

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 \$495,000 SPECIAL IMPROVEMENT DISTRICT NO. 1384 BONDS; FIXING THE FORM AND DETAILS AND PROVIDING FOR THE EXECUTION AND DELIVERY THEREOF AND SECURITY THEREFOR" (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 April 13, 2009, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

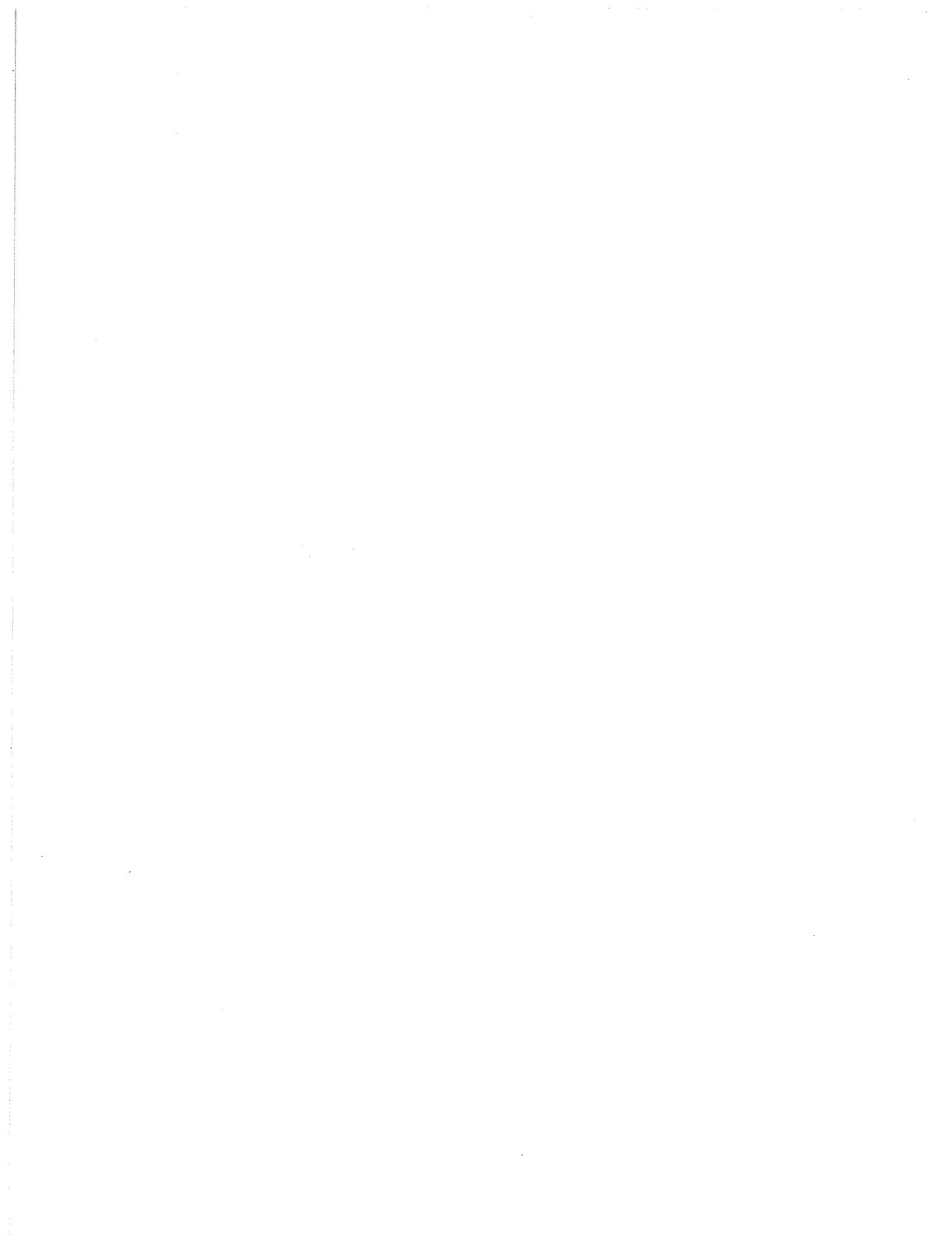
I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: Ronquillo, Gaghen, Pitman, Brewster, Veis, Ruegamer, McCall, Ulledalen, Astle, Clark; voted against the same: None; abstained from voting thereon: None; or were absent: None.

WITNESS my hand and seal officially this 13th day of April, 2009.

(SEAL)



Cari Martin  
Cari Martin, City Clerk



RESOLUTION NO. 09-18805

RESOLUTION RELATING TO \$495,000 SPECIAL IMPROVEMENT DISTRICT NO. 1384 BONDS; FIXING THE FORM AND DETAILS AND PROVIDING FOR THE EXECUTION AND DELIVERY THEREOF AND SECURITY THEREFOR

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. Resolutions of Intention. By Resolution No. 08-18694, duly adopted by the Council on March 24, 2008, this Council declared its intention to create Special Improvement District No. 1384, for the purpose of financing costs of certain public improvements of special benefit to the properties within the proposed district. Resolution No. 08-18694 designated the number of the District, described the boundaries thereof, stated whether the District was an extended district and stated the general character of the improvements to be made (the "Improvements") and an approximate estimate of the costs thereof, in accordance with the provisions of Montana Code Annotated, Title 7, Chapter 12, Parts 41 and 42, as amended (the "Act"). After giving notice and conducting a public hearing in accordance with Montana law, the Council pursuant to Resolution No. 08-18694, adopted on April 14, 2008, created the District. Property owners in the District were given an opportunity to pay their proportionate share of the costs of Improvements prior to the sale of special improvement bonds to fund all of the costs of the Improvements in the proposed district. A significant number of the property owners in the proposed district prepaid their respective costs of the Improvements. The City determined it was in the best interests of the remainder of the property owners in the proposed district to allow them to finance their share of the costs of the Improvements through the issuance of special improvement district bonds.

By Resolution No. 09-18783, duly adopted by the Council on January 12, 2009 (the "Resolution of Intention"), this Council declared its intention to recreate the district in the amount of \$495,000 to finance the costs of Improvements attributable to the properties and benefited by the Improvements and to modify the boundaries of the original district to include only those properties identified in Exhibit A and B attached thereto (the "District").

In the Resolution of Intention, this Council further found that it is in the public interest, and in the best interest of the City and the District, to secure payment of principal of and interest on the Bonds by the Special Improvement District Revolving Fund of the City (the "Revolving Fund"), on the basis of factors required to be considered under Section 7-12-4225 of the Act. Those findings are hereby ratified and confirmed.

1.02. Notices. Notices of the passage of the Resolution of Intention were given by two publications, with at least six days between publications, in the *Billings Times*, a weekly newspaper of general circulation published within the City. Notice of the passage of the Resolution of Intention was also mailed the same day the notice was first published to all persons, firms or corporations or the agents thereof having real property within the District, listed in their names upon the last completed assessment roll for state, county and school district taxes, at their last known addresses. The notice described the general character of the Improvements, stated the estimated cost of the Improvements and the method or methods of assessment of such costs against properties in the District, specified the time when and the place where the Council would hear and pass upon all protests made against the making of the Improvements or the creation or extension of such District, and referred to the Resolution of Intention as being on file in the office of the City Clerk for a description of the boundaries of the District, all in accordance with the provisions of the Resolution of Intention, and included a statement that, subject to the limitations of Section 7-12-4222 of the Act, the general fund of the City may be used to provide loans to the revolving fund or a general tax levy may be imposed on all taxable property in the City to meet the financial requirements of the revolving fund. In the Resolution of Intention, the Council also declared its intention to reimburse the City for costs paid before issuance of the Bonds, as required by Section 1.150-2 of the Income Tax Regulations promulgated under the Internal Revenue Code.

1.03. Creation of District. At the time and place specified in the notice hereinabove described, this Council met to hear, consider and pass upon all protests made against the making of the Improvements and the creation of the District, and, after consideration thereof, it was determined and declared that insufficient protests against the creation or extension of the District or the proposed work had been filed in the time and manner provided by law by the owners of the property to be assessed for the Improvements in the District, and this Council did therefore by Resolution No. 09-18791, adopted February 9, 2009, create Special Improvement District No. 1384, order the proposed Improvements in accordance with the Resolution of Intention, and confirm the findings it made with respect to the pledge of the Revolving Fund in the Resolution of Intention.

1.04. Improvements and Construction Contracts. The District was created to pay the costs attributable to each property in the District for the City's Sewer Construction Fee, the City Sewer Development Fee, and a Franchise Fee, all as established pursuant to Resolution No. 04-18067, adopted by the City Council of the City on January 12, 2004.

All of the construction costs attributable to connecting these properties in the District have been completed and were constructed in accordance with all applicable statutes.

Each property in the District has been connected to the City's sanitary sewer system (or will be connected upon payment of the construction, development and franchise fees from the proceeds of the Bonds. The total costs to be paid from the proceeds of the Bonds are as follows:

Construction	\$450,220.95
Engineering	4,950.00
City SID Administration/ Finance Fees	12,375.00
Revolving Fund	24,750.00
Costs of Issuance	2,704.05
<b>TOTAL</b>	<b>\$495,000.00</b>

1.05. Costs. It is currently estimated that the costs and expenses connected with and incidental to the formation of the District to the City to be assessed against properties in the District, 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 contracts and all other costs and expenses, including the deposit of proceeds in the Revolving Fund of \$24,750.00, are \$495,000. Such amounts will be levied and assessed upon the assessable real property within the District on the basis described in the Resolution of Intention. This Council has jurisdiction and is required by law to levy and assess such amounts, to collect such special assessments and credit the same to the special improvement district funds created for the District, which funds are to be maintained on the official books and records of the City separate from all other City funds, within the 2009 Special Improvement District Fund (the "District Fund") for the payment of principal and interest when due on the bonds herein authorized.

1.06. Sale and Issuance of Bonds. For the purpose of financing a portion of the costs and expenses of making the Improvements, which are to be assessed against the property within the District as provided in the Resolution of Intention, this Council, pursuant to Resolution No. 09-18793, adopted February 23, 2009, called for the public sale of bonds in the total aggregate amount of \$495,000. This Council authorized the City to enter into a contract with U.S. Bank National Association, of Minneapolis, Minnesota (the "Purchaser"), as the lowest responsible bidder pursuant to which the Purchaser agreed to purchase from the City the Bonds at a purchase price of \$495,000, at the rates of interest set forth in Section 2.01 hereof and upon the further terms set forth in this resolution resulting in a true interest rate of 5.844826% per annum and a true interest cost of \$226,614.38.

1.07. Recitals. All acts, conditions and things required by the Constitution and laws of the State of Montana, including Montana Code Annotated, Title 7, Chapter 12, Parts 41 and 42, as amended, and the home rule charter of the City, 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 so required.

## Section 2. The Bond.

2.01. Principal Amount, Maturities, Denominations, Date, Interest Rates. For the purpose of paying the costs and expenses incurred in construction of the Improvements, and in anticipation of the collection of special assessments to be levied therefor, and in accordance with the proposal described in Section 1.06, the City shall forthwith issue and deliver to the Purchaser the Bonds payable solely from the District Fund and denominated "Special Improvement District No. 1384 Bonds." The Bonds shall be issued as one Term Bond in the principal amount of \$495,000 maturing on July 1, 2024, shall be dated, as originally issued, and be registered as of April 1, 2009, shall be subject to mandatory sinking fund redemption as set forth in Section 2.07 below, and shall bear interest from the date of original registration until paid or duly called for redemption at the rate of 5.85% per annum (the "Bond").

Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

2.02. Interest Payment Dates. Interest on the Bond shall be payable on each January 1 and July 1, commencing January 1, 2010, to the owners of record thereof as such appear on the bond register at the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day.

Upon the original delivery of the Bond to the Purchaser and upon each subsequent transfer or exchange of a Bond pursuant to Section 2.04, the Registrar shall date each Bond as of the date of its authentication.

2.03. Method of Payment. The Bond shall be issued only in fully registered form. The interest on and, upon surrender thereof at the principal office of the Registrar (as hereinafter defined), the principal of each Bond, shall be payable by check or draft drawn on the Registrar.

2.04. Registration. The City shall appoint, and shall maintain, a bond registrar, transfer agent and paying agent for the Bond (the "Registrar"). This Section 2.04 shall establish a system of registration for the Bond as defined in the Model Public Obligations Registration Act of Montana.

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 the Bonds and the registration of transfers and exchanges of the Bonds entitled to be registered, transferred or exchanged.

(b) Transfer. Upon surrender to the Registrar 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 any transfer of any Bond or portion thereof 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 2.06.

(c) Exchange. 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, interest rate 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 of the City 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 an exchange 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, 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. Initial Registrar. The City hereby appoints the City's Financial Services Manager, as the initial Registrar for the Bond. The City reserves the right to appoint a successor Registrar, and the City agrees to pay the reasonable and customary charges of the Registrar for the services performed. Upon merger or consolidation of a bank or trust company that is acting as the Registrar, if the resulting corporation is a bank or trust company authorized by law to conduct such business, such corporation shall be authorized to act as successor Registrar. The City reserves the right to remove any Registrar upon 30 days' notice and upon the appointment of a successor Registrar, in which event the predecessor Registrar shall deliver all cash and Bonds in its possession as Registrar to the successor Registrar and shall deliver the bond register to the successor Registrar. On or before each principal or interest due date, without further order of this Council, the Financial Services Manager shall transmit to the Registrar, solely from money in the District Fund available therefor, moneys sufficient for the payment of all principal, premium, if any, and interest then due on the Bond.

2.06. Redemption.

(a) Mandatory Redemption. If on any interest payment date there will be a balance in the District Fund after payment of the principal and interest due including mandatory sinking fund payments (principal and interest due) on the Bond, either from the prepayment of special assessments levied in the District or from the transfer of surplus money from the Construction Account to the Principal Account as provided in Section 3.02 or otherwise, the Financial Services Manager shall call for redemption on the interest payment date the outstanding principal amount of the Bond, in an amount which, together with the interest thereon to the interest payment date, will equal the amount of such funds on deposit in the District Fund on that date. The redemption price shall equal the amount of the principal amount of the Bonds to be redeemed plus interest accrued to the date of redemption.

(b) Optional Redemption. The Bond is subject to redemption, in whole or in part, at the option of the City from sources of funds available therefor other than those described in Subsection (a) of this Section 2.06 on any interest payment date on July 1, 2017, and any date thereafter, at the option of the City, in whole or in part, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date, without premium.

(c) Selection of Bonds for Redemption. If less than all of the principal of the Bond is to be redeemed, the principal amount of the Bond shall be redeemed in order of mandatory sinking fund payments. If less than all of the mandatory sinking fund payment is to be redeemed, redemption shall be in \$5,000 principal amounts.

(d) Notice and Effect of Redemption. The date of redemption and the principal amount of the Bond shall be fixed by the Financial Services Manager, who shall give notice thereof to the Registrar in sufficient time for the Registrar to give notice, by first class mail, postage prepaid, or by other means required by the securities depository, to the owner or owners of such Bond at its address appearing in the bond register, of the principal amount thereof to be redeemed and the date on which payment will be made, which date shall be not less than thirty (30) days after the date of mailing notice. On the date so fixed interest on the principal amount thereof so redeemed shall cease.

2.07. Mandatory Sinking Fund Redemption. The Bond is subject to mandatory sinking fund redemption on July 1 in the year and the principal amount set forth below in \$5,000 principal amounts, selected by the Registrar, by lot or other manner it deems fair, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date:

Stated Maturity of Term Bonds <u>(July 1)</u>	Sinking Fund Payment Date <u>(July 1)</u>	Principal Amount on Sinking Fund Payment Date	Principal Amount due on <u>Maturity</u>
2024	2010	\$35,000	\$5,000
	2011	35,000	
	2012	35,000	
	2013	35,000	
	2014	35,000	
	2015	35,000	
	2016	35,000	

<u>Stated Maturity of Term Bonds (July 1)</u>	<u>Sinking Fund Payment Date (July 1)</u>	<u>Principal Amount on Sinking Fund Payment Date</u>	<u>Principal Amount due on Maturity</u>
2017		35,000	
2018		35,000	
2019		35,000	
2020		35,000	
2021		35,000	
2022		35,000	
2023		35,000	

The principal amount of the Term Bond having a stated maturity in 2024 required to be redeemed on the above Sinking Fund Payment Dates shall be reduced by the principal amount of any such term bonds theretofore redeemed and not previously applied to reduce the principal amount of such bonds on a Sinking Fund Payment Date.

2.08. Form. The Bond shall be drawn in substantially the form set forth in Exhibit A hereto, and by this reference made a part hereof, with such modifications as are permitted by the Act.

2.09. Execution, Registration and Delivery. The Bond 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, Financial Services Manager and the City Clerk and sealed with the official seal of the City; provided that the signatures and the corporate seal 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 Bond shall cease to be such officer before the delivery of the Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer 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 a certificate of authentication on such Bond has been duly executed by the manual signature of an authorized representative of the Registrar. The executed certificate of authentication on the Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution. When the Bond has been so executed, authenticated and registered, it shall be delivered by the Registrar to the Purchaser upon payment of the purchase price in accordance with the contract of sale heretofore made and executed. The Purchaser shall not be obligated to see to the application of the purchase price, but from the net proceeds of the Bond the Financial Services Manager shall credit forthwith \$24,750.00 to the Revolving Fund, as required by Section 7-12-4169(2) of the Act, any accrued interest to the Interest Account in the District Fund, and the balance of such proceeds to the Construction Account in the District Account, in proportion to the principal amounts of the Bond allocable to the District, as set forth in Section 1.05, to be used solely for the purposes described in Section 3.02.

### Section 3. District Fund; Assessments.

3.01. District Fund. There is hereby created and established the District Fund designated as the “2009 Special Improvement District Fund,” which shall be maintained by the Financial Services Manager on the books and records of the City separate and apart from all other funds of the City. Within the District Fund there shall be maintained a separate account for SID No. 1384 (the “District Account”). Within the District Account there shall be maintained three separate accounts, designated as the “Construction Account,” “Principal Account” and “Interest Account,” respectively.

3.02. Construction Account. There shall be credited to the Construction Account in the District Account the proceeds of the sale of the Bond attributable to the District as provided in Section 1.05. Any earnings on investment of money in a Construction Account shall be retained therein. All costs and expenses of constructing the Improvements to be paid from proceeds of the Bond in and for the benefit of a District shall be paid from time to time as incurred and allowed from the Construction Account in accordance with the provisions of applicable law, and money in the Construction Account shall be used for no other purpose; provided that upon completion of the Improvements and after all claims and expenses with respect to the Improvements have been fully paid and satisfied, any money remaining in said Construction Account shall be transferred to the Principal Account in the District Account and used to redeem the Bond as provided in Section 3.03.

3.03. Principal Account and Interest Account. Money 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 redeem Bonds. From the proceeds of the Bonds, there shall be deposited in the Interest Account any interest on

the Bonds accrued to the date of their delivery, pro rata, in proportion to the principal amount of Bonds issued for such District as set forth in Section 1.05.

Upon collection of the installment of principal and interest due on November 30 and May 31 of each fiscal year on the special assessments to be levied with respect to the Improvements in the District, the Financial Services Manager shall credit to the Interest Account in the District Account so much of said special assessments as is collected as interest payment and the balance thereof to the Principal Account. Any installment of any special assessment paid prior to its due date with interest accrued thereon to the next succeeding interest payment date shall be credited with respect to principal and interest payments in the same manner as other assessments are credited to the District Account. All money in the Interest Account and the Principal Account shall be used first to pay interest due, and any remaining money shall be used to pay the Bond then due and, if money is available, to redeem the principal amounts of the Bond in accordance with Section 2.06; provided that any money transferred to the Principal Account from the Construction Account pursuant to Section 3.02 shall be applied to redeem the principal amounts of the Bond to the extent possible on the next interest payment date for which notice of redemption may properly be given pursuant to Section 2.06. Redemption of the Bond shall be as provided in Section 2.06, and interest shall be paid as accrued thereon to the date of redemption, in accordance with the provisions of Section 7-12-4206 of the Act.

**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 Revolving Fund to each of the District Account in an amount sufficient to make good any deficiency then existing in the Interest Account in the District Account, and shall issue an order authorizing a loan or advance from the Revolving Fund to the District Account in an amount sufficient to make good any deficiency then existing in the Principal Account of the District Account, in such order and in each case to the extent that money is available in the Revolving Fund. A deficiency shall be deemed to exist in a Principal Account or an Interest Account in a District Account if the money on deposit therein on any December 15 or June 15 (excluding amounts in the Principal Account representing prepaid special assessments) is less than the amount necessary to pay the principal and interest due (other than upon redemption), and interest on the Bond payable, on the next succeeding interest payment date.

Pursuant to Ordinance No. 1096, the City has undertaken and agreed to provide funds for the Revolving Fund by annually levying such tax or making such loan from the general fund of the City 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 or warrants of the City is not sufficient to make good all deficiencies then existing in the special improvement district funds for which the City covenants to make loans from the Revolving Fund, the balance on hand in the Revolving Fund shall be allocated to the funds of the special improvement districts 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 or warrants of the City has been paid and to the extent of amounts available in the Revolving Fund. On any date when all accrued interest on special improvement district bonds and warrants of the City payable from funds for which the City has covenanted to make loans from the Revolving Fund has been paid, any balance remaining in the Revolving Fund shall be lent or advanced to the special improvement district funds for payment and redemption of bonds to the extent the special improvement district funds are deficient for such purpose, and, if money in the Revolving Fund is insufficient therefor, pro rata, in an amount proportionate to the amount of such deficiency.

The City hereby determines, covenants and agrees to levy the property tax described in the immediately preceding paragraph to provide funds for the Revolving Fund so long as the Bond is outstanding to the extent required under the provisions of this Resolution and the Act, even though such property tax levy may, under applicable law or provisions of the home rule charter of the City, require that property tax levies of the City for other purposes be reduced correspondingly.

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

**4.01. Compliance with Resolution.** The City will hold the District Fund and 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 provisions hereinabove made with respect to the District Fund and the Revolving Fund are in accordance with the undertaking and agreement of the City made in connection with the sale of the Bonds as set forth in Section 1.06.

**4.02. Construction of Improvements.** The City will do all acts and things necessary to enforce the provisions of the construction contracts and bonds referred to in Section 1.04 and to ensure the completion of the Improvements for the benefit of the District in accordance with the plans and specifications and within the time

therein provided, and will pay all costs thereof promptly as incurred and allowed, out of the District Account and within the amount of the proceeds of the Bond appropriated thereto.

4.03. Levy of Assessments. The City will do all acts and things necessary for the final and valid levy of special assessments upon all assessable real property within the boundaries of the District 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 \$495,000 for the District. Such special assessments shall be levied on the basis or bases prescribed in the Resolution of Intention, and shall be payable in substantially equal semiannual installments of principal and interest over a period of 15 years, at an annual rate equal to the sum of: (i) the average annual interest rate borne by the then-outstanding Bonds, plus (ii) one-half of one percent (0.50%) per annum. The assessments to be levied will be payable on the 30th day of November in each of the years 2009 through 2014, and on the 31st day of May in the years 2010 through 2015, inclusive, if not theretofore paid, and shall become delinquent on such date unless paid in full. The first partial payment of each assessment shall include interest on the entire assessment from the date of original registration of the Bonds to January 1, 2010. 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 the 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 15-18-214.

4.04. Reassessment. 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 reassess 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 reassess 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 reassessment or re-levy shall, so far as is 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 such 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 of the District 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 reassess 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. Absence of Litigation. There is now no litigation pending or, to the best knowledge of the City, threatened questioning the validity or regularity of the creation of the District, the contracts for construction of the Improvements or the undertaking and agreement of the City to levy special assessments therefor and to make good any deficiency in the collection thereof through the levy of taxes for and the making of advances from the Revolving Fund, or the right and power 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 Purchaser, and will furnish the Purchaser a copy of all documents, including pleadings, in connection with such litigation.

4.06. Waiver of Penalty and Interest. The City covenants not to waive the payment of penalty or interest on delinquent assessments levied on property in the District for costs of the Improvements, unless the City determines, by resolution of the City Council, that such waiver is in the best interest of the owners of the outstanding Bonds.

4.07. Financial Report. The City covenants to provide a copy of its annual, audited financial statements (the "Audited Financial Statements") within 330 days of the end of each fiscal year to the owner of the Bond as long as the Bond is outstanding. Until otherwise notified the Audited Financial Statements will be sent to the Government Banking Division of U.S. Bank National Association, 9th Floor (EP-MN-S9GB), 101 East 5th Street, St. Paul, MN 55101-1860.

## Section 5. Tax Matters.

5.01. Use of Improvements. The Improvements will be owned and operated by the City and available for use by members of the general public on a substantially equal basis. The City shall not enter into any lease, use

or other agreement with any non-governmental person relating to the use of the Improvements or security for the payment of the Bonds which might cause the Bonds to be considered “private activity bonds” or “private loan bonds” within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”).

5.02. 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 Bond 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.

5.03. Arbitrage Certification. The Mayor, the Financial Services Manager, 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 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 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.

5.04. Arbitrage Rebate. The City acknowledges that the 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 Bonds from gross income for federal income tax purposes, unless the Bonds qualify for the exception from the rebate requirement under Section 148(f)(4)(B) of the Code and no “gross proceeds” of the Bonds (other than amounts constituting a “bona fide debt service fund”) arise during or after the expenditure of the original proceeds thereof. In furtherance of the foregoing, the Mayor, the Financial Services Manager, and the City Clerk are hereby authorized and directed to execute a Rebate Certificate, substantially in the form to be prepared by Bond Counsel, 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.

5.05. Qualified Tax-Exempt Obligations. Pursuant to Section 265(b)(3)(B)(ii) of the Code, the City hereby designates the Bond as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code. The City has not designated any obligations in 2009 other than the Bond under Section 265(b)(3). 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 2009 in an amount greater than \$30,000,000.

5.06. Information Reporting. The City shall file with the Secretary of the Treasury, not later than August 15, 2009, a statement concerning the Bonds containing the information required by Section 149(e) of the Code.

Section 6. Authentication of Transcript. The officers of the City are hereby authorized and directed to furnish to the Purchaser and to bond counsel 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 truth of the statements purported to be shown thereby.

#### Section 7. Discharge.

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 such obligations shall cease.

7.02. Payment. The City may discharge its liability with reference to any Bond or installment of interest thereon which is due on any date by on or before that date depositing with the Registrar funds sufficient, or, if a City officer is the Registrar, mailing to the registered owner of such Bond a check or draft in 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 funds sufficient, or, if a City officer is the Registrar, by mailing to the registered owner thereof

a check or draft in a sum sufficient and providing proceeds available, for the payment thereof in full with interest accrued to the date of such deposit or mailing.

7.03. Prepayment. The City may also discharge its obligations with respect to any Bonds called for redemption on any date when they are prepayable according to their terms, by on or before that date depositing with the Registrar funds sufficient, or, if a City officer is the Registrar, mailing to the registered owner of such Bond a check or a draft in a sum sufficient and providing proceeds available, for the payment of the principal, interest and redemption premium, if any, which are then due; provided that notice of such redemption has been duly given as provided herein or irrevocably provided for.

7.04. 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 notice of such redemption has been irrevocably provided for, 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. Repeals and Effective Date.

8.01. 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.

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

PASSED AND ADOPTED by the City Council of the City of Billings, Montana, this 13th day of April, 2009.

CITY OF BILLINGS



Ron Tussing, Mayor

Attest: Cari Martin  
Cari Martin, City Clerk



EXHIBIT A

UNITED STATES OF AMERICA  
STATE OF MONTANA  
YELLOWSTONE COUNTY

**CITY OF BILLINGS**

SPECIAL IMPROVEMENT DISTRICT NO. 1384 BONDS

Interest at the rate per annum specified below,  
payable on the 1<sup>st</sup> day of January and the 1<sup>st</sup> day of July  
in each year, commencing January 1, 2010.

No. R-1 \$495,000.00

<u>Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>
5.85%	July 1, 2024	April 1, 2009

REGISTERED OWNER: U.S. BANK NATIONAL ASSOCIATION  
(Tax Identification Number: 31-0841368)

PRINCIPAL AMOUNT: FOUR HUNDRED NINETY-FIVE THOUSAND AND NO/100 DOLLARS

FOR VALUE RECEIVED, the City of Billings, Yellowstone County, Montana, will pay to the registered owner identified above, or registered assigns, on the maturity date specified above the principal amount specified above, solely from the revenues hereinafter specified, as authorized by Resolution No. 09-18805, adopted April 13, 2009 (the "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 such later date to which interest hereon 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 Financial Services Manager. Interest on this Bond is payable semiannually, commencing January 1, 2010, on the first day of January and the first day of July in each year, to the owner of record of this Bond appearing as such in the bond register as of the close of business on the 15th day (whether or not such is a business day) of the immediately preceding month. Interest on and, upon presentation and surrender hereof at the operations center of the bond registrar and paying agent hereinafter named, the principal of this Bond are payable by check or draft of the Financial Services Manager, as Bond Registrar and Paying Agent, at his address as it appears on the bond register maintained by the Bond Registrar. The principal of and interest on this Bond are payable in lawful money of the United States of America.

This Bond is issued as a Term Bond in the aggregate principal amount of \$495,000, matures on July 1, 2024, and bears interest at the rate of 5.85% (the "Bond"). The Bond is 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 12, Parts 41 and 42, as amended (the "Act"), and ordinances and resolutions duly adopted by the governing body of the City, including the Resolution, to finance the costs of certain local improvements (the "Improvements") for the special benefit of property located in Special Improvement District Nos. 1384 (the "District") of the City. The Bond shall be dated, as originally issued, and be registered as of April 1, 2009, shall be subject to mandatory sinking fund redemption as set forth below, and shall bear interest from the date of original registration until paid or duly called for redemption at the rate of 5.85% per annum. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

This Bond is payable from the collection of a special tax or assessment levied upon all assessable real property within the boundaries of the District, in an aggregate principal amount of not less than \$495,000, except as such amounts may be reduced or increased in accordance with provisions of Montana law. Such assessments constitute a lien against the assessable real estate within the District, District and are to be deposited into the Special Improvement District No. 1384 Fund of the City (the "District Fund"). The Bond is not a general obligation of the City.

The City has also validly established a Special Improvement District Revolving Fund (the "Revolving Fund") to secure the payment of certain of its special improvement district bonds, including the Bond. The City has also agreed, to the extent permitted by the Act, to issue orders annually authorizing loans or advances from

the Revolving Fund to the District Fund, in amounts sufficient to make good any deficiency in the District Fund to pay principal of or interest on the Bond, to the extent that funds are available in the Revolving Fund, and to provide funds for the Revolving Fund by annually making a tax levy or loan from its general fund in an amount sufficient for that purpose, subject to the limitation that no such tax levy or loan may in any year cause the balance in the Revolving Fund to exceed five percent of the principal amount of the City's then outstanding special improvement district bonds secured thereby and the durational limitations specified in the Act. While any property tax levy to be made by the City to provide funds for the Revolving Fund is subject to levy limits under current law, the City has agreed in the Resolution to levy property taxes to provide funds for the Revolving Fund to the extent described in this paragraph and, if necessary, to reduce other property tax levies correspondingly to meet applicable levy limits.

The Bond is subject to mandatory sinking fund redemption on July 1 in the year and the principal amount set forth below in \$5,000 principal amounts, selected by the Registrar, by lot or other manner it deems fair, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date:

<u>Stated Maturity of Term Bonds (July 1)</u>	<u>Sinking Fund Payment Date (July 1)</u>	<u>Principal Amount on Sinking Fund Payment Date</u>	<u>Principal Amount due on <u>Maturity</u></u>
2024	2010	\$35,000	\$5,000
	2011	35,000	
	2012	35,000	
	2013	35,000	
	2014	35,000	
	2015	35,000	
	2016	35,000	
	2017	35,000	
	2018	35,000	
	2019	35,000	
	2020	35,000	
	2021	35,000	
	2022	35,000	
	2023	35,000	

The principal amount of the Term Bond having a stated maturity in 2024 required to be redeemed on the above Sinking Fund Payment Dates shall be reduced by the principal amount of any such term bonds theretofore redeemed and not previously applied to reduce the principal amount of such bonds on a Sinking Fund Payment Date.

The principal installments of this Bond are subject to mandatory redemption in order of mandatory sinking fund payments and within a stated maturity in \$5,000 principal amounts selected by lot or other manner deemed fair by the Registrar, shall be redeemed before other Bonds of such stated maturity, 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 District Fund, from the prepayment of assessments levied in the District or from surplus proceeds of the Bond not required to pay costs of the Improvements, for the redemption thereof, and in the manner provided for the redemption of the same. In addition, the principal of the Bond is subject to redemption on any interest payment date on July 1, 2017, and any date thereafter, at the option of the City, in whole or in part, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date, without premium. The redemption price is equal to the principal amount of the Bond or portions thereof to be redeemed plus interest accrued thereon to the date of redemption. The date of redemption and principal amount shall be fixed by the Financial Services Manager, who shall give notice, by first class mail, postage prepaid, or by other means required by the securities depository, to the owner of such Bond at its address shown on the bond register, of the Bond to be redeemed and the date on which payment will be made, which date shall not be less than thirty (30) days after the date of mailing of notice, on which date so fixed interest shall cease. On the date so fixed interest on the Bond or portions thereof so redeemed shall cease to accrue. Upon partial redemption of any Bond, a new Bond will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

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 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 to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, 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, RECITED, COVENANTED AND AGREED 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 thereof; 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 become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication herein shall have been executed by the Registrar by the manual signature of one of its authorized representatives.

IN WITNESS WHEREOF, the City of Billings, Yellowstone County, Montana, by its City Council, has caused this Bond and the certificate on the reverse hereof to be executed by the facsimile signatures of the Mayor, the Financial Services Manager and the City Clerk, and by a printed facsimile of the official seal of the City.

CITY OF BILLINGS, MONTANA

(Facsimile Signature)  
MAYOR

(Facsimile Seal)

(Facsimile Signature)  
FINANCIAL SERVICES MANAGER

(Facsimile Signature)  
CITY CLERK

#### CERTIFICATE OF AUTHENTICATION

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

CITY OF BILLINGS, MONTANA,  
as Registrar

By \_\_\_\_\_  
Financial Services Manager

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.

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#### 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 GUARANTEED

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.

EXHIBIT B

[FORM OF DTC LETTER]