

RESOLUTION NO. 4551

A RESOLUTION OF THE CITY COUNCIL OF MILES CITY, MONTANA, RELATING TO THE FIRE RESCUE/AMBULANCE STATION GENERAL OBLIGATION BONDS, SERIES 2024; AUTHORIZING THE ISSUANCE AND PRIVATE NEGOTIATED SALE THEREOF TO D.A. DAVIDSON & CO.

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

Section 1. Recitals. The electors of the City at an election duly called, noticed and held on November 7, 2023, at which election a majority of the votes cast (1,178 in favor and 961 opposed) authorized the City to issue and sell up to \$3,945,000 principal amount of general obligation bonds of the City for the purpose of paying issuance costs of the bonds and a paying a portion of the costs of designing, constructing, equipping, and furnishing a new City fire rescue and ambulance station on City-owned property located at 2800 Main Street in Miles City, Montana (the “Project”). The City determines that it is necessary and desirable and in the best interest of the City to issue the authorized bonds and sell them in a private negotiated sale, as authorized by Section 7-7-4254, Montana Code Annotated.

Section 2. Authorization. Such bonds shall be denominated “Miles City, Montana, Fire Rescue/Ambulance Station General Obligation Bonds, Series 2024” (the “Bonds”), and shall be issued in an aggregate principal amount not exceeding \$3,945,000, which, with other available funds of the City, will finance the Project.

Section 3. Sale of Bonds at Private Negotiated Sale. Pursuant to Montana Code Annotated, Section 7-7-4254, this Council hereby determines that it is in the best interests of the City to sell the Bonds at a private, negotiated sale. D.A. Davidson & Co., headquartered in Great Falls, Montana (the “Purchaser”), will serve as underwriter of the Bonds. The Bonds shall be sold on terms and at a purchase price within the following limitations: (1) underwriter’s discount shall not exceed 0.9% of the par amount of the Bonds, exclusive of original issue premium or discount; (2) the aggregate principal amount of the Bonds shall not exceed \$3,945,000; (3) the Bonds shall be subject to redemption as determined by the City according to State law; (4) the minimum purchase price of the bonds shall be in an amount not less than 97% of the face value the Bonds; and (5) the term of the Bonds shall not exceed twenty (20) years. Costs of issuing the Bonds (including, without limitation, the fees and expenses of bond counsel, rating agency fees, the fees of the Paying Agent and Registrar, the costs of printing the Bonds, the Depository Trust Company fees, CUSIP fees, and the costs of preparing, printing and distributing the Preliminary and final Official Statement) will be paid from bond proceeds.


The Mayor, Fire Chief, Council President and the City Treasurer, as officials of the City (hereinafter the “Bond Finance Committee”) are hereby authorized and directed to approve the principal amounts, purchase price, maturity dates, interest rates, original issue discount and premium, and conditions pertaining to the purchase and sale of the Bonds, subject to the limitations contained in the preceding paragraph. Upon approving such terms, any two of the

above-named officials of the City are hereby authorized and directed to approve, execute and deliver a bond purchase agreement (the "Bond Purchase Agreement"), containing the agreement of the City to sell, and the agreement of the Purchaser to purchase, the Bonds in the denomination of \$5,000 each or any integral multiple thereof of single maturities on the terms so approved, and containing such other provisions as such officers shall deem necessary and appropriate. The execution, by the officials of the City referenced above, and delivery of the Bond Purchase Agreement shall be conclusive as to the approval of such officers of the terms of the Bonds and the agreement of the City to sell the Bonds on such terms in accordance with the provisions thereof. The form of the Bonds and the security therefor shall be prescribed by a subsequent resolution to be adopted by this Council.

Section 4. Preliminary Official Statement. The Bond Finance Committee in cooperation with the Purchaser, are hereby authorized and directed to prepare a Preliminary Official Statement to be distributed by the Purchaser to potential purchasers of the Bonds. The Bond Finance Committee is hereby authorized and directed on behalf of the City to approve the Preliminary Official Statement and to deem it a "final" official statement as of its date in accordance with Rule 15c2-12(b)(1) promulgated by the Securities and Exchange Council under the Securities and Exchange Act of 1934.

PASSED AND ADOPTED by a majority vote of the City Council of Miles City, Montana, this 13th day of February, 2024.

CITY COUNCIL
Miles City, Montana

By: 
John Hollowell, Mayor

Attest:


Mary Rowe, City Clerk

CITY OF MILES CITY

General Obligation Bonds, Series 2024

➤ PRELIMINARY FINANCING TIME SCHEDULE ◀

FEBRUARY 2024							MARCH 2024							APRIL 2024							MAY 2024						
SU	M	T	W	TH	F	S	SU	M	T	W	TH	F	S	SU	M	T	W	TH	F	S	SU	M	T	W	TH	F	S
				1	2	3	3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11
4	5	6	7	8	9	10	10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18
11	12	13	14	15	16	17	17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25
18	19	20	21	22	23	24	24	25	26	27	28	29	30	28	29	30					26	27	28	29	30	31	
25	26	27	28	29			31																				

DATE

ACTION

RESPONSIBLE PARTY

January 6	<ul style="list-style-type: none"> The 60-day window for voters to contest the November 7 election for the Bonds ends on January 6 	City
February 1	<ul style="list-style-type: none"> Building Committee: Discuss 2024 Issuance of Bonds with D.A. Davidson (DAD) and Jackson, Murdo & Grant (JMG) 	City/DAD
February 13	<ul style="list-style-type: none"> CITY COUNCIL MEETING – The City Council considers the issuance of Bonds The City Council adopts a Resolution Authorizing the Issuance of Bonds as drafted by JMG, which names a Bond Finance Committee to work on the financing process 	JMG/City
February 14	<ul style="list-style-type: none"> DAD requests disclosure information from the City and the County and begins to draft the Preliminary Official Statement (POS) 	DAD/City
February 22	<ul style="list-style-type: none"> DAD receives requested disclosure information to draft the POS 	DAD/City
February 27	<ul style="list-style-type: none"> Send Draft POS for review by the City and JMG Distribute S&P Rating Information (Draft POS, Audit Reports and Budget) to commence rating process 	DAD DAD
March 4	<ul style="list-style-type: none"> Provide Comments on first draft POS 	DAD/City
March 5	<ul style="list-style-type: none"> Review S&P Rating Power Point Presentation and updated POS document, and Due Diligence Checklist (Bond Finance Committee, as available) (12:00-1:30) 	DAD/City
March 11	<ul style="list-style-type: none"> Hold S&P Rating Zoom Call from (12:30-2:00) (Bond Finance Committee, as available and analysts from S&P) 	City/DAD
March 18	<ul style="list-style-type: none"> Receive S&P Bond Rating Send Tombstone Bond Advertisement announcing the Bond purchase opportunity to the <i>Miles City Star</i> to publish 	City/DAD DAD
March 19	<ul style="list-style-type: none"> Print and Distribute POS/Marketing Materials to prospective investors 	DAD/City
April 1	<ul style="list-style-type: none"> Bond Issue Pricing Meeting to discuss Bond Market and updated Bond information with Bond Finance Committee (1:00-2:00 PM) 	DAD/City
April 3	<ul style="list-style-type: none"> Offer Bonds to Individual Investors, Banks and Other Purchasers Bond Finance Committee Finalizes Bond Rates/Terms with DAD (1:00 p.m.) Execute Bond Purchase Agreement (1:00 p.m.) Distribute Final Financing Schedules (1:30 p.m.) 	DAD DAD/City DAD/City DAD
April 9	<ul style="list-style-type: none"> CITY COUNCIL MEETING – City Council adopts final Bond Resolution 	City/JMG
April 11	<ul style="list-style-type: none"> Distribute Closing Documents Distribute Closing Instructions Coordinate Investment of Proceeds 	JMG DAD City
April 18	<ul style="list-style-type: none"> Closing/Delivery of Bond Proceeds 	All

①

City of Miles City

MILL LEVY IMPACT ANALYSIS

\$3,945,000 General Obligation Bonds

20-Year Bond Term

Premium Estimate: \$415,181.50
 Plus: Investment Earnings from Closing through Completion (see STIP Rate Information)

	City's 2022/23 Taxable Value 2-13-23 Estimate	City's 2023/24 Taxable Value 10-11-23 Election Update	City's 2023/24 Taxable Value 1-31-24 Update
Bond Issue Principal Amount:	\$3,945,000	\$3,945,000	\$3,945,000
Total Estimated Interest Over 20-Year Bond Term (1):	\$2,336,923	\$2,336,923	\$2,451,498
Est. Bond Payment on Tax Rolls Commencing 2024/25 (1):	\$314,096	\$314,096	\$312,248
Divided By: City's Mill Value:	\$9,826,280	\$11,001,005	\$11,001,005
EQUALS: Estimated Number of Mills Required:	31.96	28.55	28.38

Estimated Tax Increase for Individual RESIDENTIAL TAXPAYERS:

2023/24 Tax Year "MARKET VALUE" of Residential Property (2)	2023/24 Tax Year "TAXABLE VALUE" of Residential Property (2)	Estimated ANNUAL Tax (3)	Estimated MONTHLY Tax (3)	Estimated ANNUAL Tax (3)	Estimated MONTHLY Tax (3)	Estimated ANNUAL Tax (3)	Estimated MONTHLY Tax (3)
\$100,000	\$1,350	\$43.15	\$3.60	\$38.54	\$3.21	\$38.32	\$3.19
\$200,000	\$2,700	\$86.31	\$7.19	\$77.09	\$6.42	\$76.64	\$6.39
\$300,000	\$4,050	\$129.46	\$10.79	\$115.63	\$9.64	\$114.95	\$9.58

* All property owners (including farming and ranching operations, commercial businesses, home owners etc...) should use the following formula to calculate the estimated tax impact of the Bond issue. Look up the Property's "Taxable Value" from Personal Tax Statement or the following State website (<http://svc.mt.gov/dor/property/pre>) and use the following formula: **"Taxable Value" X Mill/1,000 = Estimated Annual Tax Impact of the Bonds**

- (1) Based on a true interest cost rate of approximately 4.00% and an average coupon rate of 5.00% over a 20-year Bond term.
- (2) Class 4 residential property has a current tax rate of 1.35% to determine taxable value (except any portion in excess of \$1.5 million has a tax rate of 1.89%). The "Assessed/Market Valuation" for tax purposes determined by the Department of Revenue's property appraisal process will be different than the valuation of most residential property for resale purposes. To better calculate the estimated tax impact of the bond issue, property owners should look up their exact taxable value as shown on their personal tax statement and use the formula shown above in gray.
- (3) Tax impacts are based on property tax legislation adopted at the 2015 Legislative Session and the 2023 Department of Revenue reappraisal effective for the 2023/24 and 2024/25 tax years. Tax impact information varies every year depending on such factors as City Mill Value, method of calculating taxable valuation and actual debt service.



TAXABLE VALUE Trends in the City of Miles City (2008-2023)

	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 4	CLASS 5	CLASS 7	CLASS 8	CLASS 9	CLASS 10	CLASS 12	CLASS 13	CLASS 14	CLASS 15	CLASS 16	CLASS 17		
Description	Net proceeds of mines	Gross proceeds of metal mines	Agricultural land	Residential land	Commercial land	Pollution control, electric and telephone cooperatives, new and expanding industry, etc.	Non-centrally assessed utilities	Business equipment	Pipelines and non-electric generating property of electric utilities	Forest land	Airlines and railroads	Telecommunication utilities and electric generating property of electric utilities	Renewable energy production and transmission property	Carbon dioxide and liquid pipeline property	High Voltage Direct Current Converter Stations	Data Centers	TOTAL (Includes Tax increment)	
Tax Rates	Tax Rate: 100% of annual net proceeds less expenses	Tax Rate: 3.00% of annual gross proceeds	Tax Rate: 2.16% of productive capacity	Tax Rate: 1.35% (except any portion in excess of \$1.5 million has a tax rate of 1.85%)	Tax Rate: 1.82% (except golf courses have a tax rate of 0.445%)	Tax Rate: 3%	Tax Rate: 0%	Tax Rate: 2.10% Tax Rate: the first \$300,000 is exempt; 1.50% for the first \$6 million and 3.00% in excess of \$3 million and starting with tax year 2024/25 the first \$1,000,000 will be exempt	Tax Rate: 12% #3	Tax Rate: 0.37% of forest productivity value	Tax Rate: Varies	Tax Rate: 5%	Tax Rate: 3%	Tax Rate: 3%	Tax Rate: 2.23%	Tax Rate: 0.90%	Percent Growth in Taxable Value from Prior Year Value	
2023 Percent of Total:	0.00%	0.00%	0.00%	59.91%	23.62%	1.89%	0.00%	2.10%	10.65%	0.00%	0.97%	0.85%	0.00%	0.00%	0.00%	0.00%	100.00%	
2023	0	0	205	6,859,489	2,704,872	216,389	0	239,886	1,219,896	0	110,867	97,800	0	0	0	0	11,449,204	14.11%
2022	0	0	0	5,845,409	2,431,961	144,264	0	191,376	1,205,406	0	106,067	109,097	0	0	0	0	10,033,540	0.93%
2021	0	0	0	5,809,819	2,428,450	138,930	0	201,587	1,120,477	0	121,707	120,443	0	0	0	0	9,941,313	3.18%
2020	0	0	0	5,570,062	2,311,692	133,387	0	229,568	1,161,895	0	119,580	168,674	0	0	0	0	9,634,058	1.29%
2019	0	0	0	5,595,959	2,287,045	133,849	0	237,890	1,040,490	0	102,810	114,760	0	0	0	0	9,512,539	1.51%
2018	0	0	0	5,421,926	2,480,567	130,547	0	229,889	958,820	0	165,341	144,668	0	0	0	0	9,371,798	1.70%
2017	0	0	0	5,431,565	2,314,760	122,626	0	230,203	969,898	0	117,871	120,546	0	0	0	0	9,215,070	7.37%
2016	0	0	0	4,950,935	2,178,409	121,983	0	243,111	824,403	0	182,601	169,866	0	0	0	0	8,582,314	-0.61%
2015	0	0	0	4,994,074	2,196,461	134,863	0	269,569	771,420	0	91,556	178,026	0	0	0	0	8,634,662	21.47%
2014	0	0	0	3,818,081	1,968,947	141,821	0	250,287	695,444	0	86,210	148,519	0	0	0	0	7,108,319	0.01%
2013	0	0	0	3,788,737	1,887,930	140,924	0	352,362	625,692	0	86,624	225,628	0	0	0	0	7,107,517	1.96%
2012	0	0	0	3,776,196	1,769,935	140,421	0	323,775	637,640	0	83,013	229,024	0	0	0	0	6,671,084	1.95%
2011	0	0	0	3,421,404	1,687,029	134,387	0	407,581	519,369	0	59,484	248,491	0	0	0	0	6,637,306	0.76%
2010	0	0	0	3,876,528	1,640,833	135,880	0	369,661	565,954	0	34,178	222,522	0	0	0	0	6,785,507	-0.47%
2009	0	0	0	3,714,516	1,606,554	142,471	0	399,218	485,790	0	94,425	234,695	0	0	0	0	6,817,871	2.38%
2008	0	0	0	3,747,921	1,600,218	149,082	0	380,339	482,948	0	38,440	261,222	0	0	0	0	6,859,870	

Note: The State of Montana Department of Revenue went from a 6-year revaluation period to a 2-year revaluation period in 2015. For the above table, revaluation years were 2009, 2015, 2017, 2019, 2021 and 2023.

% change in the City's tax base since 2008

TAX LEVY (1% GROWTH)

CITY OF MILES CITY, MONTANA
GENERAL OBLIGATION BONDS, SERIES 2024
 Assumes "A" Rating, BQ, 7/1/34 Par Call
 [Preliminary - For Discussion Only]

Year Ending	2024 Bond Principal	2024 Bond Interest	Total Debt Service	Taxable Value ¹	District Taxable Value	\$100,000 Monthly Home Impact ²
07/01/2024				\$9,826.280	-	-
07/01/2025	\$85,000	\$237,248	\$322,248	9,924.543	32.470	\$3.65
07/01/2026	125,000	193,000	318,000	10,023.788	31.725	3.57
07/01/2027	135,000	186,750	321,750	10,124.026	31.781	3.58
07/01/2028	140,000	180,000	320,000	10,225.266	31.295	3.52
07/01/2029	145,000	173,000	318,000	10,327.519	30.792	3.46
07/01/2030	155,000	165,750	320,750	10,430.794	30.750	3.46
07/01/2031	160,000	158,000	318,000	10,535.102	30.185	3.40
07/01/2032	170,000	150,000	320,000	10,640.453	30.074	3.38
07/01/2033	180,000	141,500	321,500	10,746.858	29.916	3.37
07/01/2034	185,000	132,500	317,500	10,854.326	29.251	3.29
07/01/2035	195,000	123,250	318,250	10,962.870	29.030	3.27
07/01/2036	205,000	113,500	318,500	11,072.498	28.765	3.24
07/01/2037	215,000	103,250	318,250	11,183.223	28.458	3.20
07/01/2038	225,000	92,500	317,500	11,295.055	28.110	3.16
07/01/2039	240,000	81,250	321,250	11,408.006	28.160	3.17
07/01/2040	250,000	69,250	319,250	11,522.086	27.708	3.12
07/01/2041	265,000	56,750	321,750	11,637.307	27.648	3.11
07/01/2042	275,000	43,500	318,500	11,753.680	27.098	3.05
07/01/2043	290,000	29,750	319,750	11,871.217	26.935	3.03
07/01/2044	305,000	15,250	320.250	11,989.929	26.710	3.00
Total	\$3,945,000	\$2,445,998	\$6,390,998			

¹ Assumes annual growth rate of 1%.

² Home values are expected to appreciate over time. This calculation assumes a set value of \$100,000 as an example based on current tax rates for residential homes of 1.35%

⊕ With growth in the City's tax base, mills for the Bonds go lower over time and tax impacts change as well

(4)

February 9, 2024

City of Miles City
17 South 8th Street
Miles City, MT 59301



Re: Underwriting Letter – City of Miles City – Potential General Obligation Bond Issue Financing

Dear City Officials:

On behalf of D.A. Davidson & Co. (“Davidson”), we wish to thank you for the opportunity to serve as underwriter for the City of Miles City (the “City”) on a potential issuance of General Obligation Bonds for the fire station project (the “Bonds”). This letter will confirm the terms of Davidson’s underwriting engagement (the “Engagement”) where the Bonds would be sold in a public offering and Davidson will serve as the underwriter (or placement agent if determined by the City) (the “Underwriter”).

It is anticipated that this Engagement will be replaced and superseded by a bond purchase agreement for the Bonds to be entered into by the parties (the “Purchase Agreement”) upon successful completion of the planning process and subsequent bond offering process. The Purchase Agreement will present the interest rates, purchase price, redemption features and the public offering or sale prices of the Bonds. The City will consider the Purchase Agreement, but it will not be obligated to accept the same and may reject the same. If the Bonds are not issued by Davidson, the City would owe Davidson \$0.

1. Services to be Provided by Davidson. The City hereby engages Davidson to serve as Underwriter of the proposed issuance of the Bonds, and in such capacity Davidson agrees to provide the following services:

- a. Review financial information necessary to determine the ability of the City to incur and repay the debt.
- b. Size the Bonds to account for the sources and uses of funds.
- c. Recommend maturity schedules, interest rates, call features, method and timing of the bond offering and closing and other terms necessary to achieve a low borrowing cost on the Bonds.
- d. Review the City’s status regarding Continuing Disclosure responsibilities (past and future).
- e. Coordinate the Bond transactions with City Officials and all Financing and/or Project Professionals to include the Architect, Bond Counsel, and Paying Agent and Registrar, and in that regard will prepare financing time and responsibility schedules.
- f. Evaluate and make recommendations to the City concerning an underlying bond rating or bond insurance for the Bonds and facilitate such bond rating or insurance process, if applicable.
- g. Consult with Bond Counsel and review and provide comment on Bond legal documentation.
- h. Prepare a Preliminary Official Statement (the “POS”) that will serve as the disclosure document for the Bonds pursuant to requirements set forth by the Securities Exchange Commission (the “SEC”). The POS will contain the legal authorization and terms of the Bonds, the continuing disclosure undertaking, and general, financial and operating information concerning the City. The City’s POS will be distributed and made available to prospective investors, including local banks and other local investors. The final Official Statement (the “OS”) will be sent to the investors of the Bond issue.
- i. Obtain CUSIP numbers and arrange for their Depository Trust Company (DTC) book-entry eligibility.
- j. Contact potential investors, provide them with bond offering information, respond to their inquiries and, if requested, coordinate their due diligence sessions.
- k. Inform the City of the marketing and bond sale process.

- l. Negotiate the pricing, including the interest rate, and other terms of the Bonds with the City.
- m. Prepare the final debt service schedules and other related financing schedules and calculations for the City, Bond Counsel, and Paying Agent and Registrar.
- n. Assist the City in delivery of the Bonds and bond proceeds in such a manner that bond proceeds will be immediately available for immediate reinvestment.
- o. Prepare and provide information relating to the total revenues necessary to retire the Bonds, including reserve funds and sinking funds.
- p. Examine the feasibility of a refinancing as applicable at a later date at no additional cost to the City.
- q. Such other customary underwriting services as may be requested by the City.

Davidson will provide all services under this Engagement pursuant to the 'underwriter exemption' under the SEC's municipal advisor rules (Rule 15Ba1-1 et seq.), which enables Davidson to provide advice and recommendations with respect to the structure, timing, terms and other similar matters concerning the Bonds. In no event will Davidson provide advice, recommendations or services with respect to matters that are outside the scope of the underwriter exemption.

As Underwriter, Davidson will not be required to purchase the Bonds except pursuant to the terms of the Purchase Agreement, which will not be signed until successful completion of the pre-sale offering period. This letter does not obligate Davidson to purchase any of the Bonds.

2. No Advisory or Fiduciary Role. The City acknowledges and agrees: (i) the primary role of Davidson, as Underwriter, is to purchase the Bonds, for resale to investors, in an arm's-length commercial transaction between the City and Davidson and that Davidson has financial and other interests that may differ from those of the City; (ii) Davidson is not acting as a municipal advisor, financial advisor, or fiduciary to the City and Davidson has not assumed any advisory or fiduciary responsibility to the City with respect to the transaction(s) contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether Davidson has provided other services or is currently providing other services to the City on other matters or transactions); (iii) the only obligations Davidson has to the City with respect to the transaction(s) contemplated hereby expressly are set forth in this Engagement; and (iv) the City may consult its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. If the City desires to consult with and hire a municipal advisor for this transaction that has legal fiduciary duties to the City, the City should separately engage a municipal advisor to serve in that capacity.

3. Fees and Expenses. Based on the final sizing of the Bonds, Davidson will have an underwriting fee that is based on a percent of the principal amount of the Bonds issued. The underwriting fee will represent the difference between the price that Davidson pays for the Bonds and the public offering price stated in the final OS. With respect to the Bonds, such fee will not exceed 0.90%. In addition to the underwriting fee, the City shall pay to Davidson a fee not to exceed \$7,000 as compensation for its services in assisting in the preparation, printing and distribution of the POS and final OS and to reimburse Davidson for payment of applicable CUSIPs, and DTC fees for the Bonds. The City shall be responsible for paying for all other costs of issuance, as applicable, including without limitation, bond counsel, paying agent and registrar fees, rating and insurance fees (as applicable), and any other fees and expenses incident to the performance of the City's obligations under the proposed offering.

4. Disclosures Required by Municipal Securities Rulemaking Board ("MSRB") Rule G-17.

a. Disclosure Concerning the Underwriter's Role:

- i. MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers, such as the City, and investors.

- ii. The underwriter's primary role is to purchase the Bonds with a view to distribution in an arm's-length transaction with the City. The underwriter's financial and other interests may differ from those of the City.
- iii. Unlike a municipal advisor, the underwriter does not have a fiduciary duty to the City under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the City without regard to its own financial or other interests.
- iv. The City may choose to engage the services of a municipal advisor with a fiduciary obligation to represent the City's interest in this transaction.
- v. The underwriter has a duty to purchase the Bonds from the City at a fair and reasonable price, but must balance that duty with their duty to sell the Bonds to investors at prices that are fair and reasonable.
- vi. The underwriter will review the OS for the Bonds in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.¹

b. Disclosures Concerning the Underwriter's Compensation:

The underwriter will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest² since the underwriter may have an incentive to recommend to the City a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

c. Transaction Specific Disclosures:

Since Davidson has not recommended a "complex municipal securities financing" to the City, additional disclosures regarding the financing structure for the Bonds are not required. However, and in accordance with the requirements of MSRB Rule G-17, if Davidson recommends a "complex municipal securities financing" to the City, this letter will be supplemented to provide disclosure of the material financial characteristics of that financing structure as well as the material financial risks of the financing that are known to us and reasonably foreseeable at the time.

d. Additional Conflicts of Interest Disclosures²:

Davidson has not identified any additional potential or actual material conflicts that require disclosure.

5. Questions and Acknowledgment. Davidson is registered as a broker-dealer with the SEC and the MSRB, and is subject to the regulations and rules on municipal securities activities established by the SEC and MSRB. The website address for the MSRB is www.msrb.org. The MSRB website includes educational material about the municipal securities market, as well as an investor brochure that describes the protections that may be provided by the MSRB rules and how to file a complaint with an appropriate regulatory authority.

If you or any other City officials have any questions about the above disclosures, please make those questions known immediately to the undersigned. In addition, you should consult with the City's own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

¹ Under federal securities law, an issuer of securities, such as the City, has the primary responsibility for disclosure to investors. The review of the official statement by the underwriter is solely for the purposes of satisfying the underwriter's obligations under the federal securities laws and such review should not be construed by an issuer as a guarantee of the accuracy or completeness of the information in the official statement.

² Reference to *potential* material conflicts throughout this letter, refer to ones that are reasonably likely to mature into *actual* material conflicts during the course of the transaction, which is the standard required by MSRB Rule G-17.

It is our understanding that you have the authority to bind the City by contract with us, and that you are not a party to any disclosed conflict of interest relating to the subject transaction. If our understanding is incorrect, please notify the undersigned immediately.

6. Term of Engagement. The term of this Engagement shall extend from the date of this letter to closing of the Bonds. Either party may end the Engagement at any time without liability of penalty upon written notice to the other party.


7. Indemnification; Limitation of Liability. To the extent permitted by applicable law, the City shall indemnify, defend and hold Davidson and its employees, officers, agents and affiliates harmless from and against any losses claims, damages and liabilities that arise from or otherwise relate to this Engagement, actions taken or omitted in connection herewith, or the transactions and other matters contemplated hereby, except to the extent such losses, claims, damages or liabilities are judicially determined to be the result of Davidson's gross negligence or willful misconduct.

8. Miscellaneous. This Engagement shall be governed and construed in accordance with the laws of the State of Montana. This Engagement may be amended by written agreement executed by both parties hereto. This Engagement may not be assigned by either party without the prior written consent of the other party.

If there is any aspect of this Engagement that you believe requires further clarification, please do not hesitate to contact us. If the foregoing is consistent with your understanding of this Engagement, please sign and return the enclosed copy of this letter.

Again, we thank you for the opportunity to assist you with the proposed Bond issue financing and the confidence you have placed in us.

Very truly yours,
D.A. DAVIDSON & CO.



Bridget R. Ekstrom
Managing Director, Public Finance Banker

Accepted this 13th day of February, 2024

City of Miles City, Montana

By: 

Title: MAYOR