

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 APPROVING TAX COMPLIANCE POLICY RELATING TO TAX-EXEMPT 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 at a regular meeting on January 9, 2012, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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: Cromley, Ronquillo, Pitman, Cimmino, McFadden, Bird, McCall, Ulledalen, Astle, and Crouch; voted against the same: none; abstained from voting thereon: none; or were absent: none.

WITNESS my hand officially this 9th day of January, 2012.

Cari Martin
Cari Martin, City Clerk



RESOLUTION NO. 12-19132

RESOLUTION APPROVING TAX COMPLIANCE POLICY
RELATING TO TAX-EXEMPT BONDS

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

Section 1. Recitals.

1.01. Pursuant to the laws of the State of Montana and Section 103 of the Internal Revenue Code of 1986, as amended, the City has issued, and likely will issue, tax exempt municipal bonds to finance and refinance various projects and functions of the City.

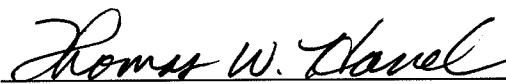
1.02. Dorsey & Whitney, LLP, as bond counsel to the City, has prepared a Tax Compliance Policy For Tax-Exempt Bonds (the "Tax Compliance Policy") for adoption by this Council in order to assist the City in preserving the tax-exempt status of bonds previously issued and to be issued by the City and to maintain eligibility to issue additional tax-exempt bonds in the future.

Section 2. Approval. The Tax Compliance Policy is hereby approved in substantially the form attached hereto as Attachment A, and the City hereby resolves to abide by the Tax Compliance Policy and to update periodically the Tax Compliance Policy in accordance with the Internal Revenue Code and supporting Internal Revenue Service rulings and regulations. The City Finance Director is hereby authorized and directed to review and revise the Tax Compliance Policy, with advice from bond counsel, in order to ensure compliance with State and Federal laws and regulations.

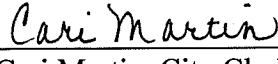
Passed and approved January 9, 2012.

CITY OF BILLINGS




Thomas W. Hanel
Thomas W. Hanel, Mayor

Attest:


Cari Martin, City Clerk

Attachment A

**The City of Billings, Montana
Tax Compliance Policy
For
Tax-Exempt Bonds**

Dated: January 9, 2012

Section 1. Purpose

This policy is approved by The City of Billings, Montana (the "Issuer"), to ensure that interest on tax-exempt bonds, notes or other obligations ("Bonds") of the Issuer remains excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").

This policy is intended to formally memorialize certain practices and policies of the Issuer previously followed in connection with its issuance of Bonds. The Issuer reserves the right to make exceptions to this policy as necessary or appropriate.

The Issuer's policy for post-issuance tax compliance is as follows:

Section 2. Expenditure/Use of Bond Proceeds

Section 2.01 Expenditure of Bond proceeds will be reviewed by the City Finance Director. Such review will include comparison of actual expenditures to statements made in Bond documents, including any Bond Resolution or Trust Indenture and the Tax Certificate (collectively, the "Bond Documents").

Section 2.02 The Issuer has separately established procedures for the preparation and review of requisitions of Bond proceeds as part of its accounting system. The Issuer's accounting system will identify, for each Bond-financed project, the capital expenditures, the costs of issuance, the reserve fund deposit, if any, and any other categories of expenditures identified in the related Tax Certificate.

Section 2.03 None of the Bond proceeds will be used to reimburse the Issuer for costs paid prior to the date of issuance of the Bonds unless the Issuer shall have complied with Section 1.150-2 of the Treasury Regulations with respect to such reimbursed amounts. Attached hereto as Exhibit A is a summary of the reimbursement regulations for tax-exempt bonds.

Section 2.04 Costs of staff may be financed with Bond proceeds only to the extent that they are properly capitalized as a cost of a capital project under generally accepted accounting principles and federal tax law.

Section 2.05 Requisitions of Bond proceeds will be summarized in a "final allocation" of Bond proceeds to uses not later than 18 months after the in-service date of the Bond-financed property or the date of completion of the project (and in any event

not later than 5 years and 60 days after the issuance of the Bonds and not later than 60 days after earlier retirement of the Bond issue).

Section 2.06 Expenditure of Bond proceeds will be measured against the Issuer's expectation, as set forth in the Tax Certificate delivered at the closing of Bonds, to (i) incur a substantial binding obligation to a third party to spend at least 5% of the net sales proceeds of the Bonds on the capital project within 6 months after the issue date, and (ii) proceed with due diligence to complete the capital project and spend at least 85% of the net sale proceeds within three years from the issue date.

Section 2.07 If there are any Bond proceeds remaining other than in a reserve or debt service fund established pursuant to the Bond Documents after completion of a project, unless the proceeds can be properly allocated to other uses, such proceeds shall be applied to make debt service payments on the Bonds or otherwise defease the Bonds.

Section 2.08 In the event that Bond proceeds are to be used to make a grant to an unrelated party, a grant agreement will be reviewed prior to execution for compliance with the Code. Such agreement will be approved by the City Finance Director upon consultation with Bond Counsel. The repayment of any portion of a grant by the grantee shall be treated as unspent Bond proceeds.

Section 2.09 In the event that Bond proceeds are to be loaned to a conduit borrower, such conduit borrower will be required to agree to all terms of the Tax Certificate prepared by Bond Counsel and provide evidence of tax compliance policies and procedures deemed adequate and consistent with those set forth herein; and all such obligations for tax compliance shall be assumed by such conduit borrower. The City Finance Director shall be the primary contact for all conduit borrowers and related compliance matters.

Section 3. Use of Bond-Financed Property

Section 3.01 Use of Bond-financed facilities when completed and placed in service will be reviewed by the City Finance Director. The City Finance Director will consult with Bond Counsel regarding any third-party use of Bond-financed facilities, including, without limitation, leases, use, management or service contracts, and research contracts.

Section 3.02 Appropriate department/facility managers shall be instructed to consult with the City Finance Director regarding any third-party use of the Bond-financed facilities, including without limitation leases, use, management or service contracts, and research contracts.

Section 3.03 Agreements with third-parties for the use of Bond-financed facilities, including without limitation leases, use, management or services contracts, and research contracts, or non-governmental use of Bond-financed facilities will be reviewed prior to execution for compliance with the Code. Such agreements will

be approved by the City Finance Director upon consultation with Bond Counsel, who will be responsible for determining whether the proposed agreement (i) results in private business use of the facilities, and (ii) if applicable, meets the compensation, term and other requirements under Revenue Procedures 97-13 and 2007-47.

Section 3.04 Upon issuance of Bonds, there shall be no expectation that the Bond-financed property will be sold or otherwise disposed of by the Issuer during the term of the Bonds, except for replacement due to normal wear and tear or obsolescence; and no item of Bond-financed property will be sold or transferred by the Issuer while the Bonds are outstanding without approval of the City Finance Director upon consultation with Bond Counsel or advance arrangement of a "remedial action" under the applicable Treasury Regulations. Attached hereto as Exhibit B is a summary of certain remedial actions.

Section 3.05 The Issuer acknowledges that any sale, transfer, change in use, or change in the users of the Bond-financed property may require remedial action or resolution pursuant to the IRS Voluntary Closing Agreement Program ("VCAP") to assist in resolving violations of federal tax laws applicable to the Bonds.

Section 4. Investments

Section 4.01 Investment of Bond proceeds in compliance with Montana law (Title 7, Chapter 6, Part 2, Montana Code Annotated), the Issuer's investment policy, and the arbitrage and rebate requirements of the Code and applicable Treasury Regulations will be supervised by the City Finance Director.

Section 4.02 All investments will be purchased only at fair market value, as determined under applicable Treasury Regulations.

Section 4.03 Guaranteed investment contracts ("GICs") and other open-market securities will be purchased only according to applicable Treasury Regulations, including bid requirements and fee limitations.

Section 4.04 Calculation of rebate liability will be performed by outside consultants and reviewed by the City Finance Director. Such calculations shall be made annually and within the period prescribed following full retirement of the Bonds.

Section 4.05 Upon final expenditure of the gross proceeds of Bonds, and in any event promptly following the fifth anniversary of the date of issuance of the Bonds or earlier retirement of the Bonds, the City Finance Director will consult a qualified professional to prepare a spending exception report or an arbitrage rebate computation (as applicable) for the issue of Bonds.

Section 4.06 Rebate payments, as required based upon the advice of a qualified professional, will be made with Form 8038-T no later than 60 days after (i) each fifth anniversary of the date of issuance of the Bonds and (ii) the final retirement of the Bond issue.

Section 5. Record Management and Retention

Section 5.01 Management and retention of records related to Bond issues will be supervised by the City Finance Director.

Section 5.02 Records for Bonds will be retained for the life of the Bonds, plus any refunding Bonds, plus three years (or such longer term as may be required under State law). Such records may be in the form of documents or electronic copies of documents, appropriately indexed to specific Bond issues and compliance functions.

Section 5.03 Retainable records pertaining to Bond issuance shall include a transcript of documents executed in connection with the issuance of the Bonds and any amendments thereto, copies of rebate calculations, records of payments, including Forms 8038-T, escrow agreements, verification reports, records of investment earnings on any relevant funds/accounts, IRS filings and audit reports/investigations.

Section 5.04 Retainable records pertaining to expenditures of Bond proceeds include requisitions, reimbursement allocations, paying agent statements, if applicable, trustee statements, if applicable, and final allocation of proceeds.

Section 5.05 Retainable records pertaining to use of Bond-financed property include all third-party contracts concerning use of the facilities, including, without limitation, leases, use, management or service contracts and research contracts.

Section 5.06 Retainable records pertaining to investments include GIC documents under the Treasury Regulations, records of purchase and sale of other investments, and records of investment activity sufficient to permit calculation of arbitrage rebate or demonstration that no rebate is due.

Section 6. Overall Responsibility

Section 6.01 Overall administration and coordination of this policy is the responsibility of the City Finance Director.

Section 6.02 Review of compliance with this policy shall be undertaken not less than annually.

Section 6.03 The Issuer understands that failure to comply with this policy could result in the retroactive loss of the exclusion of interest on Bonds from federal gross and Montana taxable income and, thus, it would be advisable to consult with Bond Counsel and other professionals in advance regarding deviations from the facts and expectations as set forth in any Bond Documents.

Section 6.04 Any violations or potential violations of federal tax requirements shall promptly be reported to the City Finance Director, and the City Finance Director will engage qualified consultants and Bond Counsel to further investigate

potential violations or recommend appropriate remedial actions, which actions shall be approved by the governing body of the Issuer.

EXHIBIT A

REIMBURSEMENT BOND SUMMARY

Following is a general summary of the requirements relating to bonds that are issued in whole or in part to reimburse expenditures that were paid prior to the date of issuance of bonds (“Reimbursement Bonds”).

Reimbursement Bond proceeds cannot be used to reimburse expenditures paid more than 60 days prior to the adoption of the declaration of official intent/reimbursement resolution, which must contain:

- a general functional description of the property to which the reimbursement relates or an identification of the fund or account from which the expenditure is to be paid and a general functional description of the purposes of such fund or account; and
- the maximum principal amount of debt proposed to be issued.

The Treasury Regulations generally require that Reimbursement Bonds must be issued not later than 18 months after the later of (i) the date on which the original expenditure is paid, or (ii) the date on which the property is placed in service or abandoned, but in any case not more than three years after the date on which the original expenditure is paid. If possible, actual reimbursement should be made within 30 days of the date of issuance of the Reimbursement Bonds. Treasury Regulations generally permit reimbursement of capital expenditures and costs of issuance of the Reimbursement Bonds.

Note that there are exceptions for “de minimis” amounts (not in excess of the lesser of \$100,000 or 5% of proceeds of the issue) and for “preliminary expenditures” (such as architectural, engineering, surveying, soil testing and similar costs and costs of issuance), so long as such preliminary expenditures do not exceed 20% of the aggregate issue price.

EXHIBIT B

CERTAIN REMEDIAL PROVISIONS APPLICABLE TO BONDS

The Issuer acknowledges that any deliberate action by the Issuer after Bond issuance that results in a satisfaction of the private business tests or the private loan test will result in private activity bond status unless one or more qualifying remedial actions are taken by the Issuer. Specifically, Treasury Regulations provide that actions are not treated as deliberate actions if (A) five conditional requirements are met, and (B) one of three remedial actions is taken, with respect to the disposition proceeds and nonqualified bonds*:

CONDITIONAL REQUIREMENTS

1. Reasonable Expectations – The Issuer reasonably expected on the issue date that it would not meet the private business tests or the private loan test for the whole term of the bonds; and
2. Reasonable Bond Maturity – The term of the issue must not be unreasonably long; this requirement is met if the weighted average maturity of the bond issue is not greater than 120% of the expected economic life of the property financed; and
3. Fair Market Value Consideration – The terms of any agreement (relating to satisfaction of a private activity bond test) must be bona fide and at arm's-length, and the new user must pay a fair market value consideration for the use of the bond-financed property; and
4. Disposition Proceeds Are Gross Proceeds – The Issuer must treat any disposition proceeds as gross proceeds subject to arbitrage/rebate restrictions; and
5. Proceeds Spent for Authorized Purpose – Except as described with respect to redemption and defeasance options below, prior to deliberate actions, the affected proceeds must have been spent for the authorized purposes under the applicable bond documents.

REMEDIAL ACTIONS – Under Treasury Regulations, Sections 1.141-12(d), (e) and (f):

1. Redemption of Non-Qualified Bonds – Under the general rule, all nonqualified bonds of the issue must be redeemed. Tax-exempt bond proceeds (i.e., refunding bond proceeds) cannot be used unless the tax-exempt bonds are qualified bonds, taking into account the purchaser's use of the facility. The bonds must be redeemed within 90 days of the date of the deliberate action or a defeasance escrow for the bonds must be established within such 90-day period. Special rules apply to transfers exclusively for cash and to defeasance escrows.

* The portion of the outstanding bonds in an amount that, if the remaining bonds were issued on the date on which the deliberate action occurs, the remaining bonds would not satisfy the private business use test or the private loan financing test, as applicable. The amount of private business use is the highest percentage of business use in any one-year period, commencing with the deliberate action.

2. Alternative Use of Disposition Proceeds – To meet this requirement, all disposition proceeds must be in cash, the Issuer must reasonably expect to expend the proceeds within 2 years, the new use must not meet the private business tests or the private loan test (and the Issuer cannot take any action subsequent to the date of the deliberate action to cause the tests to be met), and any unused proceeds must satisfy the redemption requirement in the preceding paragraph.
3. Alternative Use of Facility – This remedial action is satisfied if the bond-financed property itself (as distinguished from the proceeds of the issue) is used in an alternative manner (e.g., for a different purpose or by a different person); the nonqualified bonds are treated as reissued on the date of the deliberate action and independently meet all of the requirements for tax exemption under Sections 141 through 150 of the Code, except the arbitrage and rebate rules of Section 148, for the remaining term of the nonqualified bonds; the deliberate action does not involve a transfer of the property to a purchaser that finances the acquisition with the proceeds of another issue of tax-exempt bonds; and any disposition proceeds, other than those arising from an agreement to provide services, resulting from the deliberate action are used to pay debt service on the bonds on the next available payment date or escrowed within 90 days of receipt and yield restricted to pay debt service on the next available payment date.

The above is only a brief summary of certain remedial actions, and additional special rules may be applicable. As provided in the Issuer's Compliance Policy for Tax-Exempt Bonds, the City Finance Director shall seek advice of Bond Counsel as necessary to provide guidance as to "remedial action" that may be required under the applicable Treasury Regulations.

The Commissioner of the IRS may, by publication, provide for additional remedial actions. In addition, the IRS provides a program in which issuers/borrowers which cannot meet a listed remedial action can enter into a closing agreement with the IRS to avoid private activity bond status. The closing agreement program includes several conditions, including providing for the redemption of the bonds and paying the IRS an amount based on an assumption that the non-qualified bonds are taxable from the date of the subsequent act until they are redeemed.