

RESOLUTION NUMBER 1046

RESOLUTION RELATING TO \$800,000 TAX INCREMENT URBAN RENEWAL REVENUE BONDS (CITY PIER REPLACEMENT AND WALKWAY PROJECT) SERIES 2013; AUTHORIZING THE ISSUANCE AND SALE THEREOF TO FINANCE THE PROJECT; AND PRESCRIBING THE FORM AND TERMS THEREOF AND THE SECURITY THEREFOR

WHEREAS, following a duly noticed regular meeting and pursuant to Resolution No. 1040 adopted March 4, 2013, the City declared as Urban Renewal Projects under the Title 7, Chapter 15, Parts 42 and 43, M.C.A. the construction of an 8 foot walkway from Riverside Park along the lakeshore of Flathead Lake under the Highway 93 Bridge (with a fishing pier near the bridge) and extension to an existing walkway near Salish Point (the "Walkway") and an 8 foot by 290 foot flow-through pier/dock with a 10 foot by 128 foot wing to replace the existing City pier on Salish Point (the "City Pier Replacement"). The Walkway and the Pier Replacement, together with the engineering and financing costs thereof, are referred to herein collectively as the "Series 2013 Project"; and

WHEREAS, pursuant to Resolution No. 1042 adopted March 18, 2013, this Commission approved an alternative project design method of contractor selection for the Series 2013 Project under the design/build concept and directed the City manager and City Engineer to proceed with a recommendation for contractor selection; and

WHEREAS, pursuant to Resolution 1045, adopted July 1, 2013, the City authorized the City Finance Officer to negotiate with prospective purchasers of the Series 2013 Bonds, within certain parameters described in Resolution No. 1045 and to recommend the sale of the Series 2013 Bonds on the terms so negotiated and approved by the City through this Resolution. The City Finance Officer, after such negotiation, recommends the sale of five fully amortized bonds, each in the principal amount of \$160,000 to the bank consortium consisting of Community Bank, Eagle Bank, First Citizens Bank NA, First Interstate Bank and Valley Bank for a term of 12 years at a fixed interest rate of 2.987%.

NOW, THEREFORE, BE IT RESOLVED by the City Commission (the "Commission") of the City of Polson, Montana (the "City"), as follows:

Section 1. Definitions, Authorizations and Findings.

1.01. Definitions. The terms defined in this Section 1.01 shall for all purposes of this Resolution have the meanings herein specified, unless the context clearly otherwise requires:

Accountant shall mean a Person engaged in the practice of accounting as a certified public accountant, whether or not employed by the City.

Act shall mean Montana Code Annotated, Title 7, Chapter 15, Parts 42 and 43, as amended or supplemented.

Additional Bonds shall mean any Bonds issued pursuant to Sections 4.01 through 4.03.

Bond Account shall mean the account so designated in the Tax Increment Debt Service Account.

Bond Counsel shall mean any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing, selected by the City.

Bond Payment Date shall mean a Bond Principal Payment or Interest Payment Date.

Bond Register shall mean the register maintained for the purpose of registering the ownership, transfer and exchange of the Bonds of any series.

Bonds shall mean the Series 2013 Bonds and any Additional Bonds.

Business Day shall mean, with respect to the Bonds of any series, any day other than a Saturday, Sunday or other day on which the Registrar for such series of Bonds is open for business.

City shall mean the City of Polson, Montana, or its successors.

Code shall mean the Internal Revenue Code of 1986, as amended.

Construction Account shall mean the account so designated in the Tax Increment Capital Project Account.

Commission shall mean the City Commission of the City or any successor governing body thereof.

District shall mean the City's Urban Renewal District created and established pursuant to the Act and the Ordinance, as such district may be enlarged or reduced in accordance with the Act and this Resolution.

Fiscal Year shall mean the period commencing on the first day of July of any year and ending on the last day of June of the next calendar year, or any other twelve-month period authorized by law and specified by this Commission as the City's Fiscal Year.

Independent shall mean, when used with respect to any specified Person, such a Person who (i) is in fact independent; (ii) does not have any direct financial interest or any material indirect financial interest in the City, other than the payment to be received under a contract for services to be performed by such Person; and (iii) is not connected with the City as an officer, employee, promoter, trustee, partner, director, underwriter or person performing similar functions. Whenever it is herein provided that any Independent Person's opinion or certificate shall be furnished, such Person shall be appointed by the City and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

Interest Account shall mean the subaccount so designated in the Bond Account.

Interest Payment Date shall mean the date on which the installment of interest is due on any of the Bonds.

Ordinance shall mean Ordinance No. 591, adopted by this Commission on October 20, 2003, including the Plan attached, as such may be further amended or supplemented in accordance with the Act and this Resolution.

Original Purchaser shall mean, with respect to any series of Bonds, the Person or Persons who purchases such series of Bonds from the City when first issued. The Original Purchasers of the Series 2013 Bonds are Community Bank- Ronan, Montana; Eagle Bank – Polson, Montana; First Citizens Bank NA – Polson, Montana; First Interstate Bank – Polson, Montana; and Valley Bank, Ronan, Montana.

Outstanding shall mean, with reference to Bonds, as of the date of determination, all Bonds theretofore issued and delivered under this Resolution except:

(i) Bonds theretofore cancelled by the City or delivered to the City cancelled or for cancellation;

(ii) Bonds and portions of Bonds for whose payment or redemption money or defeasance obligations (as provided in Section 9.04) shall have been theretofore deposited in trust for the Owners of such Bonds; provided, however, that if such Bonds are to be redeemed, notice of such redemption shall have been duly given pursuant to this Resolution or irrevocable instructions to call such Bonds for redemption at a stated Redemption Date shall have been given by the City; and

(iii) Bonds in exchange for or in lieu of which other Bonds shall have been issued and delivered pursuant to this Resolution.

Owner shall mean, with respect to any Bond, the Person in whose name such Bond is registered in the Bond Register.

Person shall mean any individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Plan shall mean the City of Polson Urban Renewal District Plan adopted by the City on October 20, 2003, pursuant to the Ordinance, including all further amendments thereof adopted in accordance with the Act and this Resolution.

PRA means the City of Polson Redevelopment Agency, a City agency, governed by an appointed five-member Board and created by Chapter 9.2 of the City of Polson Urban Renewal Plan in accordance with the provisions of the Act, to effectuate urban renewal activities within the District.

Principal and Interest Requirements shall mean, with respect to any Bonds and for any Fiscal Year or other specified period, the amount required to pay the principal of and interest on such Bonds during such Fiscal Year or other period.

Principal Payment Date shall mean the date on which payment of any principal of any Bond is due.

Project shall mean the City Pier Replacement and Walkway Project described in the

first recital above as the Series 2013 Project and any other urban renewal project undertaken under the Act in or for the benefit of the District, the costs of which (including costs of issuance and design) are to be paid, in whole or in part, from the proceeds of Bonds.

Redemption Date when used with respect to any Bond to be redeemed shall mean the date on which it is to be redeemed.

Redemption Price when used with respect to any Bond to be redeemed shall mean the price at which it is to be redeemed.

Registrar shall mean the Person, if any, appointed by the City to act as bond registrar, transfer agent and paying agent for a series of Bonds. With respect to the Series 2013 Bonds, the Registrar shall be appointed as set forth in Section 3.03.

Reserve Account shall mean the account described in Section 5.05 hereof.

Series 2013 Bonds shall mean the City's Tax Increment Urban Renewal Revenue Bonds, Series 2013 (City Pier Replacement and Walkway Project), issued in the original aggregate principal amount of \$800,000.

State shall mean the State of Montana.

Stated Maturity when used with respect to any Bond or any installment of principal of and interest thereon shall mean the date specified in such Bond as the fixed date on which the final principal of and interest on such Bond is due and payable.

Supplemental Resolution shall mean any resolution supplemental to this Resolution adopted pursuant to Section 8.

Tax Increment shall mean the amount received by the City pursuant to the Act from the extension of levies of Taxes (expressed in mills) against the incremental taxable value (as defined in the Act) of all Taxable Property, and shall include all payments in lieu of Taxes attributable to the incremental taxable value and all payments received by the City designated as replacement revenues for lost Tax Increment, as provided in Section 7.08. It is acknowledged that if for a Fiscal Year the actual taxable value (as defined in the Act) of the District is less than the base taxable value (as defined in the Act) of the District, the amount of Tax Increment may be reduced accordingly.

Tax Increment Accounts shall mean the accounts established pursuant to Section 5.

Tax Increment Capital Project Account shall mean the account so designated in the Tax Increment Accounts.

Tax Increment Debt Service Account shall mean the account so designated in the Tax Increment Accounts.

Tax Increment General Account shall mean the account so designated in the Tax Increment Accounts.

Taxable Property means all real and personal property located in the District and subject to Taxes, including land, improvements and equipment.

Taxes means all taxes levied on an ad valorem basis by any Taxing Body against the Taxable Property (exclusive of the six mill levy for university purposes levied by the State), and shall include all payments in lieu of taxes received by the City with respect to Taxable Property.

Taxing Body shall mean the City; Lake County, Montana; High School District No. 23PT, Lake County, Montana; Elementary School District No. 23PT, Lake County, Montana; the State; and any other political subdivision or governmental unit which may hereafter levy Taxes against property within the District.

1.02. Rules of Construction. Unless the context otherwise requires or except as otherwise expressly provided:

(a) All references in this Resolution to designated sections and other subdivisions are to the designated sections and other subdivisions of this Resolution as originally adopted.

(b) The words “herein,” “hereof” and “hereunder” and other words of similar import without reference to any particular section or subdivision refer to this Resolution as a whole and not to any particular section or other subdivision unless the context clearly indicates otherwise.

(c) The terms defined in this Resolution include the plural as well as the singular.

(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities.

(e) All computations provided herein shall be made in accordance with generally accepted accounting principles applicable to governmental entities consistently applied.

(f) “Or” is not intended to be exclusive, but is intended to contemplate or encompass one or more or all of the terms or alternatives conjoined.

1.03. Authorization. Under the Act, the City is authorized to create urban renewal areas, prepare and adopt an urban renewal plan therefor and amendments thereto, undertake urban renewal projects therein, provide for the segregation and collection of tax increment with respect to property taxes collected in such areas, issue its bonds to pay the costs of such projects and to refund bonds previously issued under the Act and pledge to the repayment of the bonds the tax increment and other revenues derived from projects undertaken within the urban renewal area.

1.04. Prior City Actions. Pursuant to the Act, the City has determined that blighted property is located within the District, and that the rehabilitation, redevelopment or a combination thereof is necessary for the public health, safety, morals or welfare of the

residents of the City, and the Commission has adopted the Plan which provides for the segregation and collection of tax increment with respect to the District. The District and the Plan providing for the segregation and collection of the tax increment have been duly and validly created and adopted in strict accordance with applicable provisions of the Act and are in full force and effect.

1.05. Estimated Costs of the Series 2013 Project. The total cost of the Series 2013 Project, including costs of issuance of the Series 2013 Bonds, is estimated as follows:

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|---|--------------|
| Construction Contract with McCrumb Construction, Inc. | \$715,000.00 |
| Contingency | 86,500.00 |
| Bond Reserve | 40,000.00 |
| Additional Engineer Oversight | 30,000.00 |
| Structural Review by City | 5,000.00 |
| Cost of Issuance & Miscellaneous | 15,000.00 |
| TOTAL | \$891,500.00 |

Proceeds of the Series 2013 Bonds will be sufficient to provide for the payment of all estimated costs of construction of the Series 2013 Project and to provide a contingency fund. The Bond Reserve, Engineering and Structural and Costs of Issuance, \$1,500 of additional contingency and miscellaneous costs of the Series 2013 Project in excess of the Series 2013 Bond proceeds are expected to be paid from the Tax Increment funds on hand, which are currently nearly \$208,000.

1.06. Application of Series 2013 Bond Proceeds. Proceeds of the Series 2013 Bonds will be applied as follows:

| | |
|------------------------------------|------------------|
| Construction Contract with McCrumb | \$715,000.00 |
| Contingency | <u>85,000.00</u> |
| Total Financed | \$800,000.00 |

1.07. Authorization and Sale of Series 2013 Bonds; Official Statement. Pursuant to Resolution No. 1045, adopted July 1, 2013 (the “Parameters Resolution”), this Commission determined that it is in the best interest of the City to issue its Series 2013 Bonds, as authorized by Section 7-15-4301(1)(a) of the Act and this Resolution, in order to finance a portion of the costs of the Series 2013 Project. Pursuant to the Parameters Resolution, this Commission authorized the negotiated sale of the Series 2013 Bonds and the City Finance Officer has negotiated the rate, principal amount, term and other provisions for the Series 2013 Bonds with the Original Purchasers. The City now authorizes the Mayor and City Clerk to enter into a Bond Purchase Agreement with the Original Purchasers (the “Bond Purchase Agreement”) at the aggregate purchase price of \$800,000.00 (representing the par amount of the Series 2013 Bonds), subject to the terms and conditions of this Resolution. The net interest cost of the Series 2013 Bonds is 2.987%. The sale of the Series 2013 Bonds to the Original Purchasers is hereby ratified and confirmed. The Series 2013 bonds are “bank qualified” under the Code.

1.08. Estimate of Tax Increment. Based on the Tax Increment of \$142,360.26 received in Fiscal Year 2012/2013 and projected Tax Increment of \$145,000.00 to be

received in Fiscal Year 2013/2014, the City estimates that the Tax Increment will be at least \$145,000.00 per year. The maximum Principal and Interest Requirements on the Series 2013 Bonds is \$79,818.30 per year. There are no other bonds or other obligations of the City payable from Tax Increment.

1.09. Findings and Determinations. It is hereby found, determined and declared by this Commission as follows:

(a) the findings and determinations made by this Commission in the Ordinance are hereby ratified and confirmed;

(b) the conditions precedent to the issuance of the Series 2013 Bonds under the Act, the Ordinance and this Resolution have been or shall be met prior to the issuance of the Series 2013 Bonds;

(c) the estimated Tax Increment to be received by the City, as set forth in Section 1.08, and pledged to the payment of the Series 2013 Bonds will be sufficient to pay the Principal and Interest Requirements thereon when due; and

(d) it is in the best interests of the City to issue and sell the Series 2013 Bonds to provide funds to pay a portion of the costs of the Project as provided in this Resolution.

Section 2. The Bonds

2.01. General Title. The general title of the Bonds of all series shall be "Tax Increment Urban Renewal Revenue Bonds," with appropriate additions to designate a new series project or for refunding or subordinate obligations and to distinguish Bonds of each series from Bonds of other series.

2.02. General Limitations; Issuable in Series. The aggregate principal amount of Bonds that may be authenticated and delivered and Outstanding under this Resolution is not limited, except as provided in Section 4 and except as may be limited by law.

The Bonds may be issued in series from time to time as authorized by the City.

The Bonds are special, limited obligations of the City. The Bonds are not general obligations of the City and neither the general credit nor the taxing power of the City, Lake County or the State is pledged to the payment of the Bonds or the interest thereon. Principal of, premium, if any, and interest on the Bonds (except to the extent expressly payable out of proceeds of the Bonds) are payable solely from the Tax Increment or other sources which may be pledged to the payment of any series of Bonds. Lake County and the State shall in no event be liable for the payment of the principal of, premium, if any, or interest on the Bonds or the performance of any pledge of any kind whatsoever that may be undertaken by the City with respect thereto. Neither the Bonds nor any of the agreements or obligations of the City contained herein or therein shall be construed to constitute an indebtedness of the City, Lake County or the State within the meaning of any constitutional or statutory provisions whatsoever.

It is acknowledged that if for a Fiscal Year the actual taxable value (as defined in

the Act) of the District is less than the base taxable value (as defined in the Act) of the District, the amount of Tax Increment may be reduced accordingly.

If any Stated Maturity, Redemption Date or Bond Payment Date shall be on a day which is not a Business Day, then payment of principal of, premium, if any, or interest due on such day may be made on the next succeeding Business Day, with the same force and effect as if made on such Stated Maturity, Redemption Date or Bond Payment Date (whether or not such next succeeding Business Day occurs in a succeeding month), and no interest shall accrue for the intervening period.

2.03. Terms of a Particular Series. Each series of Bonds (except the Series 2013 Bonds, which are created by Section 3) shall be created by a Supplemental Resolution and pursuant to Section 4. The City may, at the time of the creation of any series of Bonds or at any time thereafter make, and the Bonds of that series may also contain, provision for a sinking, amortization, improvement or other analogous fund. All Bonds of the same series shall be substantially identical except as to denomination and the differences specified herein or in a Supplemental Resolution between interest rates, Stated Maturities and redemption provisions.

2.04. Form and Denominations. The form of the Bonds (other than the Series 2013 Bonds, as to which specific provision is made in Section 3) shall be established by the Supplemental Resolution creating such series.

The Bonds of any series shall be issuable as fully registered Bonds, in such denominations as shall be provided in the Supplemental Resolution creating such series (other than the Series 2013 Bonds, as to which specific provision is made in Section 3). In the absence of any such provision with respect to the Bonds of any particular series, Bonds shall be in the denomination of \$5,000 or any integral multiple thereof, of single Stated Maturities.

2.05. Execution and Delivery. Each Bond shall be executed on behalf of the City by the Mayor, City Clerk and City Finance Officer, or their duly appointed “acting” substitutes. The signature of any official may be facsimile, if permitted by applicable law. Bonds bearing the manual or facsimile signatures of individuals who were at any time the proper officials of the City shall bind the City, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the delivery of such Bonds or did not hold such offices at the date of such Bonds.

At any time and from time to time, the City may deliver Bonds executed by the proper officers of the City to the Registrar for authentication, and the Registrar shall authenticate and deliver such Bonds as specified in a Supplemental Resolution (other than the Series 2013 Bonds, as to which specific provision is made in Section 3).

Section 3. The Series 2013 Bonds.

3.01. Title, Principal Amount, Interest Rate and Stated Maturities. The Series 2013 Bonds to be issued hereunder, in the aggregate principal amount of \$800,000.00, shall be denominated “Tax Increment Urban Renewal Revenue Bonds, Series 2013 (City Pier Replacement and Walkway Project)” and shall be issued as 5 separate amortization Bonds each in the principal amount of \$160,000. These Series 2013 Bonds shall mature,

subject to redemption as hereinafter provided, on August 15, 2025. The Series 2013 Bonds shall bear interest from their date of issuance until paid or discharged at the rate of 2.987% per annum. Interest and principal shall be payable on each August 15 and February 15, commencing February 15, 2014. Interest on the Series 2013 Bonds shall be calculated on the basis of a 360 day year of 12 thirty day months.

The Series 2013 Bonds shall be issuable only in fully registered form, and the ownership of the Series 2013 Bonds shall be transferred only upon the Bond Register of the City hereinafter described. The Series 2013 Bonds shall be in the denomination of \$1,000 or any integral multiple thereof, of single Stated Maturities. Principal of and interest on the Series 2013 Bonds are payable in lawful money of the United States of America. Installments of principal and interest, shall be payable by check or draft drawn on the Registrar and mailed to the owners of record thereof as such appear in the Bond Register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month of a Principal and Interest Payment Date.

The first installment payment of principal and interest on each Series 2013 Bond shall be \$39,909.15 due on February 15, 2014, all subsequent principal and interest installment payments shall be \$39,909.15 for the remaining term of the Series 2013 Bonds, due on each February 15 and August 15 through August 15, 2025.

Each Series 2013 Bond shall be dated as of its date of issuance. Upon delivery of the Series 2013 Bonds to the Original Purchaser thereof pursuant to Section 2.05 or upon the delivery of Series 2013 Bonds upon a transfer or exchange pursuant to Section 2.02, the Registrar shall date each such Series 2013 Bond so delivered as of the date of its authentication.

3.02. System of Registration. The City shall appoint, and shall maintain, a Registrar for the Series 2013 Bonds. This Section 3.02 shall establish a system of registration for the Series 2013 Bonds as defined in the Model Public Obligations Registration Act of Montana. The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Bond Register. The Registrar shall keep at its principal office a Bond Register in which the Registrar shall provide for the registration of ownership of Series 2013 Bonds and the registration of transfers and exchanges thereof.

(b) Transfer. Upon surrender for transfer of any Series 2013 Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Series 2013 Bonds of the same series and a like aggregate principal amount, interest rate and maturity as requested by the transferor. The Registrar may, however, close the books for registration of the transfer of any Series 2013 Bond or portion thereof selected or called for redemption.

(c) Exchange. Whenever any Series 2013 Bond is surrendered by the registered owner for exchange, the Registrar shall authenticate and deliver one or more new Series 2013 Bonds of the same series and a like aggregate principal amount, interest rate and maturity, as requested by the registered owner or the owner's attorney in writing.

(d) Cancellation. All Series 2013 Bonds surrendered upon any transfer or exchange shall be promptly cancelled by the Registrar and thereafter disposed of.

(e) Improper or Unauthorized Transfer. When any Series 2013 Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Series 2013 Bond or separate instrument of transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Series 2013 Bond is at any time registered in the Bond Register as the absolute owner of such Series 2013 Bond, whether such Series 2013 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest on such Series 2013 Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the City upon such Series 2013 Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer or exchange of Series 2013 Bonds (except upon a partial redemption of a Series 2013 Bond pursuant to Section 3.04), the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Series 2013 Bonds. In case any Series 2013 Bond shall become mutilated or be lost, stolen or destroyed, the Registrar shall deliver a new Series 2013 Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Series 2013 Bond or in lieu of and in substitution for any such Series 2013 Bond lost, stolen or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Series 2013 Bond lost, stolen or destroyed, upon filing with the Registrar of evidence satisfactory to it that such Series 2013 Bond was lost, stolen or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. All Series 2013 Bonds so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the City. If the mutilated, lost, stolen or destroyed Series 2013 Bond has already matured or such Series 2013 Bond has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Series 2013 Bond prior to payment.

3.03. Initial Bond Registrar, Transfer Agent and Paying Agent. The City hereby appoints the City Finance Officer, as the initial Registrar for the Series 2013 Bonds. The City reserves the right to appoint a successor Registrar, and the City agrees to pay the reasonable and customary charges of the Registrar for the services performed. Upon merger or consolidation of a bank or trust company that is acting as the Registrar, if the resulting corporation is a bank or trust company authorized by law to conduct such business, such corporation shall be authorized to act as successor Registrar, as the case may be. The City reserves the right to remove any Registrar upon 30 days notice and upon the appointment of a successor Registrar, in which event the predecessor Registrar shall deliver all cash and Series 2013 Bonds in its possession as Registrar to the successor Registrar and shall deliver the Bond Register to the successor Registrar. On or before each Principal and Interest Payment Date, without further order of this Commission, the City Finance Officer shall transmit to the Registrar, solely from money in the Bond Account of the Tax Increment Account available therefor, money sufficient for the payment of all principal and interest then due on the Series 2013 Bonds.

3.04. Redemption.

(a) Optional Redemption of Series 2013 Bonds. The Series 2013 Bonds shall be subject to redemption at the option of the City, at any time and from time to time, in whole or in part, and if in part, in principal amounts of \$1,000, at a price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date, without premium. The principal amount of any optional redemption shall be the same for each of the Series 2013 Bonds. No Series 2013 Bond shall be redeemed in any manner without an equal redemption of each other Series 2013 Bond.

(b) Notice of Redemption. The date of redemption and the principal amount of the Series 2013 Bonds to be redeemed shall be fixed by the City Finance Officer who shall give notice thereof to the Registrar at least 45 days prior to the date of redemption or such lesser period as the Registrar accepts. The Registrar, at least 30 days prior to the designated redemption date, shall cause notice of redemption to be mailed, by first class mail to the registered owners of each Series 2013 Bond to be redeemed at their addresses as they appear on the Bond Register, but no defect in or failure to give such mailed notice shall affect the validity of proceedings for the redemption of any Series 2013 Bond not affected by such defect or failure. The notice of redemption shall specify the redemption date, redemption price, the registration numbers, interest rates and any CUSIP numbers and the place at which the Series 2013 Bonds are to be surrendered for payment, which is the principal office of the Registrar. Official notice of redemption having been given as aforesaid, the Series 2013 Bonds or portions thereof so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the City shall default in the payment of the redemption price) such Series 2013 Bonds or portions thereof shall cease to bear interest.

3.05. Execution and Delivery of Series 2013 Bonds. The Series 2013 Bonds shall be forthwith prepared for execution under the direction of the City Clerk, at the expense of the City, and shall be executed on behalf of the City and authenticated as provided in

Section 2.05. When the Series 2013 Bonds have been fully executed and authenticated, they shall be delivered by the Registrar to the Original Purchaser thereof upon payment of the purchase price in accordance with the contract of sale heretofore made and executed, and the Original Purchaser thereof shall not be obligated to see to the application of the purchase price.

3.06. Form of Series 2013 Bonds. The Series 2013 Bonds shall be in substantially the form set forth in Exhibit A hereto (which is hereby incorporated herein and made a part hereof), with such appropriate variations, omissions and insertions as are permitted or required by the Resolution.

3.07. Transcript Certification. The officers of the City are directed to furnish to the Original Purchaser of the Series 2013 Bonds and to Bond Counsel certified copies of all proceedings and information in their official records relevant to the authorization, sale and issuance of the Series 2013 Bonds, and such certificates and affidavits as to other matters appearing in their official records or otherwise known to them as may be reasonably required to evidence the validity and security of the Series 2013 Bonds, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations and recitals of the City as to the correctness of all facts stated therein and the completion of all proceedings stated therein to have been taken.

3.08. Application of Bond Proceeds and Other City Funds. The City shall deposit the \$800,000 proceeds of the sale of the Series 2013 Bonds in the Construction Account in the Tax Increment Capital Project Account to be used to pay costs of the Series 2013 Project. The City shall utilize its currently available excess funds from the Tax Increment to pay costs of the Series 2013 Project as described in Section 1.05 hereof.

Section 4. Additional Bonds.

4.01. General Provisions. In addition to the Series 2013 Bonds, whose issuance and delivery is provided for in Section 3, Additional Bonds may at any time and from time to time be issued, sold and delivered by the City but only upon compliance with the conditions of Sections 4.02 and 4.03, whichever may be applicable, and upon filing with the City Clerk the following:

(a) A Supplemental Resolution authorizing the issuance of such series of Additional Bonds and the sale thereof to the Original Purchaser or Purchasers named therein for the purchase price set forth therein.

(b) A certificate executed by the Mayor and the City Finance Officer stating that upon the issuance of such series of Additional Bonds, no default hereunder has occurred and is continuing which would not be cured upon the issuance of such series of Additional Bonds and application of the proceeds thereof.

(c) An opinion of Bond Counsel (who may rely on factual representations of the City and which opinion may be qualified by customary qualifications and exceptions) stating that:

(i) all conditions precedent provided for in this Resolution relating to the issuance and delivery of such series of Additional Bonds have

been complied with, including any conditions precedent specified in this Section 4.01; and

(ii) the series of Additional Bonds when issued and delivered by the City will be valid and binding special, limited obligations of the City in accordance with their terms and entitled to the benefits of and secured by this Resolution.

Any Additional Bonds shall be dated, shall mature on a date not exceeding the maturity date permitted by Section 7-15-4292(4), MCA, shall have Stated Maturities, and may be subject to redemption at such times and prices and on such terms and conditions, all as may be provided by the Supplemental Resolution authorizing their issuance. All Additional Bonds issued pursuant to Sections 4.02 and 4.03 shall be payable and secured ratably and equally and on a parity with the Series 2013 Bonds and any Additional Bonds theretofore issued, entitled to the same benefits and security of this Resolution.

4.02. Additional Bonds To Pay the Cost of Projects. Additional Bonds may be issued under this Section 4.02, at one time or from time to time, subject to the conditions provided in Section 4.01 and this Section 4.02, for the purpose of providing funds, with any other funds available and committed therefor, for paying the cost of one or more projects authorized to be funded under the Act and pursuant to the Ordinance and any expenses in connection with such financing.

Before any Additional Bonds shall be issued under this Section 4.02, the City shall adopt a Supplemental Resolution authorizing the issuance of such series of Additional Bonds and fixing the amount and the details thereof, and describing in brief and general terms the proposed project to be acquired, constructed, altered or improved and estimating the costs thereof.

In addition, prior to the execution and delivery of any series of Additional Bonds under this Section 4.02, there shall be filed with the City Clerk:

(a) A certificate executed by the Mayor and the City Finance Officer stating: (A) the estimated cost of the proposed project being financed thereby, including an allowance for contingencies and all fees, expenses and financing costs, (B) the amount, if any, which will be required to be credited to the Bond Account to pay interest on the Additional Bonds prior to collection of sufficient Tax Increment available therefor, (C) the amount of Tax Increment received by the City in the last completed Fiscal Year, (D) the amount of the maximum Principal and Interest Requirements on the Outstanding Bonds and the Additional Bonds proposed to be issued for any future Fiscal Year during the term of the Outstanding Bonds, and (E) that the principal amount of such Additional Bonds is sufficient to provide for the payment of all estimated costs to be financed thereby and credits to the Bond Account as set forth above; and

(b) a certificate executed by the Mayor and the City Finance Officer stating that:

(i) the Tax Increment received by the City in the last completed Fiscal Year was equal to at least 125% of the maximum Principal and

Interest Requirements for any future calendar year (during the term of the Outstanding Bonds) with respect to Outstanding Bonds and the Additional Bonds proposed to be issued; and

(ii) the Tax Increment received by the City in the last completed Fiscal Year, adjusted as provided in this Section 4.02(b)(ii), was, and the Tax Increment estimated to be received in the next succeeding three Fiscal Years, adjusted as provided in Section 4.02(iii), is estimated to be, equal to at least 125% of the maximum Principal and Interest Requirements for any future calendar year (during the term of the Outstanding Bonds) with respect to the Outstanding Bonds and the Additional Bonds proposed to be issued; and

(iii) For purposes of the foregoing paragraph (ii), in estimating the Tax Increment to be received in any future Fiscal Year, the Mayor and the City Finance Officer shall assume that: (1) 90% of the Taxes levied in the District will be collected in any Fiscal Year; (2) no Taxes delinquent in a prior Fiscal Year will be collected in any subsequent Fiscal Year; and (3) there will be no increase in the Tax Increment to be received in any future Fiscal Year resulting from projected inflation in property values or projected increases in Taxes.

This Commission shall approve and confirm the findings and estimates set forth in the above- described certificates in the Supplemental Resolution authorizing the issuance of the Additional Bonds.

4.03. Additional Bonds for Refunding Purposes. Additional Bonds may be issued under this Section 4.03, at one time or from time to time, subject to the conditions provided in Section 4.01, for the purpose of providing funds, with any other funds available and committed therefor, for paying at, or redeeming prior to, their Stated Maturities any Outstanding Bonds, including the payment of any redemption premium thereon and interest which will accrue on such Bonds to any Redemption Date or the Stated Maturities thereof, and any expenses in connection with such financing. Such Additional Bonds shall be designated substantially as the Bonds to be refunded, with the addition of the term “refunding”.

Before any Additional Bonds shall be issued under this Section 4.03, the City shall adopt a Supplemental Resolution authorizing the issuance of such series of Additional Bonds and fixing the amount and the details thereof, and authorizing the redemption of the Outstanding Bonds to be refunded.

In addition, prior to the execution and delivery of any series of Additional Bonds under this Section 4.03, there shall be filed with the City Clerk:

(a) such documents as shall be required to show that provisions have been duly made in accordance with this Resolution for the redemption of all of the Outstanding Bonds to be refunded; and

(b) a report of an Independent Accountant to the effect that (a) the proceeds (excluding accrued interest but including any premium) of the Additional

Bonds plus any moneys to be withdrawn from the Bond Account for such purpose, together with any other funds deposited for such purpose, will be not less than an amount sufficient to pay the Redemption Price on the Outstanding Bonds to be refunded, or (b) from such proceeds there shall be deposited in trust, obligations for which the U.S. government has pledged its full faith and credit which do not permit the redemption thereof at the option of the issuer, the principal of and the interest on which when due and payable (or redeemable at the option of the holder thereof) will provide, together with any other moneys which shall have been deposited in trust irrevocably for such purpose, but without reinvestment, sufficient moneys to pay such principal, redemption premium and interest.

Section 5. The Tax Increment Accounts.

5.01. Bond Proceeds and Tax Increment Pledged and Appropriated. The City hereby establishes on its books and records three accounts designated as the Tax Increment Capital Project Account, the Tax Increment Debt Service Account and the Tax Increment General Account (collectively, the “Tax Increment Accounts”). The Tax Increment Accounts shall be maintained as separate and special bookkeeping accounts on the official books and records of the City until all Bonds have been fully paid, or the City’s obligation with reference to all Bonds has been discharged as provided in this Resolution.

All proceeds of Bonds and all other funds hereafter received or appropriated for purposes of the Project are appropriated to the Tax Increment Accounts (except amounts otherwise appropriated in a Supplemental Resolution or received from Additional Bonds issued to refund Outstanding Bonds pursuant to Section 4.03). All Tax Increment is irrevocably pledged and appropriated and shall be credited as received to the Tax Increment Debt Service Account. Outstanding Bonds shall be secured by a first pledge of and lien on all of the Tax Increment and all other moneys from time to time in the Tax Increment Accounts in the manner and to the extent provided in this Section 5. The City shall not issue any obligation or security superior to or on a parity with the Series 2013 Bonds, payable or secured, in whole or in part, from or by the Tax Increment other than Additional Bonds issued pursuant to Sections 4.01, 4.02 or 4.03, until all of the Bonds have been paid or discharged as provided herein. The Tax Increment Accounts shall be subdivided into separate accounts as designated and described in Sections 5.03 to 5.06.

5.02. Tax Increment Receipts. All Tax Increment received by the City and credited to the Tax Increment Debt Service Account, as required in Section 5.01, shall be credited as received first, to meet the Principal and Interest Requirements on Bonds due and payable within the next twelve full calendar months and second, to the Tax Increment General Account.

5.03. Construction Account. For each project authorized as provided herein there shall be a separate Construction Account within the Tax Increment Capital Project Account, to be used only to pay allowed costs as incurred, which under accepted accounting principles are costs of the particular project, including but not limited to payments due for work and materials performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, interest accruing on Bonds during the period of construction of a project financed thereby and for a period of time thereafter authorized by the Act and

deemed necessary by this Commission, if and to the extent that the Debt Service Account is not sufficient for payment of such interest, reimbursement of any loans or advances made from other City funds, and all other expenses incurred in connection with the acquisition, construction and financing of the project. To the Construction Account shall be credited as received all proceeds of Bonds issued to finance such Project, except amounts otherwise appropriated in Section 3.08 or in a Supplemental Resolution or received from Additional Bonds issued to refund Outstanding Bonds pursuant to Section 4.03 and all other funds appropriated by the City for the Project, and all income received from the investment of the Construction Account. Upon completion of any project and payment of the cost thereof, the City may transfer any money then remaining in the Construction Account for that project to the tax Increment Debt Service Account and used to pay or redeem Bonds or portions thereof as provided in Section 3.04.

5.04. Bond Account. The Bond Account is hereby established as a special account within the Tax Increment Debt Service Account. There are hereby established within the Bond Account two separate subaccounts, designated as the Interest Account and the Principal Account.

(a) Interest Account. There shall be credited to the Interest Account the following amounts: (i) the amount specified in Section 3.08 to be credited to the Interest Account; (ii) any amount specified in any Supplemental Resolution to be credited to the Interest Account; and (iii) from the Tax Increment as received by the City, the amount specified in Section 5.02.

On or before each Bond Payment Date, the City shall withdraw from the Interest Account an amount sufficient to pay the interest due on the Bonds on such Bond Payment Date, and shall use such amount to pay, or make provision with the Registrar for the payment of, interest of the Bonds on such Bond Payment Date.

If on any Bond Payment Date the balance in the Interest Account is not sufficient to pay the total amount of interest due on such Bond Payment Date, the City shall transfer any money then on hand in the Tax Increment General Account and in an amount equal to such deficiency, to the Interest Account.

All income derived from the investment of amounts in the Interest Account shall be credited as received to the Interest Account.

(b) Principal Account. There shall be credited to the Principal Account the following amounts: (i) any amount specified in a Supplemental Resolution to be credited to the Principal Account; and (ii) from the Tax Increment as received by the City, the amount specified in Section 5.02.

Amounts on hand in the Principal Account shall be used on any Bond Payment Date to make up a deficiency in the Interest Account.

On or before each Principal Payment Date, the City shall withdraw from the Principal Account an amount sufficient to pay the principal due on the Bonds on such Bond Payment Date, and shall use such amount to pay, or make provision with the Registrar for the payment of, principal of the Bonds on such Bond Payment Date.

If on any Principal Payment Date the balance in the Principal Account is not sufficient to pay the total amount of principal due on such Principal Payment Date, the City shall transfer any money then on hand in the Tax Increment General Account, in the order listed and in an amount equal to such deficiency, to the Principal Account.

All income derived from the investment of amounts in the Principal Account shall be credited as received to the Principal Account.

5.05. Reserve Account. The Reserve Account is hereby established as a special account within the Tax Increment Account. There shall be credited to the Reserve Account the following amounts: (i) \$40,000.00 from the Tax Increment General Account; (ii) any amount specified in any Supplemental Resolution to be credited to the Reserve Account; and (iii) any other amounts appropriate from time to time to the Reserve Account.

If on any Bond Payment Date that shall exist, after the other transfers required by Section 5.04(a) and (b), a deficiency in the Interest Account or Principal Account, the City shall transfer from the Reserve Account to such account an amount equal to such deficiency.

All income derived from the investment of amounts in the Reserve Account shall be credited as received to the Reserve Account until such time as the balance in the Reserve Account is equal to the lesser of the maximum Principal and Interest Requirements on Outstanding Bonds for the then current or any future calendar year, or ten percent (10%) of the aggregate original principal amount of all series of Bonds, any Bond of which is currently Outstanding (the Reserve Requirement”), and thereafter all such investment income as received shall be transferred to the Principal Account.

Money in the Reserve Account shall be used only to pay when due principal of, premium, if any, and interest on Bonds when the balance on hand Bond Account is insufficient therefore; provided that on any date when the balance then on hand in the Bond Account allocable to a series of Bonds, plus the balance then on hand in the Reserve Account allocable to the series of Bonds, is sufficient with other money available for the purpose to pay or discharge all Outstanding Bonds of that series and the interest accrued thereon in full, and the balance thereafter on hand in the Reserve Account will be at least equal to the Reserve Requirement for all Outstanding Bonds not to be discharged, it may be used for that purpose. In addition, amounts on hand in the Reserve Account may be used to make any arbitrage rebate payments due under Section 148(f) of the Code in respect of any Bonds if available amounts on hand in the Tax Increment General Fund are insufficient thereof.

If at any time (including, but not limited to, any Principal Payment Date and any Redemption Date), the balance in the Reserve Account exceeds the Reserve Requirement, the City shall transfer such excess to the Principal Account.

5.06. Tax Increment General Account. There shall be credited to the Tax Increment General Account any and all Tax Increment remaining after the required credits to the Bond Account and Reserve Account and any investment income and other moneys in any of the accounts within the Tax Increment Accounts in excess of the requirements of said accounts and which the City determines in its discretion to transfer to the Tax Increment General Account. Money from time to time on hand in the Tax Increment

General Account shall be transferred to the Bond Account as provided by Section 5.04 and may be used for any of the following purposes and not otherwise:

(a) to be transferred to the Construction Account to pay costs authorized to be paid therefrom;

(b) to pay costs incurred in connection with projects within the District as authorized by the Act and approved by the Commission;

(c) to pay administrative costs of the City and the District and costs incurred in connection with urban renewal projects (as defined in the Act) within the District as authorized by the Act (including any loans or advances therefor made from other City funds);

(d) to purchase Bonds on the open market;

(e) to redeem or discharge principal of Bonds prior to their Stated Maturities in accordance with this Resolution or any Supplemental Resolution;

(f) to make payments of arbitrage rebate to the United States of America pursuant to Section 148(f) of the Code in respect of any series of Bonds; and

(g) to pay other Taxing Bodies a portion of the annual Tax Increment received by the City, pursuant to an agreement with respect thereto as authorized by the Act; provided, however, no such agreement shall require or permit the City to remit to any other Taxing Bodies any portion of the annual Tax Increment received in a Fiscal Year and on deposit in the Tax Increment General Account unless there is no default under the provisions of this Resolution as evidenced by a certificate of the City Finance Officer filed with the City Clerk as of the date of remittance.

5.07. Investments. The City Finance Officer shall cause all moneys from time to time in the Tax Increment Accounts to be deposited as received with one or more depository banks duly qualified in accordance with the provisions of Montana Code Annotated, Section 7-6-201, as amended, and shall cause the balances in such accounts, except any part thereof covered by federal deposit insurance, to be secured by the pledge of bonds or securities of the kinds required by law, and no money shall at any time be withdrawn from such deposit accounts except for the purposes of the Tax Increment Accounts as defined and authorized by this Resolution. The funds to the credit of the several accounts within the Tax Increment Accounts may be commingled in one or more deposit accounts. The balance on hand in any of the accounts of the Tax Increment Accounts may at any time be invested and reinvested in Qualified Investments as provided below, maturing and bearing interest payable at the times and in the amounts estimated to be required to provide cash when needed for the purposes of the respective accounts. Income from the investment of the moneys in the various accounts shall be credited thereto. Subject to the provisions of law now or hereafter controlling investment of such funds, money on hand in any of the accounts of the Tax Increment Accounts may be invested in any of the following Qualified Investments, but no others:

(a) direct obligations of or obligations guaranteed by the United States

of America;

(b) repurchase agreements, bank time deposits or certificates of deposit secured by obligations and securities described in clause (a) above; and

(c) the short-term investment pool administered by the Board of Investments of the State or any successor investment pool created pursuant to Montana law.

Section 6. Tax Covenants and Certifications.

6.01. Security for the Series 2013 Bonds. The City shall not enter into any lease, use or other agreement or arrangement with any non-governmental Person relating to the use of the Series 2013 Project or security for the payment of the Series 2013 Bonds which might cause the Series 2013 Bonds to be considered “private activity bonds” or “private loan bonds” within the meaning of Section 141 of the Code. No “impermissible agreement” as defined in Regulations, Section 1.141-4(e)(4)(ii), has been or will be entered into by the City in respect of the Tax Increment or otherwise to secure the Series 2013 Bonds.

6.02. General Covenant. The City covenants and agrees with the owners from time to time of the Series 2013 Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Series 2013 Bonds to become includable in gross income for federal income tax purposes under the Code and applicable Regulations promulgated thereunder (the “Regulations”), and covenants to take any and all actions within its powers to ensure that the interest on the Series 2013 Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

6.03. Arbitrage Certification. The Mayor, the City Finance Officer and the City Clerk, being the officers of the City charged with the responsibility for issuing the Series 2013 Bonds pursuant to this Resolution, are authorized and directed to execute and deliver to the Original Purchaser a certificate in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(b) of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Series 2013 Bonds, it is reasonably expected that the proceeds of the Series 2013 Bonds will not be used in a manner that would cause the Series 2013 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and the Regulations.

6.04. Arbitrage Rebate Exemption.

(a) The City hereby represents and makes the election that the Series 2013 Bonds qualify for the exemption for small governmental units to the arbitrage rebate provisions contained in Section 148(f)(2) of the Code. Specifically, the City represents

(i) Substantially all (not less than 95%) of the proceeds of the Series 2013 Bonds (except for the amounts to be applied to the payment of costs of issuance) will be used for local governmental activities for the City.

(ii) The aggregate face amount of all “tax-exempt bonds”

(including warrants, contracts, leases and other indebtedness, but excluding private activity bonds) issued by or on behalf of the City and all subordinate entities thereof during 2013 is reasonably expected not to exceed \$5,000,000. To date in 2013, the Borrower has issued no tax-exempt bonds, except for a \$400,000.00 current refunding of the City's Golf Course Revenue Bonds.

(iii) The City has general taxing powers.

(b) If notwithstanding the provisions of paragraph (a) of this Section 6.04, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Series 2013 Bonds, the City hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f).

6.05. Information Reporting. The City shall file with the Secretary of the Treasury, not later than November 15, 2013, a statement concerning the Series 2013 Bonds containing the information required by Section 149(e) of the Code.

Section 7. Other Covenants of City.

7.01. Punctual Payment. Subject to Section 2.02, the City will duly and punctually pay or cause to be paid the principal of, premium, if any, and interest on the Bonds in accordance with the terms of this Resolution and any applicable Supplemental Resolution and of the Bonds, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and all Supplemental Resolutions and of the Bonds. Nothing herein contained shall prevent the City from making advances of its own moneys however derived to any of the uses or purposes referred to herein, nor shall be deemed or constitute a pledge or appropriation of funds or assets of the City other than those expressly pledged or appropriated hereby. The City further covenants that it will promptly deposit or cause to be deposited all Tax Increment it receives into the Tax Increment Debt Service Account, as set forth in Section 5.02.

7.02. Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Tax Increment superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds.

7.03. Books and Accounts; Financial Statements. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Tax Increment and the Tax Increment Debt Service Account and the Tax Increment General Account. Such books of record and accounts shall be at all times during business hours subject to the inspection of the public and Owners of the principal amount of Outstanding Bonds, or their representatives authorized in writing.

7.04. Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Resolution.

7.05. Amendment of Ordinance. Except to authorize additional projects, the City will not amend or modify the Ordinance or reduce the size of the District if an effect thereof will be to materially and adversely affect the security of the Outstanding Bonds.

7.06. Adjustment of Base Taxable Value. The City shall not adjust the base taxable value (as defined in the Act) of the District pursuant to Section 7-15-4287 of the Act so long as any Bonds are Outstanding.

7.07. Pledge of Replacement Revenues. In the event the Constitution or laws of the State are amended to abolish or substantially reduce or eliminate real or personal property taxation and State law then or thereafter provides to the City an alternate or supplemental source or sources of revenue specifically to replace or supplement reduced or eliminated Tax Increment, then the City pledges, and covenants to appropriate annually, subject to the limitations of then applicable law, to the Bond Account from such alternate or supplemental revenues an amount that will, with money on hand in the Bond Account or available and to be transferred to the Bond Account during such Fiscal Year, be sufficient to pay the principal of, premium, if any, and interest on the Outstanding Bonds payable in that Fiscal Year.

7.08. Owners' Rights. No Owner of any Bond issued and secured under the provisions of this Resolution shall have the right to institute any proceeding, judicial or otherwise, for the enforcement of the covenants herein contained, without the written concurrence of the Owners of not less than 25% in aggregate principal amount of all Outstanding Bonds; but the Owners of such aggregate principal amount of Outstanding Bonds may, either at law or in equity, by suit, action or other proceedings, protect and enforce the rights of all Owners of Bonds and compel the performance of any and all of the covenants required herein to be performed by the City and its officers and employees. The Owner of a majority in aggregate principal amount of all Outstanding Bonds shall have the right to direct the time, method and place of conducting any proceedings for any remedy available to the Owners or the exercise of any power conferred on them, and the right to waive a default in the performance of any such covenant, and its consequences, except a default in the payment of the principal of or interest on any Bond when due. Nothing herein shall impair the absolute and unconditional right of the Owner of each Bond to receive payment of the principal of and interest on any Bond as such principal and interest respectively become due, and to institute suit for the enforcement of any such payment. In the event of default in any such payment, any court having jurisdiction of the action may appoint a receiver to administer the Tax Increment Accounts and to collect and segregate and apply the Tax Increment and other revenues pledged thereto as provided by this Resolution or any Supplemental Resolution and the Act.

Section 8. Supplemental Resolutions.

8.01. General. Notwithstanding Section 8.02, the City reserves the right to adopt Supplemental Resolutions to this Resolution from time to time and at any time, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein, or of making such provisions with regard to matters or questions arising hereunder as the City may deem necessary or desirable and not inconsistent with this Resolution, and which shall not adversely affect the interests of the Owners of Bonds issued hereunder, or for the purpose of adding to the covenants and

agreements herein contained, or to the Tax Increment herein pledged, other covenants and agreements thereafter to be observed and additional revenues or income thereafter appropriated to the Tax Increment Accounts, or for the purpose of surrendering any right or power herein reserved to or conferred upon the City, or for the purpose of authorizing the creation and issuance of a series of Additional Bonds, as provided in and subject to the conditions and requirements of Section 4. Any such Supplemental Resolution may be adopted without the consent of the Owner of any of the Bonds issued hereunder.

8.02. Consent of Owners. With the consent of the Owners of a majority in principal amount of Outstanding Bonds affected thereby as provided in Section 8.04, the City may from time to time and at any time adopt a Supplemental Resolution for the purpose of amending this Resolution by adding any provisions hereto or changing in any manner or eliminating any of the provisions hereof or of any Supplemental Resolution, except that no Supplemental Resolution shall be adopted at any time without the consent of the Owners of all Outstanding Bonds affected thereby, if it would extend the time of payment of interest thereon, would reduce the amount of the principal thereof or redemption premium thereon, would give to any Bond or Bonds any privilege over any other Bond or Bonds would reduce the sources of Tax Increment or other revenues or income appropriated to the Tax Increment Accounts, or would reduce the percentage in principal amount of such Bonds required to authorize or consent to any such Supplemental Resolution.

8.03. Notice. Notice of a Supplemental Resolution to be adopted pursuant to Section 8.02 shall be mailed by first-class mail, postage prepaid, to the Owners of all Outstanding Bonds at their addresses appearing in the Bond Register and shall become effective only upon the filing of written consents with the City Clerk, signed by the Owners of the requisite principal amount of Outstanding Bonds affected thereby. Any written consent to the Supplemental Resolution may be embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by Owners thereof in person or by agent duly appointed in writing, and shall become effective when delivered to the City Clerk. Any consent by the Owner of any Bond shall bind that Owner and every future Owner of the same Bond with respect to any Supplemental Resolution adopted by the City pursuant to such consent; provided that any Owner may revoke his consent with reference to any Bond by written notice received by the City Clerk before the Supplemental Resolution has become effective. In the event that unrevoked consents of the Owners of the requisite principal amount of Bonds have not been received by the City Clerk within one year after the publication of notice of the Supplemental Resolution, the Supplemental Resolution and all consents theretofore received shall be of no further force and effect.

8.04. Manner of Consent. Proof of the execution of any consent, or of a writing appointing any agent to execute the same, shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the City if made in the manner provided in this Section 8.04. The fact and date of the execution by any Person of any such consent may be proved by the affidavit of a witness of such execution or by the certification of any notary public or other officer authorized by law to take acknowledgment of deeds, certifying that the Person signing it acknowledged to him the execution thereof. The ownership of any Bonds shall be proved by the Bond Register.

Section 9. Defeasance or Discharge.

9.01. General. When the liability of the City on all Bonds issued under and secured by this Resolution and all interest thereon has been discharged as provided in this Section 9, all pledges, covenants and other rights granted by this Resolution to the Owners of such Bonds shall cease.

9.02. Maturity. The City may discharge its liability with reference to all Bonds and interest thereon which are due on any date by depositing with the Registrar on or before the date a sum sufficient for the payment thereof in full; or if any Bond or interest thereon shall not be paid when due, the City may nevertheless discharge its liability with reference thereto by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit.

9.03. Redemption. The City may also discharge its liability with reference to any Bonds which are called for redemption on any date in accordance with their terms, by depositing with the Registrar on or before that date an amount equal to the principal, redemption premium, if any, and interest which are then due thereon; provided that notice of such redemption has been given or irrevocably provided for as provided in this Resolution.

9.04. Escrow. The City may also at any time discharge its liability in its entirety with reference to any Bond subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a bank qualified by law as an escrow agent for this purpose, cash or U.S. government guaranteed obligations which are authorized by law to be so deposited, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without reinvestment, to provide funds sufficient to pay all principal, redemption premiums, if any, and interest to become due on such Bond at its Stated Maturity or, if such Bond is prepayable and notice of redemption thereof has been given or irrevocably provided for as provided in this Resolution, to such earlier Redemption Date.

Section 10. Repeals and Effective Date.

10.01. Repeal. All provisions of other resolutions and other actions and proceedings of the City and this Commission that are in any way inconsistent with the terms and provisions of this Resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this Resolution.

10.02. Effective Date. This Resolution shall take effect immediately upon its passage and adoption by this Commission.

PASSED AND APPROVED by the City Commission of Polson, Montana, this 5th day of August, 2013.

Pat DeVries, Mayor

ATTEST:

Cora Pritt, City Clerk

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF LAKE

CITY OF POLSON

TAX INCREMENT URBAN RENEWAL REVENUE BOND, SERIES 2013
(CITY PIER REPLACEMENT AND WALKWAY PROJECT)

No. R- ____ \$160,000.00

| <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Date of Original Issue</u> |
|----------------------|----------------------|-------------------------------|
| 2.987% | August 15, 2025 | August 15, 2013 |

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: ONE HUNDRED SIXTY THOUSAND DOLLARS

FOR VALUE RECEIVED, THE CITY OF POLSON, MONTANA (the "City"), a duly organized municipal corporation, acknowledges itself to be specially indebted and hereby promises to pay to the registered owner specified above or registered assigns, solely from the Tax Increment received by the City from taxable property in the District which has been pledged and appropriated for the payment hereof as stated below, the principal amount specified above with interest from the date hereof on the unpaid principal balance hereof at the rate of two and nine hundred eighty-seven thousandths percent (2.987%) in equal semi-annual payments of \$7,981.83 to amortize fully the principal balance, together with interest by the Maturity Date above. If this Bond is prepayable as stated below, on an earlier date on which it shall have been duly called for redemption, with interest hereon from the date of original issue hereof, or such later date to which interest hereon has been paid or duly provided for, until the principal amount to be redeemed is paid, has been duly called for redemption, at the annual rate specified above. Principal of and interest hereon is payable semiannually on August 15 and February 15 in each year, commencing February 15, 2014, by check or draft drawn on the City, by the City Finance Officer as Bond Registrar, Transfer Agent and Paying Agent, or its successor designated under the Resolution described herein (the "Registrar"), made payable to and mailed to the registered owner of this Bond as such appears of record in the Register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. The principal of and interest on this Bond is payable at the principal office of the Registrar. Such principal and interest are payable in lawful money of the United States of America.

All interest hereon shall be calculated on the basis of actual number of days elapsed and a 360 day year of twelve 30 day months. Payments received hereunder shall be first applied to interest accrued hereon and then in reduction of the principal balance as shown on the attached Exhibit.

This Bond is one of a duly authorized issue of Bonds of the City designated as “Tax Increment Urban Renewal Revenue Bonds Series 2013 (City Pier Replacement and Walkway Project)” (the “Series 2013 Bonds”), issued and to be issued in one series of five Bonds of equal principal amount under, and all equally and ratably secured by Resolution No. 1046, adopted by the City Commission on August 5, 2013 (the “Resolution”), to which Resolution (copies of which are on file with the City) reference is hereby made for a description of the nature and extent of the security, the respective rights thereunder of the Owners of the Series 2013 Bonds and the terms upon which the Series 2013 Bonds are to be issued and delivered. Capitalized terms used herein but not otherwise defined shall have the meanings given such terms in the Resolution. The Series 2013 Bonds are issued by the City for the purpose of financing a portion of the cost of an urban renewal project within the City of Polson Urban Renewal District (the “District”), thereby assisting activities in the public interest and for the public welfare of the City.

The Series 2013 Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Montana, particularly Montana Code Annotated, Title 7, Chapter 15, Parts 42 and 43, as amended (the “Act”), and pursuant to the Resolution. The Series 2013 Bonds are payable solely and ratably from Tax Increment received by the City and resulting from the extension of ad valorem taxes levied by certain Taxing Bodies against the incremental taxable value of taxable property within the District pursuant to the Act, except that under certain conditions as described in the Resolution, the Series 2013 Bonds may be payable from replacement revenues, if any, provided in the event of the abolition or substantial elimination of property taxation in Montana. The Owner hereof acknowledges and agrees that if for a Fiscal Year the actual taxable value (as defined in the Act) of the District is less than the base taxable value (as defined in the Act) of the District, the amount of Tax Increment may be reduced accordingly.

The Series 2013 Bonds are not general obligations of the City and the City’s general credit and taxing powers are not pledged to the payment of the Series 2013 Bonds or the interest thereon. The Series 2013 Bonds shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitations.

The Series 2013 Bonds shall be subject to redemption at the option of the City, at any time and from time to time, in whole or in part, and if in part, in principal amounts of \$1,000, at a price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date, without premium.

Notice of redemption, if required by the Resolution, will be mailed at least 30 days prior to the designated redemption date to the registered owner of each Series 2013 Bond to be redeemed, but no defect in or failure to give such notice shall affect the validity of the proceedings for the redemption of any Series 2013 Bond not affected by such defect or failure. All Series 2013 Bonds or portions thereof so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption have been duly deposited. Upon partial redemption of any Series 2013 Bond, one or more new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount not so redeemed.

If provision is made for the payment of principal of and interest on this Series 2013 Bond in accordance with the Resolution, this Series 2013 Bond shall no longer be deemed Outstanding under the Resolution, shall cease to be entitled to the benefits of the Resolution, and shall thereafter be payable solely from the funds provided for payment.

The Resolution permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the City and the Owners of the Series 2013 Bonds at any time without the consent of any Owners or with the consent of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding (as defined in the Resolution) which are affected by such modifications. The Resolution also contains provisions permitting Owners of a majority in aggregate principal amount of the Bonds of all series at the time Outstanding, on behalf of all the Owners of all Bonds, to waive compliance by the City with certain provisions of the Resolution and certain past defaults under the Resolution and their consequences. Any such consent or waiver by the Owner of this Bond shall bind that Owner and every future Owner of this Bond and of any Bond issued in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

The Owner of this Bond shall have no right to enforce the provisions of the Resolution, or to institute action to enforce the covenants therein or take any action with respect to a default under the Resolution or to institute, appear in or defend any suit or other procedure with respect thereto except as provided in the Resolution.

As provided in the Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the City at the principal office of the Registrar, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his attorney; and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange, the City will cause a new Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal balance due, bearing interest at the same rate and maturing on the same date, subject to reimbursement for any tax, fee or governmental charge required to be paid with respect to such transfer or exchange.

The City and the Registrar may deem and treat the Person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and neither the City nor the Registrar shall be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Montana and ordinances and resolutions of the City to be done, to exist, to happen and to be performed in order to make this Bond a valid and binding special, limited obligation of the City in accordance with its terms have been done, do exist, have happened and have been performed as so required; that this Bond has been issued by the City in connection with an urban renewal project (as defined in the Act); that the City, in and by the Resolution, has validly made and entered into covenants and agreements with and for the benefit of the Owners from time to time of all Bonds issued thereunder, including covenants that it will pledge, appropriate and credit the Tax Increment derived from the District to the Tax Increment Debt Service Account of the City; that Additional Bonds may be issued and made payable from the Tax Increment Debt Service Account on a parity with Series 2013 Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Tax Increment unless the lien thereof shall be expressly made subordinate to the lien of the Bonds on the Tax Increment; that all provisions for the security of the Owners of the Series 2013 Bonds as set forth in the Resolution will be punctually and faithfully performed as

therein stipulated; and that the issuance of the Series 2013 Bonds does not cause the obligations of the City to exceed any constitutional or statutory limitation.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been executed by the Registrar by the manual signature or the Registrar or an authorized assistant.

IN WITNESS WHEREOF, the City of Polson, Montana, by its City Commission, has caused this Bond to be executed by the facsimile signatures of the Mayor, the City Clerk and City Finance Officer.

CITY OF POLSON, MONTANA

Mayor

(SEAL)

City Finance Officer

City Clerk

Dated: _____

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Tax Increment Urban Renewal Revenue Bonds, Series 2013 (City Pier Replacement and Walkway Project) delivered pursuant to the Resolution mentioned within.

_____, as Bond
Registrar, Transfer Agent and Paying Agent
