

Council Member Fred Funke moved the adoption of the following resolution:

RESOLUTION NO. 1012

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POLSON, LAKE COUNTY, MONTANA, CALLING FOR THE NEGOTIATED SALE OF ITS SPECIAL IMPROVEMENT DISTRICT NO. 42 BONDS, IN THE PRINCIPAL AMOUNT OF UP TO \$750,000 PURSUANT TO SECTION 7-12-4204(2)(b) MCA.

WHEREAS, the City Council (the “Council”) of the City of Polson (the “City”) has created, pursuant to Title 7, Chapter 12, Part 41 and 42, Montana Code Annotated, by passage of its Resolution No. 955 and Resolution No. 975, created Special Improvement District No. 42 (the “District”) to finance the cost of replacing existing curb, gutter and sidewalks and providing certain beautification improvements on both sides of Main Street from 2nd Avenue (U.S. Highway 93) south to 7th Avenue and engineering and incidental financing costs (the “Improvements”) to benefit the property adjacent thereto situated within the City. Included in the Improvements are costs incidental thereto including the issuance of and security for, special improvements district bonds of the City drawn on the District. The Council has investigated the facts it believes necessary to offer for sale up to \$750,000 in principal amount of Special Improvement District No. 42 Bonds as hereinafter described (the “Bonds”) to provide a portion of the funds for constructing of the Improvements, paying the incidental costs, including contributing to a Special Improvement District Reserve Fund (the “Reserve Fund”) to secure the Bonds and to pay from Bond proceeds the costs associated with the sale and issuance of the Bonds; and

WHEREAS the City is authorized by Section 7-12-4204(2)(b), MCA, to sell the Bonds at a private negotiated sale to a financial institution that is authorized to conduct business in the State of Montana, if this Council determines that such sale is in the best interests of the District; and

WHEREAS, the Council has received bids for construction of the Improvements (including for certain water and sewer line replacement and repaving not being funded by the District); and

WHEREAS the costs of the Improvements are currently estimated to be as follows:

Construction	\$1,091,397
Engineering Design/Bidding & Survey	\$74,351
Bond Issuance Costs	\$10,000
Reserve Fund	\$37,500
Construction Contingency	\$105,000
Electrical Engineer	\$3,000
Engineering Inspection	\$20,349
Testing	\$6,800
Contract Ref. Checking	\$1,700
Rounding & Miscellaneous Admin. Costs	<u>\$4,903</u>
Total	\$1,355,000

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and;

WHEREAS the Council anticipates paying for the costs of the Improvements with the following funds:

SID #42 Bond Funds	\$750,000
CTEP Funds	\$395,000
City Sidewalk Funds	\$100,000
TIF Funds or alternately TIF Bond Funds	\$100,000
TIF Collection 2009	<u>\$10,000</u>
Total	\$1,355,000

NOW, THEREFORE BE IT RESOLVED by the City Council as follows:

Section 1. Determinations as to the Reserve Fund. On the basis of the information available to the City as described above, the City Council finds it beneficial to establish a Reserve Fund for the payment of the Bonds.

Section 2. Construction Bid and City's Contribution. The City has duly advertised for and accepted a bid for construction of the Improvements from LHC Construction and this Council commits the City's above referenced contribution to the Improvements of the City's portion of the CTEP Funds (approximately \$200,000 plus a repayment of CTEP Loan of \$100,000 [to be repaid over 5 years from the City's anticipated CTEP annual collection]), plus \$100,000 from the City Sidewalk Fund and the City's TIF Bond proceeds of \$100,000 and collections of approximately \$10,000 for the 2009 TIF amounts.

Section 3. Authorization to Sell and Issue Bonds. This Council has duly and validly created the District and is authorized under Title 7, Chapter 12, Part 41 and 42, MCA, as amended, to issue the Bonds in the aggregate principal amount of up to \$750,000 and the property to be specifically benefited by the Improvements to be funded by the issuance of the Bonds is that property lying within the District. The Council hereby authorizes the issuance of the Bonds for the purpose of financing the Improvements.

Section 4. City Treasurer to Negotiate Sale. The City Treasurer is authorized to negotiate the sale of Bonds at par pursuant to 7-12-4204(2)(b), MCA.

Section 5. Terms and Sale of Bonds. Pursuant to the authority described above, the Council shall issue and sell the Bonds in the aggregate principal amount of up to \$750,000 for the purpose described in Section 1 hereof. The Bonds shall be dated as of their date of delivery (anticipated to be September 15, 2010), and shall have the maturities, bear interest, be secured, have the redemption provisions and payment dates and be registered, offered for sale and delivered as indicated on Exhibit A attached hereto and made a part hereof. The Council hereby adopts the terms and conditions set forth in Exhibit A as the terms and conditions of the sale of the Bonds.

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Passed by the City Council of Polson, Montana, this 2nd day of August, 2010.

Pat Devries, Mayor

ATTEST:

Kala Parker, City Clerk

Council Member Ron Boyce seconded the Motion for adoption of the Resolution.

The Council voted as follows:

FOR

AGAINST

ABSTAIN

Fred Funke
Ron Boyce
John Campbell
Judy Preston
Mike Lies
Elsa Duford
Pat DeVries

EXHIBIT “A”
NOTICE OF BOND SALE OF UP TO A PRINCIPAL AMOUNT OF
\$750,000 SPECIAL IMPROVEMENT DISTRICT NO. 42 BONDS
CITY OF POLSON, MONTANA

Notice is hereby given by the City Council of the City of Polson, Montana, (the “City”) that the City will sell by private negotiated sale to financial institutions authorized to do business in the State of Montana, the above-described bonds drawn against the fund of Special Improvement District No. 42 in the principal amount of up to \$750,000 (the “Bonds”).

The bids will be negotiated by the City Treasurer and presented to the City’s Bond Counsel for analysis. The City Council will meet on August 16, 2010 at City Hall at 7:00 p.m. to consider the final negotiated bid and the award of the sale of the Bonds.

PURPOSE AND SECURITY

The Bonds will be issued for the purpose of financing the cost of construction of certain City sidewalk, curb and gutter and beautification improvements on Main Street from Second Avenue to 7th Avenue (the “Improvements”) within or for the benefit of Special Improvement District No. 42 (“the District”), in accordance with the provisions of Montana Code Annotated, Title 7, Chapter 12, Parts 41 and 42, as amended (the “Act”). The Bonds will be special, limited obligations of the City and do not constitute general obligations of the City.

The Bonds are payable primarily from the collection of a special assessment which is a lien against the assessable real property within the District benefitted by the Improvements to be undertaken therein or therefor. The special assessments are payable in equal, semi-annual installments over a 15-year term, with unpaid installments of the special assessments bearing interest at a rate equal, from time to time, to the sum of (i) the average rate of interest borne by the then outstanding Bonds, plus (ii) one-half of one percent (0.50%) per annum.

The Bonds are further secured by the pledge of the Special Improvement District Reserve Fund of the City in the amount of \$37,500 (the “Reserve Fund”).

DATE AND TYPE OF BONDS

The Bonds will be dated, as originally issued, as of their date of delivery, estimated to be September 15, 2010, and will be issued as negotiable investment securities in registered form as to both principal and interest.

MATURITIES AND FORM

The Bonds will be issued, fully amortized bonds and the principal of and interest on the Bonds shall be payable semiannually in payments on each January 1 and July 1, commencing January 1, 2011 and concluding July 1, 2025, unless the Bonds are earlier redeemed.

REDEMPTION

Mandatory Redemption. If on any interest payment date there will be a balance in the District Fund after payment of the principal of and interest due on all Bonds drawn against it, either from the prepayment of special assessments levied in the District or from the transfer of surplus money from the Construction Account to the Principal Account, outstanding Bonds, or portions thereof, in an amount which, together with the interest thereon to the interest payment date, will equal the amount of such funds on deposit in the District Fund on that date are subject to mandatory redemption on that interest payment date. The redemption price shall equal the amount of the principal amount of the Bonds to be redeemed plus interest accrued to the date of redemption.

Optional Redemption. The Bonds are subject to redemption, in whole or in part, at the option of the City at par from sources of funds available therefor other than those described under "Mandatory Redemption" on any interest payment date. The redemption price shall equal the principal amount of the Bonds to be redeemed plus interest accrued to the date of redemption.

INTEREST PAYMENT DATES, RATES

Interest will be payable each January 1 and July 1, commencing January 1, 2011, to the registered owners of the Bonds 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. All Bonds must bear interest from date of original issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 1/8 or 5/100ths of 1%. No supplemental or "B" coupons or additional interest certificates are permitted. Interest will be calculated on the basis of a 365-day year consisting of actual days elapsed.

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

The City Treasurer, will act as Bond registrar, transfer agent and paying agent, unless the Bonds are to be qualified as "book-entry only bonds" through Depository Trust Company, in which case, a trust company chosen by the City, will be the Bond Registrar and Paying Agent (the "Registrar"). The bond register will be kept, transfers of ownership will be effected and principal of and interest on the Bonds will be paid by the Registrar. The City will, on behalf of the District, pay the charges of the Registrar for such services. The City reserves the right to remove the Registrar and appoint a successor.

DELIVERY

Within 30 days after the sale, the City will deliver to the Registrar the printed Bonds ready for completion and authentication. The original purchaser of the Bonds must notify the Registrar at least five business days before issuance of the Bonds, of the persons in whose names the Bonds will be initially registered and the denominations of the Bonds to be originally issued. If notification is not received by that date, the Bonds will be registered in the name of the original purchaser. On the day of closing, the City will furnish to the purchaser the opinion of Bond Counsel hereinafter described, a tax certification and a certificate stating that no litigation in any manner questioning the validity of the Bonds is then pending or, to the knowledge of

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officers of the City, threatened. Payment for the Bonds must be at par and received by the City in immediately available funds at its designated depository on the day of closing.

BANK QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will be designated by the City as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and financial institutions described in Section 265(b)(5) of the Code may treat the Bonds for purposes of Section 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exclusion of the interest thereon from gross income for federal income tax purposes and Montana individual income tax purposes will be furnished by Jackson, Murdo, & Grant, P.C. of Helena, Montana, as Bond Counsel. Bond Council will be paid by the City from Bond proceeds. The legal opinion will state that the Bonds are valid and binding special, limited obligations of the City enforceable in accordance with their terms, except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion or by state or federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be assigned and printed at the expense of the purchaser, if the original purchaser waives any delay in delivery occasioned thereby.

CONTINUING DISCLOSURE

Participating purchasers need not comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, because the aggregate principal amount of the Bonds and any other bond issues of the City required to be integrated with the Bonds is less than \$1,000,000. Consequently, the City will not enter into any undertaking to provide continuing disclosure of any kind with respect to the Bonds.

The City does not intend to provide an Official Statement relating to the Bonds, but will assist prospective purchasers through the City Treasurer and Bond Counsel in providing information for such offering.

Dated this 2nd day of August, 2010.

BY ORDER OF THE CITY COUNCIL
CITY OF POLSON

CITY CLERK