

RESOLUTION NO. **1013**

RESOLUTION AWARDING THE BOND SALE RELATING TO CITY OF POLSON, MONTANA \$750,000 SPECIAL IMPROVEMENT DISTRICT NO. 42 BONDS, AUTHORIZING THE ISSUANCE OF THE BONDS, FIXING THE FORM AND DETAILS AND PROVIDING FOR THE EXECUTION AND DELIVERY THEREOF AND SECURITY THEREFOR

BE IT RESOLVED by the City Council (the “Council”) of City of Polson, Montana (the “City”), as follows:

Section 1. Recitals.

1.01. Resolution of Intention. On November 19, 2007, the City Council adopted Resolution of Intention to Create Special Improvement District No. 42 (Resolution No. 955), which indicated the City of Polson’s intention to create Special Improvement District No. 42 (the “District”) for the purposes of undertaking certain sidewalk, curb, gutter and certain beautification and street paving improvements (the “Improvements”) to benefit those properties located on both sides of Main Street from 2nd Avenue (U.S. Highway 93) south to 7th Avenue at an originally estimated cost of \$1,000,000 to be paid from bond proceeds and from grants and other City funds. The City held a protest hearing pursuant to Resolution No. 955 on January 7, 2008, at which 25 property owners in the proposed District protested. On December 1, 2008, the City, after additional study and attempts at obtaining grants for the Improvement project, adopted Resolution No. 975 Creating Special Improvement District No. 42 (“Resolution No. 975”) which created the District as described in Resolution No. 955. Resolution No. 955 described the boundaries of the District, and stated the general character of improvements to be made and an approximate estimate of the costs thereof, in accordance with the provisions of Montana Code Annotated, Title 7, Chapter 12, Parts 41 and 42, as amended (the “Act”). By the above-referenced Resolutions this Council also declared its intention to cause a portion of the cost and expense of making the improvements benefiting the District to be assessed against the properties included within the boundaries of the District in accordance with the frontage method of assessment authorized in Section 7-12-4163, Montana Code Annotated, and as set forth in the above-referenced Resolutions.

1.02. Notice. Notice of the passage of Resolution No. 955 was given by publication in the Polson Leader, a weekly newspaper published within the City. A copy of the Notice of the passage of the Resolution of Intention was also mailed on the first day the notice was published to all persons, firms or corporations or the agents thereof having real property within the District, listed in their names upon the last completed assessment roll for state, City and school district taxes, at their last known addresses. The notice described the general character of the Improvements proposed to be made therein or therefor, stated the estimated costs of such Improvements and the method of assessment of such costs against properties in the District,

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designated the time when and the place where the Council would hear and pass upon all protests made against the making of the Improvements or the creation of the District, and referred to the Resolution of Intention as being on file in the office of the Clerk and Recorder of the City for a description of the boundaries of the District, all in accordance with the provisions of the Resolution of Intention.

1.03. Creation of District. At the time and place specified in the notice hereinabove described, this Council met to hear, consider and pass upon all protests made against the making of the Improvements and the creation of the District, and, after consideration thereof, it was determined and declared that insufficient protests against the creation of the District or the proposed work had been filed in the time and manner provided by law by the owners of the property to be assessed for the Improvements in the District, and this Council did, after obtaining additional funding for the Improvements, by Resolution No. 975, create the District according to the boundaries described therein and ordered the proposed Improvements in the District.

1.04. Construction Contracts. Plans and specifications for construction of the Improvements were prepared by the City's consulting engineers and were thereupon examined and approved by this Council. Advertisements for bids for construction of the Improvements were published in the official newspaper of the City in accordance with the provisions of Montana Code Annotated, Section 7-12-4141, after which the bids theretofore received were opened and examined. The lowest responsible bid for constructing the Improvements in accordance with the approved plans and specifications was the bid of LHC Construction of Kalispell, Montana. A contract for the construction of the Improvements was therefore awarded to said bidder, subject to the bidder having executed and filed bonds satisfactory to this Council and in the form and manner provided by Montana Code Annotated, Title 18, Chapter 2, Part 2.

1.05. Considerations for Reserve Fund. On August 2, 2010, this Council passed its Resolution No. 1012 calling for the negotiated sale of \$750,000 of the Special Improvement District42 Bonds. As indicated in Section 1 of Resolution No. 1012, the City has determined it is in the best interest of the City and the District to establish a Reserve Fund in the amount of \$37,500 in support of the Bonds, as herein defined.

1.06. Costs. It is currently estimated that the costs and expenses connected with and incidental to the formation of the District to the City, including costs of preparation of plans, specifications, maps, profiles, engineering superintendence and inspection, preparation of assessment rolls, expenses of making the assessments, the cost of work and materials under the construction contract and all other costs and expenses, are 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

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Engineering Inspection	\$20,349
Testing	\$6,800
Contract Ref. Checking	\$1,700
Rounding & Miscellaneous Admin. Costs	<u>\$4,903</u>
Total	\$1,355,000

The City estimates that costs of the Improvements will be funded as follows:

SID #42 Bond Funds	\$750,000
CTEP Funds	\$395,000
City Sidewalk Funds	\$100,000
TIF Funds Collected by January 2, 2011	<u>\$110,000</u>
Total	\$1,355,000

Also, the City estimates the City water line and storm drain replacement and paving will be \$538,018 and will be paid from other available City funds and grant funds in place.

1.07. Sale and Issuance of Bonds. Pursuant to Resolution No. 1012, the Council called for the negotiated private sale of the bonds in the aggregate principal amount of \$750,000 for Special Improvement District No. 42, (the “Bonds”). The City Treasurer negotiated the sale of the Bonds with financial institutions authorized to do business in the State of Montana and, together with the City’s Bond Counsel, determined that the bid of Glacier Bank and/or Glacier Bancorp, Inc. (the “Purchaser”), attached hereto as Exhibit A, to purchase the Bonds, hereby complies with the terms of the sale outlined in Exhibit A to Resolution No. 1012 and to be the lowest, most reasonable bid for the purchase of the Bonds. The bid of the Purchaser is hereby accepted by the Council and the sale of the Bonds is hereby awarded to the Purchaser. The Purchaser agreed to purchase the Bonds as a single Bond (the “Bond) at a purchase price of par at a fixed interest rate of 3.95% fully amortizing the principal and interest payments on the Bond by semi-annual payments due on July 1 and January 1, commencing January 1, 2011, and upon the further terms set forth in this resolution.

Section 2. The Bond.

2.01. Principal Amount, Maturity, Denomination, Date, Interest Rate. For the purpose of paying a portion of the costs and expenses incurred in construction of the Improvements, including incidental expenses and costs of issuance and in anticipation of the collection of special assessments to be levied therefor, and in accordance with the proposal described in Section 1.07 hereof, the City shall forthwith issue and deliver to the Purchaser the Bond payable solely from the Special Improvement District No. 42 Fund (the “District Fund”). The Bond shall be dated, as originally issued, and registered as their date of delivery, estimated to be September 15, 2010, and shall be in one denomination of \$750,000. The Bond shall mature on July 1, 2025 and shall bear interest from the date of original registration until paid or duly called for redemption at the rate of 3.95% per annum with principal and interest fully amortized

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over the term of the Bond in semi-annual payments on the basis of a 365 day year consisting of actual days elapsed.

2.02. Interest Payment Dates. Interest on the Bond shall be payable on each January 1 and July 1, commencing January 1, 2011, to the owners of record thereof as such appear on the Bond Register at the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day. Upon the original delivery of the Bond to the Purchaser and upon each subsequent transfer or exchange of a Bond pursuant to Section 2.04, the Registrar shall date each Bond as of the date of its authentication.

2.03. Registered Bond, Method of Payment. The Bond shall be issued only in fully registered form. The interest on and the principal of the Bond shall be payable by check of the City or electronically transferred or other preauthorized method of payment.

2.04. Registration. The City Treasurer, will act as Bond registrar, transfer agent and paying agent (the "Registrar"). The City reserves the right to appoint a bank, trust company or financial institution as successor bond registrar, transfer agent or paying agent, as authorized by the Model Public Obligations Registration Act of Montana, Montana Code Annotated, Title 17, Chapter 5, Part 11, as amended (the "Registration Act"), but the City agrees to pay the reasonable and customary charges of the Registrar for the services performed. This Section 2.04 shall establish a system of registration for the Bond as defined in the Registration Act.

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 office a bond register in which the Registrar shall provide for the registration of the Bond and the registration of transfers and exchanges of the Bond entitled to be registered, transferred or exchanged.

(b) Transfer. Upon surrender to the Registrar for transfer of any 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, or upon compliance with DTC procedure for book-entry form Bond, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bond of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer of any Bond or principal installment thereof selected or called for redemption. No transfer or exchange of a Bond shall affect its order of registration for purposes of redemption pursuant to Section 2.05.

(c) Exchange. Whenever a Bond is surrendered by the registered owner for exchange, the Registrar shall authenticate and deliver (through DTC procedures if in book-entry form) one or more new Bond of the then outstanding principal amount,

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interest rate and maturity and representing the same principal installments, as requested by the registered owner or the owner's attorney duly authorized in writing.

(d) Cancellation. A Bond surrendered upon any transfer or exchange shall be promptly canceled by the Registrar and thereafter disposed of as directed by the City (through DTC procedures if in book-entry form).

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that DTC procedures have been followed or, if not in book-entry form, the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested 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 Bond is at any time registered in the bond register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such 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 Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer of a Bond or exchange of a Bond (except an exchange upon a partial redemption of a Bond), 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 Bond. In case any Bond shall become mutilated or be destroyed, stolen or lost the Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar 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 Bonds so surrendered to the Registrar shall be canceled by it and evidence of such cancellation shall be given to the City. If the mutilated, destroyed, stolen or lost Bond has already matured or such Bond has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Bond prior to payment.

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2.05. Redemption or Prepayment. If on any interest payment date there will be a balance in the District Fund after payment of the principal and interest due on the Bond 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 as provided in Section 3.02 or otherwise, the City, through the Registrar, shall call for redemption or prepayment on the interest payment date in an amount which, together with the interest thereon to the interest payment date, will equal the amount of the District Fund on that date. The Bond may be redeemed in part, and upon such partial redemption, a new Bond will be delivered to the registered owner without charge, representing the remaining principal amount outstanding. The Bond is subject to redemption at the option of the City from other sources of funds available therefor on any interest payment date. The redemption price shall equal the amount of the principal of the Bond to be redeemed plus interest accrued thereon to the date of redemption. The date of redemption shall be fixed by the City, through the Registrar, who shall give notice, by first class mail, postage prepaid to the owner or owners of such Bond at their addresses appearing in the bond register, of the amount of principal to be redeemed and the date on which payment will be made, which date shall be not less than thirty days after the date of mailing notice. The City, through the Registrar, shall at the same time mail notice of the redemption to the Purchaser. On the date so fixed, interest on the principal thereof so redeemed shall cease.

2.06. Form. The Bond shall be in substantially the form set forth in Exhibit B hereto, and by this reference made a part hereof, with such modifications as are permitted by the Act.

2.07. Execution, Registration and Delivery. The Bond shall be executed on behalf of the City by the signatures of the Mayor and the City Clerk and sealed with the official seal of the City; provided that the signatures and the corporate seal may be printed, engraved or lithographed facsimiles of the originals. In case any officer whose signature or a facsimile of whose signature shall appear on the Bond shall cease to be such officer before the delivery of any Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this resolution unless a certificate of authentication and registration on such Bond has been duly executed by the manual signature of the Registrar. The executed certificate of authentication and registration on each Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution. The Bond shall be registered by the Registrar, as attested by the Certificate of Authentication and Registration as of the date of delivery, expected to be September 15, 2010. When the Bond has been so executed, authenticated and registered, it shall be delivered (or retained by the Registrar pursuant to DTC procedures, if issued as a Book-Entry Bond) by the Registrar to the Purchaser upon payment of the purchase price in accordance with the contract of sale heretofore made and executed. The Purchaser shall not be obligated to see to the application of the purchase price.

Section 3. District Fund and Accounts.

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3.01. District Fund. There is hereby created and established the District Fund designated as the “Special Improvement District No. 42 Fund,” which shall be maintained by the Treasurer on the books and records of the City separate and apart from all other funds of the City. Within the District Fund there shall be maintained separate accounts for the District, designated as the “Construction Account,” “Principal Account,” “Interest Account,” and “Reserve Account,” respectively.

3.02. Deposit and Use of Bond Proceeds. On the date of closing, the Purchaser shall pay \$750,000 to the City as the full purchase price of the Bond. From the proceeds of the Bond, the Treasurer shall pay the costs of issuance of the Bond, the City’s administrative and legal fees and deposit \$37,500 into the City’s SID #42 Reserve Account (defined in Section 3.05). The balance of such proceeds shall be credited to the Construction Account to be used solely for the purposes described in Section 3.03.

3.03. Construction Account. There shall be credited to the Construction Account the net proceeds of the sale of the Bond as provided in Section 3.02. Any earnings on investment of money in a Construction Account shall be retained therein. All costs and expenses of constructing the Improvements, including costs of issuance and engineering fees, to be paid from proceeds of the Bond in and for the benefit of the District shall be paid from time to time as incurred and allowed from the Construction Account in accordance with the provisions of applicable law, and money in the Construction Account shall be used for no other purpose; provided that upon completion of the Improvements in or for the benefit of the District and after all claims and expenses with respect to such Improvements have been fully paid and satisfied, any money remaining in said Construction Account shall be transferred to the Principal Account and used to redeem or prepay the Bond as provided in Section 3.04.

3.04. Principal Account and Interest Account. Money in the Principal Account and the Interest Account shall be used only for payment of the principal of and interest on the Bond as such payments become due or to redeem or prepay the Bond. From the proceeds of the Bond, there shall be deposited in the Interest Account any interest on the Bond accrued to the date of delivery.

Upon collection of the installment of principal and interest due on November 30th and May 31st of each fiscal year on the special assessments to be levied with respect to the Improvements in the District, the Treasurer shall credit to the Interest Account so much of said special assessments as is collected as interest payment and the balance thereof to the Principal Account. Any installment of any special assessment paid prior to its due date with interest accrued thereon to the next succeeding interest payment date shall be credited with respect to principal and interest payments in the same manner as other assessments are credited. All money in the Interest Account and the Principal Account shall be used first to pay interest due on the Bond, and any remaining money shall be used to redeem or prepay the Bond in accordance with Section 2.05; provided that any money transferred to the Principal Account from the Construction Account pursuant to Section 3.03 shall be applied to redeem or prepay the Bond to

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the extent possible on the next interest payment date for which notice of redemption may properly be given pursuant to Section 2.05.

3.05. Reserve Account. If the Treasurer determines, prior to a Bond payment date, there is insufficient money on hand in the Principal or Interest Account in the District Fund to pay the principal of or interest on the Bond when due, the Reserve Account will be used to satisfy such deficiency, to the extent funds are available. Money in the Reserve Account will not be replenished if used. The City will not apply any of the Reserve Account balance to pay the principal of or interest on any City obligation other than the Bond. If there is a balance in the Reserve Account prior to the final payment of the Bond, such Reserve Account balance may be utilized as part of the last Bond payment.

3.06. Maintenance. The proceeds of the Bond and the payments of the assessments therefor will not be used for maintenance of the Improvements. The City will provide for the cost of such maintenance of the Improvements as it sees fit through other financial means.

Section 4. Covenants of the City.

4.01. Compliance with Resolution. The City will hold the District Fund and accounts therein as trust funds, separate and apart from all of its other funds, and the City, its officers and agents, will comply with all covenants and agreements contained in this resolution. The provisions hereinabove made with respect to the District Fund are in accordance with the undertaking and agreement of the City made in connection with the negotiated private offering of the Bond and the sale of the Bond as set forth in Section 1.07.

4.02. Construction of Improvements. The City will do all acts and things necessary to enforce the provisions of the construction contracts and bonds referred to in Section 1.04 and to ensure the completion of the Improvements for the benefit of the District in accordance with the plans and specifications and within the time therein provided, and will pay all costs thereof promptly as incurred and allowed, out of the Construction Account and within the amount of the proceeds of the Bond appropriated thereto.

4.03. Levy of Assessments. The City will do all acts and things necessary for the final and valid levy of special assessments upon all assessable real property within the boundaries of the District in accordance with the Constitution and laws of the State of Montana and the Constitution of the United States in the aggregate principal amount of \$750,000.

Such special assessments shall be levied on the basis prescribed in the Resolution of Intention as authorized by Section 7-12-4163, MCA, and shall be payable in equal semiannual installments of principal and interest. The unpaid installments of the assessments shall bear interest at an annual rate determined each fiscal year equal to the average annual interest rate borne by the Bond plus one-half of one percent per year as required by Section 7-12-4189, MCA. The assessments will be payable in installments on the 30th day of November in each of years 2010 through 2024 and on the 31st day of May in the years 2011 through 2025, inclusive, if not

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theretofore paid, and shall become delinquent on such dates unless paid in full. The payment due on any installment date shall be the amount necessary to amortize, over the term of the Bond in equal semiannual payments, the principal amount of the assessment, together with interest to accrue thereon over said term at the interest rate thereon (including the one-half of one percent required by Section 7-12-4189, MCA); provided that the amount of each such installment shall be adjusted each fiscal year to an amount equal to the amount necessary to amortize fully the then outstanding principal amount of the assessment (excluding any delinquent amounts), plus interest accrued at the interest rate described above in the number of installments then remaining until May 31, 2025. There shall be included in the first installment payment interest on the entire assessment from the date of original registration of the Bond to January 1, 2011. The assessments shall constitute a lien upon and against the property against which they are made and levied, which lien may be extinguished only by payment of the assessment with all penalties, costs and interest provided in Section 7-12-4191, MCA. No tax deed issued with respect to any lot or parcel of land shall operate as payment of any installment of the assessment thereon which is payable after the execution of such deed, and any tax deed so issued shall convey title subject only to the lien of said future installments, as provided in Section 15-18-214, MCA.

4.04. Reassessment. If at any time and for whatever reason any special assessment herein agreed to be levied is held invalid, the City and this Council, its officers and employees, will take all steps necessary to correct the same and to reassess and re-levy the same, including the ordering of work, with the same force and effect as if made at the time provided by law, ordinance or resolution relating thereto, and will reassess and re-levy the same with the same force and effect as an original levy thereof, as authorized in Section 7-12-4186, MCA. Any special assessment, or reassessment or re-levy shall, so far as is practicable, be levied and collected as it would have been if the first levy had been enforced including the levy and collection of any interest accrued on the first levy.

If proceeds of the Bond, including investment income thereon, are applied to the redemption of such Bond, as provided in Section 7-12-4206, MCA, or if a refunding bond is issued and the principal amount of the outstanding Bond of the District is decreased or increased, the City will reduce or increase, respectively, the assessments levied in the District and then outstanding pro rata by the principal amount of such prepayment or the increment above or below the outstanding principal amount of bonds represented by the refunding bonds. The City and this Council, its officers and employees will reassess and re-levy such assessments, with the same effect as an original levy, in such reduced or increased amounts in accordance with the provisions of Section 7-12-4186, MCA.

4.05. Absence of Litigation. There is now no litigation pending or, to the best knowledge of the City, threatened questioning the validity or regularity of the creation of the District, the contracts for construction of the Improvements or the undertaking and agreement of the City to levy special assessments therefor or the right and power of the City to issue the Bond or in any manner questioning the existence of any condition precedent to the exercise of the City's powers in these matters. If any such litigation should be initiated or threatened, the City

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will forthwith notify in writing the Purchaser, and will furnish the Purchaser a copy of all documents, including pleadings, in connection with such litigation.

4.06. Waiver of Penalty and Interest. The City covenants not to waive the payment of penalty or interest on delinquent assessments levied on property in the District for costs of the Improvements, unless the City determines, by resolution of the Council, that such waiver is in the best interest of the owners of the outstanding Bond.

4.07. Acceleration of all Installments upon Delinquency. In the event of a delinquency in the payment of a special assessment installment, the City Council may, at its discretion and by subsequent resolution, declare all unpaid assessments from such delinquent taxpayer on such benefited property to be delinquent. If the delinquency is not paid, the property subject to the lien of the special assessment may be acquired and sold by the City in the same manner real property is acquired and sold for delinquent property taxes.

Section 5. Tax Matters.

5.01. Use of Improvements. The Improvements will be owned and operated by the City and available for use by members of the general public on a substantially equal basis. The City shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the Improvements or security for the payment of the Bond which might cause the Bond to be considered a "private activity bond" or "private loan bond" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code").

5.02. General Covenant. The City covenants and agrees with the owners from time to time of the Bond 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 Bond to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations (the "Regulations"), and covenants to take any and all actions within its powers to ensure that the interest on the Bond will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

5.03. Arbitrage Certification. The Mayor and the City Clerk, being the officers of the City charged with the responsibility for issuing the Bond pursuant to this resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with the provisions of Section 148 of the Code, and Section 1-148(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 Bond, it is reasonably expected that the proceeds of the Bond will be used in a manner that would not cause the Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code and the Regulations.

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5.04. Arbitrage Rebate Exemption.

(a) The City hereby represents that the Bond qualifies for the exception for small governmental units to the arbitrage rebate provisions contained in Section 148(f)(4)(D) of the Code because the Bond is issued by the City and the City has general taxing powers and no part of the Bond is a private activity bond. In addition, the City represents:

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

(2) 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 2010 is reasonably expected not to exceed \$5,000,000.

(b) If notwithstanding the provisions of paragraph (a) of this Section 5.04, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Bond, 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).

5.05. Information Reporting. The City shall file with the Secretary of the Treasury, not later than November 15, 2010, a statement concerning the Bond containing the information required by Section 149(e) of the Code.

5.06. “Qualified Tax-Exempt Obligations.” Pursuant to Section 265(b)(3)(B)(ii) of the Code, the City hereby designates the Bond as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code. The City hereby represents that it does not anticipate that obligations bearing interest not includable in gross income for purposes of federal income taxation under Section 103 of the Code (excluding refunding obligations as provided in Section 265(b)(3)(c)(ii)(III) of the Code excluding other “private activity bonds,” as defined in Sections 141(a) and 145(a) of the Code but including “qualified 501(c)(3) Bonds”) will be issued by or on behalf of the City and all “subordinate entities” of the City in calendar year 2010 in an amount greater than \$30,000,000. So far in calendar year 2010, no tax-exempt bonds have been issued by the City.

Section 6. Authentication of Transcript. The officers of the City are hereby authorized and directed to furnish to the Purchaser and to bond counsel certified copies of all proceedings relating to the issuance of the Bond and such other certificates and affidavits as may be required to show the right, power and authority of the City to issue the Bond, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the City as to the truth of the statements purported to be shown thereby.

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Section 7. Discharge.

7.01. General. When the liability of the City on the Bond issued under and secured by this resolution has been discharged as provided in this Section 7, all pledges, covenants and other rights granted by this resolution to the owners of such obligations shall cease.

7.02. Payment. The City may discharge its liability with reference to the Bond or installment of interest thereon which is due on any date by on or before that date depositing with the Registrar funds sufficient, or, if a City officer is the Registrar, mailing to the registered owner of such Bond a check or draft in a sum sufficient and providing proceeds available, for the payment thereof in full; or if the Bond or installment of interest thereon shall not be paid when due, the City may nevertheless discharge its liability with reference thereto by depositing with the Registrar funds sufficient, or, if a City officer is the Registrar, by mailing to the registered owner thereof a check or draft in a sum sufficient and providing proceeds available, for the payment thereof in full with interest accrued to the date of such deposit or mailing.

7.03. Prepayment. Except as otherwise provided in Section 2.05 hereof, the City may also discharge its obligations with respect to the Bond on any date when it is prepayable according to its terms, by on or before that date depositing with the Registrar funds sufficient, or, if a City officer is the Registrar, mailing to the registered owner of such Bond a check or a draft in a sum sufficient and providing proceeds available, for the payment of the principal and interest which are then due; provided that notice of such redemption has been duly given as provided herein or irrevocably provided for.

7.04. Escrow. The City may also at any time discharge its liability in its entirety with reference to the Bond, subject to Section 2.05 hereof and 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 securities 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 and interest to become due on the Bond on or before maturity or, if the Bond or a portion thereof has been duly called for redemption or notice of such redemption has been irrevocably provided for, on or before the designated redemption date.

Section 8. Continuing Disclosure. The Securities and Exchange Commissioner (the "SEC") has promulgated certain amendments to Rule 15c2-12 under the Securities Exchange Act of 1934 (17 C.F.R. Section 240.15c2-12) (the "Rule") that make it unlawful for an underwriter to participate in the primary offering of municipal securities in a principal amount of \$1,000,000 or more unless, before submitting a bid or entering into a purchase contract for the bonds, it has reasonably determined that the issuer or an obligated person has undertaken in writing for the benefit of the bondholders to provide certain disclosure information to prescribed information repositories on a continuing basis or unless to the extent the offering is exempt from the requirements of the Rule.

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The principal amount of the Bond is less than \$1,000,000. The City hereby represents that it has not issued within the six months before the date of issuance of the Bond, and that it reasonably expects that it will not issue within six months after the date of issuance of the Bond, other bonds of the City of substantially the same security and providing financing for the same general purpose or purposes as the Bond. Consequently, this Council hereby finds that the Rule is inapplicable to the Bond, because the principal amount of the Bond and any other bond issue to be integrated with the Bond thereunder is less than \$1,000,000. Therefore, the City will not enter into any undertakings to provide continuing disclosure of any kind with respect to the Bond.

Section 9. Repeals and Effective Date.

9.01. Repeal. All provisions of other resolutions and other actions and proceedings of the City and this Council 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.

9.02. Effective Date. This resolution shall take effect immediately upon its passage and adoption by this Council.

PASSED by the City Council of City of Polson, Montana, this 16th day of August, 2010.

Attest:

Kala Parker, City Clerk

Pat DeVries, Mayor

(SEAL)

EXHIBIT B

[Face of the Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF LAKE
CITY OF POLSON

SPECIAL IMPROVEMENT DISTRICT NO. 42 BOND

Interest at the rate per annum specified below
Payable January 1, 2011, and semiannually thereafter
on the 1st day of January and the 1st day of July
in each year.

No. R-1

Principal Amount \$750,000

<u>Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
3.95%	July 1, 2025	September 15, 2010	

REGISTERED OWNER:

SEE REVERSE FOR CERTAIN DEFINITIONS

PRINCIPAL AMOUNT:

The Treasurer of the City of Polson, Montana (the "City") will pay to the registered owner identified above, or registered assigns, on the maturity date specified above the principal amount specified above solely from the sources hereinafter specified, as authorized by Resolution No. 1012 adopted August 2nd, 2010 (the "Bond Resolution"), all subject to the provisions hereinafter described relating to the redemption of this Bond before maturity. This Bond bears interest at the rate per annum specified above from the date of registration of this Bond, as expressed herein, or from such later date to which interest hereon has been paid or duly provided for, until the maturity date specified above or an earlier date on which this Bond, or a principal portion thereof, shall have been duly called for redemption. Interest on this Bond is payable semiannually, commencing January 1, 2011, and on the first day of July and the first day of January in each year thereafter, to the owner of record of this Bond appearing as such in the bond register as of the close of business on the 15th day (whether or not such is a business day) of the immediately preceding month. Interest on and the principal of this Bond is payable by check of the City or electronically or other preauthorized method of payment. The principal of and interest on this Bond are payable in lawful money of the United States of America.

This Bond is in the aggregate principal amount of \$750,000 and payable with interest at the rate of 3.95% per annum in fully amortized semi-annual payments calculated on the basis of a 365 day year of actual days elapsed according to the attached schedule (the "Bond"). The Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 12, Parts 42 and 43, as amended, to finance the costs of certain sidewalk, curb, gutter and beautification improvements (the "Improvements") for the special benefit of property located in Special Improvement District No. 42 of the City (the "District"). The Bond is issuable only as a fully registered bond.

This Bond is payable from the collection of a special assessment levied upon all benefited property within the boundaries of the District, in an aggregate principal amount of not less than \$750,000. Such assessments constitute a lien against the assessable real estate within the District, and the Bond is not a general obligation of the City.

The principal of the Bond is subject to mandatory redemption on any interest payment date if, after paying all principal and interest then due on the Bond, there are funds to the credit of the Special Improvement District No. 42 District Fund of the City from the prepayment of assessments levied in the District or from surplus proceeds of the Bond not required to pay costs of the Improvements, for the redemption thereof, and in the manner provided for the redemption of the same. The Bond is subject to redemption at the option of the City from other sources of funds available therefor on any interest payment date. The redemption price is equal to the amount of the principal of the Bond to be redeemed plus interest accrued thereon to the date of redemption. The date of redemption shall be fixed by the City through the Registrar and Paying Agent who shall give notice by first class mail, postage prepaid, to the owner or owners of such Bond at their addresses shown on the bond register, of the amount of the principal of the Bond to be redeemed and the date on which payment will be made, which date shall not be less than thirty days after the date of mailing of notice, on which date so fixed interest shall cease. On the date so fixed, interest on the Bond thereof so redeemed shall cease to accrue. Upon partial redemption of the Bond, a new Bond will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the City at the 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 a Bond 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 amount, representing the same principal installments, 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, RECITED, COVENANTED AND AGREED that all things required to be done precedent to the issuance of this Bond have been properly done, happened and been performed in the manner prescribed by the laws of the State of Montana and the resolutions of City of Polson, Montana, relating to the issuance thereof.

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

IN WITNESS WHEREOF, City of Polson, Montana, by its City Council, has caused this Bond and the certificate hereof to be executed by the signatures of the Mayor and the City Clerk and by the official seal of the City.

CITY OF POLSON, MONTANA

Attest: _____
Aggi G. Loeser, City Clerk

Mayor, Pat DeVries

Dated as of September 16th, 2010

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is the Bond delivered pursuant to the Resolution mentioned herein.

as Bond Registrar, Transfer Agent
and Paying Agent

By: Bonnie M. Manicke
City of Polson, Treasurer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM: as tenants in common
TEN ENT: as tenants by the entireties
JT TEN: as joint tenants with right of survivorship and not as tenants in common
(State) UTMA under Uniform Transfers to Minors Act
(Cust)
(Minor)

Additional abbreviations may also be used.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alternation, enlargement or any change whatsoever.

SIGNATURE GUARANTEED

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