

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Laurel, Montana (the "City"), hereby certify that the attached resolution is a true copy of a Resolution No. R17-44 entitled: "RESOLUTION RELATING TO \$195,000 SPECIAL IMPROVEMENT DISTRICT NO. 118 BOND, SERIES 2017; FIXING THE FORM AND DETAILS AND PROVIDING FOR THE EXECUTION AND DELIVERY THEREOF AND SECURITY THEREFOR" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Council of the City at a regular meeting on August 15, 2017, and that the meeting was duly held by the City Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: Poehls, Herr, Mountsier, Dickerson, McGee, Eaton;
voted against the same: _____; abstained from voting thereon:
_____ ; or were absent: Nelson, Stokes.

WITNESS my hand and seal officially this 15th day of August, 2017.

(SEAL)



City Clerk-Treasurer

RESOLUTION NO. R17-44

RESOLUTION RELATING TO \$195,000 SPECIAL
IMPROVEMENT DISTRICT NO. 118 BOND, SERIES 2017;
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 the City of Laurel, Montana (the "City"), as follows:

Section 1. Recitals. It is hereby found, determined and declared as follows:

1.01. Resolution of Intention. By Resolution No. R17-26, duly adopted by the Council on June 20, 2017 (the "Resolution of Intention"), this Council declared its intention to create Special Improvement District No. 118 (the "District"), for the purpose of financing a portion of the costs of certain local street improvements on South Washington Avenue between East Railroad Street and South East 4th Street (the "Street Improvements") and for certain properties in the District new sidewalks and drive approaches (the "Sidewalk Improvements" and, together with the Street Improvements, the "Improvements") and paying costs incidental thereto, including costs associated with the sale and the security of special improvement district bonds drawn on the District (the "Bonds"), the creation and administration of the District, the funding of a deposit to the City's Special Improvement District Revolving Fund (the "Revolving Fund"), and the funding of a reserve account securing the Bonds in the District fund (the "Reserve Account"). The Resolution of Intention designated the number of the District, described the boundaries thereof and stated the general character of the Improvements 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 Resolution of Intention, this Council also declared its intention to cause the cost and expense of making the Improvements specially benefiting the District to be assessed against the properties included within the boundaries thereof in accordance with one or more methods of assessment authorized in Sections 7-12-4161 to 7-12-4165 of the Act and as set forth in the Resolution of Intention.

In the Resolution of Intention, this Council stated its intention to issue its special improvement district bond (the "Bond") drawn against the District to pay a portion of the costs of the Improvements, to fund a deposit to the Reserve Account and to pay costs of issuance of the Bond. This Council further found that it is in the public interest, and in the best interest of the City and the District, to secure payment of principal of and interest on the Bond by the Revolving Fund, on the basis of factors required to be considered under Section 7-12-4225 of the Act. Those findings are hereby ratified and confirmed.

1.02. Notice. Notice of the passage of the Resolution of Intention was given by two publications, with at least six days between publications, in the *Laurel Outlook*, a weekly newspaper of general circulation published within the City. Notice of the passage of the Resolution of Intention was also mailed the same day the notice was first 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, county and school district taxes,

at their last known addresses. The notice described the general character of the Improvements, stated the estimated cost of the Improvements and the method or methods of assessment of such costs against properties in the District, specified 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 or extension of the District, and referred to the Resolution of Intention as being on file in the office of the City Clerk-Treasurer for a description of the boundaries of the District, all in accordance with the provisions of the Resolution of Intention, and included a statement that, subject to the limitations of Section 7-12-4222 of the Act, the general fund of the City may be used to provide loans to the Revolving Fund or a general tax levy may be imposed on all taxable property in the City to meet the financial requirements of the Revolving Fund.

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 or extension 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 therefore by Resolution No. R17-36, adopted on July 18, 2017, create Special Improvement District No. 118, order the proposed Improvements in accordance with the Resolution of Intention, and confirm the findings it made with respect to the pledge of the Revolving Fund in the Resolution of Intention.

1.04. Construction Contracts. The City will cause to be constructed certain Improvements as described in the Resolution of Intention. Plans, specifications, maps, profiles and surveys for construction of the Improvements to be constructed to benefit the District were prepared by the engineers acting for the City or by City 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. After referring the bids to the engineers for the City it was determined that the lowest regular proposal for the furnishing of all work and materials required for constructing the Improvements in accordance with the approved plans and specifications was the following:

SID No. 118:

<u>Work</u>	<u>Bidder</u>	<u>Contract Price</u>
Street Improvements and Sidewalk Improvements	[CMG Construction, LLC]	[\$176,915.00]

Contracts for the construction of the Improvements were therefore awarded to said bidder, subject to the right of owners of property liable to be assessed for the costs thereof to elect to take the work and enter into written contracts therefor in the manner provided by Montana Code Annotated, Section 7-12-4147, whereupon the City and the successful bidder entered into written contracts for construction of the Improvements upon 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, as amended.

1.05. Costs. It is currently estimated that the costs and expenses connected with and incidental to the formation of the District to be assessed against property in the District, 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 contracts and all other costs and expenses, including the deposit of proceeds in the Reserve Account and in the Revolving Fund, are \$195,000, as shown in the table below:

	Street Improvement Costs	Sidewalk Improvement Costs	Total Improvement Costs
Construction	\$131,795.00	\$34,405.00	\$166,200.00*
District Reserve (5.0%)	7,731.66	2,018.34	\$9,750.00
Revolving Fund (5%)	7,731.66	2,018.34	\$9,750.00
Costs of Issuance	8,000.00	1,000.00	\$9,000.00
Roundoff	237.90	62.10	\$300.00
Total Assessed Costs	\$155,496.21	\$39,503.79	\$195,000.00

*Of the \$[176,915.00] bid price for the Improvements, the Laurel Urban Renewal Agency will contribute \$10,715, to be applied to the costs of the Street Improvements, leaving construction costs of the Improvements to be assessed against property in the District in the amount of \$166,200.

The amount of \$195,000 will be levied and assessed upon the assessable real property within the District on the bases described in the Resolution of Intention. This Council has jurisdiction and is required by law to levy and assess such amounts, to collect such special assessments and credit the same to the special improvement district funds created for the District, which funds are to be maintained on the official books and records of the City separate from all other City funds, within the 2017 Special Improvement District No. 118 Fund (the “District Fund”) for the payment of principal and interest when due on the Bond herein authorized.

1.06. Sale and Issuance of Bond. The City has received a proposal from Yellowstone Bank, a Montana corporation, for the purchase of the Bond. For the purpose of financing a portion of the costs and expenses of making the Improvements, funding a deposit to the Reserve Account, funding a deposit to the Revolving Fund (as hereinafter defined) and paying costs of issuance of the Bond, which are to be assessed against the property within the District as provided in the Resolution of Intention, this Council hereby determines that it is in the best interests of the City to sell the Bond in a private negotiated sale to Yellowstone Bank (the “Purchaser”), at a purchase price of \$195,000 (representing the stated principal amount of the Bond), at the rate of interest set forth in Section 2.01 hereof, and upon the further terms set forth in this Resolution, in accordance with the provisions of Section 7-12-4204(b) of the Act.

1.07. Recitals. All acts, conditions and things required by the Constitution and laws of the State of Montana, including the Act, and the home rule charter of the City, in order to make the Bond a valid and binding special obligation in accordance with its terms and in accordance

with the terms of this Resolution have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required.

Section 2. The Bond.

2.01. Title, Principal Amount, Interest Rate and Stated Maturity. For the purpose of paying a portion of the costs and expenses of making the Improvements, funding a deposit to the Reserve Account, funding a deposit to the Revolving Fund and paying costs of issuance of the Bond, and in anticipation of the collection of special assessments to be levied therefor, and in accordance with the proposal described in Section 1.06, the City shall forthwith issue and deliver to the Purchaser the Bond, denominated "City of Laurel Special Improvement District Bond (Special Improvement District No. 118), Series 2017," payable solely from the District Fund. The Bond shall be issued in the principal amount of \$195,000, and shall mature, subject to redemption as hereinafter provided, on July 1, 2037. The Bond shall bear interest on the outstanding principal amount from the date of original issue, or from such later date to which interest has been paid or duly provided for, until paid or discharged at the rate of 3.95% per annum. The principal of and interest on the Bond shall be payable in the amounts and on the respective dates reflected in the Debt Service Schedule attached as Schedule 1 to the Bond. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

2.02. Interest Payment Dates. Interest on the Bond shall be payable on each January 1 and July 1, commencing January 1, 2018, to the owners of record thereof as such appear on the bond register at the close of business on the twentieth day of the immediately preceding month, whether or not such day is a business day.

2.03. Method of Payment. The Bond shall be issued only in fully registered form. The interest on and principal installments of the Bond shall be payable by check or draft drawn on the Registrar; provided that the final installment of principal (whether at maturity or earlier redemption) shall be paid by the Registrar only upon presentation and surrender of the Bond to the Registrar.

2.04. Registration. The City hereby appoints the City Clerk-Treasurer to act as bond registrar, transfer agent and paying agent (the "Registrar"). The City reserves the right to appoint a bank, trust company or fiscal company as successor bond registrar, transfer agent or paying agent, as authorized by the Model Public Obligations Registration Act of Montana (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 by 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 principal office a bond register in which the Registrar shall provide for the registration of ownership 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 the 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 and guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, a new Bond of a like aggregate principal amount and like payments of principal installments, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer of the Bond or portion thereof selected or called for redemption.

(c) Exchange. Whenever the Bond is surrendered by the registered owner for exchange, the Registrar shall authenticate and deliver a new Bond of a like aggregate principal amount, interest rate and principal installments, as requested by the registered owner or the owner’s attorney duly authorized in writing.

(d) Cancellation. The Bond surrendered upon any transfer or exchange shall be promptly canceled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When the Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on the 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 the Bond is at any time registered on the bond register as the absolute owner of the Bond, whether the Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on the 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 the Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer of the Bond or exchange of the Bond (except for an exchange upon the partial redemption of the 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 the Bond shall become mutilated or be destroyed, stolen or lost, the Registrar shall deliver a new Bond of like amount, number, principal installments and tenor in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case that the Bond is destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that the 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. The Bond 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 the Bond has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Bond prior to payment.

2.05. Redemption.

(a) Mandatory Redemption. 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 Clerk-Treasurer shall call for redemption on the interest payment date principal installments of the Bond, 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. The redemption price shall equal the amount of the principal installments of the Bond to be redeemed plus interest accrued to the date of redemption.

(b) Optional Redemption. The Bond is subject to redemption, in whole or in part, at the option of the City from sources of funds available therefor other than those described in subsection (a) of this Section 2.05, on any interest payment date at a redemption price equal to the amount of the principal installments thereof to be redeemed plus interest accrued to the redemption date, without premium.

(c) Selection of Bond for Redemption. If less than all principal installments of the Bond are to be redeemed, principal installments of the Bond shall be redeemed in order of principal installments.

(d) Notice and Effect of Redemption. The date of redemption and the amount of principal installments of the Bond shall be fixed by the Registrar and the Registrar shall give notice, by first class mail, postage prepaid, or by other means required by the securities depository, to the owner or owners of the Bond at their addresses appearing on the bond register, of the principal installments to be redeemed and the date on which payment will be made, which date shall be not less than 30 days after the date of mailing notice. On the date so fixed interest on the principal installments of the Bond so redeemed shall cease to accrue.

2.06. Form. The Bond shall be drawn in substantially the form set forth in Exhibit A 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 prepared under the direction of the City Clerk-Treasurer and shall be executed on behalf of the City by the signatures of the Mayor and the City Clerk-Treasurer; provided that the signatures and the corporate seal may be printed, engraved or lithographed facsimiles of the originals. The seal of the City need not be impressed or imprinted on the Bond. 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 the 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, the Bond shall not 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 the Bond has been duly executed by the manual signature of an authorized representative of the Registrar. The executed certificate of authentication and registration on the Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution. When the Bond has been so executed, authenticated and registered, it shall be delivered by the Registrar to the Purchaser upon payment of the purchase price.

2.08. Application of Proceeds. From the proceeds of the Bond the City Clerk-Treasurer shall credit forthwith \$9,750 for the District to the Reserve Account, \$9,750 for the District to the Revolving Fund, as required by Section 7-12-4169(2) of the Act, and the balance of such proceeds to the Construction Account in the District Fund, to be used solely for the purposes described in Section 3.02. The Purchaser shall not be obligated to see to the application of the purchase price.

Section 3. District Fund; Assessments.

3.01. District Fund. There is hereby created and established the fund designated as the "2017 Special Improvement District No. 118 Fund," which shall be maintained by the City Clerk-Treasurer on the books and records of the City separate and apart from all other funds of the City (the "District Fund"). Within the District Fund there shall be maintained four separate accounts, designated as the "Construction Account," "Principal Account," "Interest Account" and "Reserve Account," respectively.

3.02. Construction Account. There shall be credited to the Construction Account in the District Fund the proceeds of the sale of the Bond remaining after the required deposits to the Reserve Account and the Revolving Fund. Any earnings on investment of money in the Construction Account shall be retained therein. All costs and expenses of constructing the Improvements in and for the benefit of the District, including costs of issuance of the Bond, 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 and after all claims and expenses with respect to the Improvements have been fully paid and satisfied, any money remaining in the Construction Account shall be transferred to the Principal Account and used to redeem Bond or portions thereof as provided in Section 3.03.

3.03. 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 the Bond or portions thereof.

Upon collection of the installment of principal and interest due on November 30 and May 31 of each year on the special assessments to be levied with respect to the Improvements in the District, the City Clerk-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 to the District Fund. All money in the Interest Account and the Principal Account shall be used first to pay interest due, and any remaining money shall be used to pay the Bond then due and, if money is available, to redeem Bond or portions thereof in accordance with Section 2.05; provided that any money transferred to the Principal Account from the Construction Account pursuant to Section 3.02 shall be applied to redeem the Bond to the extent possible on the next interest payment date for which notice of redemption has been properly given pursuant to Section 2.05(d). Redemption of the Bond or portions thereof shall be in the order of their principal installments as provided in Section 2.05, and interest shall be paid from the Interest Account as accrued on such principal amounts to the date of redemption, in accordance with the provisions of Section 7-12-4206 of the Act.

3.04. Reserve Account. Money in the Reserve Account shall be applied on any interest payment date to payment of principal of and interest on the Bond if funds on hand in the Principal Account and the Interest Account are insufficient therefor. Funds in the Reserve Account must be used for such purpose before a loan is made by the Revolving Fund therefor. If not previously required to pay amounts due and owing on the Bond, money in the Reserve Account shall be used to pay all or a portion of the final principal and interest payment on the Bond.

3.05. Loans from Revolving Fund. The Council shall annually or more often if necessary issue an order authorizing a loan or advance from the Revolving Fund to the District Fund in an amount sufficient to make good any deficiency then existing in the Interest Account and issue an order authorizing a loan or advance from the Revolving Fund to the District Fund in an amount sufficient to make good any deficiency then existing in the Principal Account, in each case to the extent that money is available in the Revolving Fund; provided, however, that at the time any such loan or advance is to be made, the Reserve Account shall have been or shall be depleted on the next interest payment date. A deficiency shall be deemed to exist in the Principal Account or Interest Account if the money on deposit therein, together with any funds on deposit in the Reserve Account, on any December 15 or June 15 (excluding amounts in the Principal Account representing prepaid special assessments) is less than the amount necessary to pay the principal installment of the Bond due (other than upon redemption), and interest on the Bond payable, on the next succeeding interest payment date.

Pursuant to Ordinance No. 300, as amended, the City has undertaken and agreed to provide funds for the Revolving Fund by levying such tax or making such loan from the General Fund as authorized by Montana Code Annotated, Section 7-12-4222. In the event that the balance on hand in the Revolving Fund fifteen days prior to any date when interest is due on special improvement district bonds or warrants of the City is not sufficient to make good all deficiencies then existing in the special improvement district funds for which the City has covenanted to make loans from the Revolving Fund, the balance on hand in the Revolving Fund shall be allocated to the funds of the special improvement districts in which such deficiencies then exist in proportion to the amounts of the deficiencies on the respective dates of receipt of such money, until all interest accrued on such special improvement district bonds or warrants of the City has been paid. On any date when all accrued interest on special improvement district bonds and warrants of the City payable from funds for which the City has covenanted to make

loans from the Revolving Fund has been paid, any balance remaining in the Revolving Fund shall be lent or advanced to the special improvement district funds for payment and redemption of bonds to the extent the special improvement district funds are deficient for such purpose, and, if money in the Revolving Fund is insufficient therefor, pro rata, in an amount proportionate to the amount of such deficiency.

The City hereby determines, covenants and agrees to levy the property tax described in the immediately preceding paragraph to provide funds for the Revolving Fund so long as the Bond is outstanding to the extent required under the provisions of this Resolution and the Act, even though such property tax levy may, under applicable law or provisions of the home rule charter of the City, require that property tax levies of the City for other purposes be reduced correspondingly.

Section 4. Covenants. The City covenants and agrees with the owners from time to time of the Bond that until all the principal amount of the Bond and interest thereon are fully paid:

4.01. Compliance with Resolution. The City will hold the District Fund and the Revolving Fund 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 and the Revolving Fund are in accordance with the undertaking and agreement of the City made in connection with the sale of the Bond as set forth in Section 1.06.

4.02. Construction of Improvements. The City will do all acts and things necessary to enforce the provisions of the construction contracts and Bond 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, amounts contributed by the City therefor and prepayments by property owners in the District. All awards of contracts have complied or will comply with the applicable bid and award statutes.

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 benefited by the Improvements in accordance with the Constitution and laws of the State of Montana and the Constitution of the United States in an aggregate principal amount not less than \$195,000. Such special assessments shall be levied on the bases prescribed in the Resolution of Intention, and shall be payable in substantially equal semiannual installments of principal and interest over a period of 20 years, at an annual rate equal to the sum of: (i) the average annual interest rate borne by the then-outstanding Bond, plus (ii) one-half of one percent (0.50%) per annum. The assessments to be levied will be payable on the 30th day of November in each of the years 2017 through 2036, and on the 31st day of May in the years 2018 through 2037, inclusive, if not theretofore paid, and shall become delinquent on such date unless paid in full. The first partial payment of each assessment shall include interest on the entire assessment from the date of original registration of the Bond to January 1, 2018. 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, cost and interest as provided in Section 7-12-4191 of the Act. 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 Montana Code Annotated, Section 15-18-214.

4.04. Reassessment. If at any time and for whatever reason any special assessment or tax 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 of the Act. 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 the Bond, as provided in Sections 7-12-4205 and 7-12-4206 of the Act, or if refunding bonds are issued and the principal amount of the outstanding Bond 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 Bond represented by the refunding Bond. 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 Sections 7-12-4176 through 7-12-4178 of the Act.

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 and to make good any deficiency in the collection thereof through the levy of taxes for and the making of advances from the Revolving Fund, 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 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.

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 a "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-Treasurer, 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 1.148-2(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 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.

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) of the Code. Specifically, 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 or representing accrued interest) 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 and current refunding bonds) issued by or on behalf of the City and all subordinate entities thereof during 2017 is not reasonably expected to exceed \$5,000,000. To date in 2017, the City has issued no such tax-exempt bonds.

(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, 2017, a statement concerning the Bond containing the information required by Section 149(e) of the Code.

5.06. “Qualified Tax-Exempt Obligation.” 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 has not designated any obligations in 2017 other than the Bond under Section 265(b)(3). 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 (including refunding obligations as provided in Section 265(b)(3) of the Code and including “qualified 501(c)(3) bonds” but excluding other “private activity bonds,” as defined in Sections 141(a) and 145(a) of the Code) will be issued by or on behalf of the City and all “subordinate entities” of the City in 2017 in an amount greater than \$10,000,000.

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.

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 any Bond or installment of interest thereon which is due on any date by depositing with the Registrar on or before that date funds sufficient, or, if a City officer is the Registrar, mailing to the registered owner of the Bond a check or draft in a sum sufficient and providing proceeds available, for the payment thereof in full; or if any 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. The City may also discharge its obligations with respect to any Bond called for redemption on any interest payment 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 the Bond a check or a draft in a sum sufficient and providing proceeds available, for the payment of the principal installments to be redeemed and interest accrued thereon to the date of redemption; provided that notice of such redemption has been duly given as provided herein or irrevocably provided for.

7.04. Irrevocable Deposits. If an officer of the City is the Registrar, any deposit made under this Section 7 with the Registrar shall be irrevocable and held for the benefit of the owners of the Bond.

Section 8. Repeals and Effective Date.

8.01. 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.

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

PASSED AND ADOPTED by the City Council of the City of Laurel, Montana, this 15th day of August, 2017.

Mark A. Mace
Mayor

Attest: [Signature]
City Clerk-Treasurer

(SEAL)



EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MONTANA
YELLOWSTONE COUNTY

CITY OF LAUREL

SPECIAL IMPROVEMENT DISTRICT BOND, SERIES 2017
(Special Improvement District No. 118)

Interest at the rate per annum specified below,
payable on the 1st day of January and the 1st day of July
in each year, commencing January 1, 2018.

No. R-1 \$195,000

<u>Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>
3.95%	July 1, 2037	[_____], 2017

REGISTERED OWNER: YELLOWSTONE BANK

PRINCIPAL AMOUNT: ONE HUNDRED NINETY FIVE THOUSAND DOLLARS

FOR VALUE RECEIVED, the City of Laurel, Montana (the "City"), will pay to the registered owner identified above, or registered assigns, the total principal amount specified above, in principal installments on each January 1 and July 1, in the years and in the principal amounts set forth on Schedule 1 hereto, solely from the revenues hereinafter specified, as authorized by Resolution No. _____, adopted August 15, 2017 (the "Resolution"), all subject to the provisions hereinafter described relating to the redemption of this Bond before maturity.

Unpaid principal installments of this Bond bear interest at the rate per annum specified above from the date of original issue specified above, 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 shall have been duly called for redemption by the City Clerk-Treasurer. Interest on this Bond is payable semiannually on each January 1 and July 1, commencing January 1, 2018, to the owner of record of this Bond appearing as such in the bond register as of the close of business on the twentieth day (whether or not a business day) of the immediately preceding month. This Bond represents all principal installments of the issue. The principal of and interest on this Bond are payable in lawful money of the United States of America. Interest on this Bond shall be calculated on the basis of a 360-day year composed of twelve 30-day months. The City Clerk-Treasurer shall initially serve as Registrar for this Bond.

This Bond comprises an issue in the aggregate principal amount of \$195,000 (the "Bond"), and 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 41 and 42, as amended (the "Act"), and ordinances and resolutions duly adopted by the governing body of the City, including the Resolution, for the purpose of financing the costs and expenses of making certain local improvements (the "Improvements") for the special benefit of property located in Special Improvement District No. 118 (the "District"), funding a deposit to the Reserve Account, funding a deposit to the Special Improvement Revolving Fund (the "Revolving Fund") and paying costs of issuance of the Bond. The Bond is issuable only as a single, fully registered bond.

This Bond is payable from the collection of a special tax or assessment levied upon all assessable real property within the boundaries of the District benefited by the Improvements, in an aggregate principal amount not less than \$195,000, except as such amounts may be reduced or increased in accordance with provisions of Montana law. Such assessments constitute a lien against the property against which they are made and levied and are to be deposited into the 2017 Special Improvement District No. 118 Fund of the City (the "District Fund"). The Bond is not a general obligation of the City. The City has established in the District Fund, and funded with certain proceeds of the Bond, a Reserve Account, from which moneys are to be applied to pay principal of and interest on the Bonds in the event collections of special assessments are insufficient therefor. There is no obligation for the City to replenish the Reserve Account if funds are withdrawn therefrom.

The City has validly established the Revolving Fund to secure the payment of certain of its special improvement and sidewalk, curb, gutter and alley approach bonds and warrants, including the Bond. The City has also agreed, to the extent permitted by the Act, to issue orders annually, or more often as necessary, authorizing loans or advances from the Revolving Fund to the District Fund, in amounts sufficient to make good any deficiency in the District Fund to pay principal of or interest on the Bond, to the extent money is available in the Revolving Fund, and to provide funds for the Revolving Fund by annually levying such tax or making such loan from its general fund, subject to the limitation that no such tax levy or loan may in any year cause the balance in the Revolving Fund to exceed five percent of the principal amount of the City's then outstanding special improvement and sidewalk, curb, gutter and alley approach bonds and warrants secured thereby and subject to the durational limitations specified in the Act and provided that at any time such a loan or advance is to be made, the Reserve Account shall have been or shall be depleted on the next interest payment date. While any property tax levy to be made by the City to provide funds for the Revolving Fund is subject to levy limits under current law, the City has agreed in the Resolution to levy property taxes to provide funds for the Revolving Fund to the extent described in this paragraph and, if necessary, to reduce other property tax levies correspondingly to meet applicable levy limits.

The principal installments of this Bond are subject to mandatory redemption in order of principal installments 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 District Fund, from the prepayment of assessments levied in the District or from the transfer of surplus money from the Construction Account to the Principal Account, for the redemption thereof, and in the manner provided for the

redemption of the same. In addition, the Bond is subject to redemption at the option of the City, in whole or in part. The redemption price is equal to the amount of the principal installments of the Bond to be redeemed plus interest accrued thereon to the date of redemption. The date of redemption and principal installments of the Bond to be redeemed shall be fixed by the City Clerk-Treasurer, who shall give notice thereof by first class mail, postage prepaid, or by other means required by the securities depository, to the owner or owners of the Bond at their addresses appearing on the bond register, of the principal installments of the Bond to be redeemed and the date on which payment will be made, which date shall not be less than 30 days after the date of mailing of notice. On the date so fixed interest on the principal installments of the Bond so redeemed shall cease to accrue.

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. Upon such transfer, the City will cause a new Bond to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and with principal installments payable on the same dates, 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.

The Bond has been designated by the City as a "qualified tax-exempt obligation" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended.

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 and ordinances of the City of Laurel, Montana, relating to the issuance hereof.

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 of one of its authorized representatives.

IN WITNESS WHEREOF, the City of Laurel, Montana, by its City Council, has caused this Bond to be executed by the facsimile signatures of the Mayor and the City Clerk-Treasurer, and by the official seal of the City.

Mayor

City Clerk-Treasurer

(SEAL)

CERTIFICATE OF AUTHENTICATION

This Bond and the principal installments hereof have been registered as required by law on the books of the City as of [_____], 2017.

CITY OF LAUREL, MONTANA,
as Registrar

By _____
City Clerk-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

UTMA.....Custodian.....
(Cust) (Minor)

TEN ENT — as tenants
by the entirety

under Uniform Transfers to Minors
Act
(State)

JT TEN — as joint tenants
with right of
survivorship and
not as tenants in
common

Additional abbreviations may also be used.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights and title 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 alteration, enlargement or any change whatsoever.

SIGNATURE GUARANTEED

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Registrar in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

SCHEDULE 1
DEBT SERVICE SCHEDULE

MEMORANDUM

TO: City of Laurel, Montana

FROM: Dorsey & Whitney LLP

DATE: August 14, 2017

RE: Sale of Special Improvement District Bonds

We have served as bond counsel to the City of Laurel, Montana (the "City") with respect to Special Improvement District 118, as well as other special improvement district bonds the City has issued. This memorandum is intended to clarify certain aspects relating to the sale and issuance of special improvement district bonds.

A. Special improvement districts are financing mechanisms.

Title 7, Chapter 12, Parts 41 and 42, Montana Code Annotated ("M.C.A.") (the "Act") authorizes cities and towns to create special improvement districts ("SIDs") for the purpose of financing certain local improvements. Under the Act, cities and towns can (among other things) create SIDs, undertake improvements that benefit the properties located within the SIDs, issue bonds ("SID Bonds") to pay for the improvements, and provide for the repayment of the SID Bond by levying assessments against properties located within the SIDs.

So, for example, on June 20, 2017, the City Council (the "Council") of the City adopted Resolution No. R17-26, the "Resolution of Intention," which declared the intention of the Council to create Special Improvement District No. 118 ("SID 118"), along with the Council's intention to issue bonds to pay for the improvements in SID 118 (the "SID 118 Bonds") and to repay those bonds by levying assessments on the properties located within SID 118. SIDs are districts created solely for financing purposes. The only reason to create SID 118 is to issue the SID 118 Bonds.

B. Methods of selling SID Bonds.

In accordance with the Act, a city or town may sell its SID Bonds by "public sale" or by "private negotiated sale."

In a "public sale," as we generally think of it, the city or town, usually with the assistance of a financial advisor, would draft an offering document or "official statement" relating to the SID Bonds. Official statements are legal documents that disclose material information regarding the terms of the bonds, and describe in detail the purpose of the issue, the terms of the offering, the bonds, the city or town, financial data, including historical tax and assessment collection and delinquency data, and various other relevant metrics related to the security for the bonds. Bonds sold by public sale are subject to increasingly rigorous regulatory requirements. Under federal securities laws, the city or town would be liable for any material misstatement or omission contained in an official statement. The city or town would publish notice of its sale of the bonds, provide its official statement, and potential underwriters (in most cases) would review the information and submit bids. At a time and place set forth in the notice, the city or town

council would then open bids and award the sale to the lowest bidder, and would then adopt a bond resolution setting forth the terms of the bonds in accordance with the notice of sale, the official statement, and the terms of the winning bid. The underwriter would then be responsible for selling the SID Bonds on the public market.

“Private negotiated sale” is statutory language which encompasses sales that do not require the statutory “public sale” process outlined above. Private negotiated sales can take a few different forms.

For example, there can be private negotiated sales directly to an underwriter. In such a case, the underwriter would purchase the SID Bonds from a city or town and sell the bonds to investors on the secondary market. These sales also involve the preparation of an official statement, which the underwriter uses to market the bonds on the secondary market.

Alternatively, bonds can be sold to local banks or the INTERCAP Program of the Montana Board of Investments through private negotiated sale. This type of a sale of bonds is commonly referred to as a “private placement,” meaning the purchaser of the Bonds buys with the intent to hold.

In private negotiated sales to local banks, officers of the city or town often provide information regarding proposed terms of the bonds to local banks and request proposals. Under Montana law, however, there is no requirement to solicit proposals and a city or town could sell SID Bonds directly to one bank without consulting other banks.

In the case of a private, negotiated sale to the Board of Investments through INTERCAP, rates and requirements for the INTERCAP Program are established by the Board of Investments. Therefore in private negotiated sales to the INTERCAP Program, city or town officers fill out an application with similar information as would typically be in a term sheet.

In private negotiated sales to underwriters, city and town councils adopt an initial resolution authorizing certain officers to execute a bond purchase agreement with an underwriter, subject to certain parameters set by the council, after which the council adopts a bond resolution, setting forth the terms of the bonds in accordance with the bond purchase agreement. In private negotiated sales to local banks or investors, and if the city or town has received proposals from local banks, the council can proceed as described above, or proceed directly with adopting a bond resolution, setting forth the terms of the bonds in accordance with the best (generally, lowest interest rate) proposal received or the only proposal sought and received (without entering into a bond purchase agreement).

Public sales and private negotiated sales to underwriters will routinely have higher transactional costs and a longer timeline, partly due to the work required to put together the official statement. In some cases, in addition to an underwriter, a financial advisor will also be required. In addition, to sell bonds on the public market, either by a public sale or through a private, negotiated sale with an underwriter, the city or town will often have to obtain a rating agency to get a rating on the bonds and may, if credit conditions are poor, need to get bond insurance. Typically, the city or town will also need to agree to provide continuing disclosure on an annual basis during the term that the bonds are outstanding.

Recent regulatory actions taken by the SEC and the IRS have further complicated these types of transactions, making them more expensive, both at the front end and in terms of ongoing regulatory compliance during the term of the bonds. In our experience, it is uncommon for cities or towns to do a public sale or private negotiated sale to an underwriter unless the

principal amount of the bonds being sold is fairly large. For bond issues in smaller dollar amounts, the costs and fees of doing a public sale or private negotiated sale to an underwriter often make the transaction too expensive, outweighing any interest-rate-related savings.

In our experience, cities and towns find it more efficient to sell SID Bonds, particularly if their SID Bonds are for smaller dollar amounts, through private negotiated sales to local banks or to the State's INTERCAP Program. Please keep in mind that SID Bonds are not a strong credit and to sell them on the public market requires the telling of a lengthy story and many disclosures.

According to the information we have, over the past 10 years, the City has sold all of its SID Bonds by private negotiated sale. The City sold: its Special Improvement District No. 111 Bonds to an investment group called the Montana Municipal Cooperative; its Special Improvement District No. 112 Bonds to the INTERCAP Program; its Special Improvement District No. 113 Bonds to an underwriter; its Special Improvement District No. 114 Bonds to Yellowstone Bank; and its Pooled Special Improvement District No. 115 and 116 Bonds to the Montana Municipal Cooperative.

C. SID 118 Bonds

Both the small dollar amount and the tight timeline for SID 118 made proceeding by private negotiated sale to a local bank or the INTERCAP Program more advisable than proceeding by public sale or private negotiated sale to an underwriter. We understand that construction of the improvements for SID 118 is underway.

We prepared a resolution that would have authorized the Mayor, the Chief Administrative Officer and the City Clerk-Treasurer to enter into a binding bond purchase agreement with a local bank related to the SID 118 Bonds. We understand the Council considered that resolution on August 1, 2017 and decided not to adopt it based on some uneasiness about allowing officers of the City to negotiate for the City. The Council now has before it a bond resolution, reflecting the terms of the lowest-interest-rate proposal received by the City with respect to the SID 118 Bonds.

By adopting the bond resolution, the Council would approve the terms and conditions of the SID 118 Bonds—which are based on statutory requirements, the terms set forth in the Resolution of Intention, and the interest rate proposal provided by Yellowstone Bank—and authorize the issuance of the SID 118 Bonds.

Alternatively, the Council could determine to proceed by public sale, private negotiated sale to an underwriter, private negotiated sale to the INTERCAP Program or private negotiated sale to a different bank or investor. This would set the schedule for closing back and would mean that, by the time the assessments were on the tax rolls, the property owners in SID 118 would have approximately 1 or 1.5 years of interest added to their assessments, making their payments higher than they would otherwise be. It would also add to the fees associated with this transaction, which, at this point, could not be added to the principal amount to be assessed to property owners and would presumably be the obligation of the City to pay.

Finally, the Council could decline to issue the SID 118 Bonds and the City would be responsible for paying the costs of the SID 118 improvements and related costs.