

CERTIFICATE AS TO RESOLUTION AND VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Billings, Montana (the "City"), hereby certify that the attached resolution is a true copy of a Resolution entitled: "RESOLUTION RELATING TO THE CITY OF BILLINGS AIRPORT; PRESCRIBING TERMS AND CONDITIONS FOR THE ISSUANCE OF AIRPORT REVENUE REFUNDING BONDS, SERIES 2000, TO REFUND THE AIRPORT REVENUE BONDS AND FIXING THE TERMS AND CONDITIONS THEREOF; CREATING SPECIAL FUNDS AND ACCOUNTS AND PLEDGING CERTAIN REVENUES AS SECURITY FOR SUCH BONDS" (the "Resolution"), on file in the original records of the Council in my legal custody; that the Resolution was duly adopted by the Council at a meeting on May 17, 1999, and that the meeting was duly held by the Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: unanimous

voted against the same: none ;
abstained from voting thereon: none ; or
were absent: Elison .

WITNESS my hand and seal officially this 17 day of May, 1999.

Marita Herold
City Clerk

(SEAL)



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RESOLUTION NO. 99- 17451

RESOLUTION RELATING TO THE CITY OF BILLINGS AIRPORT;
PRESCRIBING TERMS AND CONDITIONS FOR THE ISSUANCE OF
AIRPORT REVENUE REFUNDING BONDS, SERIES 2000, TO REFUND
THE AIRPORT REVENUE BONDS AND FIXING THE TERMS AND
CONDITIONS THEREOF; CREATING SPECIAL FUNDS AND ACCOUNTS
AND PLEDGING CERTAIN REVENUES AS SECURITY FOR SUCH BONDS

BE IT RESOLVED by the City Council (the "Council") of the City of Billings, Montana (the "City"), as follows:

Section 1. Definitions, Authorizations and Findings.

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

Accountant shall mean a Person engaged in the practice of accounting as a certified public accountant in accordance with the provisions of Title 37, Chapter 50, M.C.A.

Accreted Amount of any Bond means, as of any date of computation, an amount equal to the sum of (i) the Original Principal Amount of such Bond, plus (ii) interest thereon from the Issue Date to the date of computation at the rate, compounded semiannually, which is necessary to produce the approximate yield to maturity shown for Bonds of the same maturity on such Bond.

Act shall mean Montana Code Annotated, Title 67, Chapters 10 and 11, as heretofore and hereafter amended or supplemented.

Act of Bankruptcy shall mean a petition filed by or against a Person seeking relief as a debtor under the federal bankruptcy laws or under any similar applicable law or statute of the United States of America relating to bankruptcy or insolvency.

Additional Bonds shall mean any Bonds issued pursuant to Section 6 and shall not include Special Purpose Facility Bonds.

Agency Obligation means obligations issued by the following agencies which are backed by the full faith and credit of the U.S.: (i) U.S. Export-Import Bank (Eximbank) - direct obligations or fully guaranteed certificates of beneficial ownership; (ii) Farmers Home Administration (FmHA) - certificates of beneficial ownership; (iii) Federal Financing Bank; (iv) General Services Administration - participation certificates; (v) U.S. Maritime Administration - guaranteed Title XI financing; (vi) U.S. Department of Housing and Urban Development (HUD) - project notes; local authority bonds; new communities debentures - U.S.

government guaranteed debentures; U.S. public housing notes and bonds - U.S. government guaranteed public housing notes and bonds.

Airport or Airport System shall mean Billings Logan International Airport, which shall include the land owned and used by the City primarily for the landing and takeoff of aircraft, together with the buildings and other improvements located on such land and any equipment, machinery and other items of personal property located on such land or in such buildings, as such properties may at any time exist, including any future additions or expansions thereof or alternative or supplementary facilities that the City determines to be part of the Airport or Airport System. "Airport" includes, without limitation, terminal buildings, runways, hangars, service roads, roadways and automobile parking facilities. "Airport" does not include Special Purpose Facilities.

Airport Consultant shall mean an Independent airport management consultant appointed by the City Council who has a favorable national reputation for special skill and knowledge in methods of the development, operation, and management of airports and airport facilities.

Airport Director shall mean the individual appointed, employed or designated by the City who is in charge of the operation of the Airport.

Airport Fund shall mean the fund so named maintained pursuant to Section 7.01.

Allocation Date shall mean the fifteenth day of each month, commencing April 15, 2000, as of which date money on hand in the Revenue Account is to be allocated to various other accounts in the Airport Fund as provided in Section 7.02.

Annual Debt Service Requirement shall mean the Debt Service Requirement for a Fiscal Year.

Audited Fiscal Year shall mean a Fiscal Year for which the City has received a report of audit conducted by an Independent Accountant, as provided by Section 8.06.

Bonds shall mean the Series 2000 Bonds and any Additional Bonds.

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

Bondholder shall mean the Person in whose name a Bond is registered in the Bond Register.

Bond Purchase Agreement shall mean the agreement between the City and D.A. Davidson & Co. as the original purchaser of the Series 2000 Bonds, dated May 11, 1999.

Bond Register shall mean the register maintained by the Registrar pursuant to Section 5.

Business Day shall mean any day other than a Saturday, Sunday or other day on which the Registrar is not open for business.

Capital Account shall mean the account so named created by Section 7.02.

Capital Appreciation Bond shall mean a Bond the accrued interest on which is not payable at fixed intervals but which by its terms appreciates in value to a stated amount at Maturity and which may be issued as Serial Bonds or Term Bonds.

Charter shall mean the home-rule charter of the City, as amended from time to time, or any successor charter or like document adopted as the organic law of the City.

City shall mean the City of Billings, Montana, its successors and assigns.

City Clerk shall mean the City Clerk, or a deputy clerk of the City whenever the Clerk is unable to act in such capacity, or their designees, and their successors in functions, if any.

City Resolution shall mean a resolution, ordinance or other appropriate enactment by the Council certified by the City Clerk to have been duly adopted and to be in full force and effect.

Code shall mean the Internal Revenue Code of 1986, as amended, including applicable Treasury Regulations, rulings and procedures promulgated thereunder or under the Internal Revenue Code of 1954, as amended.

Completion Bonds shall mean Bonds issued for the purpose of defraying additional costs of a Project and thereby effecting its completion, issued in accordance with Sections 6.01 and 6.02.

Construction Account shall mean the account so named created by Section 7.02.

Consulting Engineer shall mean any Independent registered or licensed professional engineer, or licensed architect, as from time to time appointed and designated by the Council,

(i) who has a favorable reputation for skill and experience in the field of designing, preparing plans and specifications for, and supervising construction of, airports and airport facilities, and

(ii) Who is licensed to practice and is practicing as such under the laws of the State.

Costs of Issuance shall mean all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, issuance, sale, and delivery of Bonds, including but not limited to costs of preparation and reproduction of documents; printing expenses; filing and recording fees; initial fees and charges of the Paying Agent; legal fees and charges; fees and disbursements of consultants and professionals; initial fees and charges relating to any Credit Facility and fees and charges for preparation, execution, and safekeeping of Bonds; and any other cost, charge, or fee in connection with the original issuance of Bonds.

Council shall mean the governing body of the City.

Counsel shall mean an attorney, licensed to practice law in any state or the District of Columbia, selected by the Council. Except as otherwise provided herein, Counsel may be an employee of or regularly retained by the City.

Credit Enhanced Bonds shall mean Bonds, the payment of which, or other rights in respect of which, are secured in whole or in part by a Credit Facility.

Credit Facility shall mean any letter of credit, policy of bond insurance, surety bond, guarantee or similar instrument issued by a financial institution, insurance company or other institution whose outstanding long term indebtedness is rated by a Rating Agency in one of its two highest Rating Categories, and which provides security or liquidity for any Bonds as specified in a Supplemental Resolution relating to such Bonds.

Credit Facility Obligations shall mean repayment or other monetary obligations incurred by the City with respect to draws or other payments or disbursements made under a Credit Facility; but only if and to the extent such obligations have a lien on the Net Revenues of the Airport System on a parity with the lien of the Bonds.

Current Interest Bond shall mean a Bond the accrued interest on which by its terms is payable on Interest Payment Dates before the Stated Maturity thereof and which may be issued as Term or Serial Bonds.

Debt Service Account shall mean the account so named created by Section 7.02.

Debt Service Requirements shall mean with respect to all Outstanding Bonds or any specified portion of all Outstanding Bonds and for any specified period, without duplication, the sum of:

(a) The amount due and payable as interest on such Bonds during such period;

(b) The amount due and payable as principal, Accreted Amount or Redemption Price of such Bonds during such period, whether at Stated Maturity, upon mandatory redemption, upon the exercise of any option to redeem or required tender of such Bonds if the City has irrevocably committed itself to exercise such option, or by

reason of any other circumstance which will, with certainty, occur during such period; and

(c) The amount of any Credit Facility Obligations required to be paid during such period and not included in (a) or (b).

No payments required for any Option Bonds, other Bonds, or Credit Facility Obligations which may be tendered or otherwise presented for payment at the option or demand of the Holders thereof, or which may otherwise become due by reason of any other circumstance which will not, with certainty, occur during such period, shall be included in any computation of Debt Service Requirements prior to the Stated Maturity or otherwise certain due dates thereof, and all such payments shall be deemed to be required on such Stated Maturity dates or otherwise certain due dates. Except for any historical period for which the actual rate or rates are determinable and except as otherwise provided herein, Variable Rate Bonds, and Credit Facility Obligations which bear interest at a variable rate, shall be deemed to bear interest at a fixed annual rate equal to the prevailing rate of such Variable Rate Bonds or Credit Facility Obligations on the date of computation; provided that in any computation (i) of the Reserve Requirement; (ii) relating to the issuance of Additional Bonds required by Section 6.01; or (iii) required by the rate covenant of Section 8.09, Variable Rate Bonds shall be deemed to bear interest at a fixed annual rate equal to (iv) the average of the daily rates of such Variable Rate Bonds during the 365 consecutive days (or any lesser period such Variable Rate Bonds have been Outstanding) next preceding the date of computation; or (v) with respect to any Variable Rate Bonds which are being issued on the date of computation, the initial rate of such Variable Rate Bonds upon issuance. Further, in any computation relating to the issuance of Additional Bonds required by Section 6.03 and any computation required by the rate covenant in Section 8.09, there shall be excluded from the computation of Debt Service Requirements amounts for payment of which money on hand is irrevocably committed and expected to be available to make such payments during such period, including without limitation any amounts in an Escrow Account and any proceeds of Bonds deposited to the credit of the Construction Account to pay capitalized interest.

Debt Service Reserve Account shall mean the account so named created by Section 7.02.

Director of Finance shall mean the Director of Finance and Administrative Services of the City or any successor office.

Escrow Account shall mean any special and separate account established with an Escrow Bank and in which is deposited cash or securities or both, for the express purpose of providing for the payment of principal of, premium, if any, and interest on any Bonds.

Escrow Bank shall mean a bank qualified by law to act as an escrow agent with respect to an Escrow Account.

Event of Default shall mean an event of default as defined in Section 9.01.

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

Government Obligations shall mean direct obligations of the United States of America.

Gross Revenues shall mean for any specified period the sum of all operating and non-operating revenues of the Airport, including rentals, charges, landing fees and concessions, investment earnings transferred to the Revenue Account and ground rentals for Special Purpose Facilities. For the purposes of meeting any of the tests prescribed by the Resolution, any transfer from the Capital Account to the Revenue Account shall be deemed to be Gross Revenues. Gross Revenues shall not include (i) passenger facility charges levied by the City; (ii) gifts, grants or donations, the use of which is limited by the grantor or donor to purposes not including payment of principal of and interest on Bonds; (iii) amounts borrowed by the City, including proceeds of Bonds; (iv) interest earnings on the Construction Account; (v) proceeds of insurance claims or condemnation awards; (vi) amounts received from the sale or other disposition of assets of the Airport; (vii) proceeds of a tax collected at the Airport; or (viii) amounts received for payment of Special Purpose Facility Bonds.

Holder shall mean a Bondholder.

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

Insurer shall mean, in respect of the Series 2000 Bonds, MBIA Insurance Corporation, of Armonk, New York, or a substitute insurer as appointed in accordance with Section 15(a) of the Bond Purchase Agreement.

Interest Payment Date shall mean with respect to a Current Interest Bond the date specified in such Current Interest Bond as the fixed date on which an installment of interest on such Current Interest Bond is due and payable and with respect to a Capital Appreciation Bond the date specified in such Capital Appreciation Bond as the fixed date on which interest is compounded.

Maintenance and Operating Account shall mean the account so named created in Section 7.02.

Maintenance and Operating Expenses shall mean for any specified period all current expenses of the City of operating, maintaining, and repairing the Airport; the term includes, without limiting the generality of the foregoing, legal and overhead expenses of the various City departments directly related and reasonably allocable to the administration of the Airport, insurance premiums, the charges of any paying agents and any other depository bank appertaining to the Airport, contractual services, professional services required by the Resolution, salaries and administrative expenses, labor, and the cost of materials and supplies used for current operation, the cost of defending, settling, or satisfying any litigation or threatened litigation that relates to the Airport, or any aspect thereof, but shall not include any allowance for depreciation, charges for the accumulation of reserves for capital replacements, or interest expense.

Maintenance and Operating Reserve Account shall mean the account so named created in Section 7.02.

Maintenance and Operating Reserve Requirement shall mean as of any time an amount equal to one-sixth of the total Maintenance and Operating Expenses for the then most recent Audited Fiscal Year.

Maturity, when used with respect to any Bond, shall mean the date on which the principal of such Bond is due and payable as therein or herein provided, whether at its Stated Maturity or by call for redemption or otherwise.

Municipal Bond Insurance Policy shall mean the municipal bond insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Series 2000 Bonds as provided therein.

Net Revenues shall mean for any specified period the amount of Gross Revenues for such period remaining after provision for payment of Maintenance and Operating Expenses for such period in accordance with Section 7.05.

1990 Project shall mean the capital improvements of the Airport financed in part from the proceeds of the Series 1990 Bonds.

Opinion of Counsel shall mean a written opinion of Counsel.

Option Bond shall mean a Bond the Holder of which by its terms may tender such Option Bond for payment or purchase by or on behalf of the City prior to the Stated Maturity thereof, or the Stated Maturity of which may be extended by and at the option of the Holder thereof.

Original Purchaser shall mean, with respect to any series of Bonds, the original purchaser of such series of Bonds.

Original Resolution shall mean this Resolution No. 99-_____, adopted by the Council on May 17, 1999.

Outstanding shall mean, when used with reference to Bonds, as of the date of determination, all Bonds theretofore issued except:

- (i) Bonds theretofore canceled by the City or delivered to the City canceled or for cancellation;
- (ii) Bonds and portions of Bonds which under Section 11 are no longer deemed Outstanding; and
- (iii) Bonds in exchange for or in lieu of which other Bonds shall have been issued and delivered pursuant to the Resolution;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the City shall be disregarded and deemed not to be Outstanding.

Paying Agent shall mean the Person designated by or pursuant to this Original Resolution or a Supplemental Resolution to receive and disburse the principal of, premium, if any, and interest on any series of Bonds, on behalf of the City. A Paying Agent may also be the Registrar.

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

Principal Payment Date shall mean the Stated Maturity of any Serial Bond and the Sinking Fund Payment Date for any Term Bond.

Project shall mean an improvement, betterment, reconstruction or extension of the Airport.

Qualified Investments shall mean, to the extent permitted by applicable law,:

- (1) Government Obligations;
- (2) Agency Obligations;
- (3) Interest-bearing demand or time deposits issued by state banks, trust companies, national banking associations or savings and loan associations which deposits: (a) must be continuously and fully insured by the Bank Insurance Fund or the

Savings Association Insurance Fund, or any successor to either of the Federal Deposit Insurance Corporations, (b) must have maturities of less than 365 days and be obligations of banks the short-term obligations of which are rated "A-1+" or better by Standard & Poor's Ratings Services, or (c) must be secured in accordance with Section 7-6-207, M.C.A.; and

(4) State of Montana Short Term Investment Pool or any similar investment pool administered by the State or any of its agencies;

(5) pre-refunded municipal obligations defined as follows:

Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (a) which are rated, based on the escrow, in the highest rating category of Standard & Poor's Ratings Services and Moody's Investor Service, Inc. or any successors thereto; or (b)(i) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraph (1) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

Rate Covenant shall mean the covenant of the City to establish and maintain rates and charges for the use of the Airport described in Section 8.09.

Rate Ordinance shall mean Ordinance No. 90-4838 of the City Council, as amended.

Rating Agency shall mean Moody's Investors Service and Standard & Poor's Ratings Services or their respective successors.

Rating Category shall mean one of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such Rating Category by a numerical or other modifier.

Rebate Account shall mean the account so named created by Section 7.02.

Rebate Certificate shall mean a certificate executed by the City on the date of issuance of any series of Bonds and pursuant to which the City represents and covenants to

segregate funds, calculate amounts, and report and pay to the United States Department of Treasury any rebatable arbitrage relating to the Bonds of such series in accordance with the requirements of Section 148 of the Code and the regulations promulgated thereunder.

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

Redemption Price when used with respect to any Bond to be redeemed shall mean the price at which it is to be redeemed pursuant hereto, including accrued interest thereon.

Refunding Bonds shall mean any Bonds issued to refund, pay, and discharge any Bonds or Credit Facility Obligations.

Registrar shall mean the Person designated by or pursuant to the Resolution to hold and maintain the Bond Register in accordance with Section 5. The Registrar may also be a Paying Agent.

Renewal and Replacement Reserve Account shall mean the account so named created by Section 7.02.

Renewal and Replacement Reserve Requirement as may be determined from time to time shall mean \$225,000 or such amount as may be determined by the Council upon the recommendation of an Airport Consultant.

Reserve Requirement shall mean, as of the date of calculation, an amount equal to the least of: (1) the maximum principal and interest requirements on Outstanding Bonds for the then current or any future fiscal year, (2) 125% of average annual debt service on Outstanding Bonds for any fiscal year, or (3) ten percent (10%) of the aggregate original principal amount of all series of Bonds any Bond of which is then Outstanding.

Resolution shall mean this Original Resolution as amended or supplemented by any Supplemental Resolution.

Revenue Account shall mean the account so named created by Section 7.02.

Serial Bonds shall mean Bonds which are not Term Bonds.

Series 1990 Bonds shall mean the Airport Revenue Bonds of the City, dated as of September 1, 1990, with a Stated Maturity of September 1, 2020, outstanding on the date of adoption of the Original Resolution in the principal amount of \$12,140,000.

Series 2000 Bonds shall mean the City's Airport Revenue Refunding Bonds, Series 2000, authorized to be issued and described in Sections 3 and 4 of this Original Resolution.

Sinking Fund Payment Date shall mean one of the dates set forth in Section 4.04 (as to the Series 2000 Bonds) or in any applicable provisions of a Supplemental Resolution (as to any series of Additional Bonds) for the making of mandatory principal or Accreted Amount payments on Series 2000 Bonds or Additional Bonds which are Term Bonds before the Stated Maturity thereof.

Special Purpose Facility shall mean any improvement, structure, equipment, machinery or other tangible asset located at the Airport, financed from the proceeds of Special Purpose Facility Bonds, the capital cost of which is payable, directly or indirectly, by a Person or Persons using such improvement, structure, equipment, machinery or other tangible asset.

Special Purpose Facility Bonds shall mean bonds or other obligations of the City, permitted by, but not subject to the terms and conditions of this Resolution, issued or incurred to finance or refinance the cost of any Special Purpose Facility and which are secured by and payable solely from rentals or other charges, derived by the City under a lease, sale or other agreement between the City and the Person using the Special Purpose Facility.

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

Subordinate Obligations shall mean bonds or other obligations of the City payable from the Subordinate Obligations Account and issued in accordance with the provisions of Section 6.05.

Subordinate Obligations Account shall mean the account so named created by Section 7.02.

Supplemental Resolution shall mean any City Resolution amendatory of or supplemental to this Original Resolution adopted pursuant to Section 10.

Term Bond shall mean any Bond as to which payments are required by the Resolution to be made at times and in amounts sufficient to redeem all or a portion of the principal of such Bond prior to its Stated Maturity.

Variable Rate Bond means a Bond the interest rate on which may, in accordance with its terms, vary periodically so that the interest for a part or all of the period remaining to its Stated Maturity or Redemption Date cannot accurately be calculated on the date of issuance thereof.

1.02. Rules of Interpretation.

A. All references in this Original Resolution to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of this Original Resolution as originally adopted.

B. The words "herein", "hereof" and "hereunder" and other words of similar import without reference to any particular Section or subdivision refer to the Resolution as a whole and not to any particular Section or other subdivision unless the context clearly indicates otherwise.

C. The terms defined in this Section shall include the plural as well as the singular.

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

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

1.03. Authorization. The City is authorized by the Act to own and operate a municipal airport. Pursuant to Resolution No. 90-16319, the City elected to exercise the powers of an airport authority under the Act. Pursuant to Resolution No. 90-16352 (the "Series 1990 Bond Resolution") and the Act, the City issued the Series 1990 Bonds.

1.04. Outstanding Obligations. On the date of adoption of this Original Resolution there are no other obligations outstanding which are payable from or a lien upon the Net Revenues other than the Series 1990 Bonds. The Series 1990 Bond Resolution will be effective and govern the Airport and the Series 1990 Bonds until the Series 2000 Bonds are issued and the Series 1990 Bonds are defeased as provided herein.

1.05. Issuance of Series 2000 Bonds and Refunding the Series 1990 Bonds. Pursuant to Resolution No. 98-17416, approved by the City Council on October 13, 1998, the City Council preliminarily authorized the issuance and private negotiated sale of the Series 2000 Bonds. It is necessary and desirable as hereinafter determined to refund the Series 1990 Bonds from the proceeds of revenue bonds hereinafter authorized. The average annual interest rate on the Series 2000 Bonds (including any additional interest) is at least fifty-hundredths percent (0.50%) less than the average annual interest rate on the Series 1990 Bonds.

The Series 2000 Bonds are to be sold on forward basis for delivery on April 4, 2000 (the "Date of Issuance"). As provided in the bond purchase agreement, purchasers of the Series 2000 Bonds will be obligated to take up and pay for the Series 2000 Bonds so long as the Series 2000 Bonds are issued and the municipal bond insurance policy described herein and the appropriate legal opinions are delivered, notwithstanding a change in the ratings assigned to the Bonds or a change in the financial condition, operations, performance, properties or prospects of either the City, the Airport or Insurer between the date of adoption of the Original Resolution and the Date of Issuance.

The Series 2000 Bonds are being offered to a limited number of institutional investors who must execute an agreement with the Underwriter to purchase the Series 2000 Bonds on the

Date of Issuance. It is anticipated that the closing of such forward commitment will occur on or about May 19, 1999 (the “*Commitment Closing*”). On such date the purchasers of the Series 2000 Bonds from the Underwriter must pay to the Underwriter \$242,500 (the “*Forward Payment*”) in order to fund certain up-front costs related to the forward sale of the Series 2000 Bonds.

On the date of the Commitment Closing the City will enter into a forward commitment to purchase Government Obligations (the “Forward Purchase Agreement”) to be deposited in escrow on the Date of Issuance with U.S. Bank Trust National Association MT, of Billings, Montana, as escrow agent, which, with other moneys expected to be available on Date of Issuance as described below, will be sufficient to defease the Series 1990 Bonds pursuant to the Series 1990 Bond Resolution. On the date of the Commitment Closing, McGladrey & Pullen, LLP, will deliver to the City its report verifying the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of, and interest on, the Governmental Obligations to be deposited into the escrow to pay when due the principal, premium and interest on the Series 1990 Bonds on July 1, 2000.

1.06. Revenues Available. The City is authorized, pursuant to the Act, to enter into contracts, leases or other arrangements and to charge reasonable and uniform rates, fees, charges and rentals for all privileges, facilities and services directly or indirectly furnished by the Airport, and to pledge and appropriate to the Series 2000 Bonds the revenues to be derived from the operation of the Airport. The City hereby determines, based on current operating results, that the Gross Revenues to be produced from the operation of the Airport during the term of the Series 2000 Bonds will be sufficient to pay the reasonable and ordinary Maintenance and Operating Expenses of the Airport, to pay Annual Debt Service Requirements, to establish and maintain a reserve for payment of debt service on the Series 2000 Bonds in an amount equal to the Reserve Requirement to establish and maintain a maintenance and Operating Reserve, and to establish and maintain a Renewal and Replacement Reserve, as herein prescribed.

Section 2. The Bonds.

2.01. General Title. The general title of the Bonds of all series shall be “Airport Revenue Bonds.” Bonds of each series shall be titled so as to distinguish them from Bonds of all other series.

2.02. General Limitations; Issuable in Series. The aggregate principal amount of Bonds that may be authenticated and delivered and Outstanding under the Resolution is not limited, except as provided in Sections 3 and 6 and except as may be limited by law.

The Series 2000 Bonds shall be issued on the terms and conditions prescribed in the Original Resolution. Additional Bonds may be issued in series as from time to time authorized by Supplemental Resolution. With respect to the Bonds of any particular series, the City may incorporate in or add to the general title of such Bonds any words, letters or fixtures designed to distinguish that series.

2.03. Special, Limited Obligations. The Bonds shall be special, limited obligations of the City. Principal of, premium, if any, and interest on the Bonds shall be payable solely from the Net Revenues (other than to the extent payable out of proceeds of the Bonds) or, if Credit Enhanced Bonds, from money available under the Credit Facility. The Series 2000 Bonds will be secured by the Municipal Bond Insurance Policy. The Bonds shall not be or constitute a pledge of the general credit or taxing powers of the City of any kind whatsoever. Neither the Bonds nor any agreement or obligation of the City contained herein shall be construed to constitute an indebtedness of the State of Montana or the City within the meaning of any constitutional, statutory or Charter provisions whatsoever.

2.04. Payment on Business Day. If any interest, premium or principal of any Bond is payable on a day which is not a Business Day, then such payment may be made without increase on the next succeeding Business Day, with the same force and effect as if made on the date on which such payment was due (whether or not such next succeeding Business Day occurs in a succeeding month).

2.05. Terms of Particular Series. Each series of Bonds (except the Series 2000 Bonds, which are created by Sections 3 and 4) shall be created by a Supplemental Resolution. The Bonds of each series (other than the Series 2000 Bonds, as to which specific provision is made in this Original Resolution) shall bear such date or dates, shall be payable at such place or places, shall have such Stated Maturities and Redemption Dates, shall bear interest, if any, at such rate or rates, from such date or dates or shall be payable in such installments and on such dates and at such place or places, and may be redeemable at such price or prices and upon such terms (in addition to the prices and terms herein specified for redemption of all Bonds) as shall be provided in the Supplemental Resolution creating that series, all upon such terms as the City may determine. Bonds of any Series may be issued as Term Bonds, Serial Bonds, Capital Appreciation Bonds, and Current Interest Bonds, Option Bonds, Variable Rate Bonds, or any combination thereof. The City may, at the time of the creation of any series of Bonds or at any time thereafter, make, and the Bonds of that series may contain, provision for:

- (a) a sinking, amortization, improvement or other analogous fund;
- (b) limiting the aggregate principal amount of the Bonds of that series and of Additional Bonds including Completion Bonds thereafter to be issued;
- (c) exchanging Bonds of that series, at the option of the Holders thereof, for other Bonds of the same series of the same aggregate principal amount of a different authorized kind or authorized denomination or denominations; or
- (d) registration or transfer of ownership, or delivery thereof.

2.06. Form and Denominations of Particular Series. The form of the Bonds of each series (other than the Series 2000 Bonds, as to which specific provision is made in Section 5) shall be established by the Supplemental Resolution creating such series. The Bonds of each

series shall be distinguished from the Bonds of other series in such manner as the Council may determine.

The Bonds of each series shall be in such denominations as shall be provided in the Supplemental Resolution creating such series (other than the Series 2000 Bonds, as to which specific provision is made in this Resolution). In the absence of any such provision with respect to the Bonds of any particular series, the Bonds of such series shall be in the denomination of \$5,000 or any integral multiple thereof of single maturities.

2.07. Execution and Authentication. The Bonds shall be executed on behalf of the City by the manual or facsimile signatures of the Mayor, Director of Finance and City Clerk (or other officers of the City authorized by a Supplemental Resolution); provided, that if required by applicable laws, one such signature on each Bond shall be a manual signature. The seal of the City need not be affixed to or imprinted on any Bond. Any Bond bearing the manual or facsimile signature of an individual who was at any time an appropriate officer of the City shall be valid and sufficient for all purposes, whether or not such individual held such office as of the date of sale, issue or delivery of such Bond. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under the Resolution unless and until a certificate of authentication on such Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on a Bond shall be conclusive evidence that it has been authenticated and delivered under the Resolution and in accordance with the provisions hereof.

2.08. Temporary Bonds. Pending the preparation of definitive Bonds, the City, if authorized by law, may execute and deliver temporary Bonds which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are issued, with such appropriate insertions, omissions, substitutions and other variations as the officers of the City executing such Bonds may determine, as evidenced by their execution of such Bonds.

If temporary Bonds are issued, the City will cause definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the temporary Bonds shall be exchangeable for definitive Bonds upon surrender of the temporary Bonds, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Bonds the City shall execute, and the Registrar shall thereupon authenticate and deliver in exchange therefor, a like principal amount of definitive Bonds of authorized denominations. Until so exchanged the temporary Bonds shall in all respects be entitled to the same security and benefits under the Resolution as definitive Bonds.

Section 3. Issuance and Sale of the Series 2000 Bonds, Preliminary Official Statement.

3.01. Issuance and Sale of the Series 2000 Bonds. The City is authorized, and the Council hereby finds, determines and declares it to be in the best interest of the City, and to

be necessary and expedient for the City to issue its \$11,965,000 Airport Revenue Refunding Bonds, Series 2000, in accordance with the provisions of this Resolution, for the purpose of providing funds to pay or redeem the Series 1990 Bonds and to pay a portion of the costs of issuing the Series 2000 Bonds. D.A. Davidson & Co., of Great Falls, Montana (the Original Purchaser of the Series 2000 Bonds) has offered to purchase the Series 2000 Bonds upon the terms and conditions set forth in a Bond Purchase Agreement dated as of May 11, 1999, at a purchase price of \$11,965,000, plus accrued interest from April 1, 2000 to the date of delivery to the Original Purchaser. That offer is hereby determined and declared to be reasonable and in the best interests of the City. The sale of the Series 2000 Bonds to the Original Purchaser thereof is hereby approved, and the Finance Director as previously authorized is hereby directed, in the name of the City, to execute the Bond Purchase Agreement.

3.02. Delivery of the Series 2000 Bonds. The City hereby covenants that it will take all actions as required to effectuate the issuance and delivery of the Series 2000 Bonds as prescribed in the Bond Purchase Agreement and herein.

3.03. Preliminary Official Statement. The distribution of the Preliminary Official Statement, as approved by the Director of Finance and Airport Director and by the Original Purchaser in connection with the offering of the Series 2000 Bonds and the distribution of a final Official Statement in substantially the form of the Preliminary Official Statement and as approved by the Director of Finance and Airport Director is hereby approved. The Director of Finance and Airport Director have designated the Preliminary Official Statement as "final" for purposes of SEC Rule 15c2-12.

Section 4. The Series 2000 Bonds: Bond Terms, Redemption, Execution and Delivery, Form of Bonds.

4.01. General Terms of Bonds. The Series 2000 Bonds shall be issuable only in fully registered form and shall consist of Current Interest Bonds which are also Serial Bonds and Term Bonds issued in the aggregate principal amount of \$11,965,000 with Stated Maturities in the years 2001 through 2013, 2016 and 2020.

4.02. Terms of the Series 2000 Bonds. The Series 2000 Bonds shall be dated, as originally issued, as of April 1, 2000, shall be in the denomination of \$5,000 each or any integral multiple thereof of single maturities, shall mature on July 1 in the years and amounts set forth below, and shall bear interest from April 1, 2000 until paid or duly called for redemption at the respective annual rates set forth opposite such years and amounts as follows:

<u>Stated Maturity</u>	<u>Amount</u>	<u>Rate</u>
2001	\$ 350,000	4.70%
2002	365,000	4.85
2003	385,000	4.95
2004	400,000	5.05

2005	425,000	5.15	2006	445,000
5.25	2007	470,000	5.35	
2008	490,000	5.45		
2009	515,000	5.55		
2010	550,000	5.65		
2011	575,000	5.75		
2012	610,000	5.85		
2013	645,000	5.95		
2016	2,175,000	6.10		
2020	3,565,000	6.20		

The interest thereon, and, upon surrender of each Series 2000 Bond, the principal amount thereof shall be payable by check or draft issued by the Paying Agent. Interest on the Series 2000 Bonds shall be payable on January 1 and July 1 in each year, commencing January 1, 2001, to the Holders thereof as such appear in the Bond Register as of the close of business on the 15th day of the immediately preceding month, whether or not such day is a Business Day. Each Series 2000 Bond shall bear an original issue date of April 1, 2000. Upon delivery of the Series 2000 Bonds to the Original Purchaser pursuant to Section 4.12 or upon the delivery of Series 2000 Bonds upon a transfer or exchange pursuant to Section 5, the Registrar shall date each Series 2000 Bond so delivered as of the date of its authentication.

4.03. Optional Redemption. Series 2000 Bonds having a Stated Maturity in the years 2001 through 2010 shall not be subject to redemption. Series 2000 Bonds having Stated Maturities in the years 2011 and thereafter shall each be subject to redemption at the option of the City, in whole or in part, and if in part from such Stated Maturities in such principal amounts as the City may designate and in \$5,000 principal amounts selected by the Bond Registrar by lot or other manner deemed fair within a Stated Maturity, on July 1, 2010, and any date thereafter at a Redemption Price shown below, expressed as a percentage of the principal amount thereof to be redeemed, plus interest accrued to the Redemption Date:

<u>Redemption Date</u>	<u>Redemption Price</u>
July 1, 2010 through June 30, 2011	102%
July 1, 2011 through June 30, 2012	101
July 1, 2012 and thereafter	100

4.04. Mandatory Sinking Fund Redemption.

A. The Series 2000 Bonds having a Stated Maturity in the year 2016 shall be subject to redemption and (subject to reduction pursuant to paragraph C) shall be redeemed on July 1 (a "Sinking Fund Payment Date") in the years and amounts set forth below, in \$5,000 principal amounts selected by the Bond Registrar, by lot or other manner deemed fair, at a Redemption Price equal to the principal amount thereof to be redeemed plus interest accrued to the Redemption Date:

<u>Year</u>	<u>Amount</u>
2014	\$680,000
2015	725,000

If the Series 2000 Bonds with a stated maturity of 2016 are not otherwise prepaid, \$770,000 in principal amount would remain to mature in 2016.

B. The Series 2000 Bonds having a Stated Maturity in the year 2020 shall be subject to redemption and (subject to reduction pursuant to paragraph C) shall be redeemed on July 1 (a "Sinking Fund Payment Date") in the years and amounts set forth below, in \$5,000 principal amounts selected by the Bond Registrar, by lot or other manner deemed fair, at a Redemption Price equal to the principal amount thereof to be redeemed plus interest accrued to the Redemption Date:

<u>Year</u>	<u>Amount</u>
2017	\$815,000
2018	865,000
2019	915,000

If the Series 2000 Bonds with a stated maturity of 2020 are not otherwise prepaid, \$970,000 in principal amount would remain to mature in 2020.

C. The principal amount of Series 2000 Bonds required to be redeemed on any Sinking Fund Payment Date shall be reduced by the principal amount of any Series 2000 Bond having a Stated Maturity in 2016 or 2020 and theretofore redeemed under Section 4.03 and not previously applied to reduce the principal amount of Series 2000 Bonds required to be redeemed on a Sinking Fund Payment Date.

4.05. Notice of Redemption. Notice of redemption, stating the amount, the serial numbers, the CUSIP numbers, the interest rates and the Stated Maturity of the Series 2000 Bonds or portions thereof called for redemption, shall be mailed by first class mail by the Registrar to the Paying Agent, the Holder of each Series 2000 Bond to be redeemed at such Person's address shown in the Bond Register, and the Insurer between thirty (30) and sixty (60) days before the Redemption Date; provided that any defect in or failure to give such mailed notice shall not affect the validity of proceedings for the redemption of any Series 2000 Bond not affected thereby. Notice of the redemption of any Series 2000 Bond having been mailed as herein provided, and funds sufficient for its payment with accrued interest having been deposited with the Paying Agent on or before the Redemption Date, interest on such Series 2000 Bond shall cease to accrue on the Redemption Date, and the Holder shall have no further rights with respect thereto or under the Resolution except to receive the Redemption Price so deposited.

In addition to the notice prescribed by the preceding paragraph, the City shall also give notice of the redemption of any Series 2000 Bond or portions thereof at least 35 days before

the Redemption Date by first class mail, telecopy or express delivery service to the Original Purchaser and all registered securities depositories then in the business of holding substantial amounts of obligations of the character of the Series 2000 Bonds (such depository now being The Depository Trust Company, of Garden City, New York) and the one or more national information services that disseminate information regarding municipal bond redemptions; provided that any defect in or any failure to give any notice of redemption prescribed by this paragraph shall not affect the validity of the proceedings for the redemption of any Series 2000 Bond or portion thereof.

Series 2000 Bonds in a denomination larger than \$5,000 may be redeemed in part in any integral multiple of \$5,000. The owner of any Series 2000 Bonds redeemed in part shall receive, upon surrender of such Bond to the Registrar, one or more new Series 2000 Bonds in authorized denominations equal in principal amount to the unredeemed portion of the Bond so surrendered.

4.06. Appointment of Registrar for Series 2000 Bonds. The City hereby appoints U.S. Bank Trust National Association MT, of Billings, Montana, as the Registrar for the Series 2000 Bonds. The City reserves the right to appoint a qualified bank or trust company as successor Registrar for the Series 2000 Bonds.

4.07. Paying Agent for Series 2000 Bonds. The City hereby appoints U.S. Bank Trust National Association MT, of Billings, Montana, as the Paying Agent for the Series 2000 Bonds. On or before each Principal Payment Date, Redemption Date or Interest Payment Date, without further order of the Council, the Director of Finance as Paying Agent, is authorized to pay all principal, premium, if any, and interest then due on the Series 2000 Bonds solely from money in the Debt Service Account. The City agrees to pay fees and charges of the Registrar and Paying Agent.

4.08. Securities Depository.

A. For purposes of this Section 4.08 and Section 4.14, the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2000 Bonds.

“DTC” shall mean The Depository Trust Company of New York, New York.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Series 2000 Bonds as securities depository.

“Representation Letter” shall mean the Blanket Issuer Letter of Representations from the City to DTC.

B. The Series 2000 Bonds shall be initially issued as separately authenticated fully registered Series 2000 Bonds, and one Bond shall be issued in the principal amount of each stated maturity of the Series 2000 Bonds. Upon initial issuance, the ownership of such Series 2000 Bonds shall be registered in the Bond register in the name of Cede & Co., as nominee of DTC. The Registrar, the Paying Agent and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2000 Bonds registered in its name for the purposes of payment of the principal of or interest on the Series 2000 Bonds, selecting the Series 2000 Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series 2000 Bonds under this Resolution, registering the transfer of Series 2000 Bonds, and for all other purposes whatsoever; and neither the Registrar, the Paying Agent nor the City shall be affected by any notice to the contrary. Neither the Registrar, the Paying Agent nor the City shall have any responsibility or obligation to any Participant, any Person claiming a beneficial ownership interest in the Series 2000 Bonds under or through DTC or any Participant, or any other Person which is not shown on the Bond Register as being a registered owner of any Series 2000 Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Series 2000 Bonds, with respect to any notice which is permitted or required to be given to owners of Series 2000 Bonds under this Resolution, with respect to the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2000 Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series 2000 Bonds. So long as any Bond is registered in the name of Cede & Co., as nominee of DTC, the Paying Agent shall pay all principal of and interest on such Bond, and shall give all notices with respect to such Bond, only to Cede & Co. in accordance with the Representation Letter, and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligations with respect to the principal of and interest on the Series 2000 Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the City to make payments of principal and interest. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series 2000 Bonds will be transferable to such new nominee in accordance with paragraph E hereof.

C. In its sole discretion, the City may notify DTC and the Registrar that it has determined to discontinue the Book Entry Only System, whereupon DTC shall notify the Participants of the availability through DTC of Series 2000 Bonds in the form of certificates. In such event, the Series 2000 Bonds will be transferable in accordance with paragraph D hereof. In addition, DTC may determine to discontinue providing its services with respect to the Series 2000 Bonds at any time by giving notice to the City and the Registrar and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the City may appoint a successor securities depository, and DTC, the Paying Agent, the Registrar and the City will cooperate to arrange for such other securities depository to maintain custody of certificates evidencing such Bonds. If a successor securities depository is appointed, that

successor or its nominee will be treated by the Paying Agent, the Registrar and the City as the sole and exclusive owner of such Bonds and, as in the case of DTC, the responsibilities and obligations of the Paying Agent, the Registrar and the City will be solely to that successor securities depository or its nominee and not to any participant in the successor or any person claiming beneficial ownership interest in any such Bonds.

D. In the event that any transfer or exchange of Series 2000 Bonds is permitted under paragraph B or C hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Series 2000 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of this resolution. In the event Series 2000 Bonds in the form of certificates are issued to owners other than Cede & Co., its successor as nominee for DTC as owner of all the Series 2000 Bonds, or another securities depository as owner of all the Series 2000 Bonds, the provisions of this Resolution shall also apply to all matters relating thereto, including, without limitation, the preparation of such Series 2000 Bonds in the form of Bond certificates and the method of payment of principal of and interest on such Series 2000 Bonds in the form of Bond certificates.

4.09. Deposit of Series 2000 Bond Proceeds. Immediately upon delivery of the Series 2000 Bonds the City shall credit the proceeds of the Series 2000 Bonds to the following accounts in the Airport Fund created pursuant to Section 7 and apply such proceeds as follows:

- (a) To the Debt Service Account an amount representing interest accrued on the Series 2000 Bonds from April 1, 2000 to the date of delivery thereof;
- (b) To the Escrow Agent for the Series 1990 Bonds the amount of \$11,814,108.47; and
- (c) To the Construction Account the balance of the proceeds of the Series 2000 Bonds to be used to pay costs of issuance of the Series 2000 Bonds.

4.10. Defeasance of Series 1990 Bonds. Upon the redemption of the Series 1990 Bonds, any excess moneys, including investment income, held by the 1990 Paying Agent shall be remitted to the City and credited by the City to the Debt Service Account in the Airport Revenue Fund.

Simultaneously with the delivery of the Series 2000 Bonds, the Series 1990 Bonds with Stated Maturities in 2001 and later years are hereby irrevocably directed to be called for redemption on July 1, 2000, at a redemption price equal to the principal amount thereof with interest accrued thereon to the date of redemption. The Director of Finance is hereby authorized and directed to give notice of such redemption in accordance with the provisions of the Series 1990 Bond Resolution, such notice to be given on or promptly after the date of issuance of the Series 2000 Bonds, as well as within 60 days but not less than 30 days before said redemption date. Upon establishment of the escrow account pursuant to this Section 4.10 and the Escrow Agreement, the liability of the City with respect to the Refunded Bonds shall be considered discharged in its entirety, as provided in Section 11.04 of the 1990 Resolution.

4.11. Escrow; Redemption of Series 1990 Bonds. Simultaneously with the delivery of the Series 2000 Bonds, the Director of Finance shall deposit in escrow with U.S. Bank Trust National Association MT, of Billings, Montana, the entire proceeds of the Series 2000 Bonds, less any premium or accrued interest received in the sale thereof and the amount thereof to be used to pay costs of issuance of the Series 2000 Bonds and of the refunding of the Series 1990 Bonds, and shall also transmit to said escrow agent, from money on hand and available therefor, any additional sum required to provide funds for the purchase of the securities described in this Section 4.11. The Director of Finance shall cause the amount so deposited to be invested in Government Obligations, maturing on the dates and bearing interest at the rates required to provide funds sufficient to pay the interest when due on each Series 1990 Bond to maturity or earlier redemption and to pay each Series 1990 Bond at maturity on or before July 1, 2000 or upon the redemption of Series 1990 Bonds with subsequent maturities on July 1, 2000. The escrow account and all investments thereof shall be held in safekeeping by said escrow agent, and said account and all income therefrom are irrevocably appropriated for the purposes stated in this Section 4.11. At or before the time of making said deposit and investment the Mayor, Director of Finance and the City Clerk shall execute on the part of the City an escrow agreement with said escrow agent, substantially in accordance with the form of such agreement which has been presented to this Council at the meeting at which this resolution was adopted, and is hereby approved. The Council hereby authorizes the Director of Finance to execute and deliver on behalf of the City the Forward Purchase Agreement.

4.12. Execution and Delivery. The Series 2000 Bonds shall be forthwith prepared for execution under the direction of the Director of Finance, at the expense of the City, and shall be executed on behalf of the City by the signatures of the Mayor, City Clerk and Director of Finance; provided that any or all of such signatures may be printed, engraved or lithographed facsimiles thereof. When the Series 2000 Bonds have been fully executed and authenticated, they shall be delivered by the Registrar to the order of the Original Purchaser thereof upon payment of the purchase price in accordance with the Bond Purchase Agreement authorized in Section 3.01, and the Original Purchaser shall not be obligated to see to the application of the purchase price and is not responsible for the application thereof.

4.13. Transcript Certification. The officers of the City are directed to furnish to Bond Counsel and the Original Purchaser of the Series 2000 Bonds certified copies of all proceedings and information in their official records relevant to the authorization, sale, execution and issuance of the Series 2000 Bonds, and such certificates and affidavits as to other matters appearing in their official records or otherwise known to them as may be reasonably required to evidence the validity and security of the Series 2000 Bonds, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations and recitals of the City as to the correctness of all facts stated therein and the completion of all proceedings stated therein to have been taken.

4.14. Forms of Series 2000 Bonds.

A. The Series 2000 Bonds shall be prepared in substantially the following form; provided that so long as Series 2000 Bonds are registered in the name of Cede & Co. as

provided in Section 4.08, such Series 2000 Bonds may provide for the payment of the Redemption Price upon the partial redemption thereof without presentation and surrender of the Series 2000 Bond:

[Face of the Series 2000 Bonds]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF YELLOWSTONE
CITY OF BILLINGS

AIRPORT REVENUE REFUNDING BOND
SERIES 2000

No. _____ \$

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
		April 1, 2000	

REGISTERED HOLDER:

PRINCIPAL AMOUNT:

The City of Billings (the "City"), a duly organized political subdivision and city of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the registered holder identified above or registered assigns, solely from the Debt Service Account of its Airport Fund, the principal amount specified above on the Maturity Date specified above, or, if this Bond is redeemable as stated below, on an earlier date on which it shall have been duly called for redemption, upon presentation and surrender hereof at the operations center of the Bond Registrar hereinafter named, and promises to pay interest thereon, but only from the same source, from April 1, 2000, or from such later date to which interest has been paid or duly provided for, until the principal amount hereof is paid or until this Bond, if redeemable, has been duly called for redemption, at the annual interest rate specified above. Interest is payable semiannually on January 1 and July 1 in each year, commencing January 1, 2001, to the registered holder of this Bond as such appears of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest is payable by check or draft mailed by U.S. Bank Trust National Association MT, in Billings, Montana, as Bond Registrar and Paying Agent, or its successor designated under the Resolution described herein (the Bond Registrar). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Notwithstanding any other provisions of this Bond, so long as this Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Registrar

shall pay all principal of and interest on this Bond, and shall give all notices with respect to this Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the City.

This Bond is one of a duly authorized issue of Bonds of the City designated as "Airport Revenue Bonds" (collectively, the Bonds), issued and to be issued in one or more series under, and all equally and ratably secured by, a resolution adopted by the City Council on May 17, 1999 (the "Resolution"), to which Resolution, copies of which are on file with the City and Bond Registrar, reference is hereby made for a description of the nature and extent of the security, the conditions under which Additional Bonds may be issued on a parity with the Series 2000 Bonds, the conditions under which the Resolution may be amended and the rights of the Holders of the Bonds. As provided in the Resolution, the Bonds are issuable in series which may vary as in the Resolution provided or permitted. This Bond is one of the series specified in its title (the "Series 2000 Bonds"), issued in the aggregate principal amount of \$11,965,000, all of like date of original issue and tenor except as to serial number, denomination, interest rate, date, maturity date and redemption privilege. The Series 2000 Bonds are issued by the City for the purpose of refunding the Airport Revenue Bonds, Series 1990, of the City previously issued with respect to the Airport.

The Series 2000 Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Montana, particularly Montana Code Annotated, Title 67, Chapter 11, Part 3, as amended (the "Act"), and the home rule charter of the City, and pursuant to the Resolution. The Bonds are payable solely, equally and ratably from the Net Revenues of the Airport, as defined in the Resolution and which by the Resolution are pledged to the Debt Service Account of the Airport Fund.

The Bonds are not general obligations of the City and the City's general credit and taxing powers are not pledged to the payment of the Bonds or the premium, if any, or interest thereon. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provisions.

Series 2000 Bonds maturing in the years 2001 through 2010 are not subject to redemption. Series 2000 Bonds having stated maturities in the years 2011 and thereafter are subject to redemption at the option of the City, in whole or in part, and if in part from such Stated Maturities in such principal amounts as the City may designate and in \$5,000 principal amounts selected by lot within a maturity, on July 1, 2010, and any date thereafter at a Redemption Price shown below, expressed as a percentage of the principal amount thereof to be redeemed, plus interest accrued to the Redemption Date, plus a premium thereon according to the following schedule:

<u>Redemption Date</u>	<u>Redemption Price</u>
July 1, 2010 through June 30, 2011	102%
July 1, 2011 through June 30, 2012	101
July 1, 2012 and thereafter	100

The Series 2000 Bonds maturing in the year 2016 are subject to redemption on July 1 from mandatory sinking fund payments required by the Resolution, in the years and principal amounts set forth below (subject to reduction as provided in the Resolution), at the principal amount hereof to be redeemed plus interest accrued to the date of redemption:

<u>Year</u>	<u>Amount</u>
2014	\$680,000
2015	725,000

If the Series 2000 Bonds with a stated maturity of 2016 are not otherwise prepaid, \$770,000 in principal amount would remain to mature in 2016.

The Series 2000 Bonds maturing in the year 2020 are subject to redemption on July 1 from mandatory sinking fund payments required by the Resolution, in the years and principal amounts set forth below (subject to reduction as provided in the Resolution), at the principal amount hereof to be redeemed plus interest accrued to the date of redemption:

<u>Year</u>	<u>Amount</u>
2017	\$815,000
2018	865,000
2019	915,000

If the Series 2000 Bonds with a stated maturity of 2020 are not otherwise prepaid, \$970,000 in principal amount would remain to mature in 2020.

Notice of redemption will be mailed, by first class mail, between 30 and 60 days before the date fixed for redemption, to the Paying Agent and to the registered holder of each Series 2000 Bond to be redeemed; provided, that any defect in or failure to give such mailed notice shall not affect the validity of proceedings for the redemption of any Series 2000 Bond not affected thereby. Series 2000 Bonds in a denomination greater than \$5,000 principal amount may be redeemed in part, in integral multiples of \$5,000 principal amounts. Upon partial redemption of any Series 2000 Bond, and upon presentation of that Series 2000 Bond at the operations center of the Bond Registrar, a new Series 2000 Bond or Bonds will be delivered to the registered holder without charge, representing the unredeemed principal amount outstanding.

This Bond is a negotiable investment security as provided in the Montana Uniform Commercial Code. As provided in the Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the City at the operations center of the Bond Registrar, by the registered holder hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the registered holder or his attorney; and may also be surrendered in exchange for Series 2000 Bonds of other authorized denominations. Upon such transfer or exchange, the City will cause a new Series 2000 Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, as applicable, bearing interest at the same rate and maturing on the same date, subject to reimbursement for any tax or governmental charge required to be paid with respect to such transfer or exchange.

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

The Resolution permits, with certain exceptions, the amendment thereof and modification of the rights and obligations of the City and rights of the holders of the Bonds, with the consent of the holders of a majority in aggregate principal amount of the Bonds at the time Outstanding, as defined in the Resolution. Any such consent by the holders of the Bond is conclusive and binding upon future holders of this Bond and any Bond issued upon transfer or in exchange herefore without notation of such consent upon this Bond.

All actions or consents required or permitted to be taken under the Resolution upon the occurrence of an event of default or otherwise by the owners of any Bonds insured by MBIA Insurance Corporation (the "Bond Insurer") may be taken by the Bond Insurer without any action being taken by such owner. Any action taken by the Bond Insurer shall be deemed to be the action taken by such owner for purposes of the Resolution.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the City will prescribe and collect rates, fees and charges for all privileges and facilities afforded by the Airport, including all additions thereto and replacements and improvements thereof, and has created a special Airport Fund into which the Gross Revenues (as defined in the Resolution) of the Airport will be paid, and a separate and special Debt Service Account in the Airport Fund, into which will be paid monthly, from and as a first and prior lien on the Net Revenues (as defined in the Resolution) then on hand an amount not less than one-sixth of the interest due and payable on all Outstanding Bonds within the next six months and one-twelfth of the principal on all Outstanding Bonds due and payable within the next twelve months; that from money on hand the City will credit to the Debt Service Reserve Account of the Airport Fund the sum of \$1,032,772.50, which amount is equal to the lesser of: (1) the maximum Principal and Interest Requirements on Outstanding Bonds for the then current or any future fiscal year, (2) 125% of average annual debt service on Outstanding Bonds for any fiscal year, or (3) ten percent (10%) of the aggregate original principal amount of all series of Bonds any Bond of which is then Outstanding (the "Reserve Requirement"). The City has agreed thereafter to credit to the Debt

Service Reserve Account from the Net Revenues, after credits to the Debt Service Account, amounts necessary to maintain the Reserve Requirement; that the Debt Service Account and Debt Service Reserve Account will be used only to pay the principal and interest on the Series 2000 Bonds and any Additional Bonds; that the rates, fees, rentals and charges for the Airport will from time to time be made and kept sufficient to provide Net Revenues for each Fiscal Year at least equal to 125% of the principal of and interest on the Series 2000 Bonds and any Additional Bonds due and payable in such fiscal year and 100% of principal and interest due on any Subordinate Obligations (as defined in the Resolution); the City has also agreed to establish and maintain the Reserve Requirement; to pay promptly the reasonable and current expenses of operating and maintaining the Airport and to provide reserves for such operation and maintenance and for the repair and replacement of the Airport; that Additional Bonds may be issued and made payable from the Airport Fund on a parity with the Series 2000 Bonds only upon satisfaction of certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues, whether or not such obligation shall also constitute a general obligation and indebtedness of the City, unless the lien thereof shall be expressly made subordinate to the lien of the Series 2000 Bonds on such Net Revenues; that all provisions for the security of the owner of this Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the home rule charter and the ordinances and resolutions of the City to be done, to exist, to happen and to be performed in order to make this Bond a valid and binding special obligation of the City according to its terms have been done, do exist, have happened and have been performed as so required; that the principal and interest due on this Bond are payable solely from the Net Revenues of the Airport pledged and appropriated thereto and do not constitute a debt of the City within the meaning of any constitutional or statutory limitation or provision and the issuance of the Series 2000 Bonds does not cause either the general or the special indebtedness of the City to exceed any constitutional, statutory or charter limitation; and that the opinion attached hereto is a true copy of the legal opinion given by Bond Counsel with reference to the Bonds, dated the date of original issuance and delivery of the Bonds.

This Bond shall not be valid or obligatory for any purpose or be entitled to any security or benefit under the Resolution unless the Certificate of Authentication hereon shall have been executed by the Bond Registrar by the manual signature of one of its authorized representatives.

IN WITNESS WHEREOF, the City of Billings, Montana, by its City Council, has caused this Bond and the certificate on the reverse hereof to be executed by the facsimile signatures of its Mayor, City Clerk and Director of Finance.

(Facsimile Signature)
Mayor

(Facsimile Signature)
City Clerk

(Facsimile Signature)
Director of Finance

Date:

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Airport Revenue Refunding Bonds, Series 2000, delivered pursuant to the Resolution mentioned within.

U.S. BANK TRUST NATIONAL
ASSOCIATION MT,
as Bond Registrar and Paying Agent

By _____
Authorized Representative

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at U.S. Bank Trust National Association MT, Billings, Montana.

The Insurer, in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the City to U.S. Bank Trust National Association MT, Billings, Montana, or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments or principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

\$11,965,000
City of Billings, Montana
Airport Revenue Refunding Bonds, Series 2000

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified

mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is late, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A., shall disburse to such owners or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to an Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the City, or any designee of the City for such purpose. The term owner shall not include the City or any party whose agreement with the City constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

MBIA Insurance Corporation

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

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

Additional abbreviations may also be used.

ASSIGNMENT

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

Date:

PLEASE INSERT SOCIAL SECURITY
OR OTHER IDENTIFYING NUMBER
OF ASSIGNEE:

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

SIGNATURE GUARANTEE

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

Exchange Act of 1934, as amended.

Section 5. System of Registration. The City shall cause a register (the "Bond Register") for registration of Bonds and transfers of Bonds to be kept by the Registrar. This Section 5 shall establish a system of registration for the Bonds as defined in the Model Public Obligations Registration Act of Montana, and shall govern unless provisions of a Supplemental Resolution relating to registration, transfer or exchange of Bonds are inconsistent herewith, in which event such provisions of the Supplemental Resolution shall govern as to the Bonds of the series authorized thereby. The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

A. Registrar. The Registrar shall keep at its operations center a bond register in which the Registrar shall provide for the registration of ownership of the Bonds and the registration of transfers and exchanges of the Bonds entitled to be registered, transferred or exchanged.

B. Transfer. Upon surrender for transfer of any Bond duly endorsed by the Holder thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the Holder thereof or by an attorney duly authorized by the Holder in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same series of a like aggregate original principal amount and Stated Maturity as requested by the transferor. The Registrar is not required (i) to transfer or exchange any Bond during the period of fifteen days immediately preceding any selection of Bonds of that series and Stated Maturity for redemption, or (ii) to transfer or exchange any Bond or portion thereof which has been selected for redemption.

C. Exchange. Whenever any Bond is surrendered by the Holder for exchange, the Registrar shall authenticate and deliver one or more new Bonds of the same series of a like aggregate original principal amount, interest rate and maturity, as requested by the Holder or the Holder's attorney in writing. Upon a transfer or exchange, only Current Interest Bonds may be issued in exchange for Current Interest Bonds and only Capital Appreciation Bonds may be issued in exchange for Capital Appreciation Bonds.

D. Cancellation. All Bonds surrendered upon any transfer or exchange shall be promptly canceled by the Registrar and thereafter disposed of as directed by the City.

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

F. Persons Deemed Owners. The City, the Registrar and the Paying Agent may treat the Person in whose name any Bond is at any time registered in the Bond Register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest on or the

Accrued Amount of such Bond and for all other purposes, and all such payments so made to such Person shall be valid and effectual to satisfy and discharge the liability of the City upon such Bond to the extent of the sum or sums to be paid.

G. Taxes, Fees and Charges. For every transfer or exchange of Bonds (except under Section 2.08 or upon a partial redemption of a Bond), the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax or other governmental charge required to be paid with respect to such transfer or exchange.

H. Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be lost, stolen or destroyed, the City shall execute and the Registrar shall authenticate and deliver a new Bond of the same series, of like amount, Stated Maturity and tenor, in exchange and substitution for and upon surrender and cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond lost, stolen or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond lost, stolen or destroyed, upon receipt by the Registrar from the Holder of the lost, stolen or destroyed Bond of evidence satisfactory to the Registrar that such Bond was lost, stolen or destroyed, and of the ownership thereof, and upon receipt by the Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which the City, the Registrar and the Paying Agent shall be named as obligees. All Bonds so surrendered to the Registrar shall be canceled by it and evidence of such cancellation shall be given to the City. If the mutilated, lost, stolen or destroyed Bond has already matured or has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Bond prior to payment.

Section 6. Additional Bonds.

6.01. General Provisions. In addition to the Series 2000 Bonds, whose issuance and delivery is provided for in Section 4, Additional Bonds as described in Sections 6.02, 6.03, 6.04 and 6.05 may at any time and from time to time be issued, sold and delivered by the City but only upon filing with the City Clerk and Registrar the following:

- (a) A Supplemental Resolution creating the designated series of Additional Bonds and authorizing the issuance and the sale thereof to the Original Purchaser named therein for the purchase price set forth therein;
- (b) An Opinion of Bond Counsel stating in effect:
 - (1) that all conditions precedent provided in the Resolution relating to the issuance and delivery of such Additional Bonds have been complied with, including any conditions precedent specified in this Section;
 - (2) that the series of Additional Bonds when issued and delivered by the City will be valid and binding special obligations of the City in accordance with their terms and entitled to the benefits of and secured by the Resolution; and

(3) that the issuance of such Additional Bonds will not adversely affect the exemption from federal income taxation of the interest on any Bonds then outstanding, including Bonds deemed no longer Outstanding by virtue of Section 11.04; and

(c) A certificate signed by the Mayor, City Clerk and Director of Finance stating that the City is not then in default under the Resolution or that any default then existing will be cured upon the issuance of the Additional Bonds and that on the date of issuance of such Additional Bonds and after giving effect to the issuance of such Additional Bonds the balance in the Debt Service Reserve Account equals the Reserve Requirement, or the City has covenanted in the Supplemental Resolution authorizing the issuance of the Additional Bonds to increase the balance in the Reserve Account to the Reserve Requirement in equal monthly installments, from Net Revenues or funds otherwise on hand in the Airport Fund and available therefor, by the earlier of: (i) two years from the date of issuance of such Additional Bonds, or (ii) the date on which interest accruing on such Additional Bonds is no longer to be paid from the proceeds of such Additional Bonds as a Project Cost, as defined in Section 7.03 (as such date is determined by the Director of Finance at or before the issuance of the Additional Bonds), and

(d) Such other certificates and opinions as may be required to meet the provisions and requirements of Sections of 6.02 through 6.05.

6.02. Completion Bonds.

Authorization of Completion Bonds. If the proceeds from the sale of a series of Bonds are insufficient to finance the Costs of the Project for which the Bonds were issued, the City may issue Completion Bonds in such amount as is necessary to defray any such additional cost, subject to the limitations contained herein. Completion Bonds shall be issued in accordance with Section 6.01 and compliance with Section 6.03 is not required.

Prior to any delivery of Completion Bonds there shall be filed with the City Clerk a certificate of the Consulting Engineer (i) stating that the Project has not materially changed from its description in the Supplemental Resolution relating to the series of Bonds theretofore issued to finance such Project; (ii) estimating the revised aggregate cost of such Project; and (iii) stating the amount of Completion Bonds, together with other available funds, will be sufficient to complete the Project at such estimated cost.

6.03. Additional Bonds for Projects. One or more series of Additional Bonds (other than Completion Bonds) may be issued to finance the cost of a Project. Prior to the delivery of such series of Bonds, there shall be filed with the City Clerk:

A. A certificate or opinion of an Independent Accountant setting forth, for the last Audited Fiscal Year or for any period of twelve consecutive calendar months out of the

eighteen calendar months next preceding the delivery of such series of Bonds, as determined by the Independent Accountant, (i) the Gross Revenues and the Net Revenues for such period, and (ii) the Debt Service Requirements for such period; and demonstrating that for such period the Gross Revenues at least equaled the amount needed for making the required deposits to the credit of the several accounts in the Airport Fund and the Net Revenues were not less than 125% of the Debt Service Requirements for such period.

B. A certificate of a Consulting Engineer setting forth (i) the estimated date of completion for the Project for which such series of Bonds is being issued and (ii) in reasonable detail, an estimate of the costs of the Project.

C. A certificate or report of an Airport Consultant showing estimated Gross Revenues and Net Revenues for the remainder of the then current Fiscal Year and for each Fiscal Year thereafter to and including the fifth Fiscal Year following the estimated completion date of such Project and stating that, based upon reasonable assumptions (which are set forth in the certificate or report), including the estimates of a Consulting Engineer referred to in paragraph B, fees and other charges projected to be received will be sufficient to satisfy the Rate Covenant for the remainder of the current Fiscal Year, and (to the extent permitted by accounting standards governing the preparation of such a report) for each of the next five full Fiscal Years following issuance of the Additional Bonds, or each Fiscal Year from the Fiscal Year containing the date of issuance of the Additional Bonds through the fifth complete Fiscal Year following completion of the Project to be financed by such Additional Bonds, whichever is later. In any event, if capitalized interest is to be applied in the last Fiscal Year of a period described in the first sentence of this paragraph C, such period shall be extended through the first complete Fiscal Year during which neither capitalized interest nor investment income thereon is projected to be available.

6.04. Refunding Bonds. If the Additional Bonds are issued to refund Bonds then Outstanding, and the date of issuance of such Additional Bonds is more than 90 days before the date on which the refunded Bonds will all mature or be redeemed, there shall be filed with the City Clerk and the Registrar before the issuance of such Additional Bonds:

A. A report of an Independent Accountant to the effect that the proceeds (excluding accrued interest but including any premium) of the Additional Bonds plus any money to be withdrawn from the Debt Service Account or the Debt Service Reserve Account for such purpose, together with any other funds deposited for such purpose, will be (i) not less than an amount sufficient to pay the principal or Accreted Amount of and redemption premium, if any, on the Outstanding Bonds to be refunded and the interest which will become due and payable on and before the Redemption Dates or Stated Maturities of the Bonds to be refunded, or (ii) from such proceeds there shall be deposited in an Escrow Account in trust, Government Obligations which do not permit the redemption thereof at the option of the issuer, the principal of and the interest on which when due and payable (or redeemable at the option of the holder thereof) will provide, together with any other money which shall have been deposited irrevocably in the Escrow Account for such purpose, but without reinvestment, sufficient money to pay such principal or Accreted Amount, any redemption premium and interest.

B. If the Debt Service Requirements of the Additional Bonds in any Fiscal Year exceed by more than 5% the Debt Service Requirements of the Outstanding Bonds to be refunded or, if not all Outstanding Bonds of a series are to be refunded, and if the first Stated Maturity of the series of Additional Bonds proposed to be issued is later than the final Stated Maturity of any Outstanding Bonds of such series not to be refunded, a certificate or report of an Airport Consultant as would be required under paragraph C of Section 6.03.

Simultaneously with the delivery of Additional Bonds under this Section 6.04, the City shall after payment of the expenses incident to such financing, apply the proceeds of the Additional Bonds (including accrued interest) and any other money provided for such purpose, as follows:

- (1) the accrued interest received as part of the proceeds of such Additional Bonds shall be credited to the Debt Service Account; and
- (2) an amount which, with any other funds or Government Obligations or a combination thereof, that shall be simultaneously deposited in trust, will be sufficient for the purpose specified in Section 6.04(a) shall be deposited in a special escrow account as provided in Section 11.04; and
- (3) If so provided in the Supplemental Resolution authorizing such Additional Bonds, a portion of the proceeds of such Additional Bonds shall be deposited in the Debt Service Reserve Account.

6.05. Subordinate Obligations Permitted. Nothing herein prevents the City from issuing subordinate bonds or incurring other obligations having a lien on the Net Revenues subordinate to the lien thereon of Bonds and payable from the Subordinate Obligations Account. Each Subordinate Bond shall include in its title a word or phrase such as "subordinate" or "junior" or "second lien" and a clear statement that the lien thereon on Net Revenues is subordinate to the lien on all Bonds. No payment of principal or interest shall be made on any Subordinate obligation if the City is then in default in the payment of principal or interest on any Bond.

Section 7. Airport Fund and Accounts.

7.01. Continuation of Airport Fund. The City has established a separate fund designated as the Airport Fund, which shall be maintained as a separate bookkeeping account on the official books of the City until all Bonds and interest and redemption premiums due thereon have been fully paid, or the City's obligations with reference to such Bonds has been discharged as provided in Section 11. All proceeds of Bonds and all other funds presently on hand derived from the operation of the Airport and constituting Gross Revenues are irrevocably pledged and appropriated to the Airport Fund. In addition, there is hereby irrevocably pledged and appropriated to the Airport Fund all Revenues and all investment earnings on all funds and accounts within the Fund.

7.02. Accounts. The following accounts have been established and shall be maintained as separate bookkeeping accounts in the Airport Fund:

- a) a Construction Account;
- b) a Revenue Account;
- c) a Maintenance and Operating Account;
- d) a Debt Service Account;
- e) a Debt Service Reserve Account;
- f) a Maintenance and Operating Reserve Account;
- g) a Subordinate Obligations Account;
- h) a Renewal and Replacement Reserve Account;
- i) a Capital Account; and
- j) a Rebate Account.

7.03. Construction Account. Within the Construction Account a separate subaccount shall be established for each series of Bonds any part of the proceeds of which are credited to the Construction Account. Upon delivery of the Series 2000 Bonds, the City shall credit to the 2000 Subaccount in the Construction Account, from the proceeds of the Series 2000 Bonds, the sum specified in clause D of Section 4.09. The Construction Account shall be used only to pay as incurred and allowed Project costs which are capital costs of Projects authorized in accordance with law and herein, including but not limited to payments due for work and materials performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, interest accruing on Bonds during the period of construction of facilities financed thereby as described in this section, if and to the extent that the Debt Service Account is not sufficient for payment of such interest, Costs of Issuance, reimbursement of any advances made from other City funds, and all other expenses incurred in connection with the construction and financing of such Projects (collectively, Project Costs). To the appropriate subaccount of the Construction Account shall be credited as received all proceeds of Bonds to be applied to the payment of Project Costs and any other funds appropriated by the City for an improvement, betterment or extension to the Airport, any funds received by the City as a grant in aid of construction of the Projects being financed from the proceeds of the Bonds and all income received from the investment of the Construction Account. Upon completion of a Project, the balance remaining in the subaccount of the Construction Account for the Bonds issued to finance that Project, net of any amounts required to be transferred to the Rebate Account as provided in Section 7.12, may be used to pay the cost of other capital improvements to the Airport, if the City receives an opinion of Bond Counsel that the financing of such improvement would not affect the tax exempt status of the Bonds, but if and to the extent not so used shall be transferred to the Debt Service Reserve Account to the extent required to establish the Reserve Requirement therein and, to the extent not so required, to the Debt Service Account.

7.04. Revenue Account. All Gross Revenues and all other revenues required to be deposited shall be credited as received to the Revenue Account. On each Allocation Date the balance then on hand in the Revenue Account shall be allocated to the Maintenance and

Operating Account, Debt Service Account, Debt Service Reserve Account, Maintenance and Operating Reserve Account, Subordinate Obligations Account, Renewal and Replacement Reserve Account, and Capital Account in that order as provided in Sections 7.05 through 7.11.

7.05. Maintenance and Operating Account. On and as of each Allocation Date, there shall be credited to the Maintenance and Operating Account, from the balance then on hand in the Revenue Account, such amount as may be required with any amount then on hand in the Maintenance and Operating Account to pay the Maintenance and Operating Expenses which are then due and payable or will become due and payable before the next Allocation Date (including any amount to be held as a reserve for transfer to the Rebate Account) plus such amount as is reasonably necessary to accumulate in the Maintenance and Operating Account a balance for payment when due of items of Maintenance and Operating Expense not due and payable on a monthly basis. Money in the Maintenance and Operating Account shall be used solely for the payment when due of Maintenance and Operating Expenses and to make transfers to the Rebate Account, if necessary.

7.06. Debt Service Account. Upon delivery of the Series 2000 Bonds, the City shall credit to the Debt Service Account, from the proceeds of the Series 2000 Bonds, the sum specified in clause A of Section 4.09. On and as of each Allocation Date there shall be credited to the Debt Service Account, from the balance then on hand in the Revenue Account, after the required credit to the Maintenance and Operating Account, an amount equal to one-sixth of the interest due and payable on the next Interest Payment Date on all Bonds then Outstanding, plus one-twelfth of the principal or Accreted Amount, if any, due and payable on the next Principal Payment Date on all Outstanding Bonds and one-twelfth of the amount due under any Credit Facility Obligations; provided that on the Allocation Date immediately preceding each Interest Payment Date and each Principal Payment Date the amount to be credited to the Debt Service Account shall be increased or decreased, as the case may be, in order that the balance therein immediately after such credit will equal the total amount due and payable from the Debt Service Account on such Interest Payment Date or Principal Payment Date. Except as provided in Section 7.12, money from time to time held in the Debt Service Account shall be disbursed only to meet payments of principal of, premium, if any, and interest on the Bonds as such payments become due, including payments of principal of and interest on any Term Bonds on a Sinking Fund Payment Date or the Accreted Amount of Capital Appreciation Bonds (and Credit Facility Obligations); provided that on any date when the balance then on hand in the Debt Service Account, plus the balance then on hand in the Debt Service Reserve Account allocable to a series of Bonds, is sufficient with other money available for the purpose to pay or discharge all Bonds of that series and the interest accrued thereon in full, and the balance thereafter on hand in the Debt Service Reserve Account will be at least equal to the Reserve Requirement for all Bonds not to be discharged, it may be used for that purpose. If any payment of principal or interest becomes due when money in the Debt Service Account is insufficient therefor, an amount equal to such deficiency shall be transferred to the Debt Service Account from the Debt Service Reserve Account, the Maintenance and Operating Reserve Account, the Renewal and Replacement Reserve Account or the Capital Account (not necessarily in that order).

If at any time the balance on hand in the Debt Service Account is not sufficient to pay all amounts then due and payable therefrom, after all transfers thereto from other accounts as herein provided, the balance on hand shall be applied as follows: first, to the payment of all interest then due and unpaid on all Bonds, and if not sufficient to pay all such interest, then ratably according to the amount due as interest on each Bond; and second, to the payment of all principal then due and unpaid, and if not sufficient to pay all such principal, then ratably according to the amount of principal due on each Bond, in any case without preference or priority by reason of date of issue, series, serial number or otherwise.

7.07. Debt Service Reserve Account. Upon delivery of the Series 2000 Bonds, there shall be retained in or credited to the Debt Service Reserve Account an amount equal to the Reserve Requirement with respect to the Series 2000 Bonds. If on any Allocation Date the balance in the Debt Service Reserve Account is less than the Reserve Requirement, from the balance on hand in the Revenue Account (after the required credits to the Maintenance and Operating Account and the Debt Service Account) there shall be credited to the Debt Service Reserve Account an amount sufficient to restore the balance on hand in the Debt Service Reserve Account to the Reserve Requirement.

In lieu of maintaining and depositing moneys or securities in the Debt Service Reserve Account, the City may deposit with the Paying Agent an irrevocable surety bond policy, letter of credit or line of credit with the prior written consent of the Insurer both as to the provider of such security and the structure thereof; provided, however, that if the Insurer has lost its consent rights under this Resolution no such surety bond policy, letter or line of credit may be provided. Any such surety bond or letter or line of credit shall permit the Paying Agent to draw amounts thereunder for deposit in the Debt Service Reserve Account which, together with any moneys on deposit in the Debt Service Reserve Account, are not less than the Reserve Requirement and which may be applied for any purpose for which moneys in the Debt Service Reserve Account may be applied.

The Paying Agent shall make a drawing on such letter of credit or line of credit or obtain funds under the surety bond in accordance with the terms thereof and take any and all other action necessary to comply with the terms of such letter of credit, line of credit or surety bond to insure its effectiveness for the purpose for which it was supplied prior to any expiration or termination thereof (i) whenever moneys are required for the purposes for which Debt Service Reserve Account moneys may be applied and (ii) in the event the City has not deposited moneys or a substitute letter of credit, or surety bond or provided a substitute line of credit meeting the requirements of this Section 7.07 in an amount equal to the Reserve Requirement at least two days preceding the expiration or termination of the letter of credit, surety bond or line of credit.

If on any Interest Payment Date, Principal Payment Date or Redemption Date the balance on hand in the Debt Service Account is less than the sum required to pay all principal, Accreted Amount, premium, and interest then due and payable on the Bonds, and such deficiency has not been restored from any other fund the City forthwith shall transfer from the Debt Service Reserve Account to the Debt Service Account an amount equal to such deficiency.

If the City issues any Additional Bonds and, after giving effect to the issuance of such Additional Bonds the balance in the Reserve Account will be less than the Reserve Requirement, the City shall covenant in the Supplemental Resolution authorizing the issuance of the Additional Bonds to increase the balance in the Reserve Account to the Reserve Requirement, calculated after giving effect to the issuance of such Additional Bonds, through substantially equal monthly payments from Net Revenues or funds otherwise on hand in the Airport Fund and available therefor by the earlier of: (i) two years from the date of issuance of such Additional Bonds, or (ii) the date on which interest accruing on such Additional Bonds is no longer to be paid from the proceeds of such Additional Bonds as a Project Cost, as defined in Section 7.03 (as such date is determined by the Director of Finance at or before the issuance of the Additional Bonds).

Money in the Debt Service Reserve Account shall be transferred to Debt Service Account for use only to pay the Debt Service Requirements when the balance on hand in the Debt Service Account is insufficient therefor and to transfer to the Rebate Account if necessary.

If at any time (including, but not limited to, any Principal Payment Date and any Redemption Date), the balance in the Debt Service Reserve Account, net of any amount required to be transferred to the Rebate Account as provided in Section 7.12 hereof, exceeds the Reserve Requirement, the City shall transfer such excess to the Debt Service Account. Provided, however, that investment income on amounts on deposit in the Debt Service Reserve Account during construction of a Project shall be transferred to the Construction Account as received if and to the extent the balance in the Debt Service Reserve Account exceeds the Reserve Requirement.

If it is determined upon any valuation of Qualified Investments in the Debt Service Reserve Account as required in Section 7.14, that the value of the Qualified Investments, together with any cash in the Debt Service Reserve Account together with the amount available to be drawn thereunder of any surety bond or policy, letter of credit or line of credit is less than one hundred percent (100%) of the Reserve Requirement, a deposit is required to be made by the City in an amount necessary to cause the balance on hand in the Debt Service Reserve Account to equal the Reserve Requirement. If it is determined upon any valuation of Qualified Investments in the Debt Service Reserve Account that the value of the Qualified Investments, together with any cash in the Debt Service Reserve Account is greater than one hundred percent (100%) of the Reserve Requirement, the amount so determined to be in excess of the Reserve Requirement shall be transferred to the Debt Service Account, except that prior to the completion date for a project, any such excess attributable to Bonds issued under Sections 6.02 and 6.03 shall be transmitted to the Construction Account.

7.08. Maintenance and Operating Reserve Account. On and as of each Allocation Date there shall be credited to the Maintenance and Operating Reserve Account, from the balance then on hand in the Revenue Account, after the required credits to the Maintenance and operating Account, the Debt Service Account, and the Debt Service Reserve Account such amount as is necessary to maintain a balance equal to the Maintenance and Operating Reserve Requirement. Money in the Maintenance and Operating Reserve Account shall be transferred to

the Maintenance and Operating Account whenever the balance on hand in the Maintenance and Operating Account is not sufficient to pay all Maintenance and Operating Expenses then due and payable and to make transfers to the Rebate Account if necessary. Further, if the balance on hand in the Debt Service Account is insufficient to pay all Debt Service Requirements then due and payable therefrom, an amount equal to all or a part of such deficiency may be transferred to the Debt Service Account from the Maintenance and Operating Reserve Account as provided in the last sentence of the first paragraph of Section 7.06.

7.09. Subordinate Obligations Account. On and as of each Allocation Date there shall be credited to the Subordinate Obligations Account, from the balance then on hand in the Revenue Account, after the required credits to the Maintenance and Operating Account, the Debt Service Account, the Debt Service Reserve Account, and the Maintenance and Operating Reserve Account such amount as may be required to pay Subordinate Obligations, including reasonable reserves therefor, as provided by any Supplemental Resolution or other instrument. Money on hand in the Subordinate Obligations Account shall be transferred to the Maintenance and Operating Account, the Debt Service Account, the Debt Service Reserve Account, or the Maintenance and Operating Reserve Account if at any time the balance on hand in any such accounts, after any transfer elsewhere authorized is not sufficient to pay all costs payable therefrom.

7.10. Renewal and Replacement Reserve Account. On and as of each Allocation Date there shall be credited to the Renewal and Replacement Reserve Account, from the balance then on hand in the Revenue Account, after the required credits to the Maintenance and Operating Account, the Debt Service Account, the Debt Service Reserve Account, the Maintenance and Operating Reserve Account, and the Subordinate Obligations Account such amount as is necessary to maintain the Renewal and Replacement Reserve Requirement. Money in the Renewal and Replacement Reserve Account shall be used only to pay the cost of necessary and unanticipated or emergency repairs and replacements of Airport property, and to make transfers to the Rebate Account, if necessary, except that if at any time the balance on hand in the Debt Service Account is not sufficient to pay all Debt Service Requirements then due and payable therefrom, an amount equal to all or a part of such deficiency may be transferred from the Renewal and Replacement Reserve Account to the Debt Service Account as provided in the last sentence of the first paragraph of Section 7.06.

7.11. Capital Account. On and as of each Allocation Date there shall be credited to the Capital Account the balance on hand in the Revenue Account remaining after the required credits to the Maintenance and Operating Account, the Debt Service Account, the Debt Service Reserve Account, the Maintenance and Operating Reserve Account, the Subordinate Obligations Account, and the Renewal and Replacement Reserve Account. Money in the Capital Account shall be used to provide for the replacement, renewal or major repair of worn out, obsolete or damaged properties and equipment of the Airport, or for improvement or additions to the Airport, or if so directed by the Council to pay Maintenance and Operating Expenses, to redeem Bonds which are subject to redemption according to their terms, and to make annual transfers to the Rebate Fund if necessary, to make transfers to the Revenue Account at the end of each Fiscal Year, except that if at any time the balance on hand in the Debt Service Account is

not sufficient to pay all Debt Service Requirements then due therefrom, an amount equal to all or a part of such deficiency may be transferred from the Capital Account to the Debt Service Account as provided in the last sentence of the first paragraph of Section 7.06.

7.12. Rebate Account. A Rebate Account shall be established and maintained as a separate account in the Airport Fund. The City shall make deposits to and disbursements from the Rebate Account or subaccounts therein in accordance with the Rebate Certificate, and shall invest money on hand in the Rebate Account pursuant to the requirements of the Rebate Certificate, and shall deposit income from such investments immediately upon receipt thereof in the Rebate Account.

7.13. Deposit and Investment of Funds. The Director of Finance shall cause all money pertaining to the Airport Fund to be deposited as received with one or more depository banks duly qualified in accordance with the provisions of Montana Code Annotated, particularly Title 7, Chapter 6, Part 2 or invested in Qualified Investments. Qualified Investments in the Debt Service Reserve Account shall not have maturities extending five years beyond the date of acquisition thereof. Provided, however, that funds representing accrued interest and capitalized interest, if invested, shall be invested only in Government Obligations. Except as otherwise expressly provided herein, income from the deposit or investment of money in any account of the Airport Fund shall be credited as received to the Revenue Account, and handled and accounted for in the same manner as other money in that account.

7.14. Valuation of Investments. The City shall value the Qualified Investments in the Debt Service Reserve Account and amounts in any other funds and accounts invested in Qualified Investments with maturity dates more than 360 days after the date of purchase at least annually on the basis of fair market value. All other funds and accounts invested in Qualified Investments shall be valued semiannually five (5) business days prior to each Interest Payment Date. The City shall within two (2) days of such valuation, notify the Insurer of the value of the Qualified Investments.

Section 8. Covenants.

8.01. General. The City covenants and agrees with the Holders from time to time of all Bonds that the recitals contained in Sections 1.02, 1.03 and 1.04 are correct; and that until all Bonds are fully discharged as provided in this Resolution, it will continue to hold, maintain and operate the Airport as a public convenience, free from all liens thereon or on the income therefrom other than the liens herein granted or provided for, and will maintain, expend and account for its Airport Fund and the several accounts therein as provided in Section 7, and will not incur a further lien or charge on the Gross Revenues of the Airport except upon the conditions and in the manner prescribed in Section 6, and will perform and cause all officers and employees of the City to perform and enforce each and all of the additional covenants and agreements set forth in this Section 8. The City further covenants that it will operate the Airport in an efficient manner with due regard for the interest of the public and at all times will maintain it in good condition, repair and working order. The City may, in accordance with the Act, at any time create a board upon which the Council may, by City Resolution, confer responsibility,

subject to this Resolution, for operation, management, maintenance and improvement of the Airport.

8.02. Competing Service. The City will not establish any other aviation or parking facilities that would, in the opinion of the Airport Consultant, result in a reduction of Net Revenues below the minimum to be maintained as provided in Section 8.09.

8.03. Property Insurance. The City will cause all buildings, properties, fixtures and equipment constituting a part of the Airport to be insured with a reputable insurance carrier or carriers, qualified under the laws of Montana, in such amounts as are ordinarily carried, and against loss or damage by such hazards and risks as are ordinarily insured against, by public bodies owning and operating properties of a similar character and size; provided that if at any time the City is unable to obtain such insurance, it will obtain insurance in such amounts and against such risks as is reasonably obtainable. The proceeds of all such insurance remaining after the payment of the costs and expenses of obtaining such proceeds shall be credited upon receipt to the Construction Account and used in payment of the cost of repairing, restoring or replacing the damaged or destroyed property. If for any reason insurance proceeds are insufficient for the repair, replacement and reconstruction of the insured property, the City shall supply the deficiency from other Airport funds available for that purpose. All insurance proceeds received in excess of the amount required for repair, restoration or replacement of the loss or damage may be transferred to the Capital Account.

8.04. Liability Insurance and Surety Bonds. The City will carry insurance against liability of the City and its employees for damage to persons and property resulting from the operation of the Airport in such amounts as are ordinarily carried, and against loss or damage by such hazards and risks as are ordinarily insured against, by public bodies owning and operating properties of a similar character and size; provided that if at any time the City is unable to obtain such insurance, it will obtain insurance in such amounts and against such risks as is reasonably obtainable. It will also cause all persons handling money and other assets of the Airport Fund to be adequately bonded for the faithful performance of their duties and to account for and pay over such money to the City. All amounts received under such insurance and bonds shall be applied to the payment of the loss or damage covered thereby. The premiums for all insurance and bonds required by this Section and Section 8.03 constitute Maintenance and Operating Expenses, but no liabilities of the City in excess of amounts received under such insurance and bonds shall constitute a lien or charge on revenues or any other assets herein or otherwise pledged to the Airport Fund.

8.05. Disposition of Property. The City will not mortgage, lease, sell or otherwise dispose of any real or personal properties of the Airport, unless:

(a) Prior to or simultaneous with such mortgage, lease, sale or other disposition, all of the Bonds then Outstanding shall be discharged as provided in Section 10; or

(b) (i) The mortgage, lease, sale or other disposition will not prevent the City from complying with the provisions of the Resolution apart from this Section 8.05(b)(i); and

(ii) all proceeds of the mortgage, lease, sale or other disposition of such properties are credited to the Airport Fund.

The City may, however, transfer all or a substantial part of the Airport to another body politic and corporate (including without limitation any successor of the City) if such body politic and corporate succeeds to the duties, privileges, powers, liabilities, disabilities, immunities and rights of the City with respect to the Airport, or substantially all thereof, including all obligations of the City under the Resolution, if in the Opinion of Bond Counsel such transfer shall not adversely and materially affect the privileges and rights of any Holder of any Outstanding Bond.

8.06. Books and Records. The City will cause proper and adequate books of record and account to be kept showing complete and correct entries of all receipts, disbursements and other transactions relating to the Airport, the Gross Revenues derived from its operation, and the segregation and application of the Gross Revenues in accordance with this Resolution, in such reasonable detail as may be determined by the City in accordance with generally accepted accounting principles. It will cause such books to be maintained on the basis of a Fiscal Year. The City shall, within 270 days after the close of each Fiscal Year, cause to be prepared and supply to the Original Purchaser of all series of Bonds then Outstanding the Registrar and Insurer a financial report with respect to the Airport for such Fiscal Year. The report shall be prepared at the direction of the Director of Finance in accordance with applicable generally accepted accounting principles applicable to governmental entities and, in addition to whatever matters may be thought proper by the Director of Finance to be included therein, shall include the following:

(a) A statement in detail of the income and expenditures of the Airport for the Fiscal Year, identifying capital expenditures and separating them from Maintenance and Operating Expenses;

(b) A balance sheet as of the end of the Fiscal Year;

(c) The balance on hand in each account of the Airport 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 the Resolution during the Fiscal Year covered thereby, including proper segregation of the capital expenditures from Maintenance and Operating Expenses, maintenance of the Reserve Requirement in the Debt Service Reserve Account, and

receipt of Gross Revenues during such Fiscal Year as herein required, or, if the report reveals 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 Airport as may be required.

The City shall also have prepared and supplied to the Original Purchaser of all series of Bonds then Outstanding, the Registrar and the Insurer, within 270 days after the close of each Fiscal Year, an audit report prepared by an Independent Accountant in accordance with generally accepted accounting principles and practice with respect to the financial statements and records of the Airport. The audit report shall include an analysis of the City's compliance with the provisions of this Resolution.

The City will permit the Insurer to discuss the affairs, finances and accounts of the Airport Fund or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the City. The City will permit the Insurer to have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

8.07. Cost of Insurance and Accounting. The insurance and fidelity bond premiums and the cost of the bookkeeping and audits herein provided for and of the billings and collection of the Gross Revenues shall be payable from the Maintenance and Operating Account.

8.08. Handling of Funds. The employees of the City, under the direction and control of the Airport Director, shall keep books of account and collect the rates, fees, charges and rentals for the services and facilities provided by the Airport and for other money currently receivable on account thereof. All money collected with respect to the Airport shall be deposited as directed by the Director of Finance in accordance with the provisions of the Resolution. The Director of Finance and Airport Director shall be bonded at all times with a surety company authorized to do business in Montana, in an amount determined by the City Council, to assure the faithful carrying out of their duties. The cost of such fidelity bond or a reasonably allocated share of the costs of any blanket fidelity bond relating to moneys relating to the Airport shall be considered a maintenance and Operating Expense.

8.09. Rate Covenant. (a) The City covenants and agrees that it will at all times fix, impose, charge and collect such rates, fees, charges and rentals for the services, privileges, and facilities provided and made available by the Airport and shall revise the same whenever and as often as may be necessary, according to schedules such that the Net Revenues for each Fiscal Year will be at least equal to 125% of the Debt Service Requirement for such Fiscal Year (the "Rate Covenant").

(b) If the audited financial statements for any Fiscal Year indicate that the City has not complied with the Rate Covenant, then the City shall either (i) promptly undertake, on its own behalf, a review of the reasons for the failure to comply with the Rate Covenant and make such revisions to its rates, fees, charges and rentals for the

services, privileges, and facilities provided and made available by the Airport or methods of operations as it deems necessary to comply with the Rate Covenant and, within sixty (60) days after receipt of the audited financial statements, file with the City Council a certificate of the Director of Aviation and the Director of Finance stating that the revised schedule of rates, rentals and other charges, or changes in methods of operation then in effect are projected to comply with the Rate Covenant; or (ii) within fifteen (15) days after the receipt of the audited financial statements for such Fiscal Year, employ an Airport Consultant to review and analyze the financial status, administration and operations of the Airport and to submit to the City, within sixty (60) days thereafter, a written report on the same, including the action which the Airport Consultant recommends should be taken by the City with respect to the revision of its rates, fees, charges and rental and the alteration of its methods of operation or the taking of other action that is projected to produce the Net Revenues required by the Rate Covenant in the immediately following twelve (12) month period. Promptly upon its receipt of the recommendations, the City shall, after giving due consideration to the recommendations, revise its rates, fees, charges and rentals and alter its methods of operation of the Airport, which revisions or alterations need not comply with the Airport Consultant's recommendations, but which are projected to comply with the Rate Covenant.

Section 9. Events of Default.

9.01. Events of Default. The occurrence of any of the following events is hereby declared an "Event of Default" hereunder:

- a. Default in the payment of principal of or the Accreted Amount of any Bond when due and payable, either at maturity or upon redemption or otherwise.
- b. Default in the payment of any installment of interest on any Bond when due and payable.
- c. Default by the City in the punctual performance of its covenants under the Resolution, apart from the payment of principal or the Accreted Amount or interest on any Bonds, and such default continues for 60 days after written notice has been given to the City by the Insurer, Paying Agent or the Holders of not less than 10% of the Outstanding Bonds.
- d. The City files a petition relating to the Airport and seeking a composition of indebtedness under the Federal Bankruptcy Law, or under any other applicable law.
- e. The City fails to carry out and to perform (or in good faith to begin the performance of) all acts and things lawfully required to be carried out or to be performed by its under any contract relating to the Gross Revenues, to the Airport System, or otherwise, including, without limitation this Resolution, and such failure continues for sixty days after receipt of notice by the City from the Holders of 10% in principal amount of the Bonds then Outstanding; provided, however, that it shall not be considered an

Event of Default under this subsection if the Airport Director and the Airport Consultant determine in writing that corrective action has been instituted within such sixty day period and is being diligently pursued.

f. An order or decree is entered by a court of competent jurisdiction with the consent or acquiescence of the City appointing a receiver or receivers for the Airport or for any Gross Revenues and any other moneys subject to the lien to secure the payment of the Bonds, or both such Airport System and such moneys, or an order or decree having been entered without the consent or acquiescence of the City is not vacated or discharged or stayed on appeal within sixty days after entry.

9.02. Remedies. Each Holder of any Bond shall be entitled to all of the privileges, rights, and remedies provided herein, and as otherwise provided or permitted at law or in equity or by other statutes, except as otherwise provided herein or in a Supplemental Resolution with respect to Credit Enhanced Bonds. No Holder of any Bond shall have the right to institute any proceeding, judicial or otherwise, for the enforcement of the covenants herein contained, except as provided in this Section 9.02. Upon the happening and continuance of an Event of Default, the Holders of not less than 10% in principal amount of the Outstanding Bonds shall, with the consent of the Insurer, if the Outstanding Series 2000 Bonds comprise a majority of Bonds then Outstanding, have the right, either at law or in equity, through suit, action or other proceedings, to protect and enforce the rights of all Holders of such Bonds and to compel the performance of any and all of the covenants required herein to be performed by the City, and its officers and employees, including but not limited to the fixing and maintaining of rates, fees and charges and the collection and proper segregation of Gross Revenues and the application and use thereof. The Holders of a majority in principal amount of Outstanding Bonds shall have the right, with the consent of the Insurer, if the Outstanding Series 2000 Bonds comprise a majority of Bonds then Outstanding, to direct the time, method and place of conducting any proceeding for any remedy available to the Bondholders or the exercise of any power conferred on them and the right to waive a default in the performance of any such covenant, and its consequences, except a default in the payment of the principal of or interest on or the Accreted Amount of any Bond when due. Nothing herein, however, shall impair the absolute and unconditional right of the Holder of each Bond to receive payment of the principal of, premium, if any, and interest on or the Accreted Amount of such Bond as such principal, premium, interest or Accreted Amount respectively become due, and to institute suit for any such payment. Any court having jurisdiction of the action may appoint a receiver to administer the Airport on behalf of the City with power to charge and collect rates, fees and charges sufficient to provide for the payment of any Bonds, and to apply the Gross Revenues in conformity with the Resolution and the laws of the State of Montana.

If the Outstanding Series 2000 Bonds comprise a majority of Bonds then Outstanding, the Insurer shall have the exclusive right to control all remedies provided for hereunder and as otherwise provided in law or equity, and to direct the Paying Agent and Bond Registrar hereunder.

Section 10. Supplemental Resolutions.

10.01. Without Bondholder Consent. The City reserves the right to adopt Supplemental Resolutions from time to time and at any time, for the purpose of curing any ambiguity or eliminate any inconsistency herein or of curing, correcting or supplementing any defective provision contained herein, or of making such provisions with regard to matters or questions arising hereunder as the City may deem necessary or desirable and not inconsistent with the Resolution, and which shall not adversely affect the interests of the Holders of Outstanding Bonds assuming the Series 2000 Bonds were not insured by the Municipal Bond Insurance Policy, or for the purpose of adding to the covenants and agreements herein contained, other covenants and agreements thereafter to be observed and additional revenues or income thereafter appropriated to the Airport Fund, or for the purpose of surrendering any right or power herein reserved to or conferred upon the City, or for the purpose of authorizing the creation and issuance of a series of Additional Bonds, as provided in and subject to the conditions and requirements of Section 6 hereof. Any such Supplemental Resolution may be adopted, without the consent of the Holder of any of the Bonds issued hereunder.

10.02. With Consent of Bondholders. With the consent of the Holders of a majority in aggregate principal amount of the Outstanding Bonds as provided in Section 10.04 and the Insurer, the City may from time to time and at any time adopt a Supplemental Resolution for the purpose of amending the Resolution by adding any provisions hereto or changing in any manner or eliminating any of the provisions of this Original Resolution or of any Supplemental Resolution, except that no Supplemental Resolution shall be adopted at any time without the consent of the Holders of all Bonds then Outstanding and the Insurer, if it would extend the time of payment of interest thereon, would reduce the amount of the principal or Accrued Amount thereof, would give to any Bond or Bonds any privileges over any other Bond or Bonds, would reduce the sources of revenues or income appropriated to the Airport Fund, or would reduce the percentage in principal amount of such Bonds required to authorize or consent to any such Supplemental Resolution.

10.03. Notice. Notice of a Supplemental Resolution to be adopted pursuant to Section 10.02 shall be mailed by the City, by first-class mail, postage prepaid, to the Registrar, to the Insurer and to the Holders of all Bonds at their addresses appearing in the Bond Register, and shall become effective only upon the filing with the City Clerk of written consents, signed by the Holders of not less than fifty-one percent in principal amount of the Bonds then Outstanding. Any written consent to the Supplemental Resolution may be embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by Holders in person or by agents duly appointed in writing, and shall become effective when delivered to the City Clerk. Any consent by the Holder of any Bond shall bind that Holder and every future Holder of the same Bond with respect to any Supplemental Resolution adopted by the City pursuant to such consent, provided that any Holder may revoke his consent with reference to any Bond by written notice received by the City Clerk before the Supplemental Resolution has become effective. In the event that unrevoked consents of the Holders of the required amount of Bonds have not been received by the City Clerk within one year after the mailing of notice of the

Supplemental Resolution, the Supplemental Resolution and all consents theretofore received shall be of no further force and effect.

10.04. Manner of Consent. Proof of the execution of any consent, or of a writing appointing any agent to execute the same, or of the ownership by any Person of Bonds, shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the City if made in the manner provided in this Section 10.04. The fact and date of the execution by any Person of any such consent or appointment may be proved by the affidavit of a witness of such execution or by the certification of any notary public or other officer authorized by law to take acknowledgment of deeds, certifying that the Person signing it acknowledged to him the execution thereof. The fact and date of execution of any such consent may also be proved in any other manner which the City may deem sufficient; but the City may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable. The ownership of Bonds shall be proved by the Bond Register.

10.05. Consent of Insurer. The Insurer shall be deemed the exclusive owner of all Series 2000 Bonds for the purposes of all consents of Bondholders required under this Section 10.

Section 11. Defeasance.

11.01. General. When the liability of the City on any Bond and all interest thereon has been discharged as provided in this section, such Bond shall no longer be deemed Outstanding and all pledges, covenants and other rights granted by this Resolution to the Holders of such Bond shall cease.

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

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

11.04. Escrow. The City may also at any time discharge its liability in its entirety with reference to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in an Escrow Account, cash or Government Obligations authorized by law to be so deposited, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without reinvestment, to provide

funds sufficient to pay all principal, Accrued Amount, interest and redemption premiums, if any, to become due on such Bonds at their Stated Maturities or, if such Bonds are subject to redemption and notice of redemption thereof has been given or irrevocably provided for, to such earlier Redemption Date.

11.05. Requirements of Insurer. Prior to any defeasance of Series 2000 Bonds becoming effective under this Section 11, the Insurer shall have received (a) the final official statement delivered in connection with the refunding bonds, if any, (b) a copy of any accountants' verification report, (c) a copy of the escrow deposit agreement, if any, in form and substance acceptable to the Insurer, and (d) a copy of an opinion of Bond Counsel, dated the date of closing and addressed to the Insurer, to the effect that such Series 2000 Bonds have been paid within the meaning and with the effect expressed in this Resolution, and that the covenants, agreements and other obligations of the City to the holders of such Series 2000 Bonds have been discharged and satisfied. In addition, if a "forward supply contract" is proposed to be used in connection with the defeasance of any Series 2000 Bonds, the prior written consent of the Insurer thereof must be obtained.

11.06. Limitation on Defeasance. In the event that the principal and/or interest due on the Series 2000 Bonds shall be paid by the Insurer pursuant to the Municipal Bond Insurance Policy, the Series 2000 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, and the assignment and pledge of the Net Revenues and all covenants, agreements and other obligations of the City to the Holders shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners.

Section 12. Provisions Relating to Bond Insurance; Payments under Municipal Bond Insurance Policy.

12.01. Provisions. So long as the Municipal Bond Insurance Policy is in full force and effect, the City, Bond Registrar and Paying Agent hereby agree to comply with the following provisions:

A. In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the Series 2000 Bonds, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the Series 2000 Bonds due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

B. If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Insurer or its designee.

C. In addition, if the Paying Agent has notice that any Bondholder has been required to disgorge payments of principal or interest on the Series 2000 Bond to a trustee in Bankruptcy or creditors or others pursuant to a final judgment by a court of competent

jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

D. The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Series 2000 Bonds as follows:

1. If and to the extent there is a deficiency in amounts required to pay interest on the Series 2000 Bonds, the Paying Agent shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and
2. If and to the extent of a deficiency in amounts required to pay principal of the Series 2000 Bonds, the Paying Agent shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Series 2000 Bond surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

E. Payments with respect to claims for interest on and principal of Series 2000 Bonds disbursed by the Paying Agent from proceeds of the Policy shall not be considered to discharge the obligation of the City with respect to such Series 2000 Bonds, and the Insurer shall become the owner of such unpaid Series 2000 Bond and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

F. Irrespective of whether any such assignment is executed and delivered, the City and the Paying Agent hereby agree for the benefit of the Insurer that,

1. They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Series 2000 Bonds, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the City, with interest thereon as

provided and solely from the sources stated in this Resolution and the Series 2000 Bonds; and

2. They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Resolution and the Series 2000 Bond, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Series 2000 Bonds to Holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

G. In connection with the issuance of additional Bonds, the City shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional Bonds.

H. Copies of any amendments made to the documents executed in connection with the issuance of the Series 2000 Bonds which are consented to by the Insurer shall be sent to Standard & Poor's Ratings Services.

I. The Insurer shall receive notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto.

J. The Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the City's audited financial statements and Annual Budget.

Notices: Any notice that is required to be given to a holder of the Series 2000 Bond or to the Paying Agent pursuant to this Resolution shall also be provided to the Insurer. All notices required to be given to the Insurer under this Resolution shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504, Attention: Surveillance.

12.02. Rights of Insurer Limited. Anything contained in this Resolution or in the Series 2000 Bonds to the contrary notwithstanding, the existence of all rights given to the Insurer hereunder with respect to the giving of consents or approvals or the direction of proceedings are expressly conditioned upon its timely and full performance of the Municipal Bond Insurance Policy. Any such rights shall not apply if at any time there are no Series 2000 Bonds outstanding or the Insurer has failed to perform any of its obligations under the Municipal Bond Insurance Policy or has been declared insolvent or bankrupt by a court of competent jurisdiction, or the Municipal Bond Insurance Policy has been determined to be void or unenforceable by final nonappealable judgment of a court of competent jurisdiction; provided, that this Section 12.02 shall not in any way limit or affect the rights of the Insurer as a Series 2000 Bondholder, as subrogee of a Bondholder or as assignee of a Bondholder or to otherwise be reimbursed and indemnified for its costs and expenses and other payment on or in connection with the Series

2000 Bonds or the Municipal Bond Insurance Policy, either by operation of law or at equity or by contract.

12.03. Insurer to be Deemed Bondowner; Rights of Insurer; Payments by the Insurer in Advance of Scheduled Maturity Dates; Notices. (a) The Insurer shall be deemed the exclusive owner of all insured Series 2000 Bonds for the purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies under this Resolution.

(b) To the extent that the Insurer makes payment of the principal of or interest on the Series 2000 Bonds, it shall become the owner of such Series 2000 Bond, for the right to payment of interest on such Series 2000 Bonds and shall be fully subrogated to all of the registered owners' rights thereunder, including the registered owners' rights to payment thereof. To evidence such subrogation (i) in the case of subrogation as to claims for past-due interest, the Bond Registrar shall note the Insurer's rights as subrogee on the registration books of the City maintained by the Bond Registrar upon receipt of proof from the Insurer as to payment of interest thereon to the registered owners of the Series 2000 Bonds, and (ii) in the case of subrogation as to claims for past-due principal, the Bond Registrar shall note the Insurer's rights as subrogee on the registration books of the City maintained by the Bond Registrar upon surrender of the Series 2000 Bonds by the registered owners thereof to the Insurance Paying Agent (as defined in Section 12.01(D) hereof).

(c) In the event that the principal of and/or interest on the Series 2000 Bonds shall be paid by the Insurer pursuant to the terms of the Municipal Bond Insurance Policy, (i) such Series 2000 Bonds shall continue to be "Outstanding" under this Resolution, (ii) the assignment and pledge of the Net Revenues and all covenants, agreements and other obligations of the City to be registered owners shall continue to exist, and the Insurer shall be fully subrogated to all of the rights of such registered owners in accordance with the terms and conditions of subparagraph (b) above and the Municipal Bond Insurance Policy, and (iii) the City shall reimburse the Insurer for the amounts paid by the Insurer under the Municipal Bond Insurance Policy but only from Net Revenues and, to the extent permitted by law, shall pay interest to the Insurer on amounts so paid by the Insurer at the lower of the maximum rate permitted by law or the rate that State Street Bank and Trust Company, N.A., New York, New York, announces from time to time at its principal office as its prime lending rate for domestic commercial loans, such rate to change on the effective date of each change in the announced rate. Amounts paid to the Insurer as Bondowner and subrogee shall, to the extent of such payment, be credited against the amounts to be paid to the Insurer pursuant to clause (iii).

(d) In the event the Insurer shall make any payments of principal of, and/or interest on, any of the Series 2000 Bonds pursuant to the terms of the Municipal Bond Insurance Policy, and the Series 2000 Bonds are accelerated, the Insurer may, at any time and at its sole option, pay to the owners of the Series 2000 Bonds all or any portion of amounts due under the Series 2000 Bonds prior to the Stated Maturities thereof.

(e) The City shall notify the Insurer (i) in advance of the adoption of any amendment of or supplement to this Resolution in the event Bondowner consent is not required, (ii) immediately upon the occurrence of any event of default under this Resolution or of any

event that with notice and/or with the lapse of time could become an event of default under this Resolution and (iii) of any redemption of Series 2000 Bonds at the same time that the owners of the Series 2000 Bonds to be redeemed are notified. In addition, all notices, reports, certificates and opinions to be delivered to the Bondowners or available at the request of the Series 2000 Bondowners shall also be delivered to the Insurer pursuant to this Resolution, any supplement or amendment to this Resolution.

(f) The City or Paying Agent shall also notify the Insurer (i) immediately, upon the withdrawal of amounts on deposit in the Debt Service Reserve Account, other than amounts comprising investment earnings thereon which may be withdrawn in accordance with the terms of this Resolution, upon the determination that a deficiency in the Debt Service Reserve Account exists or upon the failure to make any required deposit to the Debt Service Account to pay principal or interest when due; (ii) immediately upon the resignation or removal of the Paying Agent and Registrar or the appointment of a successor Paying Agent or Registrar; and (iii) upon the defeasance of the Series 2000 Bonds pursuant to Section 11.

Section 13. Tax Matters.

13.01. General Covenant. The City covenants and agrees with the Holders from time to time of the Series 2000 Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Series 2000 Bonds to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations (the "Regulations"), and covenants to take any and all actions within its powers to ensure that the interest on the Series 2000 Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

13.02. Arbitrage Certification. The Mayor, the City Clerk and the Director of Finance, being the officers of the City charged with the responsibility for issuing the Series 2000 Bonds pursuant to this Original Resolution, are authorized and directed to execute and deliver to the Original Purchaser thereof a certificate in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(b) of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Series 2000 Bonds, it is reasonably expected that the proceeds of the Series 2000 Bonds will be used in a manner that would not cause the Series 2000 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the Regulations.

13.03. Arbitrage Rebate. The City acknowledges that the Series 2000 Bonds are subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Treasury Regulations to preserve the exclusion of interest on the Series 2000 Bonds from gross income for federal income tax purposes. In furtherance of the foregoing, the Director of Finance is hereby authorized and directed to execute a Rebate Certificate, substantially in the form of the Rebate Certificate currently on file in the office of the City Clerk, and the City hereby covenants and

agrees to observe and perform the covenants and agreements contained therein, unless amended or terminated in accordance with the provisions thereof.

13.04. Information Reporting. The City shall file with the Secretary of the Treasury, not later than August 15, 2000, a statement concerning the Series 2000 Bonds containing the information required by Section 149(e) of the Code.

13.05. Lease of Facilities Constituting the 1990 Project. The City covenants and agrees that it will not enter into a lease or use agreement relating to the Airport facilities constituting or comprising the 1990 Project for a period in excess of five years unless the lease contains a provision to the effect that (1) the lessee has made an irrevocable election not to claim depreciation or an investment credit under the Code with respect to the leased premises and (2) the term of the lease is not more than eighty percent of the reasonably expected economic life of the Airport facilities constituting or comprising the 1990 Project.

Section 14. Continuing Disclosure.

(a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Series 2000 Bonds and the security therefor and to permit the Original Purchaser and other participating underwriters in the primary offering of the Series 2000 Bonds to comply with amendments to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the "Rule"), which will enhance the marketability of the Series 2000 Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Series 2000 Bonds. The City through the Airport Fund is the only "obligated person" in respect of the Series 2000 Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. The City has complied in all material respects with any undertaking previously entered into by it under the Rule.

If the City fails to comply with any provisions of this Section 14, the Owners of any Outstanding 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 in this Section 14, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Section 14 constitute a default under the Series 2000 Bonds or under any other provision of this Resolution.

As used in this Section 14, "Owner" or "Bondowner" means, in respect of a Series 2000 Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any "Beneficial Owner" (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, "Beneficial Owner" means, in respect of a Bond,

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 Bond (including persons or entities holding Series 2000 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

(1) on or before 270 days after the end of each fiscal year of the City, commencing with the fiscal year ending June 30, 1999, the following financial information and operating data in respect of the City (the "Disclosure Information"):

(A) the audited financial statements of the City (or the Airport if separate audited financial statements are prepared) for such fiscal year, accompanied by 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 (or the Airport if separate audited financial statements are prepared), 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 Director of Finance of the City; and

(B) Information of the type set forth below, which information may be unaudited, but is to be certified as to accuracy and completeness in all material respects by the City's Director of Finance to the best of his or her knowledge, which certification may be based on the reliability of information obtained from governmental or other third party sources:

1. Information, for such fiscal year, of the type contained in the table under the caption "Historical & Historical Pro Forma Debt Service Coverage" in the Official Statement;

2. Information, for such fiscal year, of the type contained under the captions "The Airport - Operations at the Airport - Historical

Airline Market Shares" and "The Airport - Destinations - Historical Passenger Airline Traffic" in the Official Statement; and

3. Information, for such fiscal year, relating to the Airport and updating the operating results of the Airport of the type contained in the tables under the caption "The Airport - Financial Information - Historical Operating Results" in this Official Statement.

Notwithstanding the foregoing paragraph, 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 for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements.

Any or all of the Disclosure 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 of the repositories hereinafter referred to under subsection (c) or the SEC. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the Airport have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or this Section 14 is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner, notice of the occurrence of any of the following events which is a Material Fact (as hereinafter defined):

- (A) Principal and interest payment delinquencies;
- (B) Non-payment related defaults;

- (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (G) Modifications to rights of security holders;
- (H) Bond calls;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities; and
- (K) Rating changes.

As used herein, a "Material Fact" is 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 2000 Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a "Material Fact" is also an event that would be deemed "material" for purposes of the Rule.

(3) In a timely manner, notice of the occurrence of any of the following events or conditions:

- (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
- (B) the amendment or supplementing of this Section 14 pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
- (C) the termination of the obligations of the City under this Section 14 pursuant to subsection (d);
- (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information or the audited financial statements, if any, furnished pursuant to subsection (b)(1) are prepared; and
- (E) any change in the fiscal year of the City.

(c) Manner of Disclosure. The City agrees to make available the information described in subsection (b) to the following entities by telecopy, overnight delivery, mail or other means, as appropriate:

(1) the information described in subsection (b), to each then nationally recognized municipal securities information repository 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"), if any;

(2) the information described in paragraphs (2) and (3) of subsection (b), to the Municipal Securities Rulemaking Board and to the State Depository, if any; and

(3) the information described in subsection (b), to any rating agency then maintaining a rating of the Series 2000 Bonds and, at the expense of such Bondowner, to any Bondowner who requests in writing such information, at the time of transmission under paragraphs (1) or (2) of this subsection (c), 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.

(d) Term; Amendments; Interpretation.

(1) The covenants of the City in this Section 14 shall remain in effect so long as any Series 2000 Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this Section 14 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 the requirements of this Section 14 will not cause participating underwriters in the primary offering of the Series 2000 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 successor to or amendatory thereof.

(2) This Section 14 (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Series 2000 Bonds, by a resolution of this Council filed in the office of the City Clerk of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the 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 Airport or the type of operations conducted by the Airport, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this Section 14 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 2000 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 Bondholders under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation 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 hereunder.

(3) This Section 14 is 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.

(e) Further Limitation of Liability of City. In and to the extent the limitations of liability contained in subsection (a) are not effective, anything contained in this Section 14 to the contrary notwithstanding, in making the agreements, provisions and covenants set forth in this Section 14, the City has not obligated itself except with respect to the Net Revenues. None of the agreements or obligations of the City contained herein shall be construed to constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions whatsoever or constitute a pledge of the general credit or taxing powers of the City.

Section 15. Notices and Consent of Insurer.

15.01. Notices. The City shall furnish to the Insurer a copy of any notice to be given to the registered owners of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to this Resolution relating to the security for the Bonds, and such additional information it may reasonably request.

15.02. Notice of Insufficiency. Notwithstanding any other provision of this Resolution the Director of Finance shall immediately notify the Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default hereunder.

15.03. No Amendment Without Consent. Any provision of this Resolution expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer hereunder without the prior written consent of the Insurer.

15.04. Consent of Insurer in Addition to Bondholder Consent. Unless otherwise provided in this Section, the Insurer's consent shall be required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any supplemental resolution, and (ii) initiation or approval of any action not described in (i) above which requires Bondholder consent.

15.05. Consent of Insurer Upon Default. Anything in this Resolution to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Series 2000 Bondholders or the Paying Agent for the benefit of the Series 2000 Bondholders under this Resolution.

Section 16. Limitation of Rights of the Insurer. Notwithstanding any other provision of this Resolution, any rights granted to or conferred upon the Insurer shall be in effect only as

long as the Insurer is not in payment default under the Municipal Bond Insurance Policy, and upon any such default by the Insurer, all of its rights hereunder shall terminate (except to the extent of subrogation for any payments under the Municipal Bond Insurance Policy, theretofore made by the Insurer); provided, however, that such rights shall be reinstated when the Insurer has cured such default under the Municipal Bond Insurance Policy.

Section 17. Effective Date.

17.01. This Resolution shall become effective upon its passage and all provisions of ordinances, resolutions and other actions and proceedings of the City which are in any way inconsistent with the terms and provisions of this Resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this Resolution.

17.02. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be observed or performed by the City shall be contrary to law, then such agreement or agreements, such covenant or covenants, or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements or the covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds; and the Bondholders shall retain all rights and benefits accorded them under any applicable provisions of law.

17.03. Benefits of the Bond Resolution Limited to Parties. Nothing contained herein, express or implied, is intended to give any Person other than the City, the Insurer, and the Bondholders any right, remedy, or claim under or by reason hereof. Any agreement, promise or covenant contained or required herein to be made or performed by or on behalf of the City or any officer or employee thereof shall be for the sole and exclusive benefit of the City, the Insurer and the Bondholders.

Adopted by the City Council this 10th day of May, 1999.

Charles F. Tracy

Mayor

Attest: *Marita Herold*

City Clerk

(SEAL)

