

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 Resolution No. 09-18905, entitled: "RESOLUTION RELATING TO A PROJECT ON BEHALF OF ZOOTIST HOSPITALITY, LLC AND THE ISSUANCE OF A REVENUE BOND TO FINANCE THE COSTS THEREOF UNDER MONTANA CODE ANNOTATED, TITLE 90, CHAPTER 5, PART 1, AS AMENDED; GRANTING PRELIMINARY APPROVAL THERETO AND CALLING A PUBLIC HEARING THEREON AND ESTABLISHING COMPLIANCE WITH CERTAIN REIMBURSEMENT REGULATIONS UNDER THE INTERNAL REVENUE CODE" (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 meeting on December 21, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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: Gaghen; Pitman; Brewster; Veis; Ruegamer; McCall; Ulledalen, Astle, Clark; voted against the same: _____; abstained from voting thereon: _____; or were absent: Ronquillo.

WITNESS my hand officially this 21st day of December, 2009.

Cari Martin
City Clerk

RESOLUTION NO. 09-18905

RESOLUTION RELATING TO A PROJECT ON BEHALF OF ZOOTIST HOSPITALITY, LLC AND THE ISSUANCE OF A REVENUE BOND TO FINANCE THE COSTS THEREOF UNDER MONTANA CODE ANNOTATED, TITLE 90, CHAPTER 5, PART 1, AS AMENDED; GRANTING PRELIMINARY APPROVAL THERETO AND CALLING A PUBLIC HEARING THEREON AND ESTABLISHING COMPLIANCE WITH CERTAIN REIMBURSEMENT REGULATIONS UNDER THE INTERNAL REVENUE CODE

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 Montana Code Annotated, Title 90, Chapter 5, Part 1, as amended (the "Act"), the City is authorized to enter into agreements upon terms the governing body considers advantageous and not in conflict with the provisions of the Act to issue its revenue bonds and sell such bonds at public or private sale in such manner and at such times as may be determined by this body to be most advantageous; and to loan the proceeds of its revenue bonds to others for the purpose of defraying the cost of acquiring or improving any land, any building or other improvement, and any other real or personal property considered necessary in connection with the improvement, whether or not now in existence, that is suitable for use for commercial enterprises. Such revenue bonds may be secured by a pledge of the revenues to be derived by the City from a loan agreement with the borrower, by a mortgage on the project and by such other security devices as may be deemed advantageous. Under the provisions of the Act, any bonds so issued by the City shall be special, limited obligations of the City and the notes shall not constitute nor give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers.

1.02 Under Section 1401 of the American Recovery and Reinvestment Act of 2009 (the "ARRA"), as codified at Sections 1400U-1 through 1400U-3 of the Internal Revenue Code of 1986, as amended (the "Code"), gross income does not include interest on any bond designated by an eligible issuer thereof as a "recovery zone facility bond."

1.03 Under Internal Revenue Service Notice 2009-50, the City has been allocated authority to issue \$26,831,000 of bonds designated as recovery zone facility bonds, and pursuant to Section 1400U-1(a)(3) of the Code, Montana Code Annotated Section 17-5-116 and the Montana Department of Administration's Recovery Zone Bond Allocation Policy, the City has been reallocated authority from Yellowstone County to issue an additional \$9,973,000 of bonds designated as recovery zone facility bonds, such that the City has \$36,804,000 total authority to issue recovery zone facility bonds.

1.04 The City is authorized under the Act to issue economic development revenue bonds and to designate them as recovery zone facility bonds within the meaning of the Code under M.C.A. 7-7-140.

1.05 The City, pursuant to Resolution 09-18866 has designated the area within the City as a recovery zone suffering from significant poverty, unemployment, rate of home foreclosures, or general distress.

1.06 Zootist Hospitality, LLC, a Montana limited liability company (the "Company"), has proposed that the City, pursuant to the Act, issue limited obligation bonds in the approximate aggregate principal amount of \$20,000,000, in one or more series at one time or from time to time (the "Bonds"), the proceeds of which will be loaned by the City to the Company to finance a portion of the costs of renovating, restoring and furnishing the Northern Hotel located at 19 North 28th Street in the City (the "Project") and to pay certain costs of issuance of the Bonds. The Project is expected to cost approximately \$21,000,000. When finished, it is anticipated that the Northern Hotel will have 160 hotel rooms, approximately 10,000 square feet of meeting space, a full-service restaurant, lounge, casual diner and parking. The Project will be owned by the Company.

Section 2. Preliminary Findings. Based on representations made by the Company to the City to date, the Council hereby makes preliminary findings, determinations and declarations, subject to final findings, determinations and declarations following the public hearing called pursuant to Section 4, as follows:

(a) The Project, as proposed, will be suitable for use as a commercial enterprise eligible for financing under the Act and in accordance with Sections 1400U-1 and 1400U-3 of the Code, and the City is authorized to issue revenue bonds to defray the costs of making a loan to the Company, the proceeds of which will be used to finance a portion or all of the costs of constructing, equipping and improving the Project and expenses incident to the issuance of the Bonds, including any security for the Bonds, and to enter into a Loan Agreement with the Company requiring loan repayments from the Company in amounts sufficient to repay the loan when due and requiring the Company to pay all costs of maintaining and insuring the Project.

(b) The Project is located in one of the City's downtown Urban Renewal Districts (the "District") and will further the goals and objectives of the District.

(c) The loan repayments to be made by the Company under the Loan Agreement, shall be established at a level and payable in installments at times sufficient to pay all principal of, premium, if any, and interest on the Bonds when due.

(d) In preliminarily authorizing the Project and the issuance of the Bonds, the City's purpose is and the effect thereof will be to promote the public welfare of the City and its residents by preserving and creating jobs and promoting economic recovery and assisting those most impacted by the recession in a recovery zone.

(e) The undertaking of the Project and the issuance of the Bonds to finance all or a portion of the costs thereof will be in the public interest.

(f) The City is authorized to designate the Bonds as a recovery zone facility bond under the Act and Section 1400U-3 of the Code and Section 90-5-103(6) of the Act.

(g) The Project complies with the requirements of Resolution No. 09-18890.

Section 3. Preliminary Approval. This Council hereby gives preliminary approval to the Project and the issuance of the Bonds in the approximate aggregate principal amount of \$20,000,000 to finance a portion of the costs thereof and the designation of the Bonds as a recovery zone facility bond under Section 1400U-3 of the Code, subject to final approval following the public hearing provided for in Section 4, and subject to final determination by this Council that the financing of the Project and the issuance of the Bonds are in the best interest of the City.

Section 4. Public Hearing. Section 90-5-104 of the Act and Section 147(f) of the Code require that, prior to the issuance of the Bonds, a public hearing duly noticed shall be held by this Council on the proposed Project and the issuance of the Bonds to finance the costs thereof. Pursuant to such authority, a public hearing is hereby called and shall be held on January 11, 2010 at 6:30 p.m. in the Council Chambers on the second floor of the Police Facility, 220 N. 27th Street, Billings, Montana, on the proposed Project and the issuance of Bonds to finance a portion of the costs thereof. The notice shall be published in substantially the following form:

CITY OF BILLINGS, MONTANA

NOTICE IS HEREBY GIVEN that the City Council (the "Council") of the City of Billings, Montana (the "City") will hold a public hearing on January 11, 2010, at 6:30 p.m., M.T., at Council Chambers on the second floor of the Police Facility, 220 N. 27th Street, Billings, Montana, for the purpose of conducting a public hearing on a proposal that the City issue revenue bonds (the "Bonds") under Montana Code Annotated Title 90, Chapter 5, Part 1, as amended (the "Act"), and designate them as recovery zone facility bonds under the Internal Revenue Code, on behalf of Zootist Hospitality, LLC, a Montana limited liability company (the "Company").

The Bonds would be issued in order to finance a portion of the costs of designing, constructing and furnishing a hotel complex (the "Project") and to pay certain costs of issuance of the Bonds. The Project will consist of renovating and restoring the Northern Hotel at 19 North 28th Street in the City. The Project will include asbestos abatement, demolition, design, construction and furnishing, which is expected to cost approximately \$21,000,000. When finished, the Northern Hotel will have 160 hotel rooms, approximately 10,000 square feet of meeting space, a full-service restaurant, lounge, casual diner and parking. The Project will be owned by the Company. The maximum aggregate principal amount of the proposed Bonds issuance is \$20,000,000.

The Bonds will be secured by a pledge of the revenues to be derived by the City from a loan agreement with the Company and by such other security devices, if any, as may be deemed advantageous, including a mortgage or trust indenture on the Project. The Bonds will be a special, limited obligation of the City, and the Bonds and interest thereon will be payable solely from the revenues of the Company pledged to the payment thereof. The holder of the Bonds will never have the right to compel any exercise of the taxing power of the City to pay the Bonds or the interest thereon, nor to enforce payment thereof against any property of the City except money payable by the Company to the City and pledged to the payment of the Bonds.

Any interested persons may appear and will be heard at the public hearing at the time and place stated above or may file written comments with the City Clerk prior to the date of such hearing. Further information regarding the proposal is on file and available for public inspection in the office of the City Clerk at City Hall.

For additional information on the proposed resolution, contact: Bruce McCandless, Assistant City Administrator or Patrick M. Weber, Financial Services Manager, City of Billings, 210 N 27th Street, Billings, Montana, 59103 or by calling 657-8207.

Dated:

BY ORDER OF THE CITY COUNCIL
OF THE CITY OF BILLINGS, MONTANA

Publication Dates: December 24, 2009
December 31, 2009
January 7, 2010

Section 5. Costs. The Company will pay, or upon demand reimburse the City for payment of, any and all costs incurred by the City in connection with the Project and the issuance of the Bonds, whether or not the Project is carried to completion and whether or not the Bonds is issued.

Section 6. Commitment Conditional. The adoption of this resolution does not constitute a guarantee or a firm commitment that the City will issue the Bonds as requested by the Company. If, based on comments received at the public hearing to be held pursuant to this resolution, or other information made available to or obtained by the City during its review of the Project, it appears that the Project or the issuance of the Bonds to finance the costs thereof is not in the public interest or inconsistent with the purposes of the Act, the City reserves the right not to give final approval to the issuance of the Bonds. The City also retains the right, in its sole discretion, to withdraw from participation and accordingly not issue the Bonds should the Council, at any time prior to the issuance thereof, determine that it is in the best interests of the City not to issue the Bonds or should the parties to the transaction be unable to reach agreement as to the terms and conditions of any of the documents for the transaction.

Section 7. Effective Date. This Resolution shall become effective upon passage.

PASSED AND ADOPTED by the Billings City Council on December 21, 2009.

(SEAL)



THE CITY OF BILLINGS

Ron Tussing, Mayor

ATTEST:

Cari Martin

Cari Martin, City Clerk