

CERTIFICATE AS TO RESOLUTION AND ADOPTING 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 BILLINGS SOUTH BOULEVARD URBAN RENEWAL AREA: APPROVING THE BILLINGS TOWN SQUARE PROJECT AS AN URBAN RENEWAL PROJECT; MAKING CERTAIN FINDINGS WITH RESPECT THERETO; AUTHORIZING THE ISSUANCE OF TAX INCREMENT URBAN RENEWAL REVENUE BONDS TO FINANCE THE COSTS OF CERTAIN PUBLIC IMPROVEMENTS RELATED TO THE PROJECT AND THE AREA; AUTHORIZING CITY STAFF AND ADVISORS TO PROCEED WITH DEVELOPMENT OF DOCUMENTS RELATED TO THE BONDS AND THE PROJECT" (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 23, 2008, and that the meeting was duly held by the City Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council members voted in favor thereof: Ronquillo, Gaghen, Pitman, Stevens, Veis, Ruegamer, McCall, Ulledalen, and Astle; voted against the same: \_\_\_\_\_; abstained from voting thereon: \_\_\_\_\_; or were absent: Clark.

WITNESS my hand and seal officially this 23rd day of June, 2008.

(SEAL)



Cari Martin  
City Clerk

RESOLUTION RELATING TO BILLINGS SOUTH BOULEVARD URBAN RENEWAL AREA: APPROVING THE BILLINGS TOWN SQUARE PROJECT AS AN URBAN RENEWAL PROJECT; MAKING CERTAIN FINDINGS WITH RESPECT THERETO; AUTHORIZING THE ISSUANCE OF TAX INCREMENT URBAN RENEWAL REVENUE BONDS TO FINANCE THE COSTS OF CERTAIN PUBLIC IMPROVEMENTS RELATED TO THE PROJECT AND THE AREA; AUTHORIZING CITY STAFF AND ADVISORS TO PROCEED WITH DEVELOPMENT OF DOCUMENTS RELATED TO THE BONDS AND THE PROJECT

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

Section 1. Recitals.

1.01 Pursuant to the provisions of Montana Code Annotated, Title 7, Chapter 15, Parts 42 and 43 (the "Act") and Ordinance No. 08-5462 (the "Ordinance") adopted on May 12, 2008, the Council created the Billings South Boulevard Urban Renewal Area as an urban renewal district (the "District"), and approved the Urban Renewal Plan (the "Plan") for the District containing a tax increment financing provision all as set forth in the Ordinance.

1.02 In adopting the Plan, the City noted the lack of public infrastructure, including unimproved streets, lack of curbs, gutters and sidewalks, lack of or inadequate water and sewer improvements. The Plan anticipates using tax increment revenue generated by urban renewal projects in the District to finance needed public improvements as a way of encouraging private investment, development and redevelopment in the District.

Section 2. The Proposed Urban Renewal Project: the Public Improvements.

2.01 South Billings Center, LLC, a Delaware Limited Liability Company (the "Developer") is the owner of a 42.5 -acre parcel of land located in the District and has proposed developing thereon a 304,500 square feet retail shopping center to be known as the Billings Town Square (the "Project"). The Project as proposed will consist of two retail anchor tenants plus a third anchor tenant that may be a hotel utilizing approximately 272,000 square feet and ten separate pads consisting of 32,500 square feet. It is proposed that the Project will be developed over a 24 month period. In order to make the Project work on an economic basis, the Developer has requested that the City provide public participation in the Project through the issuance of tax increment bonds to finance the costs of certain public infrastructure that are eligible for financing under the Act, which consist of street improvements on King Avenue East, South Billings Boulevard, Newman Lane, Calhoun Lane and Orchard Lane, as well as water, storm drain and sanitary sewer facilities and city/county drain crossings, as required by the City (the "Public Improvements"), the costs of which are estimated to be approximately \$4,300,000. The bonds to be issued would be payable from the tax increment generated by the Project. Based on costs estimated by Springsted Incorporated, the City's Financial Advisor, the principal amount of bonds needed to finance the Public Improvements and to pay costs associated with the sale and issuance of the bonds, including funding a debt service reserve and paying capitalized interest, is estimated to be \$6,200,000 (the "Bonds").

2.02 The Developer has agreed that it will enter into a development agreement (the "Development Agreement") with the City pursuant to which it will agree to, among other things:

- (a) Proceed with all due diligence to develop the Project within a twenty-four month period to achieve an estimated total private investment of \$37 million upon full development of the Project.

(b) Commence construction of all on site improvements for the Project as soon as reasonably practicable and as required to meet the needs of the Project anchors and other tenants which are currently estimated to cost not less than \$1,000,000.

(c) Provide or cause to be provided credit enhancement or security on terms and conditions mutually agreeable to the parties as may be required to enable the City to effectively market and sell the Bonds in the estimated amount of \$6,200,000.

Section 3. Representations

3.01 The Developer has represented to the City as follows:

(a) it has sold a 9.3 acre parcel to Cabela's Incorporated ("Cabela's") and Cabela's has agreed to construct thereon a 85,000 square foot retail facility to be open for occupancy by June 1, 2009;

(b) it has entered into a Purchase Agreement with Sam's Club , for a 15.1 acre parcel and it is anticipated that Sam's Club will construct thereon a 153,000 square foot warehouse supermarket facility during the next 24 months;

(c) it is pursuing the third anchor ; and

(d) it intends to either sell or develop the remaining ten pads for various appropriate business uses over the next 24-month period,

3.02 The City has received a Tax Increment Financing Analysis for the Billings Town Square Project prepared by King & Associates, Inc. dated as of June 12, 2008 (the "Financial Analysis"), which among other things concludes:

(a) sufficient demand exists in the City of Billings retail trade area to support the intensity and timing of the development of the Project as proposed by the Developer; and

(b) that if developed as anticipated, the Project will result in annual tax increment revenues ranging from \$283,000 in 2011 to \$956,000 in 2033.

3.03 D.A. Davidson, as the proposed Underwriter of the Bonds, and Springsted Incorporated, as the City's Financial Advisors, have represented to the City that the projected tax increment revenue from the Project as proposed, and as shown in the Financial Analysis will be sufficient if received to pay the principal of and interest on \$6,200,000 in principal amount of tax increment bonds issued and payable over a term of 25 years.

Section 4. Findings. Based on the forgoing representations, the Council hereby finds, with respect to the Project described in Section 2 hereof, as follows:

4.01 the Plan and the Project conform to the comprehensive plan and growth policy of the City;

4.02 the Plan and the Project will afford maximum opportunity consistent with the needs of the City as a whole for the rehabilitation or redevelopment of the District by private enterprise;

4.03 the development of the Project as described in Section 2 and the entering into of the Development Agreement and the carrying out of the Development Agreement will provide a sound and adequate financial program for the financing of the Public Improvements, through the issuance by the City of its urban renewal tax increment bonds in an amount not to exceed the costs of the Public Improvements including administrative costs , capitalized interest, funding a debt service reserve and paying costs associated with sale and issuance of the Bonds

4.04 the Project constitutes an urban renewal project within the meaning of the Act and the Plan and the Public Improvements are eligible for financing from the tax increment generated by the Project.

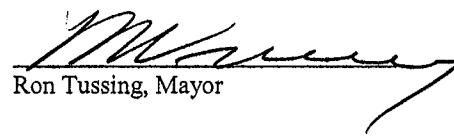
Section 5. Intent of Council. Subject to the entering into of the Development Agreement, it is the City's intention to issue its South Billings Boulevard Urban Renewal District Tax Increment Revenue Bonds (the "Billings Town Square Project") in the estimated amount of \$6,200,000, payable from the tax increment revenue generated from the Project and payable over a term not to exceed 25 years, and to undertake the construction of the Public Improvements from the proceeds of the Bonds upon the sale of the Bonds. In no event will the principal amount of the Bonds exceed the amount that can be paid from the tax increment generated by the Project. If the costs of the Public Improvements exceeds the principal amount of Bonds available therefor, the City has no obligation to install the Public Improvements. The City's obligation to issue the Bonds is dependent on the marketability of the Bonds and the Developer's agreement to provide such credit enhancement or security as may be required to make the Bonds marketable. The Bonds will be sold to D.A. Davidson, Inc. on the basis of a negotiated sale, the terms and conditions of which will be approved in a subsequent resolution of this Council.

Section 6. The City Manager, the Director of Financial Services, the Public Works Director and the City's Financial Advisor, Underwriter and Bond Counsel are authorized to proceed with the development of the necessary documents, including the Development Agreement with the Developer to facilitate the sale of the Bonds and the construction of the Public Improvements.

PASSED AND APPROVED by the City Council of the City of Billings, Montana, this 23rd day of June, 2008.



THE CITY OF BILLINGS



Ron Tussing, Mayor

Attest: Cari Martin  
Cari Martin, City Clerk

EXHIBIT A

## SITE PLAN OF PROPOSED PROJECT

