

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Billings, Yellowstone County, Montana (the "City"), hereby certify that the attached resolution is a true copy of a Resolution entitled: "RESOLUTION RELATING TO \$191,000 SPECIAL SIDEWALK, CURB, GUTTER AND ALLEY APPROACH BONDS, SERIES 1998; CREATING SPECIAL SIDEWALK, CURB, GUTTER AND ALLEY APPROACH FUND AND PRESCRIBING COVENANTS OF THE CITY FOR THE SECURITY OF THE HOLDERS OF THE BONDS" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Council of the City at a regular meeting on June 22, 1998, and that the meeting was duly held by the City Council Members 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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 Members voted in favor thereof: McDermott, Regnier, McDaniel, Iverson, Kennedy, Johnson, Ohnstad; voted against the same: Deisz, Elison; abstained from voting thereon: none; or were absent: Larson.

WITNESS my hand and seal officially this 22 day of June, 1998.

Marita Herold
City Clerk

RESOLUTION NO. 98-17364

RESOLUTION RELATING TO \$191,000 SPECIAL SIDEWALK, CURB, GUTTER AND ALLEY APPROACH BONDS, SERIES 1998; CREATING SPECIAL SIDEWALK, CURB, GUTTER AND ALLEY APPROACH FUND AND PRESCRIBING COVENANTS OF THE CITY FOR THE SECURITY OF THE HOLDERS OF THE BONDS

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

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

1.01. Sale of Special Sidewalk, Curb, Gutter and Alley Approach Bonds.

This Council authorized, by Resolution No. 98-17349, adopted May 26, 1998, the issuance and public sale of special sidewalk, curb, gutter and alley approach bonds of the City in the aggregate principal amount of \$311,000 for the purpose of financing the construction of certain sidewalks, curbs, gutter and alley approaches heretofore ordered by this Council pursuant to Resolution No. 98-17338, adopted March 23, 1998, and Resolution No. 98-17342, adopted April 13, 1998, and as set forth on Exhibit A hereto, as the Developer Project and the St. Andrew's Project (the "Improvements"). Due to receipt of lower than anticipated construction bids, the notice of bond sale was amended to decrease the aggregate principal amount of the bonds to \$191,000 (the "Bonds"). Advertisements for bids for the purchase of the Bonds were published in accordance with the provisions of Montana Code Annotated, Sections 7-12-4204, 7-7-4252 and 17-5-106. After a public sale conducted in accordance with applicable statutory provisions and pursuant to the minutes of its June 8, 1998 meeting, this Council authorized the City to enter into a contract with Dain Rauscher Incorporated, of Denver, Colorado (the "Original Purchaser"), as the lowest responsible bidder pursuant to which the Original Purchaser agreed to purchase from the City the Bonds at a purchase price of \$185,479.91 plus accrued interest thereon from the date of original issue of the Bonds, at the rates of interest set forth in Section 2.01 hereof and upon the further terms set forth in this resolution resulting at a net interest rate of 4.91535% per annum and a total interest cost of \$58,787.59.

In Resolution No. 98-17328, adopted February 23, 1998, and Resolution No. 98-17331, adopted March 9, 1998, this Council found that it is in the public interest, and in the best interest of the City and the properties, to secure payment of principal of and interest on the Bonds by the Special Improvement District Revolving Fund of the City, on the basis of the factors required to be considered under Section 7-12-4225 of the Act. Those findings are hereby ratified and confirmed.

1.02. Costs. Costs of the Improvements in excess of the costs to be assessed against the Improvements will be paid from available City contributions and private utility contributions. It is currently estimated that the costs and

expenses to be assessed against properties benefitted by the Improvements, including costs of preparation of plans, specifications, maps, profiles, engineering superintendence and inspection, preparation of assessment rolls, expenses of making the assessments, the cost of work and materials under the construction contract and all other costs and expenses, including the deposit of proceeds in the Revolving Fund, is not less than \$191,000. Such amount will be levied and assessed upon the assessable real property benefitted by the Improvements. This Council has jurisdiction and is required by law to levy and assess such amount, to collect such special assessments and credit the same to the special sidewalk, curb, gutter and alley approach fund created for the Improvements, which fund is to be maintained on the official books and records of the City separate from all other City funds, for the payment of principal and interest when due on the bonds herein authorized.

1.03. Compliance with Constitution and Statutes. All acts, conditions and things required by the Constitution and laws of the State of Montana, including Montana Code Annotated, Title 7, Chapter 14, Part 41, and Title 7, Chapter 12, Parts 41 and 42, as amended, in order to make the Bonds valid and binding special obligations in accordance with their terms and in accordance with the terms of this resolution have been done, do exist, have happened and have been performed in regular and due form, time and manner as required.

Section 2. \$191,000 Special Sidewalk, Curb, Gutter and Alley Approach Bonds, Series 1998.

2.01. Principal Amount, Maturities, Date, Denominations and Interest Rate. For the purpose of paying the costs and expenses incurred in the construction of the Improvements and in anticipation of the collection of special assessments to be levied therefor, and in accordance with the public offering and contract of sale described in Section 1.01, the City shall forthwith issue and deliver to the Purchaser its Special Sidewalk, Curb, Gutter and Alley Approach Bonds, Series 1998, in the aggregate principal amount of \$191,000, payable solely from the 1998 Special Sidewalk, Curb, Gutter and Alley Approach Fund of the City (the "1998 Sidewalk Fund"). The Bonds shall bear an original issue date and be registered as of July 1, 1998, and shall be issued in the form of fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof, provided that one Bond with a stated maturity in 1999 shall be in the principal amount of \$6,000.

The Bonds shall mature on July 1 in the years and amounts set forth below, subject to prior redemption, and shall bear interest from the date of original registration to their respective maturities or prior dates upon which they have been duly called for redemption at the rates per annum set forth opposite such years and amounts, respectively:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
1999	\$16,000	4.00%	2005	\$15,000	4.35%
2000	20,000	4.05	2006	15,000	4.45
2001	20,000	4.10	2007	15,000	4.55
2002	15,000	4.15	2008	15,000	4.60
2003	15,000	4.20	2009	15,000	4.65
2004	15,000	4.25	2010	15,000	4.70

Each of the Bonds shall represent one or more principal installments of the issue of the same maturity. Principal installments of the issue are numbered from 1 through 38, each in the amount of \$5,000, provided that one principal installment with a stated maturity in 1999 shall be in the principal amount of \$6,000. Principal of and interest on the Bonds are payable in lawful money of the United States of America. Upon the original delivery of the Bonds or upon transfer or exchange of Bonds, the Registrar (as hereinafter defined) shall date each Bond so delivered as of the date of its authentication.

2.02. Method of Payment. The Bonds shall be issuable only in fully registered form, and the ownership of the Bonds shall be transferred only upon the bond register of the City hereinafter described. The interest on, and upon presentation and surrender thereof at the principal office of the Registrar described herein, the principal amount of each Bond at the principal office of the Registrar described herein, the amount payable with respect thereto, shall be payable by check or draft issued by the Registrar.

2.03. Interest Payment Dates. Interest on the Bonds shall be payable semiannually on each January 1 and July 1, commencing January 1, 1999, to the owners of record thereof as such appear in the bond register as of the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day.

2.04. Registration. The City hereby appoints the Director of Finance of the City to act as bond registrar, transfer agent and paying agent (the "Registrar"). The City reserves the right to appoint a bank, trust company or fiscal company as successor bond registrar, transfer agent or paying agent, as authorized by the Model Public Obligations Registration Act of Montana (the "Act"), but the City agrees to pay the reasonable and customary charges of the Registrar for the services performed. This Section 2.04 shall establish a system of registration for the Bonds as defined by the Act. The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Bond Register. The Registrar shall keep at its principal office a bond register in which the Registrar shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged.

(b) Transfer. Upon surrender for transfer of any Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of the transfer of any Bond or principal installment thereof to be selected or called for redemption. No transfer or exchange of a Bond shall affect its order of registration for purposes of redemption pursuant to Section 2.05.

(c) Exchange of Bonds. Whenever any Bond is surrendered by the registered owner for exchange, the Registrar shall authenticate and deliver one or more new Bonds of a like aggregate principal amount and maturity, as requested by the registered owner or the owner's attorney duly authorized in writing.

(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 valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered in the bond register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer of Bonds or exchange of Bonds (except for an exchange upon the partial redemption of any Bond

pursuant to Section 2.06), the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be canceled by it and evidence of such cancellation shall be given to the City. If the mutilated, destroyed, stolen or lost Bond has already matured or such Bond has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Bond prior to payment.

2.05. Redemption. Whenever there will be any balance in the 1998 Sidewalk Fund after payment of the principal and interest due on all Bonds drawn against it, either from the prepayment of special assessments levied with respect to the Improvements or from the transfer of surplus moneys from the Construction Account to the Principal Account as provided in Section 3.02, the Director of Finance shall call for redemption on any interest payment date outstanding Bonds or principal installments thereof in an amount which, together with the interest thereon to the date of redemption, will equal (as closely as the amount of the principal installment will permit) the amount of the 1998 Sidewalk Fund on the interest payment date. The Bonds are subject to redemption at the option of the City from other sources of funds available therefor on any interest payment date; provided, however, that the Bonds shall not be called for redemption from the proceeds of refunding bonds before July 1, 2001. For purposes of redemption, the order of registration of the Bonds shall correspond to the order of the numbers of the principal installments represented by the Bonds. Bonds representing more than one principal installment may be redeemed in part, in one or more whole principal installments, and upon such partial redemption, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal installments outstanding. Bonds shall be redeemed in the order of the principal installments they represent, at a redemption price equal to the principal installment or installments of the Bonds to be redeemed plus interest accrued thereon to the date of redemption. The date of redemption shall be fixed by the Director of Finance, who shall give notice, by first class mail, postage prepaid, to the owner or owners of such Bonds at their addresses appearing in the bond register, of

the numbers of the principal installments and Bonds to be redeemed and the date on which payment will be made, which date shall be not less than thirty days after the date of mailing notice. The Director of Finance shall at the same time mail notice of the redemption to the Original Purchaser. On the date so fixed interest on the Bonds or principal installments thereof to be redeemed shall cease to occur.

2.06. Execution, Registration and Delivery of Bonds. The Bonds shall be prepared under the direction of the City Clerk and shall be executed on behalf of the City by the signatures of the Mayor, the Director of Finance and the City Clerk and sealed with the official seal of the City; provided that the seal and all signatures may be printed, engraved or lithographed facsimiles of the originals. In case any officer whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of any Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this resolution unless and until a certificate of authentication on such Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificate of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution. The Bonds shall be registered in order of their serial numbers by the Director of Finance as of July 1, 1998, and the Bonds shall be delivered by the Registrar to the Original Purchaser upon payment of \$185,479.91 for the principal of the Bonds plus accrued interest from the registration date to the date of such delivery and payment. The Original Purchaser shall not be obligated to see to the application of the purchase price, but from the proceeds of the Bonds the Director of Finance shall credit forthwith the balance of such proceeds to the Construction Account in the 1998 Sidewalk Fund to be used solely for the payment of the cost and expenses necessarily incurred in the construction of the Improvements, except that the accrued interest received shall be deposited in the Interest Account in the 1998 Sidewalk Fund and applied in payment of interest on the Bonds when due.

2.07. Form of Bonds. The Bonds shall be prepared in substantially the form set forth in Montana Code Annotated, Section 7-12-4202, as more fully set forth in Exhibit B hereto and by this reference made a part hereof.

Section 3. 1998 Special Sidewalk, Curb, Gutter and Alley Approach Fund.

3.01. 1998 Sidewalk Fund. The 1998 Sidewalk Fund is hereby created and designated as the "1998 Special Sidewalk, Curb, Gutter and Alley Approach Fund." The 1998 Sidewalk Fund shall be maintained as a separate bookkeeping account by the Director of Finance on the books and records of the City. Within the 1998 Sidewalk Fund there shall be maintained separate accounts, designated as the

"Construction Account," the "Principal Account" and the "Interest Account," respectively.

3.02. Construction Account. There shall be credited to the Construction Account of the 1998 Sidewalk Fund the proceeds of the sale of the Bonds, less any interest accrued thereon to the date of delivery to the Purchaser. All costs and expenses of constructing the Improvements to be paid from proceeds of the Bonds shall be paid from time to time as incurred and allowed from the Construction Account in accordance with the provisions of applicable law, and moneys in such Construction Account shall be used for no other purpose; provided that after all claims and expenses with respect to the Improvements have been fully paid and satisfied, any moneys remaining in the Construction Account shall be transferred to the Principal Account in the 1998 Sidewalk Fund and applied to the redemption of Bonds.

3.03. Principal Account and Interest Account. Moneys in the Principal Account and the Interest Account shall be used only for payment of the principal of and interest on the Bonds as such payments become due, or to prepay and redeem Bonds. Upon the collection of the installment of principal and interest due on November 30 and May 31 of each year on the special assessments to be levied with respect to the Improvements, the Director of Finance shall credit to the Interest Account in the 1998 Sidewalk Fund so much of said special assessments as is collected as interest payment, and credit the balance of such assessments to the Principal Account. Any installment of any special assessment paid prior to its due date with interest accrued thereon to the nearest bond call date shall be credited with respect to principal and interest payments in the same manner as other assessments are credited to the 1998 Sidewalk Fund. All moneys in the Interest Account and the Principal Account shall be used first to pay interest due, and any remaining moneys shall be used to pay Bonds then due and, if moneys are available, to redeem Bonds or principal installments thereof in accordance with Section 2.05; provided that any money transferred to the Principal Account from the Construction Account pursuant to Section 3.02 or any prepaid special assessments shall be applied to redeem Bonds or principal installments thereof to the extent possible on the next interest payment date for which notice of redemption may properly be given pursuant to Section 2.05. Redemption of Bonds from the Principal Account shall be in order of the principal installments they represent as provided in Section 2.05, and interest shall be paid from the Interest Account as accrued thereon to the date of redemption, in accordance with the provisions of Montana Code Annotated, Sections 7-12-4206.

3.04. Loans From Revolving Fund. The Council shall annually or more often if necessary issue an order authorizing a loan or advance from the Special Improvement District Revolving Fund to the 1998 Sidewalk Fund in an amount sufficient to make good any deficiency then existing in the Interest Account in the 1998 Sidewalk Fund, and shall issue an order authorizing a loan or advance from the Revolving Fund to the 1998 Sidewalk Fund in an amount sufficient to

make good any deficiency then existing in the Bond Account of the 1998 Sidewalk Fund, to the extent that moneys are available in the Revolving Fund. Pursuant to Ordinance No. 1096 and in connection with the public offering of the Bonds, the City has undertaken and agreed to provide funds for the Revolving Fund by levying such tax or making such loan from the General Fund as authorized by Montana Code Annotated, Section 7-12-4222. In the event that the balance on hand in the Revolving Fund fifteen days prior to any date when interest is due on special improvement district bonds and sidewalk, curb, gutter and alley approach warrants of the City is not sufficient to make good all deficiencies then existing in the improvement district fund or sidewalk, curb, gutter and alley approach fund for which the City has promised to make loans from the Revolving Fund, the balance on hand in the Revolving Fund shall be allocated to the funds in which such deficiencies then exist in proportion to the amounts of the deficiencies on the respective dates of receipt of such money, until all interest accrued on such special improvement district bonds and sidewalk, curb, gutter and alley approach warrants of the City has been paid. On any date when all accrued interest on special improvement district bonds and sidewalk, curb, gutter and alley approach warrants of the City payable from funds for which the City has promised to make loans from the Revolving Fund has been paid, any balance remaining in the Revolving Fund shall be loaned or advanced to the improvement district fund or sidewalk, curb, gutter and alley approach fund for payment and redemption of bonds or warrants to the extent the improvement district fund or sidewalk, curb, gutter and alley approach fund is deficient for such purpose, in an amount proportionate to the amount of such deficiency.

Section 4. City Covenants. The City covenants and agrees with the holders from time to time of each of the Bonds that until all of the Bonds and interest thereon are fully paid:

4.01. Compliance with Covenants. The City will hold the 1998 Sidewalk Fund and the Special Improvement District Revolving Fund of the City created by Ordinance No. 1096, adopted June 3, 1930 (the "Revolving Fund"), as trust funds, separate and apart from all of its other funds, and the City, its officers and agents, will comply with all covenants and agreements contained in this resolution. The covenants hereinabove made with respect to the 1998 Sidewalk Fund and the Revolving Fund are in accordance with the undertaking and agreement of the City made in connection with the public offering of the Bonds and the sale of the Bonds as set forth in Section 1.01.

4.02. Construction of Improvements. The City will do all acts and things necessary to enforce the provisions of the construction contracts entered into or to be entered into for the Improvements and to ensure the completion of the Improvements in accordance with the plans and specifications therefor and within the time therein provided, and will pay all costs thereof promptly as incurred and allowed, out of the Construction Account and within the amount of the bond proceeds appropriated thereto.

4.03. Assessments. The City will do all acts and things necessary for the final and valid levy of special assessments upon all assessable property benefitted by the Improvements, in accordance with the Constitution and laws of the State of Montana and the Constitution of the United States, in an aggregate principal amount not less than \$191,000. Such special assessments shall be levied on each lot or parcel of land in front of which sidewalks, curbs and gutters are to be constructed and each lot or parcel of land having an access via the alley approach and, unless prepaid in full, shall be payable in equal semiannual installments over a period of twelve years, each installment being due in an amount equal to one twenty-fourth (1/24th) of the principal amount of each assessment with interest on the whole amount remaining unpaid at an annual rate equal to the sum of: (i) the average annual interest rate borne by the Bonds, plus (ii) one-half of one percent per annum (0.50%), interest being payable with principal installments. The assessments to be levied will be payable on the 30th day of November in each of the years 1998 through 2009, and on the 31st day of May in the years 1999 through 2010. The first partial payment of each such assessment shall include interest on the entire assessment from July 1, 1998, the date of original registration of the Bonds, to January 1, 1999, and each subsequent partial payment shall include interest for six months on the unpaid balance of such special assessment. All installments of special assessments not paid in full on or before the date due shall become delinquent on that date. The assessments shall constitute a lien upon and against the property against which they are made and levied, which lien may be extinguished only by payment of the assessment with all penalties, cost and interest as provided in Montana Code Annotated, Section 7-12-4191. No tax deed issued with respect to any lot or parcel of land shall operate as payment of any installment of assessment thereon which is payable after the execution of such deed, and any tax deed so issued shall convey title subject only to the lien of said future installments, as provided in Montana Code Annotated, Section 15-18-309.

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

If proceeds of the Bonds, including investment income thereon, are applied to the redemption of the Bonds, as provided in Montana Code Annotated, Sections 7-12-4205 and 7-12-4206, or if refunding bonds are issued and the principal amount of the outstanding bonds is decreased or increased, the City will reduce or increase, respectively, the assessments levied in the district and then outstanding

pro rata by the principal amount of such prepayment or the increment above or below the outstanding principal amount of bonds represented by the refunding bonds. The City and this Council, its officers and employees will re-assess and re-levy such assessments, with the same effect as an original levy, in such reduced or increased amounts in accordance with the provisions of Montana Code Annotated, Sections 7-12-4176 through 7-12-4178.

4.05. Litigation. There is now no litigation pending or, to the best knowledge of the City, threatened, questioning the validity or regularity of the ordering of the Improvements, any contract for construction of the Improvements, the levy and collection of special assessments as described herein or the undertaking and agreement of the City to make up any deficiency in the collection of special assessments through the levy of taxes and the making of advances from the Revolving Fund, or the right and powers of the City to issue the Bonds, or in any manner questioning the existence of any condition precedent to the exercise of the City's powers in these matters. If any such litigation should be initiated or threatened, the City will forthwith notify in writing the Original Purchaser, and will furnish the Original Purchaser a copy of all documents, including pleadings, in connection with such litigation.

Section 5. Tax Matters.

5.01. General Covenant. The City covenants and agrees with the owners from time to time of the 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 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 Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

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

5.03. Arbitrage Rebate Exemption.

(a) The City hereby represents that the Bonds qualify for the exception for small governmental units to the arbitrage rebate provisions contained in Section 148(f) of the Code. Specifically, the City represents:

(1) Substantially all (not less than 95%) of the proceeds of the Bonds (except for amounts to be applied to the payment of costs of issuance and amounts to be deposited in the Interest Account pursuant to Section 3.03) will be used for local governmental activities of the City.

(2) The aggregate face amount of all "tax-exempt bonds" (including warrants, contracts, leases and other indebtedness, but excluding private activity bonds) issued by or on behalf of the City and all subordinate entities thereof during 1998 is reasonably expected not to exceed \$5,000,000. To date in 1998, the City has issued no such tax-exempt bonds, except \$167,000 Special Improvement District No. 1336 Bonds, and in the calendar years 1993 through 1997 the average principal amount of such tax-exempt bonds issued by the City in a single calendar year was \$2,153,220.

(b) If notwithstanding the provisions of paragraph (a) of this Section 5.03, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Bonds, the City hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f).

5.04. Information Reporting. The City shall file with the Secretary of the Treasury, not later than November 15, 1998, a statement concerning the Bonds containing the information required by Section 149(e) of the Code.

5.05. "Qualified Tax-Exempt Obligations." Pursuant to Section 265(b)(3)(B)(ii) of the Code, the City hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. The City has not designated any obligations in 1998 other than the Bonds under Section 265(b)(3), except \$167,000 Special Improvement District No. 1336 Bonds. The City hereby represents that it does not anticipate that obligations bearing interest not includable in gross income for purposes of federal income taxation under Section 103 of the Code (including refunding obligations as provided in Section 265(b)(3) of the Code and including "qualified 501(c)(3) Bonds" but excluding other "private activity bonds," as defined in Sections 141(a) and 145(a) of the Code) will be issued by or on behalf of the City and all "subordinate entities" of the City in 1998 in an amount greater than \$10,000,000.

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

Section 7. Defeasance.

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

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

7.03. Redemption. The City may also discharge its liability with reference to any prepayable 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 and interest which are then due thereon; provided that notice of such redemption has been duly given as provided in this Resolution.

7.04. Defeasance by Escrow. The City may also at any time discharge its liability in its entirety with reference to the Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a bank qualified by law as an escrow agent for this purpose, cash or securities which are authorized by law to be so deposited, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without reinvestment, to provide funds sufficient to pay all principal and interest to become due on all Bonds on or before maturity or, if any Bond has been duly called for redemption or provision irrevocably made therefor, on or before the designated redemption date.

7.05. Irrevocable Deposits. If an officer of the City is the Registrar, any deposit made under this Section 7 with the Registrar shall be irrevocable and held for the benefit of the owners of Bonds in respect of which such deposits have been made.

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

benefit of the bondholders to provide certain disclosure information to prescribed information repositories on a continuing basis or unless and to the extent the offering is exempt from the requirements of the Rule.

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

Section 9. Repeals and Effective Date.

9.01. Repeal. All provisions of other resolutions and other actions and proceedings of the City and this Council that are in any way inconsistent with the terms and provisions of this resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this resolution.

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

PASSED by the City Council of Billings, Montana, this 22nd day of June, 1998.

(SEAL)



Charles F. Tailey
Mayor

Attest: *Marita Herold*
City Clerk

EXHIBIT A

THE IMPROVEMENTS

Description

The Bonds are being issued to pay the costs of engineering, reconstructing and installing certain local improvements to benefit certain properties in the City described below consisting of various sidewalk, curb, gutter and alley approach improvements consisting of 1998 Developer Related Curb, Gutter and Sidewalk Program (the "Developer Project") and the St. Andrew's Drive Project (the "St. Andrew's Project"), (collectively, the "Improvements") as shown below.

DEVELOPER RELATED CURB, GUTTER AND SIDEWALK IMPROVEMENTS

The various improvements described below will be constructed adjacent to the properties shown under each category of improvements.

Sidewalk:

- 1503 - 13th Street West
- 2036 Overland Avenue
- 417 South 38th Street
- 709 South 32nd Street
- 2815 - 4th Avenue South

Curb & Gutter, Sidewalk, and Drive Approaches:

- 2012 - 1st Avenue North
- 1104 North 26th Street
- 323 South 29th Street
- Central Avenue from 8th Street West to 24th Street West

Curb & Gutter and Sidewalk:

- 3021 - 12th Avenue North
- 428 Mervin Street
- 38th Street West & Monad Road (Park)
- 603 Avenue D
- 524 South 32nd Street

Sidewalk, Curb & Gutter, Drive Approaches and Asphalt Street Widening:

- 1624 - 1626 Lake Elmo Road
- 1724 - 1726 Lake Elmo Road
- 2104 - 2108 Lake Elmo Road
- 2111 - 2113 Lake Elmo Road
- 714 Jaque Lane

Asphalt Street Widening:

- 322 Tam O'Shanter Road

ST. ANDREW'S RELATED CURB, GUTTER AND SIDEWALK IMPROVEMENTS

The section of St. Andrews Drive along which the Improvements are to be installed is defined as a collector street in the City's Transportation Plan. Under City policy, the cost of the installation of new curb, gutter, sidewalk, driveway approaches and alley approaches on collector streets is to be borne by the adjoining property owners.

- Both sides of St. Andrews Drive from Wicks Lane to Southern Hills Drive
- South side of Almandin Lane and the west side of St. Andrews Drive, south of Almandin Lane, fronting Lots 12 and 13, Block 25 of Lake Hills Subdivision, 6th Filing

EXHIBIT B

[Face of the Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
YELLOWSTONE COUNTY

CITY OF BILLINGS

SPECIAL SIDEWALK, CURB, GUTTER AND
ALLEY APPROACH BOND, SERIES 1998

Interest at the rate per annum specified below
payable on January 1, 1999 and
semiannually thereafter on the 1st day of January
and the 1st day of July in each year.

No. _____ \$ _____
Representing Principal Installment
Nos. _____

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
		July 1, 1998	

REGISTERED OWNER: SEE REVERSE
FOR CERTAIN
DEFINITIONS

PRINCIPAL AMOUNT: DOLLARS

The Director of Finance of the City of Billings, Montana (the "City"), will pay to the registered owner specified above or registered assigns, the principal amount specified above on the maturity date specified above, as authorized by Resolution No. 98-_____ adopted on June 22, 1998 (the "Bond Resolution"), all subject to the provisions hereinafter described relating to the redemption of this Bond before maturity.

This Bond bears interest at the rate per annum specified above from the date of registration of this Bond, as expressed herein, or from the most recent date to which interest has been paid or duly provided for, until the maturity date specified above or an earlier date on which this Bond shall have been duly called for redemption by the Director of Finance. Interest on this Bond is payable semiannually, commencing January 1, 1999, on the 1st day of January and the 1st day of July in each year, to the owner 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 on and, upon presentation and surrender hereof at the principal office of the bond registrar and paying agent hereinafter named, the principal of this Bond are payable by check or draft of the Director of Finance of the City, of Billings, Montana, as bond registrar and paying agent, or its successor designated under the Bond Resolution described herein (the Registrar). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Additional provisions of this Bond are contained on the reverse hereof and such provisions shall for all purposes have the same effect as though fully set forth hereon.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication hereon shall have been executed by the 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 to be executed by the facsimile signatures of the Mayor, the Director of Finance and the City Clerk and by a facsimile of the official seal of the City.

CITY OF BILLINGS, MONTANA

(Facsimile signature)
Mayor

(Facsimile signature)
Director of Finance

(Facsimile signature)
City Clerk

(Facsimile Seal)

Date:

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the Bond Resolution mentioned herein.

DIRECTOR OF FINANCE, CITY OF
BILLINGS, as Registrar

By _____
Authorized Representative

[Reverse of the Bonds]

This Bond is one of an issue in the aggregate principal amount of \$191,000 (the "Bonds"), all of like date of original issue and tenor, except as to serial number, denomination, date, interest rate and maturity date. The Bonds are issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 14, Part 41 and Title 7, Chapter 12, Parts 41 and 42, as amended, for the purpose of financing the construction of sidewalk, curb, gutter and alley approach improvements in the City (the "Improvements"). The Bonds are issuable only as fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof, provided that one Bond with a stated maturity in 1999 shall be in the principal amount of \$6,000. This Bond represents one or more principal installments of the Bonds numbered as set forth on the face hereof. The principal installments for the Bonds are numbered from 1 through 38, each in the amount of \$5,000, provided that one principal installment with a stated maturity in 1999 shall be in the principal amount of \$6,000.

This Bond is payable from the collection of a special tax or assessment levied upon all assessable property benefitted by the Improvements. This Bond is not a general obligation of the City.

The principal installments represented by this Bond are subject to mandatory redemption in order of registration on any interest payment date if, after paying all principal and interest then due on the Bonds, there are funds to the credit of the 1998 Special Sidewalk, Curb, Gutter and Alley Approach Fund, from surplus funds not required to pay costs of the Improvements or from the prepayment of special assessments to be levied on the benefitted property, for the redemption thereof, and in the manner provided for the redemption of the same. The Bonds

are subject to redemption at the option of the City from other sources of funds available therefor on any interest payment date; provided, however, that the Bonds shall not be called for redemption from the proceeds of refunding bonds before July 1, 2001. The redemption price is equal to the amount of the principal installment or installments of the Bonds to be redeemed plus interest accrued thereon to the date of redemption. The date of redemption shall be fixed by the Director of Finance, who shall give notice by mail to the owners of such Bonds at their addresses shown on the bond register, of the numbers of the principal installments and Bonds to be redeemed and the date on which payment will be made, which date shall not be less than thirty days after the date of mailing of notice, on which date so fixed interest shall cease. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal installments outstanding.

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

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

IT IS HEREBY CERTIFIED AND RECITED that all things required to be done precedent to the issuance of this Bond have been properly done, happened and been performed in the manner prescribed by the laws of the State of Montana and the resolutions and ordinances of the City of Billings, Montana, relating to the issuance hereof.

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.

Dated: _____

PLEASE INSERT SOCIAL SECURITY
OR OTHER IDENTIFYING NUMBER
OF ASSIGNEE:

_____ /

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

SIGNATURE GUARANTEE:

Certificate as to Legal Opinion

The following certificate shall be printed on the reverse side of each Bond, following a full, true and correct copy of the text of the legal opinion given at the time of delivery of the Bonds:

We certify that the above is a full, true and correct copy of the legal opinion on the issue of Bonds of the City of Billings, Montana, which includes the within Bond, dated as of the date of delivery of and payment for the Bonds.

(Facsimile Signature)
Mayor

(Facsimile Signature)
Director of Finance

(Facsimile Signature)
City Clerk