

RESOLUTION NO. 742

A RESOLUTION OF THE CITY OF POLSON, RELATING TO THE AUTHORIZATION AND THE ISSUANCE OF \$1,600,000 PRINCIPAL AMOUNT OF CITY OF POLSON MUNICIPAL GOLF COURSE REVENUE BONDS, SERIES 1998; DESCRIBING SAID BONDS; PROVIDING FOR THE REGISTRATION OF SAID BONDS; PROVIDING FOR THE COLLECTION, HANDLING AND DISPOSITION OF REVENUE GENERATED FROM THE OPERATION OF SAID GOLF COURSE; PLEDGING NET REVENUES FOR THE PAYMENT OF SAID BONDS; PROVIDING FOR THE SALE AND DELIVERY OF SAID BONDS; AUTHORIZING THE REDEMPTION AND CURRENT REFUNDING OF THE CITY'S MUNICIPAL GOLF COURSE REVENUE BONDS, SERIES 1987 BONDS; PROVIDING CERTAIN COVENANTS WITH RESPECT TO FEDERAL TAX LAW; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

CITY OF POLSON
LAKE COUNTY
MUNICIPAL GOLF COURSE REVENUE BONDS, SERIES 1998
IN THE PRINCIPAL AMOUNT OF \$1,600,000

The City Council of the City of Polson does hereby Resolve:

WHEREAS, the City has advertised for bids for the construction and equipping the proposed new 9-hole addition to the City's existing 18-hole Municipal Golf Course and such bids have been accepted within the estimate of costs of such construction and equipping; and

WHEREAS, the City is authorized to conduct the proceedings to issue revenue bonds and refund existing revenue bonds pursuant to the terms and provisions of Title 7, Chapter 7, Parts 44 and 45, M.C.A., to finance the costs of expansion of the Golf Course; and

WHEREAS, pursuant to such authority the City intends to issue the Series 1998 Bonds to refund the City's Series 1987 Bonds and to finance the costs of the expansion of the Golf Course; and

WHEREAS, the City has advertised for bids on the purchase of the Series 1998 Bonds and Dain Bosworth Incorporated and Security State Bank of Polson have offered to purchase the Series 1998 Bonds at the price and according to the terms set forth in their bid response to the City's Notice of Sale of the Series 1998 Bonds; and

NOW, THEREFORE, IT IS HEREBY FURTHER RESOLVED as follows:

**ARTICLE I
DEFINITIONS**

Section 1.01. Definitions.

As used in this Resolution, the following terms have the meanings provided in this Section. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words imparting the singular number shall include the plural number and vice-versa unless the context shall otherwise indicate.

Act shall mean Title 7, Chapter 7, Parts 44 and 45 of the Montana Code Annotated as they may be amended from time to time.

Additional Bonds shall mean any bonds that the City may hereafter issue pursuant to Article X hereof having a lien upon the Net Revenues for the payment of the principal thereof, premium, if any, and interest thereon equal to the lien upon the Net Revenues in favor of the Series 1998 Bonds.

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Annual Budget shall mean the Golf Course budget for a Fiscal Year, as adopted or amended by the City in accordance with Section 8.10 hereof.

Annual Debt Service shall mean the amount required in a given calendar year for the payment of the principal of and interest on the Series 1998 Bonds and any Additional Bonds, except interest to be paid from the proceeds of the Series 1998 Bonds and/or such Additional Bonds.

Authorized Officer of the City shall mean the Mayor, City Clerk or any officer or employee of the City authorized to perform specific acts or duties pursuant to a resolution duly adopted by the City.

Bond Counsel shall mean an attorney or firm of attorneys with experience and nationally recognized expertise in the area of municipal finance as may be appointed by the City from time to time.

Bond Resolution shall mean this Resolution No. 742, adopted by the Council on December 15, 1997, authorizing the issuance, sale and delivery of Series 1998 Bonds, as the same may be supplemented or amended.

Bond Register shall mean the registration records of the City, maintained by the Bond Registrar, on which shall appear the names and addresses of the Registered Owners of the Series 1998 Bonds.

Bond Registrar shall mean First Trust Company of Montana National Association, with its operation center in St. Paul, Minnesota, or its successors in functions, as now or hereafter designated.

Business Day shall mean a day on which banks located in the State of Montana are open for the purpose of conducting commercial banking business.

City shall mean the City of Polson organized and existing under and by virtue of the Constitution and laws of the State of Montana.

Clerk shall mean the City Clerk or other officer of the City who is the custodian of the records of the proceedings of the Council, or the successor in functions, if any.

Code shall mean the Internal Revenue Code of 1986, as amended, and any Treasury Regulations promulgated thereunder or applicable thereto.

Council shall mean the City Council of the City as the same shall be duly and regularly constituted from time to time.

Construction Account shall mean the account of that name existing in the Golf Course Fund described in Article VII hereof.

Construction Contract shall mean the contract with Huppert Brothers Construction, Inc. of Billings, Montana, or other contractors for the construction of the Project.

Consulting Architect shall mean John Steidel, of Kennewick, Washington, with respect to Golf Course Architecture and Carl Thuesen of Billings, Montana, with respect to Golf Course irrigation.

Continuing Disclosure shall mean the procedure whereby the City provides, for the benefit of the owners of the Series 1998 Bonds and any Additional Bonds, for the public availability of certain information relating to Series 1998 Bonds and Additional Bonds and the security therefor pursuant to Section 8.21 of this Resolution.

Costs of the Project shall mean, with respect to any part of the Project, the City's costs, expenses and liabilities paid or incurred or to be paid or incurred in connection with the planning, designing, acquiring, constructing, installing, financing of such part of the Golf Course and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto, including, without limitation, any eminent domain or condemnation expenses incurred in connection with the condemnation or acquisition of the Golf Course by the City, and debt service on any evidence of indebtedness of the City issued to finance any of the foregoing, together with ancillary costs, attorney fees, bond costs,

incidental costs and costs related to the sale and issuance of the Series 1998 Bonds, permits, utilities, accounting costs, and any other expenses or consultant fees incidental thereto.

DTC shall mean The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, that may act as securities depository for the Series 1998 Bonds.

Event of Default shall mean any of the events defined as Events of Default by Section 9.01 of this Bond Resolution.

Fiscal Year shall mean July 1 through June 30 of the succeeding calendar year.

Golf Course shall mean the City's Municipal Golf Course and any replacement, expansion and improvement thereof.

Golf Course Fund shall mean the enterprise fund of the City in which all of the Revenues and Operating Expenses of the City's Golf Course are accounted for as described in Article VII hereof.

Governmental Obligations shall mean direct obligations of the United States or obligations the principal of and interest on which is unconditionally guaranteed by the United States.

Gross Revenues shall mean all revenues and receipts from rates, fees, charges and rentals imposed for the availability, benefit and use of the City's municipal golf course as now constituted and of all replacements and improvements thereof and additions thereto, and from penalties and interest thereon, and from any sales of property acquired for the Course and all income received from the investment of such gross revenue.

Maximum Annual Debt Service shall mean an amount equal to the greatest Annual Debt Service with respect to the Series 1998 Bonds and any Additional Bonds for the calendar year such calculation is made or for any future calendar year.

Monthly Apportionment shall mean the allocation and transfer of money between the accounts described in Article VII of this Resolution in the order of priority described herein.

Net Proceeds, when used with reference to the Series 1998 Bonds, shall mean the face amount of the Series 1998 Bonds, plus accrued interest and less costs of issuance, proceeds deposited into the Reserve Account and any proceeds utilized for the redemption of the Series 1987 Bonds.

Net Revenues shall mean Gross Revenues minus Operating Expenses attributable to the Golf Course.

Operating Account shall mean the account of that name created within the Golf Course Fund and described in Article VII hereof.

Operating Expense shall mean the current expenses, paid or accrued, of operation, maintenance and current repair of the Golf Course and its facilities, excluding depreciation, as calculated in accordance with sound accounting practice, and shall include, without limitation, administrative expenses of the City relating solely to the Golf Course, premiums for insurance on the properties thereof, labor and the cost of materials and supplies used for current operation and for maintenance, and charges for the accumulation of appropriate reserves for current expenses which are not recurrent monthly but may reasonably be expected to be incurred in accordance with sound accounting practices.

Outstanding, when used with reference to any Series 1998 Bonds or Additional Bonds, as of any particular date, shall mean all Series 1998 Bonds or Additional Bonds which have been issued, executed, authenticated and delivered under this Bond Resolution or under any resolution authorizing the issuance of Additional Bonds, except (i) Series 1998 Bonds or Additional Bonds canceled because of payment or redemption prior to their stated dates of maturity, and (ii) any Series 1998 Bond or Additional Bonds (or portion thereof) deemed to have been paid within the meaning of Article V hereof.

Participants shall mean those broker-dealers, banks and other financial institutions from time to time for which DTC holds the Series 1998 Bonds as securities depository.

Project shall mean the designing, acquisition, construction, equipping and financing of the Golf Course expansion of an additional 9-holes. The Project does not include any improvements to the clubhouse.

Permitted Investments shall mean, investments authorized for cities under Montana law:

Rate Covenant shall mean the covenant of the City set forth in Section 8.13 hereof.

Rebate Amount shall mean the amount calculated pursuant to Section 8.12(b) hereof, representing excess investment earnings which must be rebated to the United States.

Registered Owner shall mean the person whose name and address shall appear on the Bond Register as the owner of a specific Series 1998 Bond; provided further, that when used with regard to any Additional Bonds, the term also shall mean the registered owners of such bonds.

Registrar shall mean First Trust Company of Montana National Association or its successor.

Repair, Replacement and Depreciation Account shall mean the account of that name in the Golf Course Fund described in Article VII hereof.

Reserve Account shall mean the account of that name in the Golf Course Fund described in Article VII hereof.

Reserve Requirement shall mean an amount equal to the lesser of (i) 10% of the proceeds of Series 1998 Bonds and Additional Bonds or (ii) the Maximum Annual Debt Service.

Revenue Bond Account shall mean the account of that name in the Golf Course Fund described in Article VII hereof.

Series 1987 Bonds shall mean the bonds issued under City Resolution No. 488 dated as of October 1, 1987, and in the original aggregate principal amount of \$730,000 but which are currently outstanding in the aggregate principal amount of \$370,000 on the date hereof.

Series 1998 Bonds shall mean the herein authorized "City of Polson Municipal Golf Course Revenue Bonds, Series 1998." in the aggregate principal amount of \$1,600,000.

Surplus Account shall mean the account of that name in the Golf Course Fund described in Article VII hereof.

Treasurer shall mean the Treasurer of the City of Polson.

Underwriter shall mean Dain Bosworth Incorporated, the original purchaser of the Series 1998 Bonds.

United States shall mean the United States of America.

SECTION 1.02. Interpretation.

For all purposes of this Bond Resolution, except as otherwise expressly provided or unless the context otherwise requires:

A. All references in this Bond Resolution to designated "Articles," "Sections," and other subdivisions are to the designated articles, sections and other subdivisions of this Bond Resolution. The words "herein," "hereof," "hereto," "hereby," and "hereunder" and other words of similar import refer to this Bond Resolution as a whole and not to any particular article, section or other subdivision.

B. The terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular, and words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

C. Any headings preceding the texts of the several Articles and Sections of this Bond Resolution, and any table of contents, shall be solely for convenience of reference and shall not constitute a part of this Bond Resolution, nor shall they affect its meaning, construction or effect.

D. All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

E. Every "request," "order," "demand," "application," "appointment," "notice," "statement," "certificate," "consent" or similar action hereunder by the City shall, unless the form thereof is specifically provided, be in writing signed by an Authorized Officer of the City.

F. All approvals, consents, agreements and acceptances required to be given or made by any person or party hereunder shall not be unreasonably withheld or unduly delayed.

G. In the computation of a period of time from a specific date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

H. Words importing the redemption or redeeming of a Series 1998 Bond or the calling of a Series 1998 Bond for redemption do not include or connote the payment of such Series 1998 Bond at its stated maturity or the purchase of such Series 1998 Bond.

I. References to the payment of the Series 1998 Bonds shall be deemed to include references to the payment of interest thereon.

ARTICLE II THE PURPOSE OF THE ISSUE AND COST OF THE GOLF COURSE

Section 2.01. Purpose of the Issue.

The Series 1998 Bonds shall be issued for the purpose of redeeming the Series 1987 Bonds financing and the development of the Project.

The City hereby covenants, pursuant to the provisions of City Resolution No. 488 for redemption of the Series 1987 Bonds to redeem said Series 1987 Bonds on April 1, 1998, by no earlier than 90 days prior to April 1, 1998, placing funds with the First Interstate Bank of Billings, N. A. as paying agent for the Series 1987 Bonds, sufficient to redeem the Series 1987 Bonds at par plus interest accrued to April 1, 1998. The City also hereby covenants to use its best efforts to acquire, construct and install the Project within twenty-four months of the date hereof.

Section 2.02. Costs of the Project.

The Costs of the Project are estimated to be as follows:

Sources of Funds

| | |
|---------------------------------|-------------------|
| Bond Proceeds | \$ 1,600,000.00 |
| Transfers from Golf Course Fund | <u>544,313.80</u> |
| TOTAL SOURCES OF FUNDS | \$ 2,144,313.80 |

Uses of Funds

| | |
|---------------------------------|-----------------|
| Construction Contract | \$ 1,282,314.00 |
| Other Improvement and Equipment | 196,552.00 |
| Construction Contingency | 65,000.00 |
| Design and Inspection | 46,500.00 |
| Debt Service Reserve | 131,750.00 |

| | |
|----------------------------|------------------------|
| Redeem Series 1987 Bonds | 385,337.00 |
| Costs of Issuance | <u>36,860.80</u> |
| TOTAL USES OF FUNDS | \$ 2,144,313.80 |

The costs of the Project are to be paid from the issuance and sale of the Series 1998 Bonds authorized herein and from money in the existing Golf Course Fund which is hereby appropriated and made available for construction and redemption of Series 1987 Bonds.

Section 2.03. Redemption of Series 1987 Bonds.

At the time of closing, the City will deposit in escrow with First Interstate Bank of Billings, N.A. the registrar and paying agent for the Series 1987 Bonds, an amount equal to the outstanding principal balance of the Series 1987 Bonds (\$370,000) and interest due thereon to the date of redemption, April 1, 1998, (\$15,337.50), plus all fees and expenses of such the registrar and paying agent due on April 1, 1998. At least 30 days prior to April 1, 1998, the City will provide notice to such registrar and paying agent to redeem all of the outstanding Series 1987 Bonds. At least 30 days prior to April 1, 1998, the City will also send notice of such redemption to each registered owner of such Series 1987 Bond. Upon the giving of such notice and the deposit of the funds as indicated, the said registrar and paying agent shall make payment in full to the registered owners of Series 1987 Bonds on April 1, 1998.

**ARTICLE III
THE SERIES 1998 BONDS**

Section 3.01. Description of Series 1998 Bonds.

Bonds are hereby authorized to be issued, designated "City of Polson, Lake County, Montana, Municipal Golf Course Revenue Bonds, Series 1998."

The Series 1998 Bonds shall be issued as serial Bonds, shall be subject to optional redemption as set forth in Article IV hereof, shall be dated as of January 1, 1998, shall be in the aggregate principal sum of \$1,600,000, and shall be in the denominations of \$5,000 each or any integral multiple thereof (provided that no single Series 1998 Bond shall represent more than one maturity).

interest from their date

payable commencing on April 1, 1998, and semiannually thereafter on each October 1 and April 1, until their respective dates of maturity or prior redemption, and shall be numbered separately in the manner and with any additional designation as the Bond Registrar shall deem necessary for purposes of identification. Interest will be calculated on the basis of a 360 day year consisting of twelve 30-day months. If any action required hereunder occurs on a weekend or a national holiday, said action shall be taken on the next Business Day.

The Series 1998 Bonds shall be substantially in the form set forth in Exhibit A attached hereto and hereby made a part hereof.

The Series 1998 Bonds shall mature on October 1 of each year in the principal amounts and bearing interest at the rates set forth in the following maturity schedule:

| <u>Year</u> | <u>Amount</u> | <u>Interest</u> | <u>Year</u> | <u>Amount</u> | <u>Interest</u> |
|-------------|---------------|-----------------|-------------|---------------|-----------------|
| 1998 | \$70,000 | 3.90% | 2008 | \$ 75,000 | 5.00% |
| 1999 | \$50,000 | 4.10 | 2009 | \$ 80,000 | 5.05 |
| 2000 | \$55,000 | 4.25 | 2010 | \$ 85,000 | 5.10 |
| 2001 | \$55,000 | 4.40 | 2011 | \$ 90,000 | 5.20 |
| 2002 | \$55,000 | 4.50 | 2012 | \$ 95,000 | 5.25 |
| 2003 | \$60,000 | 4.60 | 2013 | \$100,000 | 5.25 |
| 2004 | \$65,000 | 4.70 | 2014 | \$105,000 | 5.30 |
| 2005 | \$65,000 | 4.80 | 2015 | \$110,000 | 5.30 |
| 2006 | \$70,000 | 4.90 | 2016 | \$115,000 | 5.35 |
| 2007 | \$75,000 | 5.00 | 2017 | \$125,000 | 5.40 |

Section 3.02. Place and Manner of Payment.

Principal of and interest on the Series 1998 Bonds is payable in lawful money of the United States of America to the Registered Owners thereof.

Payment of each installment of interest shall be made on its due date to the Registered Owner whose name appears on the Bond Register as of the close of business on the fifteenth day of the calendar month next preceding the interest payment date, and shall be paid by check or draft of the Bond Registrar mailed to such Registered Owner or by wire transfer, as described in Section 3.10, on the due date at his address appearing on the Bond Register, or at such other address as may be furnished in writing by such Registered Owner to the Bond Registrar. Interest installments may be paid by wire transfer to a Registered Owner of at least \$100,000 in principal amount of the Series 1998 Bonds, upon written request of such Registered Owner submitted to the Bond Registrar at least fifteen (15) days prior to the interest payment date.

Principal of each Series 1998 Bond shall be payable to the Registered Owner, upon presentation and surrender of such Series 1998 Bond if certificated Series 1998 Bonds and upon written notification of surrender if book-entry Series 1998 Bonds on or after the date of maturity or prior redemption, at the corporate trust operations center of the Bond Registrar.

In any case where the due date of interest on, or principal of, the Series 1998 Bonds or the date fixed for redemption of the Series 1998 Bonds shall not be a Business Day then payment of interest on, or principal of, such Series 1998 Bonds need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Upon the payment of the principal of any Series 1998 Bond at maturity or redemption, each check or other transfer of funds issued for such purpose shall bear the CUSIP number, if any, identifying, by issue and maturity, the Series 1998 Bond being paid or redeemed with the proceeds of such check or other transfer.

Section 3.03. Special Limited Obligations.

All Series 1998 Bonds shall be special, limited obligations of the City, payable by the City solely out of the Net Revenues derived from the operation of the City's Golf Course. The Series 1998 Bonds are not general obligations of and do not constitute a debt of the City within the meaning of any constitutional or statutory limit or provision and are not a charge against the general credit or taxing powers of the City.

Section 3.04. Execution of Series 1998 Bonds.

Without unreasonable delay the City shall cause definitive Series 1998 Bonds to be prepared, executed and delivered. The Series 1998 Bonds shall be executed on behalf of the City by the signature of its Mayor and City Clerk and shall be sealed with the official seal of the City.

The Series 1998 Bonds shall then be delivered to the Bond Registrar for safe-keeping. The Series 1998 Bonds shall be numbered separately in the manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification.

In case any of the officers who shall have signed or attested any of the Series 1998 Bonds shall cease to be such officer or officers of the City before the Series 1998 Bonds so signed or attested shall have been delivered to the Bond Registrar, or issued by the City, such Series 1998 Bonds may nevertheless be delivered and issued and, upon such delivery and issue, shall be as binding upon the City as though those who signed and attested the same had continued to be such officers of the City.

Only such of the Series 1998 Bonds as shall bear thereon a Certificate of Authentication substantially in the form hereinafter recited, manually executed by the Bond Registrar shall be valid or obligatory for any purpose or entitled to the benefits of this Bond Resolution, and such Certificate of Authentication shall be conclusive evidence that the Series 1998 Bonds so authenticated have been duly

executed, authenticated and delivered hereunder and are entitled to the benefits of this Bond Resolution. The Registrar shall make arrangements with DTC for the book-entry of the Series 1998 Bonds as required by DTC's procedures.

Section 3.05. Cancellation.

All Series 1998 Bonds which have been paid, redeemed, purchased or surrendered shall be cancelled and may be destroyed by the Bond Registrar upon written notification to the City Clerk.

Section 3.06. Bond Registrar.

The Registrar, with its operations center in St. Paul, Minnesota, is hereby appointed as Bond Registrar, paying agent, and transfer agent with respect to the Series 1998 Bonds, subject to the following terms and conditions:

A. The Bond Registrar shall keep, or cause to be kept, at its corporate trust operations center sufficient books for the registration and transfer of the Series 1998 Bonds, which shall at all times be open to inspection by the City.

B. The City shall pay to the Bond Registrar from time to time reasonable compensation for all services rendered under this Bond Resolution, together with reasonable expenses, charges, fees of counsel, accountants and consultants and other disbursements, including those of its attorneys, agents and employees, incurred in good faith in and about the performance of their powers and duties under this Bond Resolution.

C. The Bond Registrar may become the Registered Owner of Series 1998 Bonds with the same rights it would have if it were not the Bond Registrar, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Registered Owners of the Series 1998 Bonds.

Section 3.07. Transfer or Exchange of Series 1998 Bonds.

Any Series 1998 Bond shall be transferable by the Registered Owner or by his attorney duly authorized in writing, upon written notification to the Registrar and in accordance with DTC procedures if the Bonds are in book-entry form, or if not in book-entry form, upon surrender of such Series 1998 Bond at the corporate trust operations center of the Bond Registrar for cancellation and issuance of a new Series 1998 Bond of the same Series registered in the name of the transferee, in exchange therefor.

Any Series 1998 Bond shall be exchangeable for Series 1998 Bonds of the same series of any authorized denomination or denominations, upon written notice of surrender and cancellation of said Series 1998 Bond if in book-entry form, or if not in book-entry, upon actual surrender at the corporate trust operations center of the Bond Registrar.

Whenever any Series 1998 Bonds shall be surrendered for transfer or exchange, the Bond Registrar shall deliver (through DTC procedures if in book-entry form) to the transferee or exchangee, in exchange therefor, a new fully registered Series 1998 Bond of the same series of any authorized denomination or denominations, of the same maturity and interest rate, and for the aggregate principal amount of such Series 1998 Bond being surrendered.

The Bond Registrar shall require the payment by the Registered Owner requesting such transfer or exchange of any fee required to be paid with respect to such transfer or exchange. The costs imposed by the Bond Registrar for such transfer or exchange shall be deemed to be an Operating Expense to be borne by the City.

Neither the City nor the Bond Registrar shall be obligated to exchange or transfer any Series 1998 Bond during the period commencing fifteen (15) days prior to the date on which notice of

redemption is mailed in accordance with the provisions of this Bond Resolution and ending on the date fixed for redemption.

The City and the Bond Registrar may deem and treat the person in whose name any Series 1998 Bond shall be registered upon the Bond Register as the absolute owner thereof, for the purpose of receiving payment of the principal or Redemption Price of and interest on such Series 1998 Bond and for all other purposes. All such payments so made to any such Registered Owner or upon such Registered Owner's order shall be valid and effectual to satisfy and discharge the liability of the City upon such Series 1998 Bond to the extent of the sum so paid. Neither the City nor the Bond Registrar shall be affected by any notice to the contrary.

Section 3.08. Sale of Series 1998 Bonds Authorized.

The sale of the Series 1998 Bonds to the Underwriter and Security State Bank of Polson was authorized and approved by passage of City Resolution No. 741.

Section 3.09. Official Statement Approved.

The City hereby approves and ratifies the official statement with regard to the Series 1998 Bonds. The City agrees to cooperate with the Underwriter to deliver or cause to be delivered, within seven (7) business days prior to closing and in sufficient time to accompany any confirmation that requests payment from any customer of the Underwriter, copies of a final official statement in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Council and the rules of the Municipal Securities Rulemaking Board and as provided in the Notice of Sale provided by the City to the Underwriter.

The Mayor or City Treasurer are authorized to make changes in the Official Statement necessary so that it does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Mayor or City Treasurer are hereby authorized and directed to execute a certificate to said effect.

Section 3.10. Book-Entry System For Series 1998 Bonds.

(A) All of the outstanding Series 1998 Bonds shall be registered in the name of DTC's Nominee until such time as either: the City shall determine that the beneficial owners of the Series 1998 Bonds shall be able to obtain certificated Series 1998 Bonds; DTC shall discontinue providing its services as securities depository with respect to the Bonds pursuant to paragraph 13 of the DTC Representation Letter; or the City shall determine that DTC is incapable of discharging its responsibilities described in this Section 3.10 and in the DTC Representation Letter or the City shall determine that another securities depository should act as a securities depository for the Series 1998 Bonds; provided that the City shall not have any liability for failure to determine whether DTC is incapable of discharging such responsibilities.

(B) For so long as all of the Series 1998 Bonds are registered in the name of DTC's Nominee, no Person other than DTC's Nominee shall receive a certificate evidencing the obligation of the City to make payments of principal of, and premium, if any, and interest on the Series 1998 Bonds pursuant to this Resolution.

(C) DTC may change DTC's Nominee by delivering to the Registrar written notice to the effect that DTC has determined to substitute a new nominee in place of the entity then serving as DTC's Nominee and transferring all Series 1998 Bonds to such substitute in the manner otherwise provided herein; provided that any such substitution shall be subject to the provisions of this Resolution with respect to payment of principal of and interest on the Series 1998 Bonds, to persons who are Bondholders as of a record date, and other provisions of this Resolution specifying a record date for notices to or other actions with respect to Bondholders.

(D) In the event that the City shall determine that DTC is incapable of discharging its responsibilities as a securities depository for the Series 1998 Bonds or DTC shall discontinue providing

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its services as securities depository with respect to the Series 1998 Bonds pursuant to the DTC Representation Letter, the City shall either appoint a successor securities depository, qualified to act as such under Section 17(a), of the Securities and Exchange Act of 1934, as amended, or determine that the beneficial owners of the Series 1998 Bonds shall be able to obtain certificated Series 1998 Bonds.

(E) In the event that the City shall determine that the beneficial owners of the Series 1998 Bonds shall be able to obtain certificated Series 1998 Bonds, the City shall promptly notify DTC and the Registrar thereof and the City and the Registrar shall take all actions reasonably necessary in order that the Series 1998 Bonds may be transferred on the Bond Register to the DTC Participants (or other Persons) in the manner otherwise provided herein.

(F) In the event that the City shall appoint a successor securities depository for the Series 1998 Bonds, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended; the City shall promptly notify DTC and the Registrar thereof; the City and the Registrar shall take all actions reasonably necessary in order that the Series 1998 Bonds shall be transferred on the Bond Register to such successor securities depository in the manner otherwise provided herein; all of the outstanding Series 1998 Bonds shall be registered in the name of such successor securities depository (or its nominee) until such time as either the City shall determine that the beneficial owners of the Series 1998 Bonds shall be able to obtain certificated Series 1998 Bonds, such successor securities depository shall discontinue providing its services as securities depository with respect to the Series 1998 Bonds, or the City shall determine that such successor securities depository is incapable of discharging its responsibilities as a securities depository for the Series 1998 Bonds; and upon transfer of the Series 1998 Bonds on the Bond Register to such successor securities depository, and subject to the provisions of this Resolution with respect to payment of principal of and interest on, the Series 1998 Bonds to Persons who are Bondholders as of a record date and other provisions of this Resolution specifying a record date for notices to or other actions with respect to Bondholders, the provisions of Subsections (B), (C), (D), (E), (F), (G), and (H) of this Section 3.10 shall continue to be applicable except that references to DTC shall be to such successor securities depository, references to DTC Participants shall be the Persons for whom such securities depository is holding the Series 1998 Bonds, references to the DTC Representation Letter shall be to such similar document or documents as shall have been executed to evidence the agreement among the City, the Registrar and such successor securities depository and references to DTC's Nominee shall be to either such securities depository or an entity designated by such securities depository in whose name the Series 1998 Bonds shall be registered on the Bond Register.

(G) Notwithstanding any other provision of this Resolution to the contrary, so long as any Series 1998 Bond is registered in the name of DTC's Nominee: all payments with respect to the principal of and interest on such Series 1998 Bond and all notices with respect to such Series 1998 Bond shall be made and given, respectively, in the manner provided in the DTC Representation Letter; and the Registrar shall request in each notice sent to DTC's Nominee pursuant to the terms of this Resolution that DTC's Nominee forward such notice (or cause such notice to be forwarded) to the DTC Participants.

(H) With respect to Series 1998 Bonds registered in the name of DTC's Nominee (regardless whether all Series 1998 Bonds are registered in the name of DTC's Nominee), neither the City nor the Registrar shall have any responsibility or obligation to any DTC Participant or to any Person on whose behalf a DTC Participant holds an interest in such Bonds. Without limiting the immediately preceding sentence, the City and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, DTC's Nominee or any DTC Participant with respect to any ownership interest in such Series 1998 Bonds, (ii) the delivery to any DTC Participant or any other Person, other than DTC's Nominee, of any notice with respect to such Series 1998 Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant, or any other Person other than DTC's Nominee, of any amount with respect to principal of or interest on such Series 1998 Bond. Notwithstanding any other provisions of this Resolution to the contrary, the City and the Registrar shall be entitled to treat and consider DTC's Nominee as the absolute owner of such Series 1998 Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 1998 Bond, for the purpose of registering transfers with respect to such Series 1998 Bond and for all other purposes whatsoever. The Registrar shall pay all principal of and interest on such Series 1998 Bonds only to or upon order of

DTC's Nominee (as Holder of such Bonds as provided in this Resolution) and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of and interest on such Series 1998 Bonds to the extent of the sums or sums so paid.

I. A representation letter as to the City's representations to DTC, with such changes, omissions, insertions and revisions as the City Treasurer may approve, is hereby authorized and the City Treasurer may execute and deliver such representation letter. The approval of the City Treasurer of any such changes, omissions, insertions and revisions shall be conclusively established by the City's execution and delivery of the representation letter which shall not in any way limit the provisions hereof or in any other way impose upon the City any obligation whatsoever with respect to persons having interests in the Series 1998 Bonds other than the Registered Owner. The Bond Registrar shall take all action necessary for all representations of the City in the Representation Letter with respect to the Bond Registrar, to at all times be complied with.

**ARTICLE IV
REDEMPTION OF SERIES 1998 BONDS**

Section 4.01. Optional Redemption.

The Series 1998 Bonds maturing in the years 1998 through 2007 shall not be subject to redemption prior to their stated dates of maturity. Series 1998 Bonds maturing after October 1, 2007, shall be subject to redemption prior to their stated maturities at the option of the City, on October 1, 2007, or any date thereafter, in whole or in part in inverse order of maturities and selected by the Registrar by lot within a maturity or such other manner deemed fair within a stated maturity by the City, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date.

Section 4.02. Notice of Redemption.

Notice of any such redemption shall be given not more than sixty (60) nor less than thirty (30) days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of each Series 1998 Bond to be redeemed, at the address appearing on the Bond Register. The requirements of the Section shall be deemed to be complied with when notice is mailed as herein provided, regardless of whether or not it is actually received by the Registered Owner of any Series 1998 Bond. No defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Series 1998 Bond not affected thereby.

Notice of redemption given hereunder may contain the following information:

- (1) the redemption date;
- (2) if less than all Outstanding Series 1998 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 1998 Bonds to be redeemed;
- (3) that on the redemption date interest thereon shall cease to accrue from and after said date;
- (4) the CUSIP numbers, if any, of all Series 1998 Bonds being redeemed;
- (5) the rate of interest borne by each Series 1998 Bond being redeemed;
- (6) the maturity date of each Series 1998 Bond being redeemed; and
- (7) any other descriptive information needed to identify accurately the Series 1998 Bonds being redeemed.

Section 4.03. Effect of Redemption.

Interest on any Series 1998 Bonds so called for redemption shall cease to accrue on the date fixed for redemption, provided funds for redemption are on deposit at the place of payment at that time, and the Registered Owner of such Series 1998 Bonds to be redeemed shall have no further rights with respect thereto or under this Resolution except to receive the Redemption Price so deposited. Upon partial redemption of any Series 1998 Bond, a new Series 1998 Bond or Bonds will be delivered to the Registered Owner without charge, representing the remaining principal amount outstanding.

Section 4.04. Open Market Purchase and Cancellation.

The City hereby reserves the right to purchase Series 1998 Bonds on the open market at any price. In the event that the City shall purchase Series 1998 Bonds at a price (exclusive of accrued interest) of less than the principal amount thereof, the Series 1998 Bonds so purchased shall be credited at the par amount thereof against the debt service requirements of the Series 1998 Bonds. All Series 1998 Bonds so purchased shall be canceled.

**ARTICLE V
DEFEASANCE**

Section 5.01. Provisions for Defeasance of Series 1998 Bonds.

In the event that money and/or Government Obligations maturing or having guaranteed redemption prices at the option of the owner at such time or times and bearing interest to be earned thereon in such amounts as are sufficient (together with any resulting cash balances) to redeem and retire part or all of the Series 1998 Bonds in accordance with their terms, are hereafter irrevocably set aside in a special account and pledged to effect such redemption and retirement, then no further payments need to be made into the Debt Service Account or any account therein for the payment of the principal of, Redemption Price, if any, and interest on the certain Series 1998 Bonds so provided for, and such Series 1998 Bonds and interest accrued thereon shall then cease to be entitled to any lien, benefit or security of this Bond Resolution, except the right to receive the funds so set aside and pledged, and such Series 1998 Bonds and interest accrued thereon shall no longer be deemed to be Outstanding hereunder. The City will publish, or cause to be published, notice of any such defeasance within fourteen (14) days after adoption of the resolution authorizing providing for such defeasance, and will provide notice of such "Material Event" as indicated in the Continuing Disclosure covenants in Section 8.21 hereof.

**ARTICLE VI
SECURITY FOR THE SERIES 1998 BONDS**

Section 6.01. Pledge of Revenues.

There are hereby irrevocably pledged and appropriated to the Golf Course Fund, for the equal and ratable benefit of the Registered Owners from time to time of the Series 1998 Bonds and Additional Bonds, as security for the payment of the principal of and interest on the Series 1998 Bonds and Additional Bonds, the following:

- A. All Gross Revenues and all rights of the City to receive Gross Revenues; and
- B. All money and securities held in the Construction Account, Revenue Bond Account, Reserve Account, Operating Account, Repair, Replacement and Depreciation Account, and Surplus Account established hereunder (except for any Rebate Amount); subject to the provisions of this Bond Resolution permitting the application of amounts held hereunder to the purposes set forth herein.

Section 6.02. Application and Use of Revenues.

All Gross Revenues shall be deposited into the Golf Course Fund as collected and shall be held separate and apart from all other funds and accounts of the City. The Gross Revenues deposited therein

shall be used only for the following purposes and in the following order of priority, having due regard for payments relating to the Golf Course which shall become due:

First, the amount of Series 1998 Bond proceeds to be deposited to the Construction Account as indicated in Section 7.02 and the amount of Series 1998 Bond proceeds to be deposited with First Interstate Bank of Billings on closing for redemption of the Series 1987 Bonds and the deposit of \$131,750 to the Reserve Account from Series 1998 Bond proceeds, plus any accrued interest from such Series 1998 Bond proceeds to the Revenue Bond Account;

Second, to the Operating Account on each monthly apportionment, the Gross Revenues necessary to pay the Operating Expenses;

Third, to make all transfers required to be made into the Revenue Bond Account pursuant to Section 7.04 hereof or pursuant to any other resolution under which Additional Bonds are issued;

Fourth, to make all transfers required to be made into the Reserve Account pursuant to Section 7.05 hereof;

Fifth, to make all transfers required to be made into the Repair, Replacement and Depreciation Account pursuant to Section 7.07 hereof;

Sixth, to make all transfers required to be made into the Surplus Account pursuant to Section 7.08 hereof.

**ARTICLE VII
FUND AND ACCOUNTS**

Section 7.01. Golf Course Fund and Accounts.

The City has created the Golf Course Fund, within which are the following accounts with respect to the Series 1998 Bonds, which shall be maintained by the City:

- A. a Construction Account;
- B. a Revenue Bond Account;
- C. a Reserve Account;
- D. an Operating Account;
- E. a Repair, Replacement and Depreciation Account; and
- F. a Surplus Account.

The City may create within such accounts such additional accounts as it may deem necessary or desirable in order to account for the sources and uses of any particular Gross Revenues. The City Treasurer may charge a reasonable fee for making, accounting for and managing the investments in each such fund or account, and said charges shall be an Operating Expense.

Section 7.02. Application of Series 1998 Bond Proceeds.

Upon receipt of the proceeds of the Series 1998 Bonds, the City shall pay the Costs of Issuance, deposit with First Interstate Bank of Billings, N.A. \$385,337 for redemption of the Series 1987 Bonds and the City shall then deposit the Net Proceeds as follows:

- (1) any accrued interest on the Series 1998 Bonds shall be deposited in the Revenue Bond Account;
- (2) an amount equal to \$131,750 shall be deposited in the Reserve Account;

(3) the balance of such Series 1998 Bond proceeds shall be deposited in the Construction Account to pay for Costs of the Project.

Section 7.03. Construction Account.

There shall be deposited in the Construction Account any and all amounts required to be deposited therein pursuant to Section 7.02 hereof. The net income, interest or gain received and collected from investments in the Construction Account shall be transferred to the Revenue Bond Account.

Amounts in the Construction Account shall be used to pay for Costs of the Project. Request for payment shall be approved by a Consulting Architect. Any amounts remaining in the Construction Account after the completion of the Project and not needed to pay Costs of the Project payable from such account, shall be deposited in the Revenue Bond Account.

Section 7.04. Revenue Bond Account.

Any accrued interest on the Series 1998 Bonds shall be deposited into the Revenue Bond Account. The Revenue Bond Account shall be used solely for the purpose of paying the principal of, premium, if any, and interest on the Series 1998 Bonds and any Additional Bonds.

As long as any of the Series 1998 Bonds remain Outstanding, the City irrevocably obligates, pledges and binds itself to set aside and pay on each Monthly Apportionment from the Operating Account into the Revenue Bond Account an amount equal to no less than one-sixth (1/6) of the total interest to become due in the next succeeding six months, and one-twelfth (1/12) of the principal to become due in the next succeeding twelve months which, together with such other funds as are on hand and available in the Revenue Bond Account, will make all payments required to be made therefrom. Provided, however, that because of the Series 1998 Bonds being dated as of January 1, 1998, and having an interest payment on April 1, 1998 and a principal and interest payment on October 1, 1998, the allocation to the Revenue Bond Account shall be one-third (1/3) of the interest due on April 1, 1998 allocated in January, February and March, 1998 and one-ninth (1/9) of the principal due on October 1, 1998 allocated in each month from January through September 1998. In the event that amounts in the Revenue Bond Account are insufficient for such purpose, the City shall transfer from the Reserve Account, or the Repair, Replacement and Depreciation Account, or the Surplus Account as the City shall determine, to the Revenue Bond Account the amount of the deficiency, to the extent available therein.

Any resolution authorizing Additional Bonds shall require that payments be made to the Revenue Bond Account in respect of such Additional Bonds on the same basis as payments are required to be made into the Revenue Bond Account with respect to the Series 1998 Bonds.

Section 7.05. Reserve Account.

The Reserve Account shall be used solely for the purpose of securing the payment of the principal of and interest on the Series 1998 Bonds and any Additional Bonds. The City will deposit \$131,750 into the Reserve Account simultaneously with the issuance and delivery of the Series 1998 Bonds.

The City hereby further covenants and agrees that in the event it issues any Additional Bonds it will provide in the resolution authorizing the issuance of the same that it will pay into the Reserve Account out of the proceeds of such Additional Bonds (or, at the option of the City, out of any other funds on hand legally available for such purpose) so that there will have been paid into the Reserve Account an amount which, with the money already on deposit therein, will be equal to the Reserve Requirement taking into consideration in the calculation the issuance of the Additional Bonds.

The City hereby further covenants and agrees that it will at all times maintain in the Reserve Account an amount at least equal to the Reserve Requirement on the Series 1998 Bonds and Additional Bonds then Outstanding. Whenever there is a sufficient amount in the Reserve Account and the Revenue Bond Account to pay the principal of, premium if any, and interest on the Series 1998 Bonds

and Additional Bonds then Outstanding, the money in the Reserve Account may be used to pay such principal, premium and interest, and no further deposits need be made into the Revenue Bond Account or the Reserve Account for the Series 1998 Bonds or Additional Bonds. In the event that, immediately following any redemption or defeasance of the Series 1998 Bonds or any Additional Bonds, the amount in the Reserve Account would exceed the Reserve Requirement, then, simultaneously with the redemption or defeasance, an amount up to the amount of such excess resulting from such redemption may be transferred from the Reserve Account to the Surplus Account and applied to such redemption or defeasance.

In the event there shall be a deficiency in the Revenue Bond Account to meet maturing installments of either interest on or principal of and interest on the Series 1998 Bonds or any Additional Bonds then Outstanding that are payable out of such Revenue Bond Account, such deficiency shall be made up from the Reserve Account by the transfer of money therefrom to the Revenue Bond Account.

As long as the Reserve Account is maintained at the Reserve Requirement, all income derived from investments of the Reserve Account shall be transferred to the Repair, Replacement and Depreciation Account.

Any deficiency in the Reserve Account shall be made up out of Net Revenues in the next Monthly Apportionment.

Section 7.06. Operating Account.

The Operating Account shall be utilized for the payment of Operating Expenses. There shall be deposited in the Operating Account all Gross Revenues remaining after the Monthly Apportionments required to be made to the Revenue Bond Account and the Reserve Account sufficient pay the Operating Expenses which are due or expected to become due before the allocation of the next Monthly Apportionment, including amounts necessary to meet contingencies arising in the operation of the Golf Course. An operating reserve within the Operating Account is to be accumulated and maintained in an amount equal to the average monthly operating expense (the "Operating Reserve"), which sum shall be maintained by additional transfers upon each monthly apportionment, or from the Surplus Account if determined by the City to be appropriate to meet contingencies.

Section 7.07. Repair, Replacement and Depreciation Account.

There shall be deposited into this Account all net proceeds of insurance relating to damage or destruction of property of the Golf Course. There shall be set aside and credited, upon each Monthly Apportionment, to the Repair, Replacement and Depreciation Account such portion of the Gross Revenues in excess of the current requirement of the Revenue Bond Account, the Reserve Account and the Operating Account (which portion of the net revenues is referred to herein as "surplus net revenues"), as the City Council shall determine to be required for the accumulation of a reasonable allowance for depreciation of the Golf Course and for replacement or renewal of worn out, obsolete or damaged properties and equipment thereof. In the event construction and installation of additional improvements or additions to the Golf Course are financed other than from proceeds of Bonds payable from the Revenue Bond Account, surplus net revenues from time to time received may be segregated and paid into one or more separate and additional accounts for the repayment of such indebtedness and interest thereon, in advance of payments required to be made into the Repair, Replacement and Depreciation Account.

Any amounts in the Repair, Replacement and Depreciation Account which, in the judgment of the City, (as evidenced by City Resolution), are not, and will not, be reasonably required for the purposes of the Repair, Replacement and Depreciation Account, shall be deposited first into the Revenue Bond Account to make up any deficiencies therein, and then shall be deposited in the Surplus Account.

Section 7.08. Surplus Account.

Any amount of the surplus Net Revenues from time to time remaining after the above required applications thereof shall be credited to the Surplus Account (or such other account in the Golf Course Fund as the City may establish for bookkeeping purposes to account for surplus money in accordance with the purposes of this Resolution), and the moneys from time to time in that account when not required to restore a current deficiency in the Revenue Bond Account, Reserve Account or Operating Reserve may be used for any of the following purposes and not otherwise:

- (a) To redeem Series 1998 Bonds or other bonds payable from the Net Revenues when and as such become prepayable according to their terms; or
- (b) To purchase Series 1998 Bonds on the open market, whether or not the Series 1998 Bonds or other bonds may then be prepayable according to their terms; or
- (c) To pay for repairs of or for the construction and installation of improvements or additions to the Golf Course; or
- (d) To restore the balances in the Revenue Bond Account, Operating Account or the Reserve Account or increase the same when determined to be necessary by the City.

No money shall at any time be transferred from the Surplus Account or any other account of the Golf Course Fund to any other fund of the City.

Section 7.09. Investment of Funds and Accounts.

Amounts in the funds and accounts established hereunder shall, if and to the extent then permitted by law, be deposited and invested by the City in accordance with the provisions of Title 7, Chapter 6, Part 2, or Section 17-6-204, the Montana Code Annotated. Such investments shall mature in such amounts and at such times as may be necessary to provide funds when needed to make payments from such funds or accounts, and any such investments shall, subject to the provisions hereof, at all times be deemed to be a part of the fund or account from which the investment was made. Investments in the Reserve Account shall not have an average weighted maturity exceeding 10 years.

Interest earnings on the funds and accounts created hereunder shall be transferred or paid as follows:

- (1) Series 1998 Construction Account shall be transferred to the Revenue Bond Account;
- (2) Revenue Bond Account - to be deposited in that account until the terms of Section 7.04 have been met and thereafter to the Surplus Account;
- (3) Reserve Account - to be deposited in the Reserve Account until the Reserve Requirement is met, thereafter to the Surplus Account;
- (4) Repair, Replacement and Depreciation Account to be deposited into the Surplus Account except for net insurance proceeds which are retained in the Repair, Replacement and Depreciation Account;
- (5) Surplus Account to be deposited therein; and
- (6) Operating Account shall be deposited in the Surplus Account.

**ARTICLE VIII
COVENANTS**

Section 8.01. Authority of City; Validity of Bond Resolution.

The City hereby represents that it is duly authorized under the Constitution and laws of the State of Montana to issue the Series 1998 Bonds authorized hereby, to adopt this Bond Resolution and to pledge the Revenues and other amounts pledged hereunder in the manner and to the extent herein set forth; that all action on its part for the issuance of the Series 1998 Bonds authorized hereby and the adoption of this Bond Resolution has been duly and effectively taken; and that such Series 1998 Bonds in the hands of the Registered Owners thereof are and will be valid and enforceable special, limited obligations of the City according to the import thereof, except as enforcement of such obligations may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights.

Section 8.02. Payment of Principal, Premium, if any, and Interest.

The City covenants that it will promptly pay the debt service payments with respect to every Series 1998 Bond and Additional Bond, at the place, on the dates and in the manner provided herein, in said Series 1998 Bond and in any Additional Bonds issued in accordance herewith payable from Revenues.

Section 8.03. Performance of Covenants.

The City covenants that it will faithfully observe and perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be observed or performed contained in this Bond Resolution, in any and every Series 1998 Bond delivered hereunder. All covenants and agreements on the part of the City hereunder shall be for the benefit of the Registered Owners from time to time of the Series 1998 Bonds Outstanding and may be enforced in the manner provided by Article IX hereof on behalf of such Registered Owners.

Section 8.04. List of Registered Owners.

The Bond Registrar shall maintain on file at its principal operations office a list of the names and addresses of the Registered Owners of all Series 1998 Bonds which from time to time may be registered on the Bond Register. The City shall have no responsibility with regard to the accuracy of such list. At reasonable times and under reasonable regulations established by the Bond Registrar, such list may be inspected and copied by the Registered Owners (or a designated representative thereof) of twenty-five percent (25%) or more in aggregate principal amount of Series 1998 Bonds Outstanding.

Each Registered Owner, by the purchase and acceptance of a Series 1998 Bond, consents to the disclosure of such Registered Owner's name, address and the principal amount of Series 1998 Bonds held by such Registered Owner in accordance with this Section and the Bond Registrar shall not be held accountable for the disclosure of any such information.

Section 8.05. Operation and Maintenance of the Golf Course.

The City shall at all times operate the Golf Course, or cause the Golf Course to be operated, properly and in a sound and economical manner and shall maintain, preserve and keep the same or cause the same to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation thereof may be properly and advantageously conducted. Until all Series 1998 Bonds are fully discharged as provided herein, the City will continue to hold, maintain and operate the Golf Course as a public facility free from all liens thereon or on the income therefrom other than the liens herein granted and will not incur a further lien on the Gross Revenues except as provided herein.

Section 8.06. Additional Bonds to Complete Project.

The City shall use its best efforts to issue Additional Bonds or to arrange other financing to finance the completion of the Project in the event that the proceeds from the Series 1998 Bonds, together with other funds legally available to the City, are not sufficient for such purpose.

Section 8.07. Rules, Regulations and Other Details.

The City shall establish and enforce reasonable rules and regulations governing the operation, use and services of the Golf Course. The City shall diligently proceed to obtain and thereafter to maintain all required or necessary permits, approvals or consents for the improvements and additions to and operation of the Golf Course, and shall observe, perform and comply with all applicable federal, state, tribal, county and municipal laws, ordinances, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body to the extent that same are applicable to the Golf Course or to the City.

Section 8.08. Payment of Lawful Charges and Compliance With Law.

The City shall pay, or shall cause to be paid, all taxes and assessments or other municipal or governmental charges, if any, which are lawfully levied or assessed upon it for or with respect to the Golf Course, or upon any part thereof or upon any Revenues derived therefrom, when the same shall become due. The City shall duly observe and comply with, and shall cause all of its contractors, subcontractors, employees and agents to observe and comply with, all valid federal, state, county, city and local laws, regulations, rules and orders relating or applicable to the City and the Golf Course.

The City agrees, however, that any allocation of indirect cost to the Golf Course Fund for general City administration shall not exceed \$30,000 per year.

Section 8.09. Powers as to Golf Course and as to Collection of Revenues.

The City has, and will have, as long as any Series 1998 Bonds remain Outstanding, good right and lawful authority to improve and add to the Golf Course and to maintain, operate, improve and reconstruct the Golf Course or to provide for the maintenance, operation, improvement and reconstruction of the Golf Course. The City has the power and covenants to prescribe and from time to time charge and collect rates to be charged for use of the Golf Course and to demand and to collect all Gross Revenues which are due or which are becoming due to it for the use of the Golf Course, all in accordance with the Section 8.13 hereof and in accordance with then existing authority under the Act.

The City shall so operate and maintain the Golf Course or cause the Golf Course to be so operated and maintained as to entitle it at all times to make, impose and collect Gross Revenues with respect to the Golf Course and will deposit Gross Revenues in the appropriate account of the Golf Course Fund immediately upon receipt. The City shall not release or modify the obligations of any user of the Golf Course that would in any way limit any such user's obligation to make payment of such rents, rates, fees or other charges imposed by the City for such use of the Golf Course. The City shall take all reasonable measures permitted by law to enforce payment to it of all Gross Revenues, and shall at all times, to the extent permitted by law, defend, preserve and protect the rights, benefits and privileges of the City and of the Registered Owners under or with respect to the Bond Resolution.

Section 8.10. Annual Budget.

The City shall prepare, file and adopt an Annual Budget for the Golf Course for each Fiscal Year. The City covenants to amend the Annual Budget as necessary, and to adjust its rates as required pursuant to Section 8.13 hereof, in the event that the amounts set forth in the Annual Budget are insufficient to provide for operating the Golf Course or maintaining the Reserve Requirement or for payments to be made from the Revenue Bond Account.

Section 8.11. Qualified Tax-Exempt Obligations.

Pursuant to Section 265(b)(3)(B)(iii) of the Code, the City hereby delegates to the Mayor and Treasurer the authority at closing to designate the Series 1998 Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. The City will not have designated any other obligation in 1998 as a "qualified tax-exempt obligation" and the City also represents that it does not anticipate issuing more than \$10,000,000 of tax-exempt obligations in 1998 as defined in the Code.

Section 8.12. Arbitrage Rebate Exemption.

(A) The City hereby represents that the Series 1998 Bonds qualify 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 Series 1998 Bonds (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 its constituent public entities thereof during 1998 is reasonably expected not to exceed \$5,000,000.

(B) If notwithstanding the provisions of paragraph (A) of this Section 8.12, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Series 1998 Bonds, the City hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f).

Section 8.13. Rate Covenant.

The City agrees to fix, maintain and collect fees and other similar charges necessary for the operation of the Golf Course which fees shall be fair and nondiscriminatory for the same class of service, and shall adjust such fees and charges from time to time so that the Net Revenues will equal at least 1.25 times the Maximum Annual Debt Service due in the current or any future Fiscal Year on the Series 1998 Bonds and any Additional Bonds during such Fiscal Years.

Section 8.14. Obtaining and Enforcement of Performance and Payment Bonds.

The City hereby covenants that it will obtain performance and payment bonds as required by Title 18, Chapter 2, Part 2 and will take all legally available action to cause any surety on a performance bond issued pursuant to the Construction Contract to fully perform all its duties and acts and to fully comply with its covenants under each performance bond issued for the Project. All money obtained from the surety under each performance bond relating to construction shall be deposited in the Construction Fund.

Section 8.15. Restriction on Encumbrance or Disposal of Golf Course.

The City will not mortgage, lease, sell or otherwise dispose of any property of the Golf Course unless: (a) prior to or simultaneous with such mortgage, lease, sale or other disposition, all Series 1998 Bonds issued and outstanding under this Bond Resolution shall be discharged, (b) the properties to be mortgaged, leased, sold or otherwise disposed of are unserviceable, inadequate, obsolete or no longer required for use in connection with the Golf Course, (c) the mortgage, lease, sale or other disposition will not prevent the City from complying with the provisions of the Bond Resolution, and (d) in any event referred to in clauses (b) or (c) above, all proceeds of the mortgages, lease, sale or other disposition of such properties are deposited into the Golf Course Fund;

Section 8.16. Insurance.

The City shall continuously maintain (or cause to be maintained), with qualified and experienced insurers having a reputation for insuring facilities of like character as those which make up the Golf Course and which insurers are authorized to do business in the State of Montana or in such other manner as may be required or permitted by law all insurance as is customarily maintained with respect to facilities of like character as the facilities comprising the Golf Course.

If any useful portion of the Golf Course shall be damaged or destroyed, the City shall, as expeditiously as practicable, continuously and diligently pursue the repair, reconstruction or replacement thereof. However, no such repair, reconstruction or replacement shall be undertaken if the City shall reasonably determine, as evidenced by a certificate of the City Engineer and the Golf Course greens keeper, that not to do so would not materially adversely affect the operation of the Golf Course.

The proceeds of any use or occupancy insurance or any business interruption insurance received by the City shall be deposited in the Surplus Account.

Section 8.17. Books of Account.

The City shall keep proper books of account for the Golf Course Fund which shall be kept in accordance with any applicable rules, regulations and statutes prescribed by the State of Montana. The City shall prepare, and any Registered Owner of a Series 1998 Bond (at his expense) may obtain copies of such statements showing in reasonable detail the financial condition of the Municipal Golf Course Fund as of the close of each year, and the income and expenses of such year. The City will have its books audited pursuant to the Montana Single Audit Act. Specifically, with respect to the Golf Course Fund, within 180 days after the close of each fiscal year, a report shall be prepared at the direction of the City Treasurer in accordance with applicable generally accepted accounting principles and, in addition to whatever matters may be thought proper by the City Treasurer to be included therein, shall include the following:

- (a) A statement in detail of the income and expenditures of the Golf Course for the fiscal year, identifying capital expenditures and separating them from operating expenditures;
- (b) A balance sheet as of the end of the fiscal year;
- (c) The amount on hand in each account of the Golf Course Fund at the end of the fiscal year;
- (d) A list of the insurance policies and fidelity bonds in force at the end of the fiscal year, setting out as to each the amount thereof, the risks covered thereby, the name of the insurer or surety and the expiration date of the policy or bond; and
- (e) A determination that the report shows full compliance by the City with the provisions of this Resolution during the fiscal year covered thereby, including proper segregation of the capital expenditures from operating expenses, maintenance of the Reserve Requirement, and receipt of Gross Revenues during each fiscal year as herein required, or, if the report should reveal that the Gross Revenues have been insufficient for compliance with this Resolution, or that the methods used in accounting for such revenues were contrary to any provision of this Resolution, the report shall include a full explanation thereof, together with recommendations for such change in rates or accounting practices or in the operation of the Golf Course as may be required.

The City shall present this information as part of its Continuing Disclosure Covenants and provide it to the original purchaser of the Series 1998 Bonds.

Section 8.18. Tax Covenants.

The City shall comply with the provisions of this Section unless, in the written opinion of nationally recognized Bond Counsel, such compliance is not required in order to maintain the exemption of the interest on the Series 1998 Bonds from federal income taxation.

A. The City covenants to comply with each requirement of the Code necessary to maintain the exclusion of interest on the Series 1998 Bonds from gross income for federal income tax purposes. In furtherance of the covenant contained in the preceding sentence, the City covenants to comply with the provision of the Arbitrage and Tax Regulatory certificate (the "Tax Certificate") executed by the City on the date of initial issuance and delivery of the Series 1998 Bonds, as such Tax Certificate may be amended from time to time.

B. The City covenants to make any and all payments required to be made to the United States Department of the Treasury in connection with the Series 1998 Bonds pursuant to Section 148(f) of the Code.

C. Notwithstanding any other provisions of this Bond Resolution to the contrary, (1) upon the City's failure to observe or refusal to comply with the above covenants, the Registered Owners, or any trustee acting on their behalf, shall be entitled to the rights and remedies provided to the Registered Owners under this Bond Resolution, other than the right to declare the principal of all Series 1998 Bonds then Outstanding, and the interest accrued thereon, to be due and payable and (2) neither the holder of bonds of any series other than the Series 1998 Bonds, nor any trustee acting on their behalf, shall be entitled to exercise any right or remedy provided to the Registered Owners under this Bond Resolution based upon the City's failure to observe, or refusal to comply with, the above covenants.

D. The City covenants that any management contracts for operation or supervision of any part of the Golf Course built with proceeds of the Series 1987 or Series 1998 Bonds will be made in compliance with Section 141(b)(1) of the Code and the applicable regulations thereunder and with Revenue Procedure 97-13 so as to keep the Series 1998 Bonds from being deemed to be "private activity bonds".

Section 8.19. Amendments and Waiver.

The City hereby covenants that it will not amend or waive any portion of this Bond Resolution except as provided in Article XI hereof.

Section 8.20. No Other Facilities.

The City hereby covenants so far as it is permitted by law not establish an alternate Golf Course within the City unless such alternate facility is a part of the Golf Course.

Section 8.21. Continuing Disclosure Covenants.

A. Purpose.

In order to permit underwriters to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City covenants to provide, for the benefit of the register holders or the beneficial owners of the Series 1998 Bonds and Additional Bonds, for the public availability of certain information relating to the Series 1998 Bonds and Additional Bonds and the security therefor. The City determines it is the only "obligated person" in respect of the Series 1998 Bonds and Additional Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made.

As used herein, "Beneficial Owner" means, with respect to a Series 1998 Bond and Additional Bonds, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series 1998 Bond and Additional Bonds (including persons holding Series 1998 Bonds and Additional Bonds through nominees, depositories or other

intermediaries), or (ii) is treated as the owner of the Series 1998 Bond and Additional Bonds for federal income tax purposes.

B. Disclosure Information.

The City agrees to provide, in the manner set forth under "Disclosure Procedure" below, either directly or indirectly through an agent designated by the City, the following information at the following times:

Annual Financial Information. On or before two hundred seventy (270) days after the end of each fiscal year of the City, commencing with the fiscal year ending June 30, 1998, the following financial information and operating data in respect of the City (the "Annual Financial Information"):

(A) The comprehensive annual financial report of the City for such fiscal year, containing the audit report and opinion of the accountant or government auditor relating thereto, as permitted or required by the laws of the State of Montana, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, showing in comparative form such figures for the preceding fiscal year of the City, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Montana law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the City Treasurer; and

(B) To the extent not included in the financial report referenced in paragraph (A) above, the information of the type set forth below contained in the Official Statement for such fiscal year or for the period most recently available, which information may be unaudited, but is to be certified as to accuracy and completeness in all material respects by the City Treasurer as to the best of his or her knowledge (which certification may be based on the reliability of information obtained from third party sources):

- (1) updated figures for the then current fiscal year relating to schedule of Net Revenues available for debt service and the historic revenue and expenditures in summary form, for the Golf Course Fund;
- (2) a description of any additional borrowing or anticipated future financing of the City for the Golf Course;

Notwithstanding the foregoing, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required as part of the Annual Financial Information and, within 10 days after receipt of the audited financial statements, the City shall provide the audited financial statements.

Any or all of the Annual Financial Information may be incorporated by reference, if it is updated as required hereby from other documents, including official statements, which have been submitted to each then nationally recognized municipal securities information repository ("NRMSIR") under the Rule and to any state information depository then designated or operated by the State of Montana as contemplated by the Rule (the "State Depository") or the SEC. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board ("MSRB"). The City will clearly identify in the Annual Financial Information each document so incorporated by reference.

If the Annual Financial Information is changed or these disclosure covenants are amended as herein permitted, then the City is to include in the next Annual Financial Information, to the extent necessary, an explanation in narrative form of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

Certain Material Events. In a timely manner, the City will also provide notice of the occurrence of any of the following events which is a Material Fact (as hereinafter defined):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) Modifications to rights of security holders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities; and
- (11) Rating changes.

As used herein, a "Material Fact" means a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Series 1998 Bond or Additional Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed under these disclosure covenants or information generally available to the public. Notwithstanding the foregoing, a "Material Fact" is also an event that would be deemed "material" for purposes of the purchase, holding or sale of a Series 1998 Bond or Additional Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

Certain Other Information. In a timely manner, notice of the occurrence of any of the following events or conditions:

- (1) any failure of the City to provide required Annual Financial Information at the time specified under "Annual Financial Information" herein;
- (2) the amendment of or supplement to these disclosure covenants together with a copy of such amendment;
- (3) the termination of the obligations of the City under these disclosure covenants;
- (4) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Annual Financial Information are prepared; and
- (5) any change in the fiscal year of the City.

C. Disclosure Procedure.

The Disclosure Information described above shall be transmitted to the following entities by electronic mail, overnight delivery, mail or other means, as appropriate:

- (A) the "Annual Financial Information" to each NRMSIR and to the State Depository (if any);
- (B) the information described under "Certain Material Events" to the MSRB and to the State Depository (if any) as well as notification of any failure to timely file the Annual Financial Information;

(C) the Disclosure Information to any rating agency then maintaining a rating of the Series 1998 Bonds or Additional Bonds and, to any Bondowner (at the Bondowner's expense) who requests in writing such information at the time of the transmission under paragraphs (A) or (B) above, as the case may be, or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

These disclosure covenants are entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

D. Term.

These disclosure covenants are to remain in effect so long as any Series 1998 Bonds or Additional Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the City shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with these disclosure covenants will not cause participating underwriters in the primary offering of the Series 1998 Bonds or Additional Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

E. Default.

If the City fails to comply with any of these disclosure covenants, any person aggrieved thereby, including the beneficial owners of any outstanding Series 1998 Bonds or Additional Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained therein, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default thereunder to the extent permitted by law. Notwithstanding anything to the contrary contained in these Disclosure covenants, in no event shall a default under these disclosure covenants constitute a default with respect to the Series 1998 Bonds or Additional Bonds or under this Resolution.

Amendments; Interpretation. These disclosure covenants and the form and requirements of the Annual Financial Information may be amended or supplemented by the City from time to time, without notice to or the consent of the Bondowner of any Series 1998 Bonds or Additional Bonds, by resolution accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and whose opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) these disclosure covenants as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Series 1998 Bonds or Additional Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the bondowners.

If the Annual Financial Information is so amended, the City will agree to provide, contemporaneously with the effectiveness of such amendment, an explanation, in narrative form, of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided thereunder.

**ARTICLE IX
EVENTS OF DEFAULT; REMEDIES**

Section 9.01. Events of Default.

A. The following shall constitute Events of Default hereunder:

(1) A default shall be made in the due and punctual payment of the principal or Redemption Price of any Series 1998 Bond or Additional Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(2) A default shall be made in the due and punctual payment of any installment of interest on any Series 1998 Bond or Additional Bond, when and as such interest installment shall become due and payable;

(3) A default shall be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part in this Bond Resolution or in the Series 1998 Bonds or any Additional Bonds contained, and such default shall continue for a period of sixty (60) days after written notice thereof to the City by the Registered Owners of not less than ten percent (10%) in principal amount of the Series 1998 Bonds and Additional Bonds then Outstanding, unless the City is diligently working to cure said default;

(4) A judgment for the payment of money shall be rendered against the City, payable from Revenues; and any such judgment shall not be discharged within one hundred twenty (120) days of the entry thereof, or an Appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to set aside or stay the execution of or levy under such judgment, or order, decree or process or the enforcement thereof;

(5) There shall occur dissolution or liquidation of the City or the filing by the City of a voluntary petition in bankruptcy for the City or the Golf Course Fund, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceeding for its reorganization instituted under the provisions of the federal bankruptcy act, as amended, or under any similar act in any jurisdiction which may now be in effect or which may hereafter be enacted; or

(6) An order or decree shall be entered, with the consent or acquiescence of the City, appointing a receiver or receivers of the Golf Course, or any part thereof, or of the rents, fees, charges, or other revenues therefrom, or if such order or decree, having been entered without the consent and acquiescence of the City, shall not be vacated or discharged or stayed within ninety (90) days after the entry thereof.

B. Upon the occurrence of an Event of Default, and so long as such Event of Default shall not have been remedied, unless the principal of all the Series 1998 Bonds and Additional Bonds shall have become due and payable, the City shall (a) upon the direction of the Registered Owners of not less than twenty-five (25%) in principal amount of the Series 1998 Bonds and Additional Bonds Outstanding or any default trustee appointed by such Registered Owners to represent their interests (by notice in writing to the City) (the "Default Trustee") declare the principal of all the Series 1998 Bonds and Additional Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in this Bond Resolution or in any of the Series 1998 Bonds or Additional Bonds contained to the contrary notwithstanding. The right of the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Series 1998 Bonds and Additional Bonds Outstanding to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Series 1998 Bonds and Additional Bonds shall have matured by their terms, all overdue installments of interest upon the Series 1998 Bonds and Additional Bonds, together with interest on such overdue installments of interest to the extent permitted by law and all other sums then payable by the City under this Bond Resolution (except the principal of, and interest accrued since the next preceding interest date on the Series 1998 Bonds and Additional Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the City or provision satisfactory to the Default Trustee shall be made for such payment, and all defaults under the Series 1998 Bonds and Additional Bonds or under this Bond Resolution (other than the payment of principal and interest due and payable, solely by reason of such declaration) shall be made good or be secured to the satisfaction of the legal representative of the Registered Owners or provision deemed by such legal representative to be adequate shall be made therefor, then and in every such case the Registered Owners of fifty-one percent (51%) in principal amount of the Series 1998 Bonds and Additional Bonds Outstanding, by

written notice to the City, may rescind such declaration and annul such default in its entirety, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Section 9.02. Accounting and Examination of Records After Default.

A. The City covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the City and all other records relating to the Golf Course shall at all reasonable times be subject to the inspection and use of the Registered Owners and of their agents and attorneys.

B. The City covenants that if an Event of Default shall happen and shall not have been remedied, the City, upon demand of any Default Trustee appointed by Registered Owners pursuant to Section 9.04 hereof will account for all money, securities and funds pledged or held under this Bond Resolution for such period as shall be stated in such demand.

Section 9.03. Application of Funds and Money After Default.

A. The City covenants that if an Event of Default shall happen and shall not have been remedied, the City, upon demand of any Default Trustee appointed by Registered Owners pursuant to Section 9.04 hereof, shall pay over or cause to be paid over to said Default Trustee (i) forthwith, all money, securities and funds then held by the City in any fund under this Bond Resolution, and (ii) all Revenues as promptly as practicable after receipt thereof.

B. During the continuance of an Event of Default, the City or, if a Default Trustee has been appointed, such Default Trustee, shall apply all money, securities, funds and revenues received by the City or any Default Trustee pursuant to any right given or action taken under the provisions of this Article IX as follows and in the following order:

(1) Expenses of any Default Trustee and Fiscal Agent - To the payment of the reasonable and proper charges, expenses and liabilities of any fiduciaries.

(2) Principal or Redemption Price and Interest - To the payment of the interest and principal or redemption price then due on the Series 1998 Bonds and Additional Bonds as follows:

a) unless the principal of all of the Series 1998 Bonds and Additional Bonds shall have become or have been declared due and payable,

First: Interest - To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Series 1998 Bonds and Additional Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference.

Second: Principal - To the payment to the persons entitled thereto of the unpaid principal of any Series 1998 Bonds and Additional Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Series 1998 Bonds and Additional Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or redemption due on such date, to the persons entitled thereto, without any discrimination or preference;

(b) if the principal of all of the Series 1998 Bonds and Additional Bonds shall have become or have been declared due and payable, to the payment of the principal and

interest then due and unpaid upon the Series 1998 Bonds and Additional Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Series 1998 Bond or Additional Bond over any other Series 1998 Bond or Additional Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Series 1998 Bonds and Additional Bonds.

(3) Operating Expenses - To the payment of the amounts required for reasonable and necessary Operating Expenses, reasonable and necessary costs for the management, maintenance and upkeep of the Golf Course and costs for the reasonable renewals, repairs and replacements of the Golf Course, all as are necessary, in the judgment of the Default Trustee, to prevent deterioration of the Golf Course or loss of Revenues therefrom. For this purpose the books of record and accounts of the City relating to the Golf Course shall at all times be subject to the inspection of the Default Trustee and its representatives and agents during the continuance of such Event of Default.

C. If and whenever all overdue installments of interest on all Series 1998 Bonds and Additional Bonds, together with the reasonable and proper charges, expenses and liabilities of the Default Trustee, and all other sums payable by the City under this Bond Resolution, including the principal and redemption price of and accrued unpaid interest on all Series 1998 Bonds and Additional Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the City, or provision satisfactory to the Default Trustee shall be made for such payment, and all defaults under this Bond Resolution, the Series 1998 Bonds, or any Additional Bonds shall be made good or secured to the satisfaction of the Default Trustee or provision deemed by the Default Trustee to be adequate shall be made therefor, the City shall be restored to its former position and rights under this Bond Resolution. No such restoration of the City to its former position and rights shall extend to or affect any subsequent default under this Bond Resolution or impair any right consequent thereon.

Section 9.04. Proceedings Brought by Registered Owners.

A. If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Series 1998 Bonds and Additional Bonds Outstanding may proceed, by their agents and attorneys, to protect and enforce their rights under this Bond Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the legal representative of the Registered Owners shall deem most effectual to enforce any of their rights, and such Registered Owners may appoint a Default Trustee to represent their interests.

B. All rights of action under this Bond Resolution may be enforced by any Default Trustee without the possession of any of the Series 1998 Bonds and Additional Bonds or the production thereof on the trial or other proceedings, and any such suit or proceedings instituted by the Default trustee shall be brought in its name.

C. The Registered Owners of not less than a majority in principal amount of the Series 1998 Bonds and Additional Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to them, provided that the Default Trustee shall have the right to decline to follow any such direction if the Default Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Default Trustee in good faith shall determine that the action or proceeding so directed would involve the Default Trustee in personal liability or be unjustly prejudicial to the Registered Owners of the Series 1998 Bonds and Additional Bonds not parties to such direction.

D. Regardless of the happening of an Event of Default, the Default Trustee shall have power to institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under this Bond Resolution by any acts

which may be unlawful or in violation of this Bond Resolution, and such suits and proceedings as the Default Trustee may be advised shall be necessary or expedient to preserve or protect the interests of the Registered Owners.

Section 9.05. Restriction on Action of Registered Owners.

A. Except as otherwise provided in Section 9.04, no Registered Owner of any Series 1998 Bond or Additional Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of this Bond Resolution or for any remedy under this Bond Resolution, unless such Registered Owner shall have previously given to the City written notice of the happening of an Event of Default, as provided in this Article IX, and shall have offered it reasonable opportunity, either to exercise the powers granted in this Bond Resolution or by the laws of Montana or to institute such action, suit or proceeding in its own name, it being understood and intended that no one or more Registered Owners of Series 1998 Bonds or Additional Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by this Bond Resolution, or to enforce any right under this Bond Resolution, except in the manner herein provided; and that all proceedings at law or in equity to enforce any provision of this Bond Resolution shall be instituted, had and maintained in the manner provided in this Bond Resolution and for the equal benefit of all Registered Owners of the Series 1998 Bonds and Additional Bonds Outstanding.

B. Nothing in this Bond Resolution, in the Series 1998 Bonds or in any Additional Bonds shall affect or impair the obligation of the City to pay at the respective dates of maturity and places therein expressed the principal of (and premium, if any) and interest on the Series 1998 Bonds and Additional Bonds to the respective Registered Owners thereof, or affect or impair the right of action of any Registered Owner to enforce such payment of this Series 1998 Bond or Additional Bond.

Section 9.06. Remedies Not Exclusive.

No remedy by the terms of this Bond Resolution conferred upon or reserved to the Registered Owners of the Series 1998 Bonds and Additional Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Resolution or existing at law or in equity or by statute on or after the date of adoption of this Bond Resolution.

Section 9.07. Effect of Waiver and Other Circumstances.

A. No delay or omission of any Registered Owner to exercise any right or power arising upon the happening of an event of default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article IX to the Registered Owners may be exercised from time to time and as often as may be deemed expedient by the Registered Owners.

B. Prior to the declaration of maturity of the Series 1998 Bonds or Additional Bonds as provided in Section 9.01, the Registered Owners of not less than sixty-six and two-thirds percent (66 2/3%) in principal amount of the Series 1998 Bonds and Additional Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Registered Owners of all of the Series 1998 Bonds and Additional Bonds waive any past default under this Bond Resolution and its consequences, except a default in the payment of interest on, principal of, or premium (if any) on any of the Series 1998 Bonds and Additional Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 9.08. Notice of Default.

The City shall promptly mail to the Registered Owners of Series 1998 Bonds and Additional Bonds Outstanding written notice of the occurrence of any uncured Event of Default.

**ARTICLE X
ADDITIONAL BONDS**

Section 10.01. Issuance of Additional Bonds.

The City hereby further covenants and agrees with the Registered Owners of the Series 1998 Bonds and Additional Bonds, for as long as any of the same remain Outstanding, that the City will not issue any bonds having a greater or equal priority of lien upon the Net Revenues or other funds pledged under the Bond Resolution to pay and secure the payment of the principal of and interest on such bonds than the priority of lien created on such Net Revenues and funds to pay and secure the payment of the principal of and interest on the Series 1998 Bonds and Additional Bonds except as set forth in this Section.

The City hereby further reserves the right to pledge that payments will be made out of the Revenue Bond Account and the Reserve Account to pay and secure the payment of the principal of and interest on such Additional Bonds on a parity with the payments required herein to be made out of such Revenues into such accounts to pay and secure the payment of the principal of and interest on any Series 1998 Bonds and Additional Bonds then Outstanding.

Such Additional Bonds shall not be issued unless the following conditions are satisfied:

(1) At the time of the issuance of any Additional Bonds there is no deficiency in the Revenue Bond Account or the Reserve Account.

(2) The principal of and interest on the Additional Bonds shall be payable out of the Revenue Bond Account and the Reserve Requirement for Additional Bonds shall be met.

(3) Prior to the delivery of any Additional Bonds, no Event of Default as described in Article IX hereof has occurred and the City shall have on file a certificate of the City's Golf Course Consultant setting forth his estimate that the Net Revenues of the Golf Course Fund for the last complete Fiscal Year preceding the issuance of Additional Bonds have equaled at least 125% of the greatest amount of principal and interest due in the then current or any future Fiscal Year on all Bonds payable from the Golf Course Fund including the additional bonds proposed to be issued. For purposes of determining if Net Revenues are sufficient for the issuance of Additional Bonds, any change in the rates and charges since the beginning of the last completed fiscal year shall be applied at the new rate to the quantities of service actually rendered during the preceding fiscal year to ascertain Gross Revenues. Net Revenues are then computed by deducting from Gross Revenues the actual operation and maintenance costs, excluding depreciation, plus any additional annual costs of operations and maintenance estimated by the City Golf Course Consultant to be incurred as a result of the improvements or additions to the Golf Course.

(4) The resolution authorizing such Additional Bonds shall contain the provisions for payment, security and deposits as set forth herein.

Nothing herein contained shall prevent the City from issuing revenue bonds or other obligations which are a charge upon the Net Revenues junior or inferior to the payments required by this Bond Resolution.

**ARTICLE XI
AMENDMENTS TO THE BOND RESOLUTION**

Section 11.01. Amendments to Bond Resolution Without Consent of Registered Owners.

The City Council may adopt at any time, without the consent of the Registered Owners, a resolution supplemental hereto, which resolution thereafter shall become a part of this Bond Resolution, for any one or more of all of the following purposes:

A. To add to the covenants and agreements of the City in this Bond Resolution, other covenants and agreements thereafter to be observed, which shall not adversely affect the interests of the Registered Owners of any Series 1998 Bonds and Additional Bonds.

B. To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this Bond Resolution or any resolution authorizing Additional Bonds in regard to matters or questions arising under such ordinances as the Council may deem necessary or desirable and not inconsistent with such ordinances.

C. Any other change which, in the judgment of the City, shall not adversely affect, in any material respect, the interests of the Registered Owners of Series 1998 Bonds or Additional Bonds.

Any such supplemental resolution may be adopted without the consent of the Registered Owners of any Series 1998 Bonds and Additional Bonds at any time Outstanding, notwithstanding any of the provisions of Section 11.02 hereof.

Section 11.02. Amendments to Bond Resolution Requiring Consent of Registered Owners.

With the consent of the Registered Owners of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Series 1998 Bonds and Additional Bonds at the time Outstanding, the City Council may adopt a resolution or resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner, or eliminating any of the provisions of this Bond Resolution or of any supplemental resolution; provided however, that no such supplemental resolution shall:

A. Extend the fixed maturity of any Series 1998 Bonds or Additional Bonds, or reduce the rate of interest thereon, or extend the time of payments of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Registered Owner of each Series 1998 Bond and Additional Bond so affected; or

B. Reduce the aforesaid percentage of Registered Owners of Series 1998 Bonds and Additional Bonds required to approve any such supplemental resolution, without the consent of the Registered Owners of all of the Series 1998 Bonds and Additional Bonds then Outstanding.

It shall not be necessary for the consent of Registered Owners of Series 1998 Bonds and Additional Bonds under this Section to approve the particular form of any proposed supplemental resolution, but it shall be sufficient if such consent shall approve the substance thereof.

Section 11.03. Effect of Supplemental Resolution.

Upon the adoption of any supplemental resolution pursuant to the provisions of this Article, this Bond Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the City under this Bond Resolution and all Registered Owners of Series 1998 Bonds and Additional Bonds Outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all terms and conditions of any such supplemental resolution shall be deemed to be part of the terms and conditions of this Bond Resolution for any and all purposes.

**ARTICLE XII
MISCELLANEOUS**

Section 12.01. City's Authority.

The City through its Mayor, City Clerk and City Treasurer with the assistance of its financial advisor is hereby authorized and directed to take all actions necessary or appropriate to proceed with the Project and issuance of the Series 1998 Bonds.

