

**PROPERTY SCHEDULE NO. 3 (TOUGHBOOKS)  
MASTER TAX-EXEMPT INSTALLMENT PURCHASE AGREEMENT**

This Property Schedule No. 3 is entered into as of the Commencement Date set forth below, pursuant to that certain Master Tax-Exempt Installment Purchase Agreement (the “Master Agreement”), dated as of October 28, 2011, between U.S. Bancorp Government Leasing and Finance, Inc., as successor in interest to U.S. Bancorp Equipment Finance, Inc., (the “Seller”) and the City of Billings, Montana (the “Purchaser”).

1. Interpretation. The terms and conditions of the Master Agreement are incorporated herein by reference as if fully set forth herein. Reference is made to the Master Agreement for all representations, covenants and warranties made by Purchaser in the execution of this Property Schedule, unless specifically set forth herein. In the event of a conflict between the provisions of the Master Agreement and the provisions of this Property Schedule, the provisions of this Property Schedule shall control. All capitalized terms used herein but not otherwise defined shall have the meanings provided in the Master Agreement.
2. Commencement Date. The Commencement Date for this Property Schedule is February 29, 2012.
3. Property Description and Payment Schedule. The Property subject to this Property Schedule is described in Exhibit 1 hereto. It includes all replacements, parts, repairs, additions, accessions and accessories incorporated therein or affixed or attached thereto and any and all proceeds of the foregoing, including, without limitation, insurance recoveries. Purchaser shall not remove such property from the locations set forth therein without giving prior written notice, including the new location of such property, to Seller. The Installment Payment Schedule for this Property Schedule is set forth in Exhibit 1 hereto.
4. Opinion. The Opinion of Purchaser’s Counsel is attached as Exhibit 2 hereto.
5. Purchaser’s Certificate. The Purchaser’s Certificate is attached as Exhibit 3 hereto.
6. Proceeds. Seller shall disburse the proceeds of this Property Schedule in accordance with the instructions attached as Exhibit 4 hereto.
7. Acceptance Certificate. The form of Acceptance Certificate is attached as Exhibit 5 hereto.
8. Additional Purchase Option Provisions. Installment Payments payable under this Property Schedule shall be subject to prepayment in whole at the option of the Purchaser on the dates set forth in Exhibit 1 hereto by payment of the applicable Prepayment Balance set forth in Exhibit 1 hereto and payment of all accrued and unpaid interest through the date of prepayment.

9. Tax Certificate. Attached as Exhibit 6 hereto.
10. Expiration. Seller, at its sole determination, may choose not to accept this Property Schedule if the fully executed, original Master Agreement (including this Property Schedule and all ancillary documents) is not received by Seller at its place of business by April 1, 2012.

IN WITNESS WHEREOF, Seller and Purchaser have caused this Property Schedule to be executed in their names by their duly authorized representatives as of the Commencement Date above.

**SELLER:**  
**U.S. BANCORP GOVERNMENT**  
**LEASING AND FINANCE, INC.**

**PURCHASER:**  
**CITY OF BILLINGS, MONTANA**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name: Thomas Hanel  
Title: Mayor

Attest:

By: \_\_\_\_\_  
Name: Cari Martin  
Title: City Clerk

**EXHIBIT 1**  
**Property Description and Payment Schedule**

Re: **Property Schedule No. 3** to Master Tax-Exempt Installment Purchase Agreement between U.S. Bancorp Government Leasing and Finance, Inc. and the City of Billings, Montana.

The Property is as follows: The Property as more fully described in Exhibit A incorporated herein by reference and attached hereto.

PROPERTY LOCATION: City of Billings, Montana.

USE: The Property will be used in the Purchaser's police vehicles to facilitate police communications. Purchaser has immediate need for and expects to make immediate use of substantially all of the Property, which need is not temporary or expected to diminish in the foreseeable future.

ACCOUNT: Installment Payments payable by the Purchaser pursuant to this Property Schedule shall constitute current expenses of the Purchaser's Public Safety Fund and shall not in any way be construed to be debts of the Purchaser in contravention of any applicable constitutional or statutory limitation or requirements concerning the creation of indebtedness by the Purchaser, nor shall anything contained therein constitute a pledge of the general tax revenues, funds or money of the Purchaser. Installment Payments payable by the Purchaser pursuant to this Property Schedule shall be payable only from current funds which are budgeted and appropriated solely from the Purchaser's Public Safety Fund for such purpose during the fiscal year of the Purchaser for which such funds were budgeted and appropriated. The Purchaser has not pledged the full faith and credit of the Purchaser, Yellowstone County or the State of Montana to the payment of amounts due under the Lease-Purchase Agreement.

Installment Payment Schedule

Total Principal Amount: \$360,149.00

<u>Pay #</u>	<u>Date</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest (1.93%)</u>	<u>Prepayment Balance</u>
1	29-Mar-2012	\$92,696.53	\$92,117.29	\$579.24	276,072.66
2	28-Feb-2013	92,696.53	87,916.28	4,780.25	185,518.89
3	28-Feb-2014	92,696.53	89,189.38	3,507.14	93,653.83
4	28-Feb-2015	92,696.53	90,926.05	1,770.48	0.00
Total		\$370,786.12	\$360,149.00	\$10,637.11	

**PURCHASER:  
CITY OF BILLINGS, MONTANA**

By: \_\_\_\_\_  
Name: Thomas Hanel  
Title: Mayor

Attest:

By: \_\_\_\_\_  
Name: Cari Martin  
Title: City Clerk

EXHIBIT A  
Description of Property

64 Toughbook docking stations	\$38,144.00
64 Toughbook car adaptors	7,040.00
67 Toughbook Protection Plus	26,599.00
67 Toughbook computers	<u>288,636.00</u>
 TOTAL PROPERTY SCHEDULE PURCHASE AMOUNT	 \$360,419.00

**EXHIBIT 2**  
**Opinion of Dorsey & Whitney LLP**

City of Billings  
Billings, Montana

U.S. Bancorp Government Leasing and Finance, Inc.  
Denver, Colorado

Re: Master Tax-Exempt Installment Purchase Agreement  
City of Billings, Montana

Ladies and Gentlemen:

We have acted as special counsel to the City of Billings, Montana (the “City”), in connection with the authorization, execution and delivery by the City of the Master Tax-Exempt Installment Purchase Agreement, dated as of October 28, 2011 (the “Lease-Purchase Agreement”), between the City and U.S. Bancorp Government Leasing and Finance, Inc., as successor in interest to U.S. Bancorp Equipment Finance, Inc. (“U.S. Bancorp”) and Property Schedule No. 3 thereto, dated as of February 29, 2012 (the “Toughbook Property Schedule”). In that capacity, we have examined executed counterparts, or copies otherwise identified to our satisfaction, of the Lease-Purchase Agreement, the Toughbook Property Schedule and the Escrow Agreement dated as of February 29, 2012 (the “Escrow Agreement”), between the City, U.S. Bancorp and U.S. Bank National Association, as Escrow Agent, together with certified copies of certain proceedings taken and certain certificates and affidavits furnished by the City in the authorization, execution and delivery of the Lease-Purchase Agreement and the Toughbook Property Schedule, including a certified copy of Resolution No. \_\_\_\_\_ adopted by the City Council of the City on February 13, 2012. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation.

The installment payments payable by the City under the Toughbook Property Schedule (the “Installment Payments”) are payable solely from the current revenues of the City which are budgeted and appropriated solely from the City’s Public Safety Fund and are subject to annual appropriation in accordance with the provisions of the Lease-Purchase Agreement and the Toughbook Property Schedule. The Lease-Purchase Agreement and the Toughbook Property Schedule are not general obligations of the City and the general credit and taxing powers of the City are not pledged to the payment of the Installment Payments. U.S. Bancorp is selling to the City laptop computers and related equipment described in the Toughbook Property Schedule (the “Toughbook Improvements”) to be used in the City’s police vehicles. The Toughbook Property Schedule will be in effect for a term commencing as provided therein and ending on February 28, 2015, unless earlier terminated in accordance with its terms. The Installment Payments will be payable at such times and in such amounts and will comprise principal payments and interest payments as set forth in the Toughbook Property Schedule. In the sole event that moneys are not appropriated and provided from the City’s Public Safety Fund with respect to the Installment Payments, the City may, by written notice to U.S. Bancorp, discontinue the Toughbook Property Schedule at the end of any fiscal year of the City then in effect. If the City should discontinue

the Toughbook Property Schedule at the end of any such fiscal year in the manner provided therein, the Toughbook Property Schedule is terminated without penalty or liability on the part of the City to pay any Installment Payments coming due after the fiscal year then in effect, but in such event the City has the obligation to deliver possession of the Toughbook Improvements to U.S. Bancorp at the time and in the manner provided in the Lease-Purchase Agreement. In the event the City should not discontinue the Toughbook Property Schedule and does pay all Installment Payments, the rights of U.S. Bancorp in the Toughbook Improvements will be terminated and U.S. Bancorp must transfer legal title to the Toughbook Improvements to the City. The City will have an option to purchase U.S. Bancorp's interest in the Toughbook Improvements on the dates and in the amounts set forth in the Toughbook Property Schedule.

From our examination of such proceedings, certificates and affidavits, and on the basis of existing law, it is our opinion that:

1. The Lease-Purchase Agreement, the Toughbook Property Schedule and the Escrow Agreement are each valid and binding instruments of the City, enforceable in accordance with their respective terms.

2. The portion of each Installment Payment designated as and comprising interest: (a) is not includable in gross income for federal income tax purposes; (b) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers; and (c) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations.

3. The portion of each Installment Payment designated as and comprising interest is not includable in gross income for State of Montana individual income tax purposes, but is includable in the computation of income for purposes of the Montana corporate income tax and the Montana corporate license tax.

The opinions expressed in paragraph 1 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the exercise of judicial discretion.

The opinions expressed in paragraphs 2 and 3 above are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the Toughbook Property Schedule in order that the portion of each Installment Payment designated as and comprising interest may be, and continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of such interest in gross income for federal income tax purposes, retroactive to the date of execution and delivery of the Toughbook Property Schedule. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences with respect to the Lease-Purchase Agreement or the Toughbook Property Schedule.

Dated: February 29, 2012

Very truly yours,

**EXHIBIT 3**  
**Purchaser's Certificate**

Re: **Property Schedule No. 3** to Master Tax-Exempt Installment Purchase Agreement U.S. Bancorp Government Leasing and Finance, Inc. and the City of Billings, Montana.

The undersigned, being the duly elected, qualified and acting City Clerk of the City of Billings, Montana (the "Purchaser") do hereby certify, as of February 29, 2012 as follows:

1. Purchaser did, at a meeting of the governing body of the Purchaser held on October 11, 2011 by resolution or ordinance duly enacted, in accordance with all requirements of law, approve and authorize the execution and delivery of the Master Tax-Exempt Installment Purchase Agreement (the "Master Agreement") and at a meeting held of the Purchaser held on February 13, 2012 by resolution or ordinance duly enacted, in accordance with all requirements of law, approve and authorize the execution and delivery of the above-referenced Property Schedule (the "Property Schedule"), in each case, by the following named representative of Purchaser, to wit:

NAME OF EXECUTING OFFICIAL	TITLE OF EXECUTING OFFICIAL	SIGNATURE OF EXECUTING OFFICIAL
Thomas Hanel	Mayor	_____
Cari Martin	City Clerk	_____

2. The above-named representatives of the Purchaser held at the time of such authorization and holds at the present time the office set forth above.

3. The meeting(s) of the governing body of the Purchaser at which the Master Agreement and the Property Schedule were approved and authorized to be executed was duly called, regularly convened and attended throughout by the requisite quorum of the members thereof, and the enactment approving the Master Agreement and the Property Schedule and authorizing the execution thereof has not been altered or rescinded. All meetings of the governing body of Purchaser relating to the authorization and delivery of Master Agreement and the Property Schedule have been: (a) held within the geographic boundaries of the Purchaser; (b) open to the public, allowing all people to attend; (c) conducted in accordance with internal procedures of the governing body; and (d) conducted in accordance with the charter of the Purchaser, if any, and the laws of the State.

4. No event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default or a Nonappropriation Event (as such terms are defined in the Master Agreement) exists at the date hereof with respect to this Property Schedule or any other Property Schedules under the Master Agreement.

5. The acquisition of all of the Property under the Property Schedule has been duly authorized by the governing body of Purchaser.

6. Purchaser will, in accordance with the requirements of law, fully budget and appropriate sufficient funds for the current fiscal year to make the Installment Payments scheduled to come due during the current fiscal year under the Property Schedule and to meet its other obligations for the current fiscal year.

7. As of the date hereof, no litigation is pending, (or, to my knowledge, threatened) against Purchaser in any court (a) seeking to restrain or enjoy in the delivery of the Master Agreement or the Property Schedule or of other agreements similar to the Master Agreement; (b) questioning the authority of Purchaser to execute the Master Agreement or the Property Schedule, or the validity of the Master Agreement or the Property Schedule, or the payment of principal of or interest on, the Property Schedule; (c) questioning the constitutionality of any statute, or the validity of any proceedings, authorizing the execution of the Master Agreement and the Property Schedule; or (d) affecting the provisions made for the payment of or security for the Master Agreement and the Property Schedule.

**PURCHASER:  
CITY OF BILLINGS, MONTANA**

By: \_\_\_\_\_  
Name: Cari Martin  
Title: City Clerk

**EXHIBIT 4**  
**Payment of Proceeds Instructions**

U.S. Bancorp Government Leasing and Finance, Inc.  
13010 SW 68th Parkway, Suite 100  
Portland, Oregon 97223

Re: **Property Schedule No. 3** (the "Property Schedule") to Master Tax-Exempt Installment Purchase Agreement between U.S. Bancorp Government Leasing and Finance, Inc. ("Seller") and the City of Billings, Montana ("Purchaser").

Ladies and Gentlemen:

The undersigned, an Authorized Representative of the Purchaser hereby requests and authorizes Seller to disburse the net proceeds of the Property Schedule as follows:

Name of Payee: \_\_\_\_\_

By check \_\_\_\_\_ By wire transfer \_\_\_\_\_

If by check, Payee's address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

If by wire transfer, instructions as follows:

Pay to Bank Name: U.S. Bank, National Association

Bank Address: 303 North Broadway  
PO Box 30678  
Billings, MT 59101  
Bank Phone #: (406) 447-5251

For Account of: City of Billings General Depository

Account No.: 1-500-9559-2021  
ABA No.: 092900383

**PURCHASER:**  
**CITY OF BILLINGS, MONTANA**

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT 5**  
**Acceptance Certificate**

U.S. Bancorp Government Leasing and Finance, Inc.  
13010 SW 68th Parkway, Suite 100  
Portland, Oregon 97223

Re: **Property Schedule No. 3** to Master Tax-Exempt Installment Purchase Agreement  
between U.S. Bancorp Government Leasing and Finance, Inc. and the City of Billings,  
Montana

Ladies and Gentlemen:

In accordance with the above-referenced Master Tax-Exempt Installment Purchase Agreement (the "Master Agreement"), the undersigned ("Purchaser") hereby certifies and represents to, and agrees with, U.S. Bancorp Government Leasing and Finance, Inc. ("Seller"), as follows:

- (1) The Property, as such terms are defined in the above-referenced Property Schedule, has been acquired, made, delivered, installed and accepted on the date indicated below.
- (2) Purchaser has conducted such inspection and/or testing of the Property as it deems necessary and appropriate and hereby acknowledges that it accepts the Property for all purposes.
- (3) No event or condition that constitutes, or with notice or lapse of time, or both, would constitute, an Event of Default or a Nonappropriation Event (as such terms are defined in the Master Agreement) exists at the date hereof.

Date: \_\_\_\_\_

**PURCHASER:**  
**CITY OF BILLINGS, MONTANA**

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT 6**  
**Tax Certificate**

Master Tax-Exempt Installment Purchase Agreement  
Property Schedule No. 3

City of Billings, Montana

**ARBITRAGE AND REBATE CERTIFICATE AND AGREEMENT**

This Arbitrage and Rebate Certificate and Agreement (this “Certificate”) is given for the purpose of establishing and maintaining the tax-exempt status of interest payments required to be made by the City of Billings, Montana (the “City”), under the Master Tax-Exempt Installment Purchase Agreement dated as of October 28, 2011 (the “Lease-Purchase Agreement”) between the City and U.S. Bancorp Government Leasing and Finance, Inc., as successor in interest to U.S. Bancorp Equipment Finance, Inc., as lessor (the “Lessor”), and Property Schedule No. 3 thereto dated as of February 29, 2011 (the “Toughbook Property Schedule”). The representations and covenants of the City herein are for the benefit of the owner or owners from time to time of the interest of the Lessor under the Toughbook Property Schedule.

**I. General Provisions and Definitions.**

1.1. The Toughbook Property Schedule will be entered into by the City pursuant to Resolution No. \_\_\_\_\_, adopted by the City Council of the City on February 13, 2012 (the “Resolution”). Terms used with initial capital letters but undefined herein shall have the meanings given them in the Lease Purchase Agreement, the Internal Revenue Code of 1986, as amended (the “Code”), or in the Regulations (as hereinafter defined), unless the context hereof clearly requires otherwise.

This Certificate is intended to be, and may be relied upon as, among other things, a certification described in the Regulations, Section 1.148-2(b) and Section 148 of the Code, and is delivered as a part of the transcript of proceedings relating to the Toughbook Property Schedule. We are among the officers of the City responsible for the issuance of the Toughbook Property Schedule.

1.2. We have investigated the facts, estimates and circumstances surrounding the execution and delivery of the Toughbook Property Schedule, which are described summarily in this Certificate. To the best of our knowledge and belief, such facts, estimates and circumstances are correct and complete and the City’s expectations as to future events, which are based thereon, are in all respects reasonable and made in good faith. To the extent that the expectations of the City are based upon estimates and representations made by others, including the Lessor, we have examined such estimates and representations and consider them to be reasonable and correct. Any statements in this Certificate involving future events, whether or not expressly so stated, are intended as expectations of the City and not as representations of fact. On the basis of such facts, estimates and circumstances, it is expected that the proceeds of the Toughbook Property

Schedule will be used in a manner that would not cause the Toughbook Property Schedule to be considered an “arbitrage bond” within the meaning of Section 148 of the Code.

1.3. The following terms have the following meanings when used in this Certificate:

Bond Counsel shall mean nationally recognized municipal bond counsel selected by the City.

Bond Year shall mean each one-year period (or shorter period from the Closing Date) that ends at the close of business on each September 15 or, if the last Installment Payment owing under the Toughbook Property Schedule is not paid on a September 15, such shorter period from the last preceding September 15 to the date on which such last Installment Payment is made.

Closing Date shall mean February 29, 2012, the date of execution and delivery of the Toughbook Property Schedule.

Computation Date shall mean an installment computation date (the last day of the fifth and each succeeding fifth Bond Year) and the final computation date (the date the last Bond is discharged). If the Installment Payments owing under the Toughbook Property Schedule are paid when due, the installment computation date for the Toughbook Property Schedule shall be February 28, 2015.

Escrow Agreement shall mean the Escrow Agreement referred to in the Toughbook Property Schedule, dated as of February 29, 2012, by and between the City and the Lessor, as amended or supplemented from time to time.

Escrow Fund shall mean the Escrow Fund established under the Escrow Agreement.

Gross Proceeds shall mean, with respect to the Toughbook Property Schedule, all proceeds of the Toughbook Property Schedule (including sale proceeds and transferred proceeds) and any funds (other than proceeds) that are part of any reserve or replacement fund for the Toughbook Property Schedule.

Investment Property shall mean any security, obligation (other than a Non-AMT Obligation), annuity contract or investment-type property.

Non-AMT Obligation means any obligation the interest on which is not includible in gross income under Section 103 of the Code and which is not a “specified private activity bond” (within the meaning of Section 57(a)(5)(C) of the Code).

Nonpurpose Investment shall mean any Investment Property that is not a purpose investment in which Gross Proceeds of the Toughbook Property Schedule are invested.

Project shall mean the purchase new laptop computers or “Toughbooks” and related equipment for use in the City’s police vehicles to facilitate police communications.

Project Account shall mean the Project Account created in the Escrow Fund established under the Escrow Agreement.

Rebatable Arbitrage shall mean, as of any Computation Date, the excess of the future value of all nonpurpose receipts with respect to the Toughbook Property Schedule, over the future value of all nonpurpose payments with respect to the Toughbook Property Schedule, or with respect to a Voluntary Computation Date, the amount of the payment that would be payable to the United States under Section 148(f) of the Code if such date were a “Computation Date.”

Regulations shall mean the Treasury Regulations applicable to the Lease Purchase Agreement and the Toughbook Property Schedule and promulgated under the Code, including, without limitation, Treasury Regulations, Sections 1.148-0 through 1.148-11, and Sections 1.149(b)-1, 1.149(d)-1, 1.149(g)-1, 1.150-1 and 1.150-2.

Voluntary Computation Date means February 28, 2013, and each February 28 thereafter, excluding the Computation Date.

Yield, with reference to any obligation, means that discount rate which, when computing the present value of all unconditionally payable payments of principal and interest paid and to be paid on such obligation and taking into account payments made for qualified guarantees, produces an amount equal to the present value of the issue price of the obligation.

Yield of the Toughbook Property Schedule shall mean 1.9311%.

## II. The Purpose of the Toughbook Property Schedule.

1.1. The Toughbook Property Schedule is entered into pursuant to the Resolution for the purposes of providing funds to be used to finance costs of the Project. The City expects to expend the following sums from the proceeds of the Toughbook Property Schedule for the Project:

64 Toughbook docking stations	\$38,144.00
64 Toughbook car adaptors	7,040.00
67 Toughbook Protection Plus	26,599.00
67 Toughbook computers	<u>288,636.00</u>
<b>TOTAL PROPERTY SCHEDULE PURCHASE AMOUNT</b>	<b>\$360,419.00</b>

2.2 Any costs in excess of the proceeds of the Toughbook Property Schedule will be paid from other funds of the City available therefor.

## III. Sources and Disbursements of Funds.

3.1. The aggregate amount of the principal components payable by the City pursuant to the Toughbook Property Schedule equals \$360,149.00. The City is executing and delivering the Toughbook Property Schedule to the Lessor in exchange for proceeds in the amount of \$360,149.00. The issue price of the Toughbook Property Schedule, as defined in Section 1.148-

1(b) of the Regulations and Sections 1273(b)(1) and (2) of the Code, is \$360,149.00, equal to the principal amount thereof.

3.2. \$360,149.00 of the proceeds of the Toughbook Property Schedule are expected to be deposited in the Project Account to pay the costs of the Project. Costs of entering into the Toughbook Property Schedule will be paid from other available funds of the City.

3.3. The Toughbook Property Schedule is not a hedge bond (as defined in Section 149(g) of the Code) since at least 85% of the spendable proceeds of the Toughbook Property Schedule are to be used to pay costs of the Project within three years after the date hereof and less than 50% of the proceeds of the Toughbook Property Schedule are to be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

#### IV. Yield of the Toughbook Property Schedule.

4.1. No other obligations of the City are being (a) issued at substantially the same time as the Toughbook Property Schedule, (b) sold pursuant to the same plan of financing as the Toughbook Property Schedule, and (c) paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of substantially the same source of funds) as will be used to pay the Toughbook Property Schedule, within the meaning of Section 1.150-1(c) of the Regulations. Contemporaneous with the execution and delivery of the Toughbook Property Schedule, the City is entering into Property Schedule No. 4 to the Lease-Purchase Agreement (the "Camera Property Schedule"). The installment payments payable by the City pursuant to the Camera Property Schedule shall be payable, as specified in the Resolution, only from current funds which are budgeted and appropriated solely from the City's Drug Forfeiture Fund, for such purpose during the fiscal year of the City for which such funds were budgeted and appropriated. The installment payments payable by the City pursuant to the Toughbook Property Schedule shall be payable, as specified in the Resolution, only from current funds which are budgeted and appropriated solely from the City's Public Safety Fund, for such purpose during the fiscal year of the City for which such funds were budgeted and appropriated. Therefore the Toughbook Property Schedule and the Camera Property Schedule will not be paid out of substantially the same source of funds.

4.2. The Yield of the Toughbook Property Schedule computed in accordance with Section 148 of the Code and applicable Regulations, is 1.9311% per annum.

#### V. Temporary Investments.

5.1 Except as described in Section 5.2 hereof, none of the proceeds of the Toughbook Property Schedule will be invested at a materially higher yield than the Yield of the Toughbook Property Schedule.

5.2. Proceeds of the Toughbook Property Schedule deposited in the Project Account are to be used to finance the costs of the Project. The estimated total cost of the Project, including implementation, administration, construction management and contingencies, excluding costs of entering into the Toughbook Property Schedule, is not less than \$360,149.00.

(a) The City has incurred or will incur within six months after the date hereof substantial binding obligations to undertake the Project (in the form of binding contracts or commitments) in an aggregate amount not less than five percent of the net sale proceeds of the Toughbook Property Schedule (i.e., \$18,007.45).

(b) Work on the Project and allocation of the net sale proceeds and investment proceeds of the Toughbook Property Schedule to expenditures will proceed with due diligence to completion and it is reasonably expected the Project will be completed and all net sale proceeds of the Toughbook Property Schedule will be so allocated by June 1, 2012.

(c) The net sale proceeds of the Toughbook Property Schedule, plus investment earnings thereon, do not exceed the amount to be spent by the City to acquire and construct the Project.

(d) The City expects to spend on the Project, within not more than three years from the date hereof, all of the net sale and investment proceeds to be derived by the City from the issuance of the Toughbook Property Schedule.

Therefore, the City may invest said amounts deposited in the Project Account without yield restriction for a temporary period ending three years from the Closing Date pursuant to Section 1.148-2(e)(2) of the Regulations. Should any of the proceeds of the Toughbook Property Schedule not be so expended by the end of such period, the City may either (i) invest such amounts at a yield which does not exceed the Yield of the Toughbook Property Schedule, or (ii) comply with the provisions of Section 1.148-5(c) of the Regulations and make such payments at such times as are required pursuant to Section 1.148-5(c) to reduce the Yield on any investments made subsequent to expiration of the temporary period to a Yield not materially higher than the Yield of the Toughbook Property Schedule.

#### VI. No Sinking Fund.

6.1. The City has not created or established, and does not expect to create or establish, any sinking or similar fund which is reasonably expected to be used to pay debt service on the Toughbook Property Schedule or which is pledged as collateral to secure the Toughbook Property Schedule. No amounts in any other funds or accounts of the City are reserved for or pledged to the payment of debt service on the Toughbook Property Schedule or will be used to replace funds that will be used to pay debt service on the Toughbook Property Schedule.

#### VII. Sale Proceeds.

7.1. The sale proceeds of the Toughbook Property Schedule do not exceed the amount necessary to achieve the purposes described in Section II hereof. No portion of the Toughbook Property Schedule is issued solely for the purpose of investing the proceeds at a materially higher yield than the Yield of the Toughbook Property Schedule. None of the proceeds of the Toughbook Property Schedule will be used directly or indirectly to replace funds which were used directly or indirectly to acquire obligations with a yield that is materially higher than the Yield of the Toughbook Property Schedule.

7.2. In connection with the execution and delivery of the Toughbook Property Schedule, except as specifically provided in Sections 148(c) and (d) of the Code, the City has not engaged and will not engage in any transaction or series of transactions (i) enabling the City to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, and (ii) increasing the burdens on the market for tax-exempt obligations in any manner including, without limitation, by selling any obligation that would not otherwise be sold, or by selling more obligations, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

VIII. Miscellaneous.

8.1. The City has no present intention to sell or otherwise dispose of the facilities financed with proceeds of the Toughbook Property Schedule before the termination of the Toughbook Property Schedule. The City expects that such property will continue to be owned and operated by the City substantially in the manner in which similar property is now owned and operated for an indefinite period concluding not earlier than the final stated termination date of the Toughbook Property Schedule.

8.2. The City reasonably expects that during the term of the Toughbook Property Schedule no private business use will be made of the facilities financed with proceeds thereof and that no private payments or security will be made or furnished that would cause the Toughbook Property Schedule to consist of “private activity bonds”, within the meaning of Section 141 of the Code and applicable Regulations. No proceeds of the Toughbook Property Schedule are being or will be loaned to any nongovernmental person. The City reasonably expects that the Toughbook Property Schedule will not consist of private activity bonds within the meaning of Section 141 of the Code.

8.3. It is not expected that any replacement proceeds of the Toughbook Property Schedule will arise subsequent to the execution and delivery of the Toughbook Property Schedule.

IX. Minor Portion.

9.1. An aggregate amount not to exceed the “minor portion” amount for the Toughbook Property Schedule (\$18,007.45) may be invested pursuant to Section 148(e) of the Code and Section 1.148-2(g) of the Regulations without restriction as to Yield. To the extent the amount on hand in the Project Account has been credited thereto longer than the period described in Section 5.2 hereof, such amount may be invested up to the minor portion amount at a yield greater than the Yield of the Toughbook Property Schedule. Such amounts are Gross Proceeds of the Toughbook Property Schedule, however, and subject to the rebate requirements set forth in Sections X and XI hereof.

X. Rebate.

10.1 The City, in the Resolution, has covenanted to comply with the requirements of Section 148(f) of the Code with respect to the Toughbook Property Schedule. The City covenants that it will consult with Bond Counsel and undertake to determine what is required with respect to the rebate provisions contained in Section 148(f) of the Code from time to time

and will comply with any requirements that may be applicable to the Toughbook Property Schedule. The methodology described in this Certificate will be followed, except to the extent inconsistent with any requirements of future regulations or written advice received from Bond Counsel.

10.2. Subject to any applicable exceptions or exemptions available under the Code or regulations, detailed records with respect to each and every Nonpurpose Investment attributable to Gross Proceeds of the Toughbook Property Schedule will be maintained by the City including: (i) purchase date, (ii) purchase price, (iii) brokerage or other transaction costs of purchase, (iv) information establishing fair market value on the date such investment became a Nonpurpose Investment, (v) any accrued interest paid, (vi) face amount, (vii) coupon or Stated interest rate, (viii) periodicity of interest payments, (ix) disposition price, (x) any accrued interest received, (xi) disposition date, and (xii) brokerage or other transaction costs of disposition. Such detailed recordkeeping is required for the calculation of the Rebatable Arbitrage.

#### XI. Rebatable Arbitrage Calculation and Payment.

11.1. Subject to any applicable exceptions or exemptions available under the Code or regulations, the City shall pay to the United States Department of the Treasury from funds legally available therefor: (A) not later than 60 days after each Computation Date, an amount which, when added to the future value as of the Computation Date of all previous rebate payments, equals at least 90% of the Rebatable Arbitrage calculated as of such Computation Date; and (B) not later than 60 days after the final Computation Date, an amount which, when added to the future value as of the Computation Date of all previous rebate payments, equals 100% of the Rebatable Arbitrage.

11.2. Any payment required to be made pursuant hereto shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201 (or at such other address as the Internal Revenue Service may from time to time designate), on or before the date such payment is due, and shall be accompanied by a completed and executed Internal Revenue Service Form 8038-T. The City shall retain records of the calculations required by this Section XI until six years after the final Computation Date for the Toughbook Property Schedule.

11.3. The City shall file or cause to be filed such reports or other documents with the Internal Revenue Service as required by Section 148(f) of the Code.

11.4. Notwithstanding anything in this Certificate or any other provisions of the Resolution to the contrary, the obligation to remit the Rebatable Arbitrage with respect to the Toughbook Property Schedule to the United States Department of the Treasury and to comply with all other requirements contained in this Certificate shall survive the defeasance of the Toughbook Property Schedule.

11.5. The Project will be owned and operated by the City and used for governmental purposes. All of the Gross Proceeds qualify for the temporary period under Section 1.148-2(e)(2) of the Regulations. Apart from the sale proceeds of the Toughbook Property Schedule and investment proceeds derived therefrom, the City does not expect that any other Gross Proceeds will arise. Thus, if the expenditure tests set forth in Section 1.148-7(d)(1)(i) of the

Regulations are met (i.e., the following percentages of Gross Proceeds are spent within the following periods beginning on the date of issuance: at least 15% within six months (August 29, 2012); 60% within one year (February 28, 2013), and 100% within eighteen months (August 29, 2013) (subject to a reasonable contractual retainage amount not exceeding five percent of the net sale proceeds of the Toughbook Property Schedule as of February 29, 2012 to be spent within 30 months after the date hereof, as defined in Section 1.148-7(h) of the Regulations)), then the City may elect to treat the Gross Proceeds as exempt from the rebate requirements of Section 148(f) of the Code pursuant to the “18 month” spending exception provided under Section 1.148-7(d) of the Regulations.

11.6. If Gross Proceeds subject to arbitrage rebate arise, either as a result of the failure to expend all Gross Proceeds as provided in Section 11.6 hereof, or from another cause, for purposes of complying with Section 148(f), the City will prepare or have prepared a calculation of the Rebatable Arbitrage for the Toughbook Property Schedule consistent with the rules described in this Section XI.

11.7. The City will prepare the calculation of the Rebatable Arbitrage within 30 days after each Computation Date and will, within 30 days after each Voluntary Computation Date, calculate the Rebatable Arbitrage on the assumption such Voluntary Computation Date is a Computation Date and file a copy of such calculations in the office of the City Clerk.

11.8. The City agrees to retain detailed records and documents relating to the expenditure of Gross Proceeds, the use of the facilities financed thereby and the investment of Gross Proceeds until three years following the retirement of the Toughbook Property Schedule to the extent required by applicable IRS rules and the Regulations and shall consult with counsel regarding such retention as appropriate.

## XII. Amendments.

12.1 The City may amend or supplement the provisions of Sections X or XI hereof by filing an executed copy of such amendment or supplement with the City Finance Director accompanied by an opinion of Bond Counsel to the effect that such amendment or supplement is required by, or better complies with, the provisions of Section 148 and applicable Regulations.

WITNESS our hands, on behalf of the City, officially as Mayor, City Finance Director and City Clerk of the City of Billings, Montana as of this 29th day of February, 2012.

CITY OF BILLINGS, MONTANA

---

Mayor

---

City Finance Director

---

City Clerk

Language for UCC Financing Statements

Schedule 1

SECURED PARTY: U.S. Bancorp Government Leasing and Finance, Inc.

DEBTOR: City of Billings, Montana

This financing statement covers all of Debtor's right, title and interest, whether now owned or hereafter acquired, in and to the equipment sold to Debtor under Property Schedule No. 3 dated February 29, 2012 to that certain Master Tax-Exempt Installment Purchase Agreement dated as of October 28, 2011, in each case between Debtor, as Purchaser, and Secured Party, as Seller, together with all accessions, substitutions and replacements thereto and therefor, and proceeds (cash and non-cash), including, without limitation, insurance proceeds, thereof, including without limiting, all equipment described on Exhibit A attached hereto and made a part hereof.

EXHIBIT A  
Description of Property

64 Toughbook docking stations  
64 Toughbook car adaptors  
67 Toughbook Protection Plus  
67 Toughbook computers