

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. _____ entitled: "RESOLUTION RELATING TO \$350,000 POOLED SPECIAL SIDEWALK, CURB, GUTTER AND ALLEY APPROACH BOND, SERIES 2011; CREATING SPECIAL SIDEWALK, CURB, GUTTER AND ALLEY APPROACH FUND; AND PRESCRIBING COVENANTS OF THE CITY FOR THE SECURITY OF THE HOLDERS OF THE BOND" (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 August 8, 2011, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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: _____; voted against the same: _____; abstained from voting thereon: _____; or were absent: _____.

WITNESS my hand and seal officially this _____ day of August, 2011.

City Clerk

RESOLUTION NO. _____

RESOLUTION RELATING TO \$350,000 POOLED SPECIAL
SIDEWALK, CURB, GUTTER AND ALLEY APPROACH
BOND, SERIES 2011; CREATING SPECIAL SIDEWALK,
CURB, GUTTER AND ALLEY APPROACH FUND; AND
PRESCRIBING COVENANTS OF THE CITY FOR THE
SECURITY OF THE HOLDERS OF THE BOND

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

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

1.01 Sale of Pooled Special Sidewalk, Curb, Gutter and Alley Approach Bond. This Council, by Resolution No. 11-19084, adopted July 11, 2011, and pursuant to Montana Code Annotated, Title 7, Chapter 12, Parts 41 and 42 (the "Act"), authorized the issuance and sale of pooled special sidewalk, curb, gutter and alley approach bonds of the City in the aggregate principal amount of up to \$494,000 for the purpose of financing the construction of certain sidewalks, curbs, gutter and alley approach projects (each, a "Project") heretofore ordered by this Council pursuant to Resolution No. 10-18920, adopted March 22, 2010, as the W.O. 09-02, Miscellaneous/Developer-Related Improvements (the "Miscellaneous Improvements"), and Resolution No. 11-19026, adopted February 14, 2011, as the W.O. 05-13, Jackson Street Sidewalks Phase II (the "Jackson Street Sidewalk Improvements" and, together with the Miscellaneous Improvements, the "Improvements"). Pursuant to Section 7-12-4204 of the Act, as amended by House Bill 538, this Council determined it to be in the best interests of the City to sell its \$350,000 Pooled Special Sidewalk, Curb, Gutter and Alley Approach Bond, Series 2011 (the "Bond") at a private negotiated sale. Royal C. Johnson, of Billings, Montana (the "Original Purchaser"), has agreed to purchase from the City the Bond at a purchase price of \$350,000, plus accrued interest thereon from the date of original issue of the Bond, at the interest rate of 5.00% per annum.

In Resolution Nos. 10-18920 and 11-19026, adopted March 22, 2010 and February 14, 2011, respectively, this Council found that it is in the public interest, and in the best interest of the City and the properties, to secure payment of principal of and interest on the Bond by the Special Improvement District Revolving Fund of the City (the "Revolving Fund"), on the basis of the factors required to be considered under Section 7-12-4225 of the Act. Those findings are hereby ratified and confirmed.

1.02 Costs. It is currently estimated that the costs and expenses to be assessed against properties benefited by the Improvements, including costs of preparation of plans, specifications, maps, profiles, engineering superintendence and inspection, preparation of assessment rolls, expenses of making the assessments, the cost of work and materials under the construction contract and all other costs and expenses, including costs of issuance of the Bond and the deposit of proceeds in the Revolving Fund, is not less than \$350,000 (\$275,000 for the Miscellaneous Improvements, and \$75,000 for the Jackson Street Sidewalk Improvements). Such amount will be levied and assessed upon the assessable real property benefited by the Improvements on the

bases described in Resolution Nos. 10-18920 and 11-19026, adopted March 22, 2010 and February 14, 2011, respectively. 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 2011 Pooled Special Sidewalk, Curb, Gutter and Alley Approach Sinking Fund of the City (the “2011 Sidewalk Sinking Fund”) created for the Improvements.

1.03 Compliance with Constitution and Statutes. All acts, conditions and things required by the Constitution and laws of the State of Montana, including Montana Code Annotated, Title 7, Chapter 14, Part 41, and the Act, and the home rule charter of the City in order to make the Bond 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. \$350,000 Pooled Special Sidewalk, Curb, Gutter and Alley Approach Bond, Series 2011.

2.01 Principal Amount, Payment Dates and Interest Rate. For the purpose of paying the costs and expenses incurred in the construction of the Improvements and in anticipation of the collection of special assessments to be levied therefor, the City shall forthwith issue and deliver to the Original Purchaser its Pooled Special Sidewalk, Curb, Gutter and Alley Approach Bond, Series 2011, in the aggregate principal amount of \$350,000. The Bond shall be issued as a single amortized bond in fully registered form and bear interest on the unpaid principal balance thereof at the rate of 5.00% per annum from the date of delivery until paid. Installments of principal and interest on the Bond shall be payable on each January 1 and July 1, commencing January 1, 2012, in the amounts shown on Exhibit C hereto 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. The principal amount of the Bond shall be reduced upon payment or redemption of each principal installment thereof and in the amount thereof.

2.02 Method of Payment; Surrender. Principal and interest on the Bond are payable in lawful money of the United States of America by wire transfer in immediately available funds to such account as the holder shall direct or otherwise by check or draft drawn on the Registrar (as hereinafter defined). The Bond shall be surrendered at maturity or upon full redemption at the principal office of the Registrar.

2.03 Registration. The City hereby appoints the City Finance Director, to act as bond registrar, transfer agent and paying agent (the “Registrar”). The City reserves the right to appoint a bank, trust company or fiscal company as successor bond registrar, transfer agent or paying agent, as authorized by the Model Public Obligations Registration Act of Montana (the “Registration Act”), but the City agrees to pay the reasonable and customary charges of the Registrar for the services performed. This Section 2.03 shall establish a system of registration for the Bond as defined by the Registration Act. The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Bond Register. The Registrar shall keep at its principal office a bond register in which the Registrar shall provide for the registration of ownership of the Bond and the

registration of transfers and exchanges of the Bond 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 the Bond or portion thereof selected or called for redemption.

(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 on 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 for an exchange upon the partial redemption of any 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.

2.04 Execution, Registration and Delivery of Bond. The Bond shall be prepared under the direction of the City Finance Director and shall be executed on behalf of the City by the signatures of the Mayor, the City Finance Director and the City Clerk and sealed with the official seal of the City; provided that the seal and all signatures may be printed, engraved or lithographed facsimiles of the originals. In case any officer whose signature or a facsimile of whose signature shall appear on the Bond shall cease to be such officer before the delivery of any Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if 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 and until a certificate of authentication on such Bond has been duly executed by the manual signature of an authorized representative of the Registrar. The certificate of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution. When the Bonds have been so executed, authenticated and registered, they shall be delivered by the Registrar to the Original Purchaser upon payment of \$350,000 for the principal of the Bond plus accrued interest from the registration date to the date of such delivery and payment. The Original Purchaser shall not be obligated to see to the application of the purchase price, but the City Finance Director shall credit forthwith the proceeds of the Bond pursuant to Section 2.07.

2.05 Redemption.

(a) Mandatory Redemption. The principal installments of the Bond are subject to mandatory redemption in order of the principal installments on any interest payment date if, after paying all principal and interest then currently due on the Bond, there are monies available in or to the credit of the 2011 Sidewalk Sinking Fund, either from the prepayment of assessments or from the transfer of surplus money from the Construction Subaccounts to the Principal Subaccounts as provided in Section 3.02 or otherwise, for the redemption thereof. The redemption price is equal to the amount of the principal installment or installments of the Bond to be redeemed plus interest accrued thereon to the date of redemption, without premium.

(b) Optional Redemption. The principal installments are subject to redemption at the option of the City from sources of funds available therefor other than those described in Subsection (a) of this Section 2.05 on any interest payment date at a redemption price equal to the amount of the principal installment or installments of the Bond to be redeemed plus interest accrued thereon to the redemption date, without premium.

(c) Notice and Effect of Redemption. The date of redemption shall be fixed by the City Finance Director, who shall give notice by first class mail, postage prepaid, to the owner or owners of the Bond at their addresses shown on the bond register, of the numbers of the principal installments to be redeemed and the date on which payment will be made, which date shall not be less than ten days after the date of mailing of notice. On the date so fixed interest on the principal installments of the Bond so redeemed shall cease to accrue.

2.06 Form of Bond. The Bond shall be prepared in substantially the form set forth in Exhibit B hereto and by this reference is made a part hereof.

2.07 Application of Proceeds. The City Finance Director shall credit forthwith the proceeds of the Bond as follows:

(a) Deposit to the credit of the Interest Subaccounts in the respective Project Accounts in the 2011 Sidewalk Sinking Fund the amount of accrued interest, if any, paid by the Original Purchaser to the date of delivery of the Bond, in proportion to the principal amounts of the Bond allocable to each Project, as set forth in Section 1.02, which will be applied to payment of interest on the Bond when due;

(b) Deposit \$17,500.00 to the Revolving Fund (\$13,750.00 for the Miscellaneous Improvements, and \$3,750.00 for the Jackson Street Sidewalk Improvements); and

(c) Deposit the balance of the proceeds to the Construction Subaccounts in the respective Project Account (\$261,250 for the Miscellaneous Improvements and \$71,250 for the Jackson Street Sidewalk Improvements).

Section 3. 2011 Pooled Special Sidewalk, Curb, Gutter and Alley Approach Sinking Fund.

3.01 2011 Sidewalk Sinking Fund. The 2011 Sidewalk Sinking Fund is hereby created and designated as the “2011 Pooled Special Sidewalk, Curb, Gutter and Alley Approach Sinking Fund.” The 2011 Sidewalk Sinking Fund shall be maintained as a separate bookkeeping account by the City Finance Director on the books and records of the City. Within the 2011 Sidewalk Sinking Fund there shall be maintained separate accounts for the Miscellaneous Improvements and the Jackson Street Sidewalk Improvements, designated accordingly (collectively, the “Project Accounts”). Within each Project Account there shall be maintained three separate subaccounts, designated as the “Construction Subaccount,” the “Principal Subaccount” and the “Interest Subaccount.”

3.02 Construction Subaccounts. There shall be credited to the Construction Subaccount in each Project Account the proceeds of the sale of the Bond, less any interest accrued thereon to the date of delivery of the Bond paid by the Original Purchaser and amounts deposited in the Revolving Fund. All costs and expenses of constructing the Improvements to be paid from proceeds of the Bond, including costs of issuance of the Bond, shall be paid from time to time as incurred and allowed from the Construction Subaccount in the respective Project Accounts in accordance with the provisions of applicable law, and moneys in such Construction Subaccount shall be used for no other purpose; provided that after all claims and expenses with

respect to the Improvements have been fully paid and satisfied, any moneys remaining in a Construction Subaccount shall be transferred to the Principal Subaccount in the respective Project Accounts and applied to the redemption of the Bond.

3.03 Principal Subaccounts and Interest Subaccounts. Moneys in the Principal Subaccounts and the Interest Subaccounts shall be used only for payment of principal of and interest on the Bond as such payments become due, or to prepay and redeem the Bond. From the proceeds of the Bond, there shall be deposited in the Interest Subaccounts any interest on the Bond accrued thereon to the date of delivery of the Bond paid by the Original Purchaser in proportion to the principal amount of the Bond allocable to each Project. Upon the collection of the installment of principal and interest due on November 30 and May 31 of each year on the special assessments to be levied with respect to the Improvements, the City Finance Director shall credit to the Interest Subaccount in the respective Project Accounts so much of said special assessments as is collected as interest payment, and credit the balance of such assessments to the Principal Subaccount in the respective Project Accounts. 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 2011 Sidewalk Sinking Fund. All moneys in the Interest Subaccounts and the Principal Subaccounts shall be used first to pay interest due, and any remaining moneys shall be used to pay the Bond then due and, if moneys are available, to redeem the Bond or principal installments thereof in accordance with Section 2.05; provided that any money transferred to a Principal Subaccount from a Construction Subaccount pursuant to Section 3.02 or any prepaid special assessments shall be applied to redeem the Bond or principal installments thereof to the extent possible on the next interest payment date for which notice of redemption has been properly be given pursuant to Section 2.05. Redemption of principal installments of the Bond shall be in order of the principal installments as provided in Section 2.05, and interest shall be paid from the respective Interest Subaccounts 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 Project Accounts in an amount sufficient to make good any deficiency then existing in the Interest Subaccount in the respective Project Accounts, and shall issue an order authorizing a loan or advance from the Revolving Fund to each of the Project Accounts in an amount sufficient to make good any deficiency then existing in the Principal Subaccount of the respective Project Accounts, in such order and in each case to the extent that money is available in the Revolving Fund. 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, 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 and sidewalk, curb, gutter and alley approach bonds and warrants secured thereby and the durational limitations specified in the Act. 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 and sidewalk, curb, gutter and alley approach bonds and warrants of the City is not sufficient to make good all deficiencies then existing in the funds for which the City has promised to make loans from the Revolving Fund, the balance on hand in the Revolving Fund shall be allocated to the funds in which such deficiencies then exist in proportion to the

amounts of the deficiencies on the respective dates of receipt of such money, until all interest accrued on such special improvement and sidewalk, curb, gutter and alley approach bonds and 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 and sidewalk, curb, gutter and alley approach bonds and warrants of the City payable from funds for which the City has promised to make loans from the Revolving Fund has been paid, any balance remaining in the Revolving Fund shall be loaned or advanced to the funds for payment and redemption of bonds or warrants to the extent such funds are deficient for such purpose and, if amounts in the Revolving Fund are 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 any 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. City Covenants. The City covenants and agrees with the holder from time to time of the Bond that until the full principal amount of the Bond and interest thereon is fully paid:

4.01 Compliance with Covenants. The City will hold the 2011 Sidewalk Sinking 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 covenants hereinabove made with respect to the 2011 Sidewalk Sinking Fund and the Revolving Fund are in accordance with the undertaking and agreement of the City made in connection with the sale of the Bond as set forth in Section 1.01.

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

4.03 Assessments. The City will do all acts and things necessary for the final and valid levy of special assessments upon all assessable real property benefited by the Improvements, in accordance with the Constitution and laws of the State of Montana and the Constitution of the United States, in an aggregate principal amount not less than \$350,000 of which \$275,000 shall be assessed against properties benefited by the Miscellaneous Improvements, and \$75,000 shall be assessed against properties as benefited by the Jackson Street Sidewalk Improvements. Such special assessments shall be levied on the basis prescribed in Resolution Nos. 10-18920 and 11-19026, adopted on March 22, 2010 and February 14, 2011, respectively, and shall be payable in equal semiannual installments over a period of twelve (12) years, each installment being due in an amount equal to one twenty-fourth (1/24th) of the principal amount of each assessment with

interest on the whole amount remaining unpaid at an annual rate equal to the sum of: (i) the average annual interest rate then borne by the outstanding principal balance of the Bond, plus (ii) one-half of one percent per annum (0.50%), interest being payable with principal installments. The assessments to be levied will be payable on the 30th day of November in each of the years 2011 through 2022, and on the 31st day of May in the years 2012 through 2023, if not theretofore paid. The first partial payment of each such assessment shall include interest on the entire assessment from August 25, 2011, the date of original registration of the Bond, to January 1, 2012, and each subsequent payment shall include interest for six months on the unpaid balance of such special assessment. All installments of special assessments not paid in full on or before the date due shall become delinquent on that date. The assessments shall constitute a lien upon and against the property against which they are made and levied, which lien may be extinguished only by payment of the assessment with all penalties, cost and interest as provided in Section 7-12-4191 of the Act. 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 Re-assess and Re-levy. If at any time and for whatever reason any special assessment or tax herein agreed to be levied is held invalid, the City and this Council, its officers and employees, will take all steps necessary to correct the same and to re-assess and re-levy the same, including the ordering of work, with the same force and effect as if made at the time provided by law, ordinance or resolution relating thereto, and will re-assess and re-levy the same with the same force and effect as an original levy thereof, as authorized in Section 7-12-4186 of the Act. Any special assessment, or re-assessment or re-levy shall, so far as practicable, be levied and collected as it would have been if the first levy had been enforced including the levy and collection of any interest accrued on the first levy.

If proceeds of the Bond, including investment income thereon, are applied to the redemption of the Bond, as provided in Sections 7-12-4205 and 7-12-4206 of the Act, or if refunding bonds are issued and the outstanding principal amount of the Bond is decreased or increased, the City will reduce or increase, respectively, the assessments levied in the respective Project area and then outstanding pro rata by the principal amount of such prepayment or the increment above or below the outstanding principal amount of bonds represented by the refunding bonds. The City and this Council, its officers and employees will re-assess and re-levy such assessments, with the same effect as an original levy, in such reduced or increased amounts in accordance with the provisions of Sections 7-12-4176 through 7-12-4178 of the Act.

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

Section 5. Tax Matters.

5.01 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 Bond 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 Bond 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 City Finance Director and the City Clerk, being the officers of the City charged with the responsibility for issuing the Bond pursuant to this Resolution, are authorized and directed to execute and deliver to the Original 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 Bond, it is reasonably expected that the proceeds of the Bond will be used in a manner that would not cause the Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

5.04 Arbitrage Rebate. The City acknowledges that the Bond is 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 Bond from gross income for federal income tax purposes, unless the Bond qualifies for the exception from the rebate requirement under Section 148(f)(4)(B) of the Code and no “gross proceeds” of the Bond (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 City Finance Director 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 Information Reporting. The City shall file with the Secretary of the Treasury, not later than November 15, 2011, a statement concerning the Bond 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 Original Purchaser and to the attorneys approving the legality of the Bond certified copies of all proceedings relating to the issuance of the Bond and

such other certificates and affidavits as may be required to show the right, power and authority of the City to issue the Bond, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the City as to the statements contained therein.

Section 7. Defeasance.

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

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

7.03 Redemption. The City may also discharge its liability with respect to any principal installment of the Bond which is called for redemption in accordance with its terms by depositing with the Registrar on or before that date an amount equal to the principal and interest which are then due thereon; provided that notice of such redemption has been duly given as provided in this Resolution.

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

7.05 Irrevocable Deposits. If an officer of the City is the Registrar, any deposit made under this Section 7 with the Registrar shall be irrevocable and held for the benefit of the owners of the Bond 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 by the City Council of the City of Billings, Montana, this 8th day of August, 2011.

Mayor

Attest:

City Clerk

(SEAL)

EXHIBIT A

THE IMPROVEMENTS

General Description

The Bond is being issued to pay a portion of the costs of engineering, reconstructing and installing certain local improvements to benefit certain properties in the City described below consisting of various sidewalk, curb, gutter and alley approach improvements all as a part of the W.O. 09-02, Miscellaneous/Developer-Related Improvements (the “Miscellaneous Improvements”), and the W.O. 05-13 Jackson Street Sidewalks Phase II Improvements (the “Jackson Street Sidewalks Improvements”) (together, the “Improvements”) as shown below.

Miscellaneous Improvements

The Improvements described below constituting the Miscellaneous Improvements will be constructed adjacent to the properties shown under each category of Improvements.

1) Sidewalk:

1828 Alderson Avenue * 1236 North 31st Street * 617 Nelson Drive * 2022 13th St W * 3624 Flagstone (Dev. Rel.) * 1315 2nd Street West * 2130 Poly Drive (Dev. Rel.) * 2521 8th Avenue North (Dev. Rel.) * 5859 Ironwood Drive (Dev. Rel.) * 5835 Ironwood Drive (Dev. Rel.) * 1012 & 1014 North 23rd Street * 2189 Pheasant Drive * 2159 Pueblo Drive (Dev. Rel.) * 2901 Thousand Oaks * 623 Cook Avenue * 1931 Gleneagles Drive * 3115 9th Avenue South * 546 Custer Avenue * Various Olympic Park Walkways Behind 3648 Gladiator Circle * 617 Nelson Drive * 1803 Avenue D * 3414 5th Avenue South * 1201 Burlington Avenue * 702 Howard Avenue * 2159 Pueblo Drive *

2) Curb & Gutter:

542 Tabriz Drive * 621 Nelson Drive * 522, 514 506 Howard Avenue *

3) Driveway Apron:

5246 Sacagawea Drive * 3733 Poly Drive (Dev. Rel.) * 2039 Broadwater Avenue (Dev. Rel.) * 1046 Calico Drive * 3004 Marguerite Blvd * 3210 Durland Drive * 2071 Rosebud Dr * 2602 Yellowstone Avenue * 2008 and 2014 Colton Blvd * 1035 Alderson Avenue *

4) Sidewalk, Curb & Gutter:

East side of North 22nd Street from 1st Avenue North to 2nd Avenue North * 514 Houle Street * South side of Montana Avenue between North 26th Street and North 24th Street * North side of Monad Road between Berthoud Drive and 24th Street West * 1913 Avenue D * 142 Clark Avenue (Dev. Rel.) * 206 Clark Avenue * 2535 Broadwater Avenue (Dev. Rel.) * 4128 Corbin Drive * 2700 Grand Avenue (Dev. Rel.) * 2505 46th St W * 2202 Pine Street * 2514 Ridgewood Lane * 2604 Ridgewood Lane * 4408 Murphy Avenue * 1842 Avenue C * 2110 Custer Avenue *

5) ADA Compliant W/C Ramps:

Northeast corner of Broadway Avenue & 15th Street West * Northwest corner of Broadwater Avenue and 14th Street W * 2203 & 2303 1st Avenue South * 1521 S 32nd Street West (2) (Dev. Rel.) * 150 31st Street West (Dev. Rel.) * 2690 King Avenue West (Dev. Rel.) * 704 North 25th Street * 2202 Pine Street * 3115 9th Avenue South * 1802 Avenue F *

6) Sidewalk, Curb and Gutter, Driveway Aprons:

1021 Alderson Avenue * 1501 Avenue D * 3635 Montana Avenue (Dev. Rel.) * 2702 4th Avenue North * 749 Mattson Drive (Dev. Rel.) * 1826 Grand Avenue (Dev. Rel.) * 2425 Central Avenue (Dev. Rel.) * 3130 Reimars Park Dr. (Dev. Rel.) * 431 Rimrock Road * 703 Parkhill Drive * 1808 & 1807 Avenue D * 2910 Reimers Park Drive (Dev. Rel.) * 141 Glenhaven Drive * 149 Glenhaven Drive * 2609 Cook Avenue * 218 & 224 North 23rd Street * 2416 & 2428 11th Street West * 6149 Masters Blvd * North side of Avenue F between 16th Street West and 17th Street West * 27 North 27th Street * East side of South 37th Street from 1st Avenue South to 2nd Ave South * East side of South 30th Street between 4th Avenue South & 5th Avenue South * Both sides of Parkhill Drive between Virginia Lane and 6th Street West * 1802 Avenue F * 2007 Grand Avenue * 2143 Beloit Drive *

7) Alley Aprons:

North side of Miles Avenue, between 19th Street West and Glee Place * West side of 15th Street West between Avenue D and Avenue E * West side of 14th Street West between Grand Avenue and Avenue B * 2143 Beloit Drive * 226 Nantucket Court (Dev. Rel.) * East side of Santa Fe Drive between El Dorado Drive and Fair Park Drive * North side of Fair Park Drive between Ardmore Drive and Pecos Place * West side of 7th Street West between Parkhill Drive and Beverly Hills Blvd *

8) Curb & Gutter, Sidewalk, Alley Aprons, Drive Aprons:

West side of 17th Street West between Colton Blvd and Poly Drive *

9) Sidewalk, Curb & Gutter, Alley Aprons:

South side of 6th Avenue South and north side of 7th Avenue South, between South 36th Street to South 37th Street *

Jackson Street Sidewalk Improvements

The Improvements described below constituting the Miscellaneous Improvements will be constructed adjacent to the properties shown under each category of Improvements.

1) Sidewalk, Curb & Gutter, Drive Approaches, Storm Drain and Street Restoration:

West side of Jackson Street from Francis Avenue to the alley South of Ryan Avenue *

EXHIBIT B

[Form of the Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
YELLOWSTONE COUNTY

CITY OF BILLINGS

POOLED SPECIAL SIDEWALK, CURB, GUTTER AND
ALLEY APPROACH BOND, SERIES 2011

No. R-1

\$350,000.00

REGISTERED OWNER: ROYAL C. JOHNSON

PRINCIPAL AMOUNT: THREE HUNDRED FIFTY THOUSAND DOLLARS AND
NO/100

FOR VALUE RECEIVED, the City of Billings, Montana (the "City"), will pay to the registered owner identified above, or registered assigns, the principal amount specified above, solely from the revenues hereinafter specified, as authorized by Resolution No. _____, adopted on August 8, 2011 (the "Bond Resolution"), all subject to the provisions hereinafter described relating to the redemption of this Bond before maturity. This Bond bears interest on the unpaid principal balance hereof at the rate of 5.00% per annum from August 25, 2011, the date of original issue, or from such later date to which interest hereon has been paid or duly provided for, until July 1, 2023 or an earlier date on which all unpaid principal installments hereof shall have been duly called for redemption by the City Finance Director. Principal and interest on this Bond are payable semiannually on each January 1 and July 1, commencing on January 1, 2012, in the amounts shown on the Exhibit C to the Bond Resolution, to the owner of record of this Bond appearing as such on the bond register as of the close of business on the fifteenth day (whether or not a business day) of the immediately preceding month. Principal and interest are payable by wire transfer in immediately available funds to such account as the owner of record of this Bond shall direct or otherwise by check or draft drawn on the Registrar to owner of record of this Bond as of the close of business on the fifteenth day (whether or not a business day) of the immediately preceding month. The principal of and interest on this Bond are payable in lawful money of the United States of America. Interest on this Bond shall be calculated on the basis of a year of 360 days composed of twelve 30-day months. The City's Finance Director shall serve as Registrar for this Bond.

This Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana, including Montana Code Annotated, Title 7, Chapter 14, Part 41 and Title 7, Chapter 12, Parts 41 and 42, as amended (the "Act"), and ordinances and resolutions duly adopted by the governing body of the City, including the Bond Resolution, to finance costs of the construction of sidewalk, curb, gutter and alley approach improvements in the City (the "Improvements"), to fund a deposit to the Special Improvement Revolving Fund (the "Revolving Fund") and to pay costs of issuance of this Bond.

This Bond is payable from the collection of a special tax or assessment levied upon all assessable real property benefited by the Improvements, in an aggregate principal amount not less than \$350,000, except as such amounts may be reduced or increased in accordance with provisions of Montana law. Such assessments constitute a lien against the property against which they are made and levied and are to be deposited into the 2011 Special Sidewalk, Curb, Gutter and Alley Approach Sinking Fund of the City (the "2011 Sidewalk Sinking Fund"). This Bond is not a general obligation of the City.

The City has validly established the Revolving Fund to secure the payment of certain of its special improvement and sidewalk, curb, gutter and alley approach bonds and warrants, including this Bond. The City has also agreed, to the extent permitted by the Act, to issue orders annually, or more often if necessary, authorizing loans or advances from the Revolving Fund to the 2011 Sidewalk Sinking Fund in amounts sufficient to make good any deficiency in the 2011 Sidewalk Sinking Fund to pay principal of or interest on this 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 and sidewalk, curb, gutter and alley approach bonds and warrants 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 Bond 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 principal installments of this Bond are subject to mandatory redemption in order of principal installments on any interest payment date if, after paying all principal and interest then due on this Bond, there are monies available in or to the credit of the 2011 Sidewalk Sinking Fund, either from the prepayment of assessments or from the transfer of surplus monies from the Construction Subaccounts to the Principal Subaccounts or otherwise, for the redemption thereof, and in the manner provided for the redemption of the same. In addition, the principal installments of this Bond are subject to redemption at the option of the City from other sources of funds available therefor on any interest payment date. The redemption price is equal to the amount of the principal installment or installments of this Bond to be redeemed plus interest accrued thereon to the date of redemption, without premium. The date of redemption and principal installments of this Bond to be redeemed shall be fixed by the City Finance Director, who shall give notice by first class mail, postage prepaid, to the owner or owners of this Bond at their addresses shown on the bond register, of the numbers of the principal installments to be redeemed and the date on which payment will be made, which date shall not be less than ten days after the date of mailing of notice. On the date so fixed interest on the principal installments of this Bond so redeemed shall cease to accrue. Upon partial redemption of this Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

As provided in the Bond Resolution, and subject to certain limitations set forth therein, this Bond is transferable upon the books of the City at the principal office of the Registrar, by the registered owner hereof in person or by his attorney duly authorized in writing upon surrender

hereof together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his attorney; and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange, the City will cause a new Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, 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 hereof.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication hereon shall have been executed by the Registrar by the manual signature of one of its authorized representatives.

IN WITNESS WHEREOF, the City of Billings, Montana, by its City Council, has caused this Bond and the certificate on the reverse hereof to be executed by the facsimile signatures of the Mayor, the City Finance Director 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)
CITY FINANCE DIRECTOR

(Facsimile Signature)
CITY CLERK

Date:

CERTIFICATE OF AUTHENTICATION

This Bond is delivered pursuant to the Bond Resolution mentioned herein.

CITY OF BILLINGS, MONTANA,
as Registrar

By _____
Finance Director

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 entires	
JT TEN –	as joint tenants with right of survivorship and not as tenants in common	under Uniform Transfers to Minors Act
		(State)

Additional abbreviations may also be used.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights and title thereunder, and hereby irrevocably constitutes and appoints _____ as 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 Registrar, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Registrar in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT C

*Debt Service Schedule
City of Billings
Pooled Sidewalk Bonds 2011*

<i>Dated</i>	8/25/2011						
<i>Delivered</i>	8/25/2011						
<i>Fiscal Yr</i>	<i>Coupon Date</i>	<i>Principal Payment</i>	<i>Coupon Rate</i>	<i>Interest Payment</i>	<i>Periodic Debt Service</i>	<i>Fiscal Debt Service</i>	<i>Outstanding Debt</i>
2012	1/1/2012	10,000.00	5.000	6,125.00	16,125.00	16,125.00	340,000.00
2013	7/1/2012	10,000.00	5.000	8,500.00	18,500.00	-	330,000.00
	1/1/2013	15,000.00	5.000	8,250.00	23,250.00	41,750.00	315,000.00
2014	7/1/2013	15,000.00	5.000	7,875.00	22,875.00	-	300,000.00
	1/1/2014	15,000.00	5.000	7,500.00	22,500.00	45,375.00	285,000.00
2015	7/1/2014	15,000.00	5.000	7,125.00	22,125.00	-	270,000.00
	1/1/2015	15,000.00	5.000	6,750.00	21,750.00	43,875.00	255,000.00
2016	7/1/2015	15,000.00	5.000	6,375.00	21,375.00	-	240,000.00
	1/1/2016	15,000.00	5.000	6,000.00	21,000.00	42,375.00	225,000.00
2017	7/1/2016	15,000.00	5.000	5,625.00	20,625.00	-	210,000.00
	1/1/2017	15,000.00	5.000	5,250.00	20,250.00	40,875.00	195,000.00
2018	7/1/2017	15,000.00	5.000	4,875.00	19,875.00	-	180,000.00
	1/1/2018	15,000.00	5.000	4,500.00	19,500.00	39,375.00	165,000.00
2019	7/1/2018	15,000.00	5.000	4,125.00	19,125.00	-	150,000.00
	1/1/2019	15,000.00	5.000	3,750.00	18,750.00	37,875.00	135,000.00
2020	7/1/2019	15,000.00	5.000	3,375.00	18,375.00	-	120,000.00
	1/1/2020	15,000.00	5.000	3,000.00	18,000.00	36,375.00	105,000.00
2021	7/1/2020	15,000.00	5.000	2,625.00	17,625.00	-	90,000.00
	1/1/2021	15,000.00	5.000	2,250.00	17,250.00	34,875.00	75,000.00
2022	7/1/2021	15,000.00	5.000	1,875.00	16,875.00	-	60,000.00
	1/1/2022	15,000.00	5.000	1,500.00	16,500.00	33,375.00	45,000.00
2023	7/1/2022	15,000.00	5.000	1,125.00	16,125.00	-	30,000.00
	1/1/2023	15,000.00	5.000	750.00	15,750.00	31,875.00	15,000.00
2024	7/1/2023	15,000.00	5.000	375.00	15,375.00	15,375.00	
		350,000.00		109,500.00	459,500.00		