to secure approval for the District to dissolve and all assets and obligations of the MHWSD to be transferred to the City. The election shall be held on November 5, 2013 pursuant to Idaho Code §§ 42-3239(3) and 34-106.

c. Physical Connection. The term "Physical Connection" shall mean the actual connection of the MHWSD Sewer System or the Water System, respectively, to the City sewer system or water system, respectively, and the release of appurtenances that allows the sewer effluent from the Sewer System to flow into the City's sewer system and that allows the flow of water from the City's water system into the Water System.

d. Closing. The term "Closing" means and refers to the closing of the transactions contemplated by this Agreement, including the dissolution of the MHWSD and transfer of assets to the City pursuant to Idaho Code §42-3239, which closing shall take place at Meridian City Hall, 33 E. Broadway Avenue, Meridian, Idaho 83642, on such date and at such time as the Parties may mutually determine after all Contingencies have been satisfied, which is anticipated to be on or about December 19, 2014 (the "Closing Date").

e. Water System. The term "Water System" means and refers to all Water Rights, water storage reservoir(s), groundwater wells with pumping facilities, the distribution system appurtenances such as water lines, fire hydrants, valves, and water meters, together with

all rights of way, easements, and real property owned by the MHWSO (for the purpose of water system supply, delivery, operation and maintenance), which are more particularly described in **Exhibit F** attached hereto and incorporated herein by reference. It is agreed that Exhibit F shall be completed and attached to this Agreement and agreed to by the Parties prior to the Closing Date.

f. **Sewer System.** The term "Sewer System" means and refers to all sewer collection pipelines, together with all rights of way, easements, and real property owned, other than Excluded Assets, by the MHWSO (for the purpose of sewer system collection, operation and maintenance), which are more particularly described in **Exhibit G** attached hereto and incorporated herein by this reference. It is agreed that Exhibit G shall be completed and attached to this Agreement and agreed to by the Parties prior to the Closing Date.

g. **Cash Assets.** The term "Cash Assets" means and refers to all funds in bank checking and/or savings accounts including any other cash assets as well as surety instruments, investments, and all other financial assets cash or otherwise of the MHWSO more particularly described in **Exhibit H** attached hereto and incorporated herein by reference, subject to changes in those cash assets up to the Closing Date due to reasonable operation and maintenance costs of the MHWSO from the continued operation of the Water System and Sewer System and any receipts of the MHWSO for assessments and from operational expenses, costs and attorney fees incurred by the MHWSO, and any reasonable hold back for contingent liabilities at the time of Closing. A new updated Cash Assets exhibit shall be prepared and attached to this Agreement and agreed to by the parties prior to the Closing Date.

h. **Other Real or Personal Property.** The term "Other Real or Personal Property" means and refers to all real or personal property of the MHWSO, other than the Excluded Assets, including but not limited to, accounts receivable; delinquent accounts and all collection, lien and other rights related thereto; GIS/GPS system assets; machinery; equipment; vehicles; easements; licenses; and Water Rights, all of which are more particularly described in **Exhibit I** attached hereto and incorporated herein by reference. An amended or updated Exhibit H may be completed and attached to this Agreement if agreed to by the Parties prior to the Closing Date.

i. **Related Agreements.** The term "Related Agreements" means any agreement by and between the MHWSO and any third person as a subcontractor or independent contractor to perform services for and/or in pursuit of the purposes of the MHWSO.

j. **Water Rights.** The term "Water Rights" shall mean and include the water rights owned by the MHWSO identified in **Exhibit J** attached hereto and incorporated herein by reference.

k. **Project Schedule.** The term "Project Schedule" shall mean that certain schedule set forth on **Exhibit K** attached hereto and incorporated herein by reference. The Parties agree that the start and finish dates set forth in the Project Schedule are good faith estimates, but that the party(ies) responsible for line item tasks will utilize their best efforts to

start and finish the tasks as soon as reasonably possible and earlier than the estimated dates. Further, the Parties agree that any line item task that is delayed due to unfavorable weather conditions, delay in a task caused by non-completion of a condition precedent task, delay in receipt of regulatory agency approval, or other unforeseen circumstances will not be deemed a per se breach of this Agreement by the party responsible for the line item task.

l. **Contingencies.** The term "Contingencies" shall mean and include all of those conditions precedent to Closing identified in this Agreement.

m. **Grandfather Rights.** The term "Grandfather Right(s)" shall mean the right by the landowner to continue to use the real property they own in the same manner that existed at the time of the signing of this Agreement.

n. **Transition Period.** The term "Transition Period" shall mean the period of time between the Physical Connection and Closing whereby the City provides water and/or sewer services to the MHWSD but the MHWSD is still operational, thereby necessitating dual operations as set forth herein.

o. **Excluded Assets.** The term "Excluded Assets" shall mean those assets identified in Section 10(c) herein.

p. **Lawsuit.** The term "Lawsuit" shall refer to the condemnation proceeding between MHWSD and Lee Centers to which the City is not a party.

2. **Election.** MHWSD agrees to submit to the qualified electors of the District on the November 5, 2013 general election ballot the question of dissolution of the District and transfer of all assets and liabilities thereof to the City, pursuant to the requirements of Idaho Code §42-3239. The term "*success*" or "*successful*" when used in relation to the election shall mean an affirmative vote of the District patrons to dissolve the MHWSD. If the vote is in the negative then (i) the Consents to Annex that have been filed as part of this Agreement are voided; (ii) any payments lodged by any parties shall be refunded within five (5) days, and all parties shall absorb all their own costs that have been expended, other than those payments, without reimbursement from any of the parties to this Agreement; and (iii) all obligations contemplated by this Agreement shall terminate.

3. **Connection to City Sewer.**

a. **Sewer Main Extension and Easement.** In the event the Election is successful, L.C. will install and provide a sewer main extension from Victory Road with a single point connection for MHWSD (the "Sewer Improvements") pursuant to the Project Schedule, contingent upon the City's acquisition of a thirty foot (30') wide easement from Hansen to cross the Hansen Property. L.C. shall bear all costs for such connection, including but not limited to: engineering design, staking, licenses, permits, application fees, and construction.

b. **Performance Assurances.** L.C. shall provide a performance bond, cash

deposit, certified check, or irrevocable bank letter of credit in a form acceptable to both the City and the MHWSO for the estimated cost of construction of the sewer line on or before October 15, 2013, and shall have an effective date no later than November 10, 2013, which shall be held by the City of Meridian until such time as the construction is completed. The assurance shall be released within fifteen (15) days of completion of construction and City acceptance thereof. In the event the Election is not held or is unsuccessful, or the City fails to complete the Annexation as set forth in Section 5 below, the City agrees to release such security to L.C. within five (5) days after the Election or within five (5) days of a final decision of the City Council disapproving the annexation or annexation ordinance. The same assurance may be used for construction of the sewer line and the water line.

c. ***Design and Related Approvals.*** In the event the Election is successful, L.C. agrees to authorize design of the sewer connection on November 6, 2013, with design to be completed and submitted to the City and MHWSO for review consistent with the Project Schedule. The City and MHWSO agree to review and approve the sewer connection design as soon as reasonably practical following receipt from L.C. L.C. agrees to submit the sewer connection design to all appropriate agencies and obtain all approvals and permits related to such sewer connection. Upon receipt of the sewer connection design approval from the City, Centers agrees to obtain a license from the Nampa-Meridian Irrigation District for construction of such sewer line under the Ridenbaugh Canal. Construction of the portion of the sewer line under the Ridenbaugh Canal shall be completed consistent with the Project Schedule; provided, however, that delay in the issuance of a license by the Nampa-Meridian Irrigation District and resulting delay in construction under the Ridenbaugh Canal through no fault of L.C. shall not be deemed a default by L.C. and shall not result in the termination of this Agreement as provided in Section 11 herein.

d. ***Physical Connection to City Sewer System.*** The Parties agree to cooperate in providing all necessary notices to IDEQ prior to the Physical Connection of the Sewer System to the City, as required by applicable state and federal law, rules, regulations and the Permit. The Physical Connection of the Sewer System shall occur consistent with the Project Schedule. Upon completion of the Sewer Improvements, the Physical Connection to the City sewer system shall be made.

e. ***Indemnity and Insurance.*** L.C. agrees to indemnify and hold harmless the MHWSO and the City of Meridian from and against any and all claims, costs, losses, and damages (including but not limited to all fees and charges of subcontractors, suppliers, agents, employees, engineers, architects, attorneys, and other professionals, and all court or arbitration or other dispute resolution costs) arising out of or relating to L.C.'s performance of the connection to the City's sewer system. L.C. agrees to purchase an insurance policy or policies that meet or exceed a policy limit of \$1,000,000.00. Said policy or policies shall be maintained in effect until at least thirty (30) days after the City accepts the connection to the City sewer system. L.C. shall list the MHWSO as an additional insured on the liability insurance required by the City for the construction of the sewer connection to the City which said liability insurance is appropriate for the work being performed and will provide protection from claims set forth below which may arise out of or result from L.C., its subcontractors, suppliers, agents, employees, engineers,

architects, attorneys and other professionals' performance of the work and other obligations associated therewith. Said insurance shall cover claims for:

- i. workers' compensation, disability benefits, and other similar employee benefits acts;
- ii. damages because of bodily injury, occupational sickness or disease, or death;
- iii. damages insured by reasonably available personal injury liability coverage which are sustained by:
 - (a) any person as a result of an offense directly or indirectly related to the employment of such person by L.C. or its subcontractors, agents, employees, or other covered professional contractors as listed in this Section 3(e);
- iv. damages, other than to the work itself to connect to the City sewer system, because of injury to or destruction of tangible property wherever located, including loss of use resulting therefrom;
- v. damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle; and
- vi. damages because of any release of hazardous materials which are regulated as pollutants by any state or federal law or laws.

4. Connection to City Water.

a. ***Water Main Extension and Easement.*** In the event the Election is successful, L.C. will install a twelve-inch (12") water main line extension from Victory Road through the Hansen Property to the MHWSO water main, making water available for extension and connection to MHWSO (the "Water System Improvements"), contingent upon (i) the City's acquisition of an easement from Hansen to cross the Hansen Property; and (ii) completion of the Annexation contemplated by Section 5(b). L.C. shall bear all costs for such connection, including but not limited to: engineering design, staking, licenses, permits, application fees, and construction for the water main line connection of the Condemnation Property to Victory Road. L.C. shall also bear all costs of the physical connection of the existing MHWSO water main to the new twelve-inch (12") water main as described herein.

b. ***Performance Assurances.*** L.C. shall provide a performance bond, cash deposit, certified check, or irrevocable bank letter of credit in a form acceptable to both the City and the MHWSO for the estimated cost of construction of the water line on or before October 15, 2013, and shall have an effective date no later than November 10, 2013, which shall be held by the City of Meridian until such time as the construction is completed. The assurance shall be released within fifteen (15) days of completion of construction and City acceptance thereof. In

the event the Election is not held or is unsuccessful, or the City fails to complete the Annexation set forth in Section 5 below, the City agrees to release such security to Centers within five (5) days after the Election or within five (5) days of a final decision of the City Council disapproving the annexation or the annexation ordinance. The same assurance may be used for construction of the sewer line and the water line.

c. ***Design and Related Approvals.*** L.C. agrees to authorize design of the water line extension and connection on November 6, 2013, with design to be completed and submitted to the City for review consistent with the Project Schedule. The City agrees to review and approve the water line extension and connection design as soon as reasonably practical following receipt from L.C. L.C. agrees to submit the water line extension design to all appropriate agencies and obtain all approvals and permits related to such water connection.

d. ***Physical Connection to City Water System.*** The Parties agree to cooperate in providing all necessary notices to IDEQ prior to the Physical Connection of the Water System to the City, as required by applicable state and federal law, rules, regulations and the Permit. The Physical Connection of the Water System shall occur consistent with the Project Schedule. The sewer Physical Connection shall not be delayed by or contingent upon construction of the Water System Improvements and/or water meters installation as set forth in the Project Schedule.

e. ***Indemnity and Insurance.*** L.C. agrees to indemnify and hold harmless the MHWSO and the City of Meridian from and against any and all claims, costs, losses, and damages (including but not limited to all fees and charges of subcontractors, suppliers, agents, employees, engineers, architects, attorneys, and other professionals, and all court or arbitration or other dispute resolution costs) arising out of or relating to L.C.'s performance of the connection to the City's water system. L.C. agrees to purchase an insurance policy or policies that meet or exceed a policy limit of \$1,000,000.00. Said policy or policies shall be maintained in effect until at least thirty (30) days after the City accepts the connection to the City sewer system. L.C. shall list the MHWSO as an additional insured on the liability insurance required by the City for the construction of the water connection to the City which said liability insurance is appropriate for the work being performed and will provide protection from claims set forth below which may arise out of or result from L.C., its subcontractors, suppliers, agents, employees, engineers, architects, attorneys and other professionals' performance of the work and other obligations associated therewith. Said insurance shall cover claims for:

- i. workers' compensation, disability benefits, and other similar employee benefits acts;
- ii. damages because of bodily injury, occupational sickness or disease, or death;
- iii. damages insured by reasonably available personal injury liability coverage which are sustained by:

(a) any person as a result of an offense directly or indirectly related to the employment of such person by L.C. or its subcontractors, agents, employees, or other covered professional contractors as listed in this Section 3(e);

iv. damages, other than to the work itself to connect to the City water system, because of injury to or destruction of tangible property wherever located, including loss of use resulting therefrom;

v. damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle; and

vi. damages because of any release of hazardous materials which are regulated as pollutants by any state or federal law or laws.

5. Annexation. The City agrees to pursue Annexation of the Condemnation Property, the Centers Property, the Hansen Property, the District Property, and the residential properties owned by residents within the MHWSD.

a. Consent to Annex. MHWSD, Centers and Hansen have provided written consent to the Annexation as required by Idaho Code §50-222, which consent shall be recorded with the Ada County Recorder and which shall not lapse until the City takes its final action on the Annexation (the "Consents"). In the event that the Election is not held or the dissolution of the District is not approved, the Consents shall be deemed withdrawn and a withdrawal of such Consents shall be filed with the Ada County Recorder.

b. Annexation Process. If the minimum threshold for annexation pursuant to Idaho Code §50-222 (3)(B) is met, the City shall pursue and complete the annexation process in compliance with Idaho Code §§50-222(3), and 67-6501 *et seq.*, and applicable provisions of the Meridian City Code. The annexation process shall be completed pursuant to the Project Schedule; provided, however, that delay in approval of the Annexation and adoption of the Annexation Ordinance due to weather, lack of quorum, or other circumstances beyond the control of the Parties shall not result in the invalidation or termination pursuant to Section 11 of this Agreement.

c. Zoning Upon Annexation. Upon Annexation, the Centers Property, the District Property and the Hansen Property shall be entitled to all Grandfather Rights applicable to such properties until such time as they develop and enter into a development agreement with the City.

d. Contingencies. In the event the Election is not held or dissolution is not approved, the City shall not be obligated to approve the Annexation as set forth herein. Further, if the dissolution is approved and the City decides not to annex the subject properties, the City shall be obligated to connect the Water System and Sewer System to the City and accept the transfer of the assets and obligations of the MHWSD, if approved by the District Court. The

Parties may enter into a service agreement to identify the necessary costs and rates for service. All hook up and connection fees will still need to be paid.

e. **Development Agreement.** Any property that is subject to this Agreement and the Hansen Property previously identified on Exhibit E, that is granted an R-8 Zoning shall agree to sign a Development Agreement as a condition of annexation to limit development of the property to single family residential properties until an amendment to the DA is approved or a rezone occurs or both.

6. **Lot Line Adjustment of MHWSD Property.** The MHWSD agrees to initiate a lot line adjustment application with either the City or Ada County to separate its buffer zone parcel from its storm water pond parcel to allow for the transfer of the storm water pond parcel to the Ada County Highway District ("ACHD") at Closing. Such application shall be initiated in sufficient time to allow approval of the lot line adjustment prior to Closing. The MHWSD and the City agree to work with the ACHD as necessary or required to accomplish the transfer of the storm water pond parcel. At Closing, the MHWSD agrees to execute all documents necessary to convey the storm water pond parcel to ACHD.

7. **Decommissioning of MHWSD Sewer Lagoons.** The MHWSD agrees to decommission the existing sewer lagoons pursuant to one of the options set forth in this Section 7. Under either option, the MHWSD agrees that the decommissioning will be complete as soon as reasonably possible but in no event later than the Closing Date, provided that the time to decommission the lagoons shall be extended if decommissioning is delayed due to: unfavorable weather conditions; delay in the Physical Connection of the Sewer System being made to the City sewer system; delay in receipt of regulatory agency approvals; or other unforeseen circumstances. The MHWSD and its successors or assigns to the sewer lagoon property are allowed to utilize the best, most economical practices to decommission the sewer lagoons that IDEQ will permit in the decommissioning plan. The Parties agree to cooperate as may be necessary in such decommissioning, including providing notices to IDEQ and other agencies as may be required by law, rule, regulation or the Permit. The MHWSD agrees to convey to the City such rights of way or other easements across the District Property as may be necessary to secure continued City water and/or sewer services and/or public access to the District Property prior to any sale by the MHWSD. The proceeds from such sale shall be applied to reduce the costs necessary to effectuate the transactions contemplated in this Agreement.

a. **Decommissioning by MHWSD.** Under this option, the MHWSD agrees to be responsible for the decommissioning and reclamation of the existing sewer lagoons. Upon the reclamation and decommissioning of the lagoons, the MHWSD shall retain the right to sell the District Property pursuant to applicable Idaho law. Any proceeds received from the sale of the District Property shall be applied to reduce the costs necessary to effectuate the transactions contemplated in this Agreement.

b. **Decommissioning by Third Party.** Under this option, the MHWSD may elect to auction the District Property pursuant to applicable state law with the condition that the third-party purchaser completes decommissioning of the lagoons as set forth in Section 7 above.

Any proceeds received from the sale of the District Property shall be applied to reduce the costs necessary to effectuate the transactions contemplated in this Agreement.

8. Hookup Fees; Payment Assurances. The City will charge MHWSO \$513,084 for water hookup fees and \$780,716 for sewer hookup fees (collectively "Hookup Fee"). L.C. agrees to contribute \$780,716 to the City on behalf of MHWSO prior to completion of the sewer main extension, towards payment of Hookup Fees and/or for other costs related to Physical Connection, contingent upon the Annexation being completed and approved and a successful Election held by MHWSO in which a vote to dissolve the District is approved. L.C. agrees to provide payment assurances for such Hookup Fees and related costs in the form of a payment surety, cash deposit, certified check, or irrevocable bank letter of credit, to the City of Meridian on or before October 15, 2013, with an effective date no later than November 10, 2013. The City agrees to release such security to L.C. within five (5) days of either of the following: (i) the failure of the Election to occur on November 5, 2013 or an Election that results in disapproval of dissolution of the MHWSO as contemplated herein; or (ii) the failure of the MHWSO to vacate the Easement in accordance with Section 15(g) herein.

9. Contribution from City. The City will provide a credit of \$634,575 to MHWSO to offset Hookup Fees and/or costs, and to acquire the assets of MHWSO as set forth in Section 10(b) herein.

10. Dissolution and Transfer of District Assets and Liabilities.

a. Resolutions. After a successful election to dissolve the District, the MHWSO shall adopt a resolution of dissolution and transfer of assets and liabilities pursuant to the requirements of Idaho Code §42-3239, and the City shall adopt a resolution accepting such transfer of assets and liabilities.

b. Transfer of Assets. At Closing, MHWSO shall transfer, give and assign to the City, and the City agrees to accept the same, all subject to and upon the terms and conditions contained herein, all right, title and interest of the MHWSO in and to the Water System, Sewer System, Cash Assets, Water Rights, and Other Real or Personal Property and all other assets of the MHWSO of every kind and description, tangible or intangible, pertaining to, used in or necessary for the operation of the Water System and the Sewer System (the "Acquired Assets"), other than assets specifically excluded as set forth in Section 10c.

c. Excluded Assets. The MHWSO sewer lagoons and surrounding real property, the Easement, and the MHWSO storm water pond (i.e. the District Property) are specifically excluded from the assets that shall be acquired by the City pursuant to this Agreement. The following agreements are also specifically excluded from the assets that shall be acquired by the City: (i) Service Agreement between the MHWSO and Francisco and Ricki Sabala for water service; (ii) MOU between the MHWSO and Francisco and Ricki Sabala; (iii) MOU between the MHWSO and Rick and Charlene Fisch; and (iv) MOU between the MHWSO and Alexandria P. McNish.

d. ***Assumption of Liabilities.*** On the terms and subject to the conditions set forth herein the City will assume and satisfy or perform when due only the following liabilities and obligations of the MHWSD (the "Assumed Liabilities").

i. **Loans.** The MHWSD has an outstanding loan from IDEQ with a balance of approximately \$115,000 and an outstanding loan from IDWR with an approximate balance of \$270,000. These loans shall be assumed by the City at Closing.

ii. **Revenue Bond.** The voter approved Revenue Bond in the amount of \$1.5 million will be assumed by the City as set forth herein. The MHWSD agrees to take all steps necessary as required by Idaho law to issue the bonds authorized by the Revenue Bond election, including payment of all costs associated with underwriting of such issuance and establishing reserves required by such Revenue Bond, such that the bonds are issued prior to Closing. Upon issuance of the bonds, the MHWSD agrees to establish a special sewer assessment pursuant to Idaho law for its residents which assessment shall be used to repay the bonds. The special sewer assessment shall survive Closing and all authority to collect the same shall be transferred to the City. At Closing, the City shall assume all rights and obligations associated with the Revenue Bond, including but not limited to: the authority to collect the special sewer assessment, maintaining sufficient reserve funds to cover necessary payments on the bond, and payoff of the Revenue Bond within the time period prescribed therein. At such time as the bond is paid off in full, the City shall remove the special assessment from the properties within the MHWSD. The City agrees to notify the residents within the MHWSD at least annually the balance due on the bond and the approximate date that the special assessment will cease.

e. ***Funding of Deficit.*** The Parties acknowledge that (i) a deficit of roughly \$814,575 is expected in order for MHWSD to connect to both City water and sewer, as reflected on **Exhibit L** attached hereto; (ii) there may be additional election costs of MHWSD to hold an election to dissolve the District; (iii) there may be additional costs of decommissioning the District's Sewer Lagoons if the District opts to perform the Decommissioning pursuant to 7(a) of this Agreement; (iv) there may be additional revenues to lower the deficit from the sale of the District's decommissioned Sewer Lagoon sites; and (v) there may be additional costs to finalize and issue the Revenue Bond on behalf of the District. The Parties therefore agree that any funds necessary for connection to City services not being paid as outlined herein by the City or by L.C. may be covered by the existing Revenue Bond available to the MHWSD upon the terms and conditions set forth in Section 10(d)(ii) herein, and other lawful funds available to the Parties hereto. The Parties agree to cooperate in good faith to use as few Revenue Bond funds as possible to limit the monthly water and sewer rates and other costs to MHWSD residents. The Parties will work together to ensure that the requirements are met to use the Revenue Bond funds according to the terms thereof and applicable law, rules and regulations.

f. ***Administration of Services.*** At Closing, the City shall assume all responsibility for billing and administration of water and sewer services for MHWSD residents. The City and MHWSD agree to cooperate in the transition of such administration services and in

notification of MHWSD residents as to the time such transfer will occur. The City and MHWSD agree to provide no less than thirty (30) days' written notice to MHWSD residents of such transfer.

g. *Liabilities Not Assumed.* The City will not assume or perform any liabilities or obligations of any type or nature whatsoever not specifically assumed pursuant to this Agreement. Without limiting the generality of the foregoing, the City shall not assume or perform any of the following liabilities and obligations of the MHWSD:

i. Any liability arising as a result of any legal or equitable action or judicial or administrative proceeding initiated at any time in respect to anything done, suffered to be done or omitted to be done by the MHWSD or any of its respective directors, employees or agents prior to Closing;

ii. Any liability of the MHWSD for costs and expenses incurred in connection with the Related Agreements, the making or performance of the Related Agreements, and the transactions contemplated thereby; and

iii. With the exception of the loans and bond as set forth in this Section 10, any liability of the MHWSD in respect of any debt owed to third parties arising prior to Closing.

h. *Conditions Precedent to Closing.* All of the Contingencies identified in this Agreement and those tasks identified in the Project Schedule shall be satisfied in order for the Closing to occur.

i. *Deliveries at Closing.* At Closing, the MHWSD will deliver to the City properly executed and acknowledged, if appropriate, the various certificates, instruments, and documents to gift, transfer, convey, and assign to the City all the Acquired Assets, which shall include quitclaim deed(s) to real property and easement rights to the Water System and Sewer System, and such other documents as may be necessary to transfer and convey the Acquired Assets from the MHWSD to the City.

j. *Court Approval.* After a successful election to dissolve the District and transfer its assets and liabilities, the City and the MHWSD agree to file with the Fourth District Court of the State of Idaho, in and for the County of Ada, all documents required by Idaho Code §42-3239(4).

11. Default and Termination.

a. *Notice of Default and Termination.* The Parties may terminate this Agreement as provided below:

i. The Parties may terminate this Agreement by mutual written consent at any time prior to the Closing;

ii. Subject to Section 16 herein, any Party may terminate this Agreement by giving written notice to the other Parties (i) of a default by such other party in the timely performance of an obligation imposed under this Agreement; or (ii) the Election fails to result in the approval of dissolution.

iii. In the event of a default of performance on or before the time specified in this Agreement, the defaulting party shall be given thirty (30) days after notice of such default to cure or correct such default. If the default remains uncorrected after such cure period, the non-defaulting parties may deem the Agreement terminated.

b. **Effect of Termination.** If any Party terminates this Agreement pursuant to Section 11(a)(i) or (ii) above, all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party.

c. **Remedies.** If any party defaults for any other reason the non-defaulting party or parties shall have the right to claim any and all fees, costs expended, and attorney's fees and costs against the party or parties causing the default.

12. Representations and Warranties of the MHWSD. The MHWSD represents and warrants to the City and L.C. that the statements contained in this Section 12 are correct and complete as of the date of this Agreement.

a. **Organization of MHWSD.** The MHWSD is a duly organized and validly existing water and sewer district, and political subdivision of the State of Idaho, operating pursuant to Idaho Code §§42-3201 *et seq.*

b. **Authorization of Transaction.** Subject to any Contingencies set forth in this Agreement, the MHWSD has the power and authority to execute and deliver and to perform its respective obligations hereunder. All actions or proceedings to be taken by or on the part of the MHWSD to authorize and permit the execution and delivery by the MHWSD of the instruments required to be executed and delivered by the MHWSD pursuant hereto, the performance by the MHWSD of its obligations hereunder, and the consummation by the MHWSD of the transactions contemplated herein have been duly and properly taken.

c. **Noncontravention.** Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby will result in a breach or violation of, or default under (i) the MHWSD's Bylaws; (ii) to the MHWSD's knowledge, any law applicable to the MHWSD; or (iii) any agreement to which the MHWSD is a party or by which it is bound or to which any of its assets is subject (nor result in the imposition of any lien upon any of its assets). The MHWSD does not need to give any notice to, make any filing with, or obtain any authorization, consent or approval of any governmental agency, except as specifically set forth herein, in order for the Parties to consummate the transactions contemplated by this Agreement.

d. ***Title to Assets.*** The MHWSD has good and marketable title to, and the power to transfer the Acquired Assets, free and clear of all liens.

e. ***Legal and Other Compliance.*** The MHWSD is and has been in compliance in all material respects with all applicable laws, or has expeditiously made efforts to resolve instances of noncompliance, and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against any of them alleging any failure to so comply. Neither the ownership nor use of the properties of the MHWSD nor the conduct of its purposes conflicts with the rights of any other person or violates, or with the giving of notice or the passage of time or both will violate, conflict with, or result in a default, right to accelerate or loss of rights under, any term or provision of the Bylaws of the MHWSD or any lien, permit, lease, contract, agreement, understanding, or law to which the MHWSD is a party or by which the MHWSD may be bound or affected.

f. ***Litigation.*** Other than the Lawsuit, which shall be dismissed with prejudice on or before December 31, 2013 if there is a vote to dissolve the District, , with each side to bear their own costs and attorneys fees therein, there are no judicial or administrative actions, claims, suits, proceedings, or investigations pending to the MHWSD's knowledge, nor are there any threats thereof or basis therefore, that might question the validity of this Agreement or of any action taken or to be taken pursuant to or in connection with the provisions of this Agreement nor, to the knowledge of the MHWSD, is there any basis for any such action, claim, suit, proceeding or investigation. There are no judgments, orders, decrees, citations, fines or penalties heretofore assessed against the MHWSD affecting its operations, the Acquired Assets or the Assumed Liabilities under any law. The MHWSD shall file a Stipulation to Vacate Trial, the terms of which have been separately agreed to, within two (2) days of the Effective Date hereof.

g. ***Consents.*** The Board of Directors of the MHWSD and the qualified electors of the MHWSD, through the Election, are the only persons whose consent or approval is required in connection with the dissolution and transfer, assignment or conveyance by the MHWSD of the Acquired Assets to the City.

h. ***Books and Records.*** The books and records of the MHWSD, including all those public records as that term is defined in Idaho Code §9-337(13), operating manuals, and warranties, are complete and correct in all material respects and have been maintained in accordance with applicable laws, rules and regulations, and applicable sound business practices.

13. Representations and Warranties of the City. The City represents and warrants to the MHWSD and L.C. that the statements contained in this Section 13 are correct and complete as of the date of this Agreement.

a. ***Organization of the City.*** The City is duly formed and existing as a municipal corporation under and by virtue of the laws of the State of Idaho.

b. **Authorization of Transaction.** The City has the power and authority to execute this Agreement and to perform its obligations hereunder.

c. **Noncontravention.** Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby will result in a breach or violation or, or a default under, (i) any law applicable to the City, to the City's knowledge; (ii) any agreement to which the City is a party or by which it is bound or to which any of its assets is subject. Nor does the City need to give any notice to, make any filing with, or obtain any authorization, consent or approval of any governmental agency, except such notices as may be provided for herein, in order for the Parties to consummate the transactions contemplated by this Agreement.

14. Representations and Warranties of L.C. L.C. represents and warrants to the MHWSO and the City that the statements contained in this Section 14 are correct and complete as of the date of this Agreement.

a. **Authorization of Transaction.** L.C. has full power and authority to execute this Agreement and to perform his obligations hereunder.

b. **Noncontravention.** Neither the execution and the delivery of this Agreement nor the consummation of the transactions contemplated hereby will result in a breach or violation of, or a default under, (i) to L.C.'s knowledge, any law applicable to it; or (ii) any agreement to which L.C. is a party or by which it is bound or to which any of its assets is subject. Nor does L.C. need to give any notice to, make any filing with, or obtain any authorization, consent or approval of any governmental agency, except as may otherwise be provided herein, in order to consummate the transactions contemplated by this Agreement.

c. **Financial Assurances.** L.C. has the financial capability to complete the construction of the Water System Improvements and Sewer Improvements, and other obligations as provided for in this Agreement.

d. **Litigation.** Other than the Lawsuit, which shall be dismissed with prejudice on or before December 31, 2013 if there has been a vote to dissolve the District, with each side to bear their own costs and attorneys fees therein, there are no judicial or administrative actions, claims, suits, proceedings, or investigations pending to L.C.'s knowledge, nor are there any threats thereof or basis therefore, that might question the validity of this Agreement or of any action taken or to be taken pursuant to or in connection with the provisions of this Agreement nor, to the knowledge of L.C., is there any basis for any such action, claim, suit, proceeding or investigation. Centers shall file a Stipulation to Vacate Trial, the terms of which have been separately agreed to, within two (2) days of the Effective Date hereof.

15. Covenants. The Parties agree as follows:

a. **General.** Each of the Parties will use all reasonable efforts to take all actions and to do all things necessary, proper or advisable in order to consummate and make

effective the transactions contemplated by this Agreement.

b. ***Access to Records Prior to Closing.*** The City shall have reasonable access to all of the books and records of the MHWSD to the extent that such access may reasonably be required by the City in connection with matters relating to or affected by the acceptance of the Acquired Assets prior to the Closing Date. Such access shall be afforded to the City upon receipt of reasonable advance notice.

c. ***Future Assurances.*** At any time and from time to time prior to the Closing, at the request of the City and without further consideration, except as stated below, the MHWSD will execute and deliver such other instruments of gift, transfer, conveyance, assignment and confirmation and take such action as the City may reasonably determine is necessary to transfer, convey and assign to the City, and to confirm the City's title to or interest in the Acquired Assets, to put the City in actual possession and operating control thereof, and to assist the City in exercising all rights with respect thereto. After Closing, the MHWSD hereby constitutes and appoints the City and its successors and assigns as its true and lawful attorney in fact in connection with these transactions, with full power of substitution, in the name and stead of the MHWSD but on behalf of and for the benefit of the City and its successors and assigns, to demand and receive any and all of the Acquired Assets, and to give receipt and releases for and in respect of the same and any part thereof, and from time to time to institute and prosecute, in the name of the MHWSD, for the benefit of the City or its successors and assigns, proceedings at law, in equity, or otherwise, which the City or its successors or assigns reasonably deem proper in order to collect or reduce to possession or endorse any of the Acquired Assets and to do all acts and things in relation to the assets which the City or its successors or assigns reasonably deem desirable which shall include any claim of the MHWSD against residents for water and or sewer services provided by the MHWSD.

d. ***Continued Operations Until Closing.*** Except as otherwise set forth herein, the Parties acknowledge that the MHWSD may continue to operate and maintain the Water System and the Sewer System until Closing, which responsibility will likely include expenditure, application or modification of some Acquired Assets, specifically including, but not necessarily limited to, Cash Assets. It is anticipated that the Physical Connection will be made prior to Closing, necessitating dual operations during the Transition Period as set forth herein.

i. **City as Service Provider.** Upon Physical Connection, the City shall become the service provider for water and sewer services to the MHWSD residents.

ii. **MHWSD Responsibilities During Transition Period.** In the event the Transition Period occurs, the MHWSD agrees to be responsible for the following items:

(a) The MHWSD shall retain all responsibility for administration and billing of water and sewer services, including but not limited to, billing and collection of monthly water and sewer fees from its residents, shut offs for delinquent accounts, and other account related administration; and

(b) The MHWSD shall pay over to the City such fees collected for water and sewer services on a monthly basis in accordance with the City's current residential water and sewer rates schedule; and

(c) The MHWSD agrees to work in good faith to complete the decommissioning of the sewer lagoons and sale of the property on or before the Closing Date.

e. Access to Property. The Parties agree to allow reasonable access to their respective properties by each of the other Parties, or such Party's representatives or contractors, as may be necessary or required for purposes of inspection, construction, operation, maintenance or other activities necessitated by this Agreement.

f. Training. The MHWSD agrees to provide training to City personnel at mutually agreeable times on the existing Water System, Sewer System, Streetlights and related appurtenances, including but not limited to walk-through of existing buildings, line locations, well locations, manholes, and other infrastructure, and operational guidelines for such systems.

g. Vacation of Easement. L.C. agrees to keep the land application site in alfalfa during the time MHWSD land applies its sewer effluent. MHWSD shall begin land applying its sewer effluent on or around March 15, 2014 or as soon thereafter as possible (Permit and weather permitting) and continue to land apply at the maximum allowable discharge limit in an effort to drain its sewer lagoons/ponds until the Physical Connection is made. MHWSD agrees to send to the City and the City agrees to take all remaining sewer lagoon effluent absent of solids and/or sludge from the sewer lagoons/ponds after Physical Connection of the Sewer System at no cost to MHWSD. L.C. shall pay to the City a flat fee of \$5,000.00 to take all the remaining sewer lagoon effluent absent of solids and/or sludge if the Physical Connection to the Sewer System is made on or before May 15, 2014. If said Physical Connection to the Sewer System is made after May 15, 2014 then L.C. shall pay to the City a flat fee of \$10,000.00 to take all the remaining sewer lagoon effluent absent of solids and/or sludge. The City reserves the right to apportion its acceptance of said effluent over any sixty (60) day period, if necessary, to comply with flow limits at its waste water treatment plant. The MHWSD will execute and record a Vacation of Easement removing the existing Easement from the Condemnation Property within fifteen (15) days of the Physical Connection of the Sewer System but no earlier than June 15, 2014, provided the City has installed the necessary sump pump(s) and temporary connection line sufficient to commence pumping the sewer lagoon effluent into the City sewer system.

h. Improvements to MHWSD Facilities. The Parties acknowledge and agree that some improvements to the Water System and Sewer System will be necessary to allow a smooth transition at the time of Physical Connection. The MHWSD acknowledges that it has already planned for and funded some improvements, as set forth on **Exhibit M** attached hereto, which improvements it agrees to construct prior to Closing. The City also desires to make additional improvements to the Water System and Sewer System, and the MHWSD hereby consents to such improvements, subject to the provisions of this Section. The Parties agree that improvements constructed by the City shall be made at its expense. The MHWSD shall retain the right to review and approve all plans, drawings, construction timelines, and other matters

relevant to the City's construction of such improvements, which approval shall not be unreasonably withheld. In the event the transfer of the MHWSD's facilities does not occur as set forth in this Agreement, the MHWSD agrees to pay to the City the costs of improvements constructed by the City over a period of not less than thirty-six (36) months, upon such commercially reasonable terms as the City and the MHWSD may mutually agree to in writing.

16. Contingencies. The Parties acknowledge and agree that the Project Schedule consists of the Parties' reasonable expectation and estimation of construction timelines and other milestones necessitated by this Agreement. The Parties agree that unforeseen delays due to weather, acts of God, strike or other causes due to no fault of any Party shall not result in the termination of this Agreement pursuant to Section 11 herein.

17. District Employees. The Parties acknowledge and agree that the two full-time District employees are eligible for employment with the City, provided that they satisfy any standards required by the City and comply with all City hiring practices. The Parties further acknowledge and agree that this Section does not guarantee employment for such District employees.

18. No Inducement. By entering into this Agreement, the Parties have relied entirely on the judgment and knowledge of their own respective employees, agents, and representatives and have not been influenced by any statement or act of any other party or any attorney or other person acting for or in behalf of such party. The Parties have proceeded in making this Agreement with the benefit of and solely in reliance upon the advice of their own respective attorneys. No Party has received any inducements, promises, or representations of any kind causing it to make or deliver this Agreement, except as set forth herein.

19. Final Agreement. This Agreement contains the full agreement of the Parties and may not be altered, amended, or modified except by a writing signed by all parties. No verbal representation or conduct of any kind shall be considered in connection with the interpretation of this Agreement. If any provision of this Agreement is found to be invalid or unenforceable, the remaining provisions shall nevertheless remain valid and enforceable.

20. Notices. Any notice, request, demand, claim or other communication hereunder shall be in writing and deemed duly given upon mailing two (2) business day following the date sent when sent by overnight delivery; and five (5) business days following the date mailed when mailed by registered or certified mail return receipt requested and postage prepaid. All notices shall be mailed to the Parties at the following addresses:

City of Meridian:

City Clerk
33 E. Broadway Avenue
Meridian, ID 83642

Meridian Heights Water & Sewer District:

Gina Harris, District Clerk/Treasurer
P.O. Box 472
Meridian, ID 83640

LC Development, Inc.:

Attn: Lee Centers
P.O. Box 518
Meridian, ID 83680

Any party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

21. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Idaho.

22. Miscellaneous Provisions.

a. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, personal representatives, successors, and assigns.

b. Invalidity of Provisions. If any provision of this Agreement as applied to any Party or to any circumstance shall be adjudged by a court of competent jurisdiction to be void and unenforceable, the same shall in no way affect any other provision in this Agreement, the application of such provision in any other circumstances, or the validity or enforceability of the Agreement as a whole.

c. Modification. This Agreement shall not be modified by any Party by oral representation made before or after the execution of this Agreement. All modifications must be in writing and signed by the Parties.

d. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original Agreement, and all of which shall constitute one Agreement to be effective as of the effective date.

e. Attorney's Fees Upon Breach. Should suit be brought to enforce or interpret any part of this Agreement or any documents or instrument executed and delivered pursuant to this Agreement, the prevailing party shall be entitled to recover, as an element of costs of suit and not as damages, reasonable attorney's fees, and costs and reasonable attorney's fees and costs on appeal, to be fixed by the court. The prevailing party shall be the party entitled to recover costs of suit, regardless of whether such suit proceeds to final judgment.

f. Agreement to Perform Necessary Acts. The Parties shall execute and deliver all documents and perform all further acts that may be reasonably necessary to effectuate the provisions and intent of this Agreement.

g. Construction and Performance. This Agreement was drafted with the full participation of all Parties. Accordingly, if there is an ambiguity in this Agreement, it should not be resolved against any particular Party, but rather should be resolved by a fair reading of

what the Agreement was intended by the Parties to provide.

h. *Incorporation of Recitals.* The recitals set forth in this Agreement are a material and integral part of this Agreement and are incorporated herein by reference.

i. *Severability.* If any provisions of this Agreement as applied to any Party or to any circumstance shall be adjudged by a court to be void and unenforceable, the same shall in no way affect any other provision in this Agreement, the application of such provision in any other circumstances, or the validity or enforceability of the Agreement as a whole.

j. *Headings.* The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation hereof.

k. *Waiver.* No covenant, term, or condition or the breach thereof shall be deemed waived, except by written consent of the Party against whom the waiver is claimed, and any waiver of the breach of any covenant, term, or condition shall not be deemed to be a waiver of any other covenant, term, or condition herein. Acceptance by a Party of any performance by another Party after the time the same shall have become due shall not constitute a waiver by the first Party of the breach or default of any such covenant, term, or condition unless otherwise expressly agreed to by the first Party in writing.

l. *Fees and Costs in Connection With Agreement.* Each Party shall pay its own legal fees and expenses incidental to the execution of this Agreement and the consummation of the transactions contemplated hereby.

m. *Authority.* Each Party represents and warrants to the other Party that the person executing this Agreement on its behalf has been authorized to sign on its behalf and to bind it to the terms of this Agreement, and each person executing this Agreement on behalf of a Party represents and warrants to the other Party that such executing person has been authorized to sign this Agreement and to bind the Party on behalf of which this Agreement is executed by such person.

n. *Mediation.* Mediation shall be a condition precedent to the institution of legal or equitable proceedings by any Party. Request for mediation shall be filed in writing with the other Parties to this Agreement. The request may be made concurrently with the filing of a legal or equitable proceeding but, in such event, mediation shall proceed in advance of legal or equitable proceedings, which shall be stayed pending mediation for a period of sixty (60) days from the date of filing, unless stayed for a longer period by agreement of the Parties or court order.

o. *Time of the essence.* The Parties shall fulfill obligations described in this Agreement in a timely manner, as set forth herein. The Parties acknowledge and agree that time is strictly of the essence with respect to this Agreement, and that the failure to timely perform any of the obligations hereunder shall constitute a default of this Agreement.

IN WITNESS WHEREOF, this Agreement shall be effective the date of the latest signature below.

MERIDIAN HEIGHTS SEWER
& WATER DISTRICT

ATTEST:

By: _____
Gordon Hamilton, Chairman

Gina Harris, District Clerk

Dated: _____

L.C. DEVELOPMENT, INC.

By: 
Lee Centers, President

Dated: 10/3/13

CITY OF MERIDIAN, IDAHO

ATTEST:

By: _____
Tammy DeWeerd, Mayor

Jaycee Holman, City Clerk

Dated: _____

Approved as to form:

MOORE, SMITH, BUXTON & TURCKE, CHTD.

Susan Buxton, of the firm
Attorneys for Plaintiff

~~DAVISON, COPPLE, COPPLE & COPPLE~~


~~Heather A. Cunningham, of the firm~~
Attorneys for Defendant

IN WITNESS WHEREOF, this Agreement shall be effective the date of the latest signature below.

MERIDIAN HEIGHTS SEWER
& WATER DISTRICT

ATTEST:

By: _____
Gordon Hamilton, Chairman

Gina Harris, District Clerk

Dated: _____

L.C. DEVELOPMENT, INC.

By: _____
Lee Centers, President

Dated: _____

CITY OF MERIDIAN, IDAHO

ATTEST:

By: Brad Hoaglin
~~Tammy DeWeerd, Mayor~~
Brad Hoaglin, Council President
Dated: 10-4-2013

Jaycee Holman
Jaycee Holman, City Clerk



Approved as to form:

MOORE, SMITH, BUXTON & TURCKE, CHTD.

Susan Buxton, of the firm
Attorneys for Plaintiff

DAVISON, COPPLE, COPPLE & COPPLE

Heather A. Cunningham, of the firm
Attorneys for Defendant

IN WITNESS WHEREOF, this Agreement shall be effective the date of the latest signature below.

MERIDIAN HEIGHTS SEWER
& WATER DISTRICT

By: [Signature]
Gordon Hamilton, Chairman

Dated: Oct 2, 2013

L.C. DEVELOPMENT, INC.

By: _____
Lee Centers, President

Dated: _____

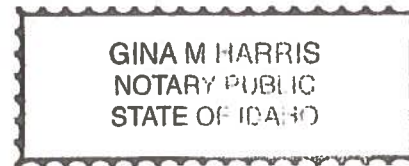
CITY OF MERIDIAN, IDAHO

By: _____
Tammy DeWeerd, Mayor

Dated: _____

ATTEST:

[Signature]
Gina Harris, District Clerk



Oct 2/8/18

ATTEST:

Jaycee Holman, City Clerk

Approved as to form:

MOORE, SMITH, BUXTON & TURCKE, CHTD.

[Signature]
Susan Buxton, of the firm
Attorneys for Plaintiff

DAVISON, COPPLE, COPPLE & COPPLE

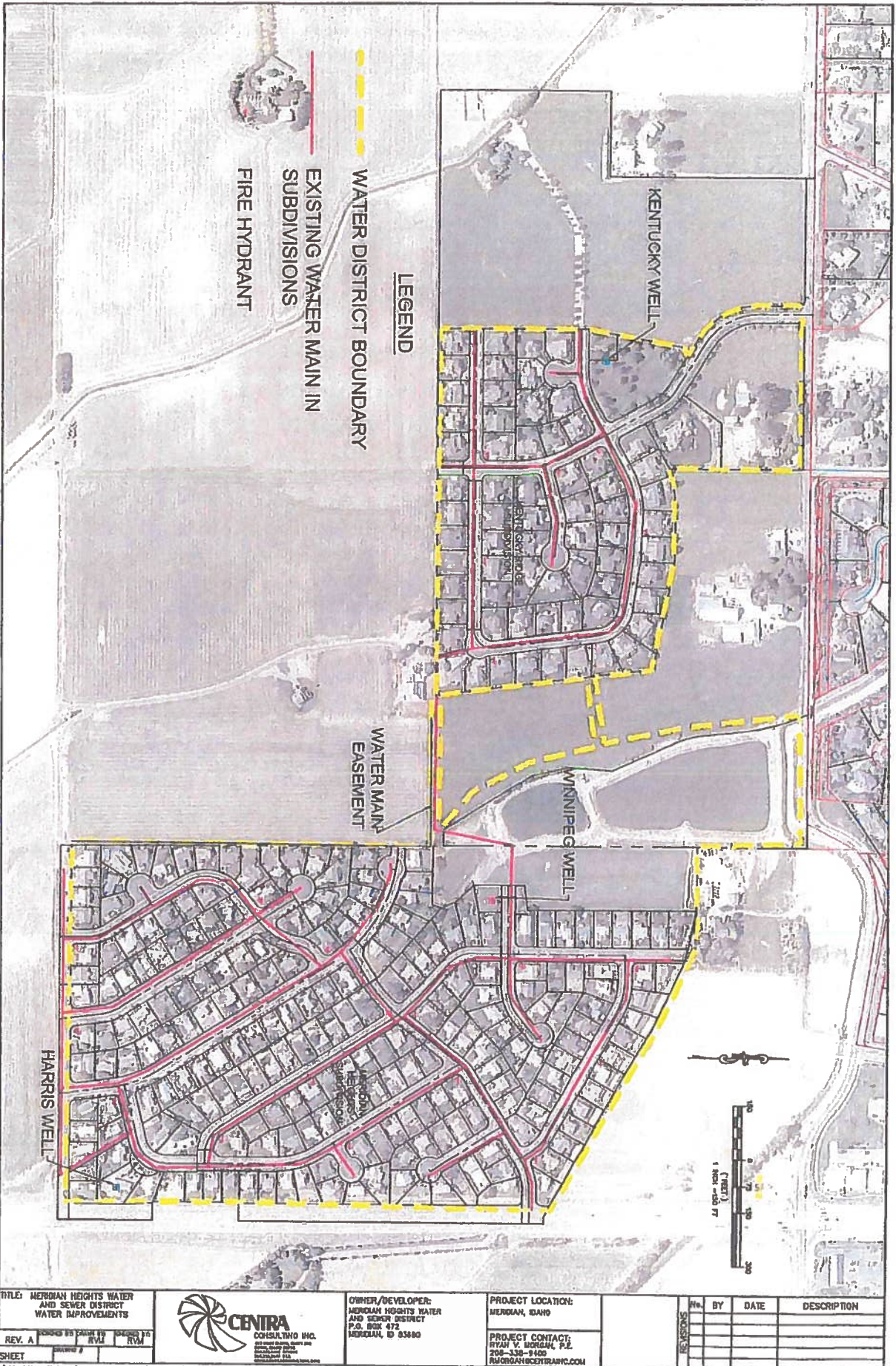
Heather A. Cunningham, of the firm
Attorneys for Defendant

EXHIBIT F

DESCRIPTION OF MHWSD WATER SYSTEM

Water System:

All water rights, water storage reservoirs, groundwater wells and pumping facilities, distribution lines and facilities including but not limited to water service lines, fire hydrants, valves and water meters, associated real property, fixtures, rights-of-way, and easements, permits, licenses, other improvements and appurtenances, and interests (other than Excluded Assets as defined in this Agreement), including the real property specifically identified on Exhibit A of this Agreement, as generally depicted and portrayed by the colored dashed lines on the map attached hereto, owned by the Meridian Heights Water & Sewer District.



TITLE: MERIDIAN HEIGHTS WATER AND SEWER DISTRICT WATER IMPROVEMENTS

REV.	DATE	BY	CHKD.	APP'D.
REV. A		RVL		RVM
SHEET				



OWNER/DEVELOPER:
MERIDIAN HEIGHTS WATER AND SEWER DISTRICT
P.O. BOX 472
MERIDIAN, ID 83400

PROJECT LOCATION:
MERIDIAN, IDAHO

PROJECT CONTACT:
RYAN V. MORGAN, P.E.
208-338-9400
RMORGAN@CENIRAINC.COM

REV.	BY	DATE	DESCRIPTION

EXHIBIT J

MHWSD WATER RIGHTS

Meridian Heights Water And Sewer Association Water Rights and Water Permits Summary
7/15/2013

Type	Basin	Sequence	Status	Priority Date	Diversion Rate		Source	Maximum Diversion Rate per Water Use	Location T3N, R1W, S25 of Tract	Dates Water Right is Available	
					(cfs)	(GPM)				From	To
Water Right	63	7307	Active	3/10/1970	0.93	417.41	Ground Water	Domestic	SENE	1/1	12/31
Water Right	63	11671	Active	2/18/1992	1.45	650.80	Ground Water	0.37 CFS Max.-Irrigation	NENE, SENE	3/15	11/15
								0.51 CFS Max.-Domestic	NENE, SENE	1/1	12/31
								1.45 CFS Max. - Fire Protection	NENE, SENE	1/1	12/31
Water Permit	63	12157	Active	12/5/1994	0.36	161.58	Ground Water	0.26 CFS Max. - Domestic	NWNE, NENW	3/15	11/15
								0.36 CFS Max. - Irrigation	NWNE, NENW	1/1	12/31
Water Permit	63	12251	Active	8/1/1995	0.85	381.51	Waste Water	0.36 CFS Max. - Irrigation	SWNE	3/1	11/15
								Irrigation Storage	SWNE	1/1	12/31
								Irrigation From Storage	SWNE	3/1	11/15
								Storage	SWNE	1/1	12/31



Exhibit 3

**FIRST ADDENDUM TO THE AGREEMENT FOR THE DISSOLUTION AND
TRANSFER OF ASSETS AND LIABILITIES FROM MERIDIAN HEIGHTS WATER
AND SEWER DISTRICT TO THE CITY OF MERIDIAN; SETTLEMENT
AGREEMENT AND RELEASE**

This First Addendum to the Agreement for the Dissolution and Transfer of Assets and Liabilities from Meridian Heights Water and Sewer District to the City of Meridian; Settlement Agreement and Release ("First Addendum") is made and entered into, and made effective as of the date of the latest signature below (the "Effective Date"), by, between and among MERIDIAN HEIGHTS WATER & SEWER DISTRICT, a political subdivision of the State of Idaho, and its successors, legal representatives, agents, assigns, and all other persons acting for, by, or through it (the "District"), L.C. DEVELOPMENT, INC., an Idaho corporation, and its successors, heirs, legal representatives, agents and assigns ("L.C."), and the CITY OF MERIDIAN, an Idaho municipal corporation, and its successors, legal representatives, agents, assigns, and all other persons or entities acting for, by, or through it ("City"), collectively called the "Parties."

RECITALS

WHEREAS, the Parties entered into an Agreement for the Dissolution and Transfer of Assets and Liabilities from Meridian Heights Water and Sewer District to the City of Meridian; Settlement Agreement and Release (the "Agreement") on October 4, 2013; and

WHEREAS, Section 10(d)(ii) of the Agreement contemplated that the District would take all steps necessary as required by law to issue a voter approved Revenue Bond in the amount of \$1.5 million prior to Closing (as defined in the Agreement) and such bonds would be assumed by the City at Closing; and

WHEREAS, Section 10(d)(ii) of the Agreement also contemplated that the District would establish a special sewer assessment on District residents prior to Closing (as defined in the Agreement) which assessments would be used to repay the bonds, and that such special assessment would survive Closing and the authority to collect the same would be transferred to the City; and

WHEREAS, Section 10(e) of the Agreement contemplated that the approximate deficit of \$814,575 necessary to connect District residents to both City water and sewer (the "Deficit") would be funded by the District's Revenue Bond as set forth in Section 10(d)(ii) of the Agreement; and

WHEREAS, subsequent to execution of the Agreement, the District determined that it did not need to utilize the IDEQ loan referenced in Section 10(d)(i) of the Agreement; and

WHEREAS, subsequent to execution of the Agreement the City Council and the Board of Directors of the District (the "Board") have continued to investigate the most economically prudent mechanism for financing the Deficit, including issuance of the bonds as contemplated in the Agreement or City financing of the Deficit; and

WHEREAS, on August 19, 2014, the District held a public hearing duly published and noticed in accordance with Idaho Code §63-1311A and the Idaho Open Meetings Law on its proposed special assessment fee as contemplated in the Agreement; and

WHEREAS, on September 23, 2014, the District adopted Resolution 14-6 establishing the special assessment fee as contemplated by the Agreement and this First Addendum and effective as of October 1, 2014; and

WHEREAS, subsequent to execution of the Agreement, the District determined that it would need to utilize some of its office supplies and equipment following Closing in order to finalize the District's audit and otherwise wind up the District's affairs; and

WHEREAS, the City Council and the Board believe it is in the mutual best interest of the residents of the City and the District that the City finance the connection costs for the District's residents to connect to the City's water and sewer systems; and

WHEREAS, the City Council and the Board desire to amend Section 10(b) to reflect that the District will transfer its office equipment and supplies to the City within a reasonable time after Closing in order to wind up the affairs of the District and to amend Sections 10(c), 10(d)(i), 10(d)(ii) and 10(e) of the Agreement to accurately reflect the Revenue Anticipation Note issued to the City by the District, the liabilities that will be transferred to the City upon Closing and to reflect the City's agreement to finance the connection costs for District residents to connect to the City's water and sewer systems upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises herein contained, and for other good and valuable consideration, acknowledged by each of them to be satisfactory and adequate, the District, the City and L.C. hereby mutually undertake, promise and agree, each for itself, and its successors and assigns, as follows:

1. **Amendment of Section 10(b) of the Agreement.** The Parties agree that Section 10(b) of the Agreement shall be amended as follows, with deletions in strikethrough and additions in underline:

Section 10(b): *Transfer of Assets.* Except for office supplies and equipment at the District's office, which shall be transferred to the City within a reasonable time after Closing in order that the District may wind up its affairs, at Closing MHWSD shall transfer, give and assign to the City, and the City agrees to accept the same, all subject to and upon the terms and conditions contained herein, all right, title and interest of the MHWSD in and to the Water System, Sewer System, Cash Assets, Water Rights, and Other Real and Personal Property and all other assets of the MHWSD of every kind and description, tangible or intangible, pertaining to, used in or necessary for the operation of the Water System and the Sewer System (the "Acquired Assets"), other than assets specifically excluded as set forth in Section 10(c).

2. **Amendment of Section 10(c) of the Agreement.** The Parties agree that Section 10(c) of the Agreement shall be amended as follows, with deletions in strikethrough and additions in underline:

Section 10(c): Excluded Assets. The MHWSD sewer lagoons and surrounding real property, the Easement, and the MHWSD storm water pond (~~i.e. the District Property~~) are specifically excluded from the assets that shall be acquired by the City pursuant to this Agreement except that the sewer lagoons and surrounding real property, consisting of 13.71 acres (the "District Property"), shall be subject to the Revenue Anticipation Note ("RAN") issued to the City from the District described in Section 10(d)(ii) of this Agreement. The following agreements are also specifically excluded from the assets that shall be acquired by the City: (i) Service Agreement between the MHWSD and Francisco and Ricki Sabala for water service; (ii) MOU between the MHWSD and Francisco and Ricki Sabala; (iii) MOU between the MHWSD and Rick and Charlaire Fisch; and (iv) MOU between the MHWSD and Alexandria P. McNish.

3. **Amendment of Section 10(d)(i) of the Agreement.** The Parties agree that Section 10(d)(i) of the Agreement shall be amended as follows, with deletions in strikethrough and additions in underline:

Section 10(d)(i): Loans. The MHWSD has ~~an outstanding loan from IDEQ with a balance of approximately \$115,000 and~~ an outstanding loan from IDWR with an approximate balance of ~~\$270,000~~ \$236,481.00. ~~These~~ This loans shall be assumed by the City at Closing.

4. **Amendment of Section 10(d)(ii) of the Agreement.** The Parties agree that Section 10(d)(ii) of the Agreement shall be deleted in its entirety and replaced with the following:

Section 10(d)(ii): Bond Anticipation Note and Revenue Anticipation Note. The MHWSD executed a Bond Anticipation Note ("BAN") in the principal sum of \$1,100,000 in favor of U.S. Bank National Association on June 24, 2011, of which the MHWSD has utilized approximately \$242,803.27. The City has agreed to accept a RAN issued by the District in the amount of \$622,803.27 in order for the District to pay the BAN, complete the decommissioning of the sewer lagoons, conduct the marketing, auction and sale of the District Property, and undertake the winding up of the District as set forth in this Agreement. The MHWSD anticipates using some of the proceeds from the sale of the District Property to repay the amount owing on the RAN prior to Closing. In the event that the proceeds from the sale of the District Property are insufficient to close out the RAN prior to Closing, the City agrees the outstanding balance due on the RAN at Closing shall be included in the Deficit amount and paid as described in Section 10(e) herein.

5. **Amendment of Section 10(e) of the Agreement.** The Parties agree that Section 10(e) of the Agreement shall be amended as follows, with deletions in strikethrough and additions in underline:

Section 10(e): Funding of Deficit. The Parties acknowledge that (i) a deficit of roughly ~~\$814,575.00~~ is expected in order for MHWSD to connect to both City water and sewer, as reflected on **Exhibit L** attached hereto (~~the "Deficit"~~); (ii) there may be additional election costs of MHWSD to hold an election to dissolve the District; (iii) there may be additional costs of decommissioning the District's Sewer Lagoons if the District opts to perform the Decommissioning pursuant to 7(a) of this Agreement; (iv) there may be additional costs to wind

up the business of the District to complete its dissolution, including but not limited to professional fees, employee retention bonuses, payroll and related costs, insurance, court costs and fees, testing fees, marketing and fees incurred for the auction and subsequent sale of the District Property; and (iv) there may be additional revenues to lower the dDeficit from the sale of the District's decommissioned Sewer Lagoon sites,; and (v) there may be additional costs to finalize and issue the Revenue Bond on behalf of the District. The Parties therefore agree that any funds necessary for connection to City services not being paid as outlined herein by the City or by L.C. may be covered by the existing Revenue Bond available to the MHWSD upon the terms and conditions set forth in Section 10(d)(ii) herein, and other lawful funds available to the Parties hereto. The Parties agree to cooperate in good faith to use as few Revenue Bond funds as possible to limit the monthly water and sewer rates and other costs to MHWSD residents. The Parties will work together to ensure that the requirements are met to use the Revenue Bond funds according to the terms thereof and applicable laws, rules and regulations.

(1) In the event that the sale of the District Property results in the District being able to pay all of the debts and obligations described in 10(e)(iii) & (iv) herein, so long as the special assessment does not have to be increased from that established by the District Board on September 23, 2014, the District and the City will apply any surplus funds equally to reduce the City's credit described in Section 9 of the Agreement and the Deficit described in the First Addendum.

(2) In the event the District is not able to sell the District Property for the minimum bid set at the auction and in subsequent sales attempts, the District and the City agree to meet to jointly decide how to best address the sale or retention of the District Property to pay the RAN and address the Deficit before Closing. At that time, if desired by the City and allowed by applicable law, the District will provide the City a Deed of Trust or other suitable security in the sewer District Property.

(3) The Parties agree that the City will finance the Deficit upon the following terms and conditions:

Amount: \$814,575.00, or such other amount as agreed to by the City and the District prior to Closing including any sum owing on the RAN as described in Section 10(d)(ii) herein.

Administrative Fee: 3.5% annually

Special Assessment Fee: The MHWSD agrees to establish a special assessment fee pursuant to Idaho law for its residents which assessment shall be used to repay the Deficit financing. The special assessment fee shall survive Closing and all authority to collect the same shall be transferred to the City. The special assessment fee shall include the administrative fee as set forth herein and may provide for a lump sum payment by District users. The Parties agree to work together to limit as much as possible the monthly water and sewer rates and other costs to MHWSD residents. At such time as the Deficit is paid in full, not to exceed twenty (20) years, the City agrees to remove the

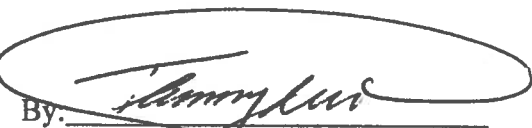
special assessment fee from the properties within the MHWSD. The City agrees to notify the residents within the MHWSD at least annually of the balance due on the Deficit and the approximate date that the special assessment fee will cease.

6. **Remaining Terms.** All other terms of the Agreement shall remain in full force and effect.

7. **Counterparts.** This Addendum may be executed in counterparts, each of which shall constitute and original.

CITY OF MERIDIAN

MERIDIAN HEIGHTS WATER
& SEWER DISTRICT

By: 
Tammy DeWeerd, Mayor
Date: 9-23-14

By: 
Gordon Hamilton, Chairman
Date: Sept 23, 2014

ATTEST:

ATTEST:


Jaycee Holman, City Clerk


Gina Harris, District Clerk

L.C. DEVELOPMENT, INC.

By: _____
Lee Centers, President
Date: _____

Approved as to form:

CITY OF MERIDIAN



William Nary, City Attorney

MOORE SMITH BUXTON & TURCKE, CHTD.

Susan E. Buxton, of the firm
Attorneys for Meridian Heights Water & Sewer District

WILSON & MCCOLL

Brian F. Wilson
Attorneys for L.C. Development, Inc.

Exhibit 4

RESOLUTION NO. 14-3

A RESOLUTION OF THE MERIDIAN HEIGHTS WATER & SEWER DISTRICT, ADA COUNTY, IDAHO, DETERMINING THAT THE CONDITIONS EXIST UNDER IDAHO CODE §42-3239(1) TO TRANSFER THE DISTRICT'S ASSETS AND LIABILITIES TO THE CITY OF MERIDIAN, IDAHO AND DISSOLVE; AUTHORIZING THE DISSOLUTION OF THE DISTRICT AND TRANSFER OF ALL ASSETS AND LIABILITIES TO THE CITY OF MERIDIAN, IDAHO PURSUANT TO THE "AGREEMENT FOR THE DISSOLUTION AND TRANSFER OF ASSETS AND LIABILITIES FROM MERIDIAN HEIGHTS WATER AND SEWER DISTRICT TO THE CITY OF MERIDIAN; SETTLEMENT AGREEMENT AND RELEASE;" AUTHORIZING THE FILING OF A PETITION FOR DISSOLUTION WITH THE FOURTH JUDICIAL DISTRICT OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF ADA; PROVIDING A REPEALER CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Meridian Heights Water & Sewer District ("District") is a political subdivision of the State of Idaho operating under and pursuant to Idaho Code §§42-3201 *et seq.*; and

WHEREAS, the District Board of Directors ("Board") held a public hearing on September 10, 2013 to receive public testimony on the proposed dissolution of the District and transfer of its assets and liabilities to the City of Meridian, Idaho ("City"), which public hearing was duly noticed as required by Idaho Code §42-3239(2) (a true and correct copy of the notice and affidavit of publication thereof is attached hereto as **Exhibit A** and incorporated herein by this reference as if fully set forth herein); and

WHEREAS, following the public hearing, the Board adopted Resolution 13-5 authorizing an election on the question of the proposed dissolution and transfer pursuant to Idaho Code §42-3239(3), adopted at a duly noticed open meeting of the Board held on September 10, 2013 (a true and correct copy of Resolution 13-5 is attached hereto as **Exhibit B** and incorporated herein by this reference as if fully set forth herein); and

WHEREAS, on October 2, 2013, the Board approved a plan of dissolution and three-party agreement set forth in that certain Agreement for the Dissolution and Transfer of Assets and Liabilities From Meridian Heights Water and Sewer District to the City of Meridian; Settlement Agreement and Release ("Agreement") whereby the District will dissolve and transfer its assets and liabilities to the City, which Agreement was ratified and approved by the Board by Resolution 13-6, adopted at a duly noticed open meeting of the Board held on October 15, 2013 (a true and correct copy of Resolution 13-6, including the Agreement, is attached hereto as **Exhibit C** and incorporated herein by reference as if fully set forth herein); and

WHEREAS, an election was held on November 5, 2013 on the question of the proposed dissolution and transfer, which election approved dissolution and transfer by a majority of the qualified electors of the District voting on the issue, with the final vote being 161 in favor and 29 against (a true and correct copy of the certified results of the election are attached hereto as **Exhibit D** and incorporated herein by this reference as if fully set forth herein); and

RESOLUTION NO. 14-3

PAGE 1

WHEREAS, the Board has determined, in consultation with the City, that the District will not need to utilize a bond approved by members of the District for improvements to the District's sewer systems and, as a result the District does not contemplate any bonded indebtedness will be transferred to the City; and

WHEREAS, the District has utilized revenues from anticipated sewer revenue bond reserves for water system improvements which would have otherwise been paid for through a loan agreement with the Idaho Department of Environmental Quality ("DEQ"); and

WHEREAS, in anticipation of the transfer, scheduled to occur on or about December 19, 2014 pursuant to the Agreement (the "Closing"), the City has begun certain infrastructure improvements to City and District water and sewer systems to allow the City to perform the essential operations of the District upon Closing; and

WHEREAS, at Closing the District will have an outstanding loan obligation to the Idaho Department of Water Resources ("IDWR") for funds utilized by the District for construction of a new well in the amount of \$237,806.00, which obligation will be assumed by the City at Closing; and

WHEREAS, the District has provided for the liquidation, sale and/or disbursement of District assets not intended to be transferred to the City, including providing for the sale of the real property encompassing the District's sewer lagoons and surrounding property by public auction as provided for by law, and the termination of personal property leases and other contracts not essential to the District or City; and

WHEREAS, the Board deems it in the best interest of the members of the District to authorize dissolution of the District and transfer of its assets and remaining liabilities, if any, to the City pursuant to the Agreement and in accordance with Idaho Code §42-3239.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MERIDIAN HEIGHTS WATER & SEWER DISTRICT, ADA COUNTY, IDAHO, AS FOLLOWS:

Section 1: The Board hereby finds and declares that each of the following conditions, as set forth in Idaho Code §42-3239(1), exists:

(a) The City is capable of providing all the essential functions of the District; and

(b) The City has agreed, by virtue of the Agreement, to assume and perform the essential functions of the District; and

(c) The City either has or is acquiring sufficient assets, infrastructure, and other resources to perform the essential operations of the District; and

(d) Provisions have been made for the retirement, payment or assumption of any debt, bonds, or other liabilities and obligations of the District, including assumption by the City of the District's loan obligation in the amount of \$237,806.00 to IDWR; and

(e) Provisions have been made for the liquidation and disbursement of District assets and infrastructure not intended to be transferred to the City, including sale of the property encompassing the District's sewer lagoons and surrounding property as provided by law, and termination of personal property leases and other contracts not essential to the District or City; and

(f) Notice of the proposed transfer was published once a week for two consecutive weeks prior to the September 10, 2013 public hearing in a newspaper of general circulation in the District (the Idaho Statesman), including information on the petition for an election on the proposed transfer; and

(g) An election was held on November 5, 2013, and the transfer was approved by a majority of the qualified electors of the District voting on the issue.

Section 2: The Board hereby authorizes the dissolution of the District and the transfer of its assets and remaining liabilities, if any, to the City of Meridian, Idaho, in conformance with the Agreement.

Section 3: The Board hereby authorizes its attorneys of record to file a Petition for Dissolution with the Fourth Judicial District Court of the State of Idaho, in and for the County of Ada, and do all things necessary or required pursuant thereto to obtain an order of dissolution from said Court establishing a date of dissolution, in conformance with the Agreement.

Section 4: All resolutions, orders, or parts thereof, in conflict herewith are hereby repealed, rescinded and annulled.

Section 5: This Resolution shall be in full force and take effect upon adoption and approval by the Board.

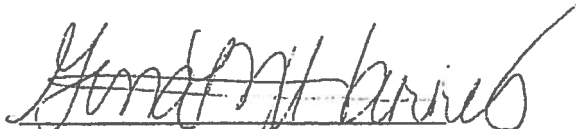
PASSED by the Meridian Heights Water & Sewer District Board, Ada County, Idaho, this 17 day of June, 2014.



APPROVED:

By: V. Shawn Powell
Its: VICE CHAIRMAN
Print Name: V. SHAWN POWELL

ATTEST:


Gina Harris, District Clerk

LEGAL PROOF OF PUBLICATION

Account #	Ad Number	Identification	PO	Amount	Cols	Lines
265978	0000633057	LEGAL NOTICE MERIDIAN HEIGHTS WATER & SEWER DISTRICT		\$114.45	2	34

Attention: *Gina Harris*

MERIDIAN HEIGHTS WATER & SEWER
PO BOX 472
MERIDIAN, ID 836800472

LEGAL NOTICE MERIDIAN HEIGHTS WATER & SEWER DISTRICT NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on September 10, 2013 at 6:30 p.m. or as soon thereafter as the matter may be heard, the Board of Directors of the Meridian Heights Water & Sewer District will hold a public hearing at the Ada County Weed & Pest Control Building, located at 975 E. Pine Avenue, Meridian, Idaho 83642, to consider the dissolution of the District and transfer of District assets to the City of Meridian, Idaho, in accordance with Idaho Code §42-3239(2). The purpose of the hearing is to receive public testimony on the proposed transfer and dissolution, and to provide information on the method for a petition of qualified electors of the District to be submitted requesting an election to approve the proposed transfer.

At the close of such public hearing, the District Board may adopt a resolution submitting the question of the proposed transfer and dissolution to the qualified electors of the District at the November 5, 2013 general election. Alternatively, the District Board may take the matter under advisement for a period of thirty (30) days. If a petition signed by not less than ten percent (10%) of the qualified electors of the District is submitted to the District Board requesting an election on the proposed transfer prior to the end of the thirty-day period, the District Board shall hold an election as required by Idaho Code §42-3239(3). Written comments will be received by the District until 5:00 p.m. on Tuesday, September 6, 2013. Services for persons with disabilities may be made available by calling the office of the District Clerk at (208) 887-1052 three (3) days in advance of the hearing.

Gina Harris
MHRVSD Clerk

Pub. Aug. 27, 3, 2013

0000633057-01

JANICE HILDRETH, being duly sworn, deposes and says: That she is the Principal Clerk of The Idaho Statesman, a daily newspaper printed and published at Boise, Ada County, State of Idaho, and having a general circulation therein, and which said newspaper has been continuously and uninterruptedly published in said County during a period of twelve consecutive months prior to the first publication of the notice, a copy of which is attached hereto: that said notice was published in The Idaho Statesman, in conformity with Section 60-108, Idaho Code, as amended, for:

2 Insertions

Beginning issue of: 08/27/2013

Ending Issue of: 09/03/2013

Janice Hildreth
(Legals Clerk)

STATE OF IDAHO)
SS

COUNTY OF ADA)

On this 3 day of SEPTEMBER in the year of 2013 before me, a Notary Public, personally appeared before me Janice Hildreth known or identified to me to be the person whose name subscribed to the within instrument, and being by first duly sworn, declared that the statements therein are true, and acknowledged to me that she executed the same

Heather Harradine
Notary Public FOR Idaho
Residing at: Boise, Idaho

My Commission expires: 2/08/2014

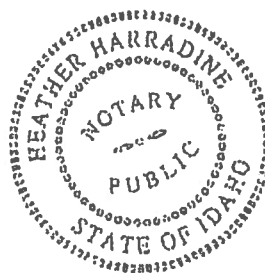


EXHIBIT "A"

Exhibit 5

RECEIVED

DEC 11 2014

ADA COUNTY CLERK

Susan E. Buxton, ISB No. 4041
Jill S. Holinka, ISB No. 6563
MOORE SMITH BUXTON & TURCKE, CHTD.
950 W. Bannock St., Suite 520
Boise, ID 83702
Tel: 208-331-1800
Fax: 208-331-1202
Email: *seb@msbtlaw.com*
jsh@msbtlaw.com

ADA COUNTY RECORDER Christopher D. Rich
BOISE IDAHO Pgs=2 BONNIE
MERIDIAN HEIGHTS WATER & SEWER

2014-101376
12/17/2014 08:43 AM
NO FEE



A.M. _____ P.M. _____

DEC 11 2014

CHRISTOPHER D. RICH, Clerk
By BETH MASTING
DEPUTY

Attorneys for Meridian Heights Water and Sewer District

**IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT OF THE
STATE OF IDAHO, IN AND FOR THE COUNTY OF ADA**

IN THE MATTER OF THE PETITION FOR
DISSOLUTION

OF

THE MERIDIAN HEIGHTS WATER &
SEWER DISTRICT, ADA COUNTY, IDAHO

Case No. CV-OT-0904494

**ORDER FOR TRANSFER OF
ASSETS AND ASSUMPTION OF
LIABILITIES OF THE MERIDIAN
HEIGHTS WATER & SEWER
DISTRICT TO THE CITY OF
MERIDIAN, ADA COUNTY, IDAHO
AND ORDER OF DISSOLUTION**

Pursuant to the Petition for Dissolution of the Meridian Heights Water & Sewer District
("District"), filed July 16, 2014, and the Court having held a hearing on said Petition on
December 11, 2014, and duly considered the Petition, and being fully advised in the premises,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

1. That all of the prerequisites to dissolution of the District as provided by Idaho
Code §42-3239 have been satisfied.

ASSETS AND ASSUMPTION OF LIABILITIES OF THE MERIDIAN HEIGHTS WATER & SEWER
DISTRICT TO THE CITY OF MERIDIAN, ADA COUNTY, IDAHO AND ORDER OF DISSOLUTION

COPY

2. That the transfer of the District's assets and liabilities as contemplated by the Agreement for the Dissolution and Transfer of Assets and Liabilities from Meridian Heights Water & Sewer District to the City of Meridian; Settlement Agreement and Release ("Agreement"), entered into October 4, 2013, and the First Addendum thereto, entered into October 2, 2014, is approved.

3. That the effective date of dissolution of the District shall be December 19, 2014, provided that the District shall have a period of sixty (60) days following the date of dissolution to wind up its affairs, including completion of any required audits, payment of outstanding bills and other activities necessary to conclude and wind up the affairs of the District and complete the transfer of its assets and liabilities to the City of Meridian.

IT IS SO ORDERED this 11th day of December, 2014.

STATE OF IDAHO }
COUNTY OF ADA } ss
I, CHRISTOPHER D. RISH, Clerk of the District Court of
the Fourth Judicial District of the State of Idaho, in and for
the County of Ada, do hereby certify that the foregoing is a
true and correct copy of the original on file in the office. In
witness whereof, I have hereunto set my hand and affixed
my official seal this 11th day
of December, 2014.
CHRISTOPHER D. RISH, CLERK
By [Signature] Deputy
CLERK OF DISTRICT COURT
AND FOR ADA COUNTY

CHERI C. COPSEY

Cheri C. Copsey
District Judge

Exhibit 6

BILL OF SALE

The Meridian Heights Water & Sewer District, a political subdivision of the State of Idaho, does hereby irrevocably transfer and deliver to the City of Meridian, Idaho, an Idaho municipal corporation, all of its right, title and interest in the personal property described in Exhibit A, attached hereto and incorporated by reference herein, in an "AS-IS" CONDITION, without making any representations as to the quality or fitness of said property for any purpose whatsoever.

The City of Meridian, Idaho, hereby accepts the above-referenced personal property in an "AS-IS" CONDITION, after having examined said personal property and is relying upon its own judgment as to the suitability of the personal property for its intended use. The City of Meridian hereby agrees to indemnify and hold harmless the Meridian Heights Water & Sewer District from any liability for any property damage or personal injury claim of any description arising out of the use of said personal property.

MERIDIAN HEIGHTS WATER & SEWER DISTRICT,
An Idaho political subdivision

By: _____

Gordon Hamilton

Its: _____

Chairman

Date: _____

12/19/14

ATTEST:

Gina Harris, District Clerk

CITY OF MERIDIAN, IDAHO,
An Idaho municipal corporation

By: _____

Tammy DeWeerd

Its: _____

Mayor

Date: _____

10/20/15

ATTEST:

Jaycee Holman, City Clerk



EXHIBIT A
Personal Property and Accounts

1. All personal property and equipment identified in the Valuations Northwest, Inc. Appraisal Report dated May 3, 2013, previously provided to the City, except that certain property sold as surplus by the District pursuant to Resolutions 14-1 and 14-7, attached hereto as Exhibit A-1 and incorporated herein by reference.
2. All accounts receivable of the District existing as of the Closing Date.
3. Water Right Permit Nos. 63-12157 and 63-12251.
4. All rights, title or interest in any other accounts receivable or accounts payable to the District existing as of the Closing Date, as defined in the Agreement for the Dissolution and Transfer of Assets and Liabilities From the Meridian Heights Water & Sewer District to the City of Meridian; Settlement Agreement and Release, effective October 4, 2013.

Exhibit 7

CITY OF MERIDIAN

RESOLUTION NO. 14-996A

BY THE CITY COUNCIL:

**BIRD, BORTON, CAVENER,
MILAM, ROUNTREE, ZAREMBA**

A RESOLUTION APPROVING THE TRANSFER OF THE ASSETS AND LIABILITIES OF THE MERIDIAN HEIGHTS WATER & SEWER DISTRICT, ADA COUNTY, IDAHO, TO THE CITY OF MERIDIAN, IDAHO, PURSUANT TO THE "AGREEMENT FOR THE DISSOLUTION AND TRANSFER OF ASSETS AND LIABILITIES FROM MERIDIAN HEIGHTS WATER AND SEWER DISTRICT TO THE CITY OF MERIDIAN; SETTLEMENT AGREEMENT AND RELEASE."

WHEREAS, the City of Meridian seeks to accept the transfer of assets and liabilities from the Meridian Heights Water & Sewer District, pursuant to the "Agreement for the Dissolution and Transfer of Assets and Liabilities From Meridian Heights Water & Sewer District to the City of Meridian; Settlement Agreement and Release" as of December 19, 2014;

WHEREAS, the City of Meridian finds that each of the following conditions exist, pursuant to Idaho Code § 42-3239;

WHEREAS, the City of Meridian is capable of providing all of the essential functions provided by the Meridian Heights Water & Sewer District;

WHEREAS, the City of Meridian has agreed to assume and perform the essential functions of the Meridian Heights Water & Sewer District, pursuant to the "Agreement for the Dissolution and Transfer of Assets and Liabilities From Meridian Heights Water & Sewer District to the City of Meridian; Settlement Agreement and Release" as of December 19, 2014;

WHEREAS, the City of Meridian either has acquired, or is acquiring, sufficient assets, infrastructure, and other resources to perform the essential operations of the Meridian Heights Water & Sewer District;

WHEREAS, the Meridian Heights Water & Sewer District has made provisions for the retirement, payment or assumption of any and all debt, bonds, and other liabilities and obligations of the district;

WHEREAS, the Meridian Heights Water & Sewer District has made provisions for the liquidation and disbursement of district assets and infrastructure not intended to be transferred to the City of Meridian;

WHEREAS, the Meridian Heights Water & Sewer District has published notice in a newspaper in general circulation in the district (the *Idaho Statesman*) for two consecutive weeks prior to the public hearing, including information on the petition for an election on the proposed transfer, pursuant to Idaho Code § 42-3239(2);

WHEREAS, on September 10, 2013, the Meridian Heights Water & Sewer District held a public hearing to receive public testimony on the proposed transfer, and after the public hearing authorized an election, pursuant to Idaho Code § 42-3239(3); and

WHEREAS, on June 17, 2014, the Meridian Heights Water & Sewer District adopted a resolution finding that the conditions required by § 42-3239(1) exist, and approving the transfer of assets and liabilities to the City of Meridian;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF MERIDIAN, IDAHO:

Section 1. That the City of Meridian finds that each of the above conditions exist.

Section 2. That the City of Meridian approves the transfer of the assets and liabilities of the Meridian Heights Water & Sewer District, pursuant to the "Agreement for the Dissolution and Transfer of Assets and Liabilities From Meridian Heights Water & Sewer District to the City of Meridian; Settlement Agreement and Release" as of December 19, 2014.

Section 3. That this Resolution shall be in full force and effect immediately upon its adoption and approval.

ADOPTED by the City Council of the City of Meridian, Idaho, this 24th day of June, 2014.

APPROVED by the Mayor of the City of Meridian, Idaho, this 24th day of June, 2014.

APPROVED:

ATTEST:

ccn. r t
~~Tammy de Weerd, Mayor~~

Charlie Rountree, Council President



Jaycee Holman
Jaycee Holman, City Clerk