

**CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE**

I, the undersigned, being the duly qualified and acting recording officer of the City of Billings, Montana (the "City"), hereby certify that the attached resolution is a true copy of a Resolution entitled: "RESOLUTION RELATING TO POOLED SPECIAL IMPROVEMENT DISTRICT BONDS (SPECIAL IMPROVEMENT DISTRICT NOS. 1378, 1379, 1380 AND 1383), SERIES 2008; FIXING THE FORM AND DETAILS AND PROVIDING FOR THE EXECUTION AND DELIVERY THEREOF AND SECURITY THEREFOR" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Council of the City at a meeting on September 8, 2008, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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 City Council members voted in favor thereof: Ronquillo, Gaghen, Pitman, Stevens, Veis, Ruegamer, McCall, Ulledalen, Astle, Clark

voted against the same: None

abstained from voting thereon: None

or were absent: None

WITNESS my hand officially this 8th day of September, 2008.

BY: Cari Martin  
Cari Martin, City Clerk

RESOLUTION NO. 08-18750

**RESOLUTION RELATING TO POOLED SPECIAL IMPROVEMENT DISTRICT BONDS (SPECIAL IMPROVEMENT DISTRICT NOS. 1378, 1379, 1380 AND 1383), SERIES 2008; FIXING THE FORM AND DETAILS AND PROVIDING FOR THE EXECUTION AND DELIVERY THEREOF AND SECURITY THEREFOR**

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

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

1.01. Establishment of Special Improvement District Nos. 1378, 1379, 1380 and 1383.

(a) Intent Resolutions. This Council has duly and validly created and established in the City various special improvement districts (individually a "District" and, collectively, the "Districts"), designated as the following: (i) Special Improvement District No. 1378 ("District No. 1378"); (ii) District No. 1379 ("District No. 1379"); (iii) District No. 1380 ("District No. 1380"); and (iv) District No. 1383 ("District No. 1383"). The City expressed its intention to create each District pursuant to the following resolutions of this City Council: (i) pursuant to Resolution No. 07-18555, adopted on May 19, 2007, with respect to District No. 1379; (ii) pursuant to Resolution No. 07-18579, adopted on July 23, 2007, with respect to District No. 1380; (iii) pursuant to Resolution No. 07-18629, adopted on December 10, 2007, with respect to District No. 1380; and (iv) pursuant to Resolution No. 08-18669, adopted on January 28, 2008, with respect to District No. 1383. Resolution No. 07-18555, Resolution No. 07-18579, Resolution No. 07-18629 and Resolution No. 08-18669 are each referred to herein as an Intent Resolution and collectively as the "Intent Resolutions".

The Districts were formed for the purpose of financing certain public improvements, and incidental costs thereto, for the special benefit of the properties located in the Districts. Each Intent Resolution designated the number of each District, described the boundaries thereof, stated the general character of the public improvements (the "Improvements") to be made in each District and specially benefiting property located therein, and an estimate of the costs thereof, in accordance with the provisions of Montana Code Annotated, Title 7, Chapter 12, Parts 41 and 42, as amended (the "Act"). Pursuant to each Intent Resolution, this City Council also declared its intention to cause the cost and expense of making the Improvements to be assessed against the owners of the properties (the "Property Owners") included within the boundaries of each District in accordance with one or more methods of assessment authorized in Sections 7-12-4161 to 7-12-4165 of the Act. Capitalized terms used in this resolution and not defined herein shall have the meanings given them in each Intent Resolution.

In the Intent Resolutions (except with respect to District No. 1380 which is described below), this City Council further found that it is in the public interest, and in the best interest of the City and the Districts, to secure payment of principal of and interest on the Bonds by the 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 prior findings are hereby ratified and confirmed. This City Council, in each Intent Resolution, also declared its intention to reimburse the City for costs paid before issuance of the Bonds, as required by Section 1.150-2 of the Income Tax Regulations promulgated under the Internal Revenue Code of 1986, as amended (the "Code").

(b) Notices. Notices of the passage of each of the Intent Resolutions were given by two publications in *The Billings Times*, the official newspaper of the City and a qualified newspaper of general circulation in the City, as required by the Act. Notice of the passage of each Intent Resolution was also mailed to all persons, firms or corporations or the agents thereof owning real property within the Districts listed in their names upon the last completed assessment roll for State of Montana (the "State"), Yellowstone County (the "County"), and school district taxes, at their last known addresses. The notice of passage of each Intent Resolution (except with respect to District No. 1380 which is described below), in accordance with the provisions thereof, stated the following: (i) the general character of the Improvements; (ii) the estimated cost of the Improvements; (iii) the method or methods of assessment of such costs against properties in the Districts; (iv) the time when and the place where the City Council would hear and pass upon all protests made against the making of the Improvements or the creation of the Districts; (v) referred to the Intent Resolutions as being on file in the office of the City Clerk for a description of the boundaries of the Districts; and (vi) included a statement that, subject to the limitations of Section 7-12-4222 of the Act, the general fund of the City may be used to provide loans to the Revolving Fund or a general tax levy may be imposed on all taxable property in the City to meet the financial requirements of the Revolving Fund. The notice of passage of the Intent Resolution with respect to District No. 1380 stated the items set forth in (i)-(v) of this section. The notice of public hearing with respect to the pledge of the Revolving Fund published by the City in *The Billings Times* and Resolution No. 08-18747, adopted on August 25, 2008, included the items set forth in (vi) above in this section.

(c) Formation of the Districts. At regularly scheduled meetings, this City Council met to hear, consider and pass upon all protests made against the making of the Improvements and the creation of each of the Districts. After the public hearings and deliberations with respect to the formation of each District, this City Council, pursuant a resolution duly adopted of this City Council with respect to each District determined and

declared that insufficient protests against the creation of each of the Districts or the proposed work had been filed in the time and manner provided by law by the owners of the property to be assessed for the Improvements in the Districts. This City Council, in the resolutions with respect to the formation of District No. 1378, District No. 1379, and District No. 1383, also confirmed the findings it previously made in the Intent Resolutions with respect to the pledge of the Revolving Fund to the portion of the Bonds allocable to each District. Pursuant to Resolution No. 08-18747 of the City Council adopted on August 25, 2008, after a properly noticed public hearing, this City Council made findings with respect to the pledge of the Revolving Fund to the Bonds allocable to District No. 1380. The boundaries of the Districts have not been amended or altered since the passage of the resolutions authorizing their formation.

1.02. Construction Contracts and Related Costs. Plans, specifications, maps, profiles and surveys for construction of the Improvements in each District were prepared by the engineers acting for the City with respect to the Improvements in each District, and were thereupon examined and approved by this City Council. An advertisement for bids for construction of the Improvements in each District was published in *The Billings Times*, the official newspaper of the City, in accordance with the provisions of Section 7-12-4141 of the Act, after which the bids theretofore received were opened and examined. The City subsequently reviewed the bids with engineer selected by the City for the Improvements to each District and the City subsequently award the contract for construction of the Improvements in each District to the contractor that was determined to be the lowest bidder for the furnishing of all work and material required for constructing the improvements in each District.

Contracts for the construction of the Improvements were therefore awarded to said bidders, subject to the right of owners of property liable to be assessed for the costs thereof to elect to take the work and enter into written contracts therefor in the manner provided by Section 7-12-4147 of the Act, which election the property owners failed to make. Thereafter, the City and the successful bidders for the construction contracts related to the Improvements entered into written contracts for construction of the Improvements upon the bidders having executed and filed bonds satisfactory to this City Council and in the form and manner provided by Montana Code Annotated, Title 18, Chapter 2, Part 2, as amended.

1.03. Costs. It is currently estimated that the total costs and expenses of the Improvements, including the incidental costs, are as set forth in Resolution No. 08-18740, adopted on August 11, 2008. The City currently estimates that the costs and expenses to be assessed against properties benefited by the Improvements in each District for which the City has not already received payment, including costs of preparation of plans, specifications, maps, profiles, engineering superintendence and inspection, preparation of assessment rolls, expenses of making the special assessments, the cost of work and materials under the construction contract and all other costs and expenses, including the deposits of Bond proceeds to the Revolving Fund, are not less than \$1,075,000. Such amount will be levied and assessed upon the assessable real property within the Districts on the basis described in each Intent Resolutions, and the City will not contribute funds to the construction of the Improvements, other than from proceeds of the Bonds.

This City Council has jurisdiction and is required by law to levy and assess \$1,075,000, together with interest thereon, to collect such special assessments and credit the same to the special improvement District Account (as defined herein) created for each of the Districts, which District Accounts are to be maintained on the official books and records of the City separate from all other City funds, for the payment of principal of and interest due on the Bonds.

1.04. Sale and Issuance of Bonds. For the purpose of financing a portion of the costs and expenses of making the Improvements, which are to be assessed against the Property Owners, this City Council determined that the issuance and sale of the Bonds in a pooled single offering was in the best interests of the City and the Property Owners and would facilitate the sale of the Bonds at lower interest rates. Pursuant to the Authorizing Resolution, this City Council called for the public sale of Bonds in the total aggregate amount not to exceed \$1,075,000, which amount represents Bonds allocable for each District as follows:

<u>District Number</u>	<u>Principal Amount</u>
1378	\$235,000
1379	442,000
1380	80,000
1383	318,000

Advertisements for bids for the purchase of the Bonds were published in accordance with the provisions of Sections 7-12-4204, 7-7-4252 of the Act and Montana Code Annotated, Section 17-5-106, as amended. After a public sale conducted in accordance with applicable statutory provisions and pursuant to Resolution No. 08-18740, adopted by this City Council on August 11, 2008. The bid of D.A. Davidson & Co. of Great Falls, Montana and Denver, Colorado (the "Purchaser") is hereby accepted by the City Council and the sale of the Bonds is hereby awarded to the Purchaser. The bid of the Purchaser was the one bid received by the City with respect to the Bonds and is listed in Exhibit B attached to this resolution and made a part hereof. The City is authorized to enter into a purchase contract with the Purchaser, as the lowest responsible bidder (representing the lowest true interest cost (TIC)) pursuant to which the Purchaser agreed to purchase the Bonds from the City at a purchase price of \$1,056,725, without accrued interest, at the rates of interest and prices set forth in Section 2.01 hereof and contained on the bid of the Purchaser. The bid of the Purchaser represents a true interest cost (TIC) of 5.1020% and a total net dollar interest cost of \$461,086.89. The Purchaser has represented to the City that the Purchaser will resell the Bonds to the public at a price of one hundred percent (100%) of the principal amount thereof.

1.05. Recitals. All acts, conditions and things required by the Constitution and laws of the State, including the Act, as amended, in order to make the Bonds valid and binding special obligations in accordance with their terms and in accordance with the terms of this resolution have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required.

Section 2. Description of the Bonds.

2.01. Principal Amount, Maturities, Denominations, Date, Interest Rates. For the purpose of paying the costs and expenses incurred in construction of the Improvements, and in anticipation of the collection of special assessments to be levied therefor, and in accordance with the proposal described in Section 1.05, the City shall forthwith issue and sell the Bonds to the Purchaser. The Bonds are payable solely from amounts deposited in the Special Improvement District Nos. 1378, 1379, 1380 and 1383 Debt Service Fund (the "Debt Service Fund") and the District Accounts and subaccounts established therein. The Bonds shall be denominated "Pooled Special Improvement District Bonds (Special Improvement District Nos. 1378, 1379, 1380 and 1383) Series 2008". The Bonds shall be dated, as originally issued, and be registered as of September 29, 2008, shall each be in minimum denominations of \$5,000 or any integral multiple thereof of single maturities, shall mature on July 1 in the years and principal amounts set forth below. The Bonds maturing in such years and principal amounts shall bear interest from the date of original registration until paid or duly called for redemption at the rates per annum set forth opposite such years and amounts, respectively:

Maturity Year	Principal Amount	Interest Rate	Bond Yield	Price
2009	\$ 65,000	2.80%	2.80%	100%
2010	55,000	3.25	3.25	100
2011	55,000	3.60	3.60	100
2012	60,000	3.80	3.80	100
2013	65,000	4.00	4.00	100
2014	65,000	4.15	4.15	100
2015	65,000	4.35	4.35	100
2016	70,000	4.50	4.50	100
2017	70,000	4.65	4.65	100
2018	70,000	4.80	4.80	100
2019	80,000	4.95	4.95	100
2020	85,000	5.10	5.10	100
2021	85,000	5.20	5.20	100
2022	85,000	5.30	5.30	100
2023	100,000	5.40	5.40	100

2.02. Interest Payment Dates. Interest on the Bonds shall be payable on each January 1 and July 1, commencing January 1, 2009 (each a "Payment Date"), to the owners of record thereof as such appear on the bond registrar at the close of business on the fifteenth (15<sup>TH</sup>) day of the immediately preceding month, whether or not such day is a business day. Upon the original delivery of the Bonds to the Purchaser and upon each subsequent transfer or exchange of a Bond pursuant to Section 2.04, the Registrar shall date each Bond as of the date of its authentication.

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

2.04. Registration. The City hereby appoints U.S. Bank National Association, of Seattle, Washington, to act as the initial bond registrar, transfer agent and paying agent (the "Registrar"). The City reserves the right to appoint a successor bond registrar, transfer agent or paying agent, as authorized by the Model Public Obligations Registration Act of Montana (the "Bond Registration Act"). The City agrees to pay the reasonable and customary charges of the Registrar for services performed with respect to the Bonds. This Section 2.04 shall establish a system of registration for the Bonds as defined by the Bond 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 operations center a Bond register in which the Registrar shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged.

(b) Transfer. Upon surrender 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 the transfer of any Bond to be selected or called for redemption. No transfer or exchange of a Bond shall affect its order of registration for purposes of redemption pursuant to Section 2.05 hereof.

(c) Exchange of Bonds. 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 and maturity, as requested by the registered owner or the owner's attorney duly authorized in writing.

(d) Cancellation. All Bonds surrendered upon any transfer or exchange shall be promptly canceled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered in the bond register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability 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 pursuant to Section 2.05 hereof), the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be canceled by it and evidence of such cancellation shall be given to the City. If the mutilated, destroyed, stolen or lost Bond has already matured or such Bond has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Bond prior to payment.

#### 2.05. Redemption of the Bonds.

(a) Mandatory Redemption. If on any Payment Date there will be a balance in the Debt Service Fund after payment of the principal and interest due on all Bonds drawn against it, either from (i) the prepayment of special assessments levied in the Districts or (ii) the transfer of surplus money from a Construction Subaccount to a District Account and, subsequently, to the Debt Service Fund, as provided in Section 3.02, then the Financial Services Manager shall call for redemption on the Payment Date outstanding Bonds, or portions thereof, in an amount which, together with the interest thereon to the Payment Date, will equal the amount of such funds on deposit in the Debt Service Fund on that date are subject to mandatory redemption on that Payment Date. The redemption price of the Bonds on such Payment Date shall equal the amount of the principal amount of the Bonds to be redeemed, plus interest accrued to the date of redemption on the applicable Payment Date.

(b) Optional Redemption. The Bonds with stated maturities on or after July 1, 2019 are subject to redemption, in whole or in part, on July 1, 2018, and any date thereafter, at the option of the City, in whole or in part, from sources of funds available therefor other than those described in Subsection (a) of this Section 2.05, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date, without premium.

(c) Selection of Bonds for Redemption; Partial Redemption. If less than all of the Bonds are to be redeemed, Bonds shall be redeemed in order of the stated maturities thereof. If less than all Bonds of a stated maturity are to be redeemed, the Bonds of such maturity shall be selected for redemption in \$5,000 principal amounts selected by the Registrar by lot or other manner it deems fair. Upon partial redemption of a Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount thereof outstanding.

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

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

2.07. Execution, Registration and Delivery. The Bonds shall be prepared under the direction of the a Financial Services Manager and shall be executed on behalf of the City by the signatures of the Mayor, Financial Services Manager, and the City Clerk, provided that the signatures and the corporate seal may be printed, engraved or lithographed facsimiles of the originals. The seal of the City need not be impressed or imprinted on any Bond. In case any officer whose signature or a facsimile of whose signature shall appear on the Bonds 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 a certificate of authentication and registration on such Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication and registration on different Bonds need not be signed by the same representative. The executed certificate of authentication and registration on each Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution. The Bonds shall be registered in order of their serial numbers by the Registrar, as attested by the Certificate of Authentication, as of September 29, 2008. When the Bonds have been so executed, authenticated and registered, they shall be delivered by the Registrar to the Purchaser upon payment of the purchase price in accordance with the contract of sale heretofore made and executed.

2.08. Application of Bond Proceeds. The Purchaser shall not be obligated to see to the application of the purchase price of the Bonds. The City's Financial Services Manager (or his/her designee) shall credit the proceeds of the Bonds (taking into account the Purchaser's discount of \$18,275) as follows:

- (a) \$53,750.00 to the Revolving Fund, as required by Section 7-12-4169(2) of the Act;
- (b) \$26,887.50 the General Fund of the City for the City's administration fee with respect to the Districts; and
- (c) \$976,087.50 to the Construction Subaccounts in each District Account (on a pro-rata basis in accordance with the allocation set forth in Section 1.04 of this resolution) of the Debt Service Fund for the cost of the Improvements and the payment of costs of issuance for the Bonds.

2.09. Securities Depository for the Bonds.

(a) Definitions. For purposes of this Section 2.08, the following terms shall have the following meanings:

"Beneficial Owner" shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant, or such person's subrogee.

"Cede & Co." shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

"DTC" shall mean The Depository Trust Company of New York, New York.

"Participant" shall mean any broker-dealer; bank or other financial institution for which DTC holds the Bonds as securities depository.

"Representation Letter" shall mean the Blanket Issuer Letter of Representations from the City to DTC, which is hereby incorporated by reference and made a part hereof.

(b) Book-Entry Only System. The Bonds shall be initially issued as separately authenticated fully registered Bonds, and one Bond shall be issued in the principal amount of each stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the Bond register in the name of Cede & Co., as nominee of DTC. The Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Bonds under this Resolution, registering the transfer of Bonds, and for all other purposes whatsoever; and neither the Registrar nor the City shall be affected by any notice to the contrary. Neither the Registrar nor the City shall have any responsibility or obligation to any Participant, any Person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other Person which is not shown on the Bond register as being a registered owner of any Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Bonds, with respect to any notice which is permitted or required to be given to owners of Bonds under this Resolution, with respect to the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Bonds. So long as any Bond is registered in the name of Cede & Co., as

nominee of DTC, the Registrar shall pay all principal of and interest on such Bond, and shall give all notices with respect to such Bond, only to Cede & Co. in accordance with the Representation Letter, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the City to make payments of principal and interest. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Bonds will be transferable to such new nominee in accordance with paragraph (e) hereof.

(c) Discontinuing Book-Entry System. In the event the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bonds in the form of Bond certificates, the City may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Bonds in the form of certificates. In such event, the Bonds will be transferable in accordance with paragraph (e) hereof. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and the Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Bonds will be transferable in accordance with paragraph (e) hereof.

(d) Blanket Letter of Representations. The Representation Letter sets forth certain matters with respect to, among other things, notices, consents and approvals by registered owners of the Bonds and Beneficial Owners and payments on the Bonds. The Registrar shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this resolution.

(e) Transfer of Bonds. In the event that any transfer or exchange of Bonds is permitted under paragraph (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of this resolution. In the event Bonds in the form of certificates are issued to owners other than Cede & Co., its successor as nominee for DTC as owner of all the Bonds, or another securities depository as owner of all the Bonds, the provisions of this Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Bonds in the form of Bond certificates and the method of payment of principal of and interest on such Bonds in the form of Bond certificates.

### Section 3. Debt Service Fund; Accounts Created Therein; and Special Assessments.

3.01. Debt Service Fund. There is hereby created and established a fund designated as the "Special Improvement District Nos. 1378, 1379, 1380 and 1383 Fund" (the "Debt Service Fund"), which shall be maintained by the Financial Services Manager on the books and records of the City separate and apart from all other funds of the City. Within the Debt Service Fund there shall be created and maintained separate accounts for each of the Districts and designated as the District No. [13\_] Account (each a "District Account" and collectively, the "District Accounts"). Within each District Account there shall be maintained three separate subaccounts, designated as the "Construction Subaccount," the "Principal Subaccount" and "Interest Subaccount," respectively.

3.02. Construction Subaccounts. There shall be credited to the Construction Subaccount in each of the District Accounts the pro-rata portion of the proceeds of the sale of the Bonds as provided in Section 2.08. Any earnings on investment of money in the Construction Subaccount shall be retained therein. All costs and expenses of constructing the Improvements to be paid from proceeds of the Bonds shall be paid from time to time as incurred and allowed from the Construction Subaccount in accordance with the provisions of applicable law, and money in the Construction Subaccount shall be used for no other purpose; provided that upon completion of the Improvements and after all claims and expenses with respect to the Improvements have been fully paid and satisfied, any amount of money remaining in the Construction Subaccount shall be transferred to the applicable Principal Subaccount and then to the Debt Service Fund and used to redeem Bonds as provided in Sections 2.05 and 3.03(b).

3.03. Principal Subaccounts and Interest Subaccounts. (a) Principal Subaccounts and Interest Subaccounts Generally. Money in the Principal Subaccounts and Interest Subaccounts shall be used only for (i) payment of the principal of the Bonds from the Principal Subaccount and interest on the Bonds from the Interest Subaccounts as such payments become due or (ii) to redeem Bonds.

(b) Deposits to Principal Subaccounts and Interest Subaccounts. The Financial Services Manager shall credit to the applicable Interest Subaccount so much of a special assessment as interest payment and the balance thereof to the applicable Principal Subaccount with respect to the installment of principal of the Bonds due on November 30 and May 31 of each year on the special assessments to be levied by the City with respect to the Improvements in each of the Districts. Interest income on money in the Principal Subaccounts and Interest Subaccounts shall be retained therein and used as any other funds therein. Any installment of a special assessment paid prior to its due date with interest accrued thereon to the next succeeding Payment Date shall be credited with respect to principal and interest payments in the same manner as other special assessments are credited to the Principal Subaccounts and Interest Subaccounts. All money in the Principal Subaccounts and Interest Subaccounts shall be used first to pay interest due, and any remaining money shall be used to pay Bonds then due and, if money is available, to redeem Bonds in accordance with Section 2.05(a); provided that any money transferred to the Principal Subaccounts from the Construction Subaccount pursuant to Section 3.02 shall be transferred to the Debt Service Fund and applied to redeem Bonds to the extent possible on the next Payment Date for which notice of

redemption may properly be given pursuant to Section 2.05(a). Prior to the applicable Payment Date, the Financial Services Manager shall transfer the applicable amount from each Principal Subaccount and Interest Subaccount to the Debt Service Fund to make the payment due on the Bonds on such Payment Date. Redemption of Bonds shall be as provided in Section 2.05, and interest shall be paid as accrued thereon to the date of redemption, in accordance with the provisions of Section 7-12-4206 of the Act.

3.04. Loans from Revolving Fund. The City Council shall annually or more often if necessary issue an order authorizing a loan or advance from the Revolving Fund to the Debt Service Fund (Sinking Fund) in an amount sufficient to replenish any deficiency then existing in the Debt Service Fund and shall issue an order authorizing a loan or advance from the Revolving Fund to the Debt Service Fund in an amount sufficient to make good any deficiency then existing in the Debt Service Fund in such order to the extent that money is available in the Revolving Fund. Provided, however, that at the time any such loan or advance is to be made, Reserve Account shall have been or shall remain depleted on the next Payment Date. A deficiency shall be deemed to exist in the Debt Service Fund if the money on deposit therein, on any June 15 or December 15 (excluding amounts in the Debt Service Fund representing prepaid special assessments) is less than the amount necessary to pay Bonds due (other than upon redemption), and interest on all Bonds payable, on the next succeeding Payment Date.

Pursuant to Ordinance No. 1096, as amended, the City has undertaken and agreed to provide funds for the Revolving Fund by levying such tax or making such loan from the General Fund as authorized by Section 7-12-4222 of the Act. In the event that the balance on hand in the Revolving Fund fifteen (15) days prior to any date when interest is due on special improvement district bonds or warrants of the City is not sufficient to make good all deficiencies then existing in the special improvement Debt Service Funds for which the City has covenanted to make loans from the Revolving Fund, the balance on hand in the Revolving Fund shall be allocated to the funds of the special improvement districts in which such deficiencies then exist in proportion to the amounts of the deficiencies on the respective dates of receipt of such money, until all interest accrued on such special improvement district bonds or warrants of the City has been paid. On any date when all accrued interest on special improvement district bonds and warrants of the City payable from funds for which the City has covenanted to make loans from the Revolving Fund has been paid, any balance remaining in the Revolving Fund shall be lent or advanced to the special improvement Debt Service Funds for payment and redemption of bonds to the extent the special improvement Debt Service Funds are deficient for such purpose, and, if money in the Revolving Fund is insufficient therefor, pro rata, in an amount proportionate to the amount of such deficiency.

The City hereby determines, covenants and agrees to levy the property tax described in the immediately preceding paragraph to provide funds for the Revolving Fund so long as any Bonds are outstanding to the extent required under the provisions of this Resolution and the Act, even though such property tax levy may, under applicable law (including SB 184, adopted by the Montana Legislature in 1999) or provisions of the home rule charter of the City, require that property tax levies of the City for other purposes be reduced correspondingly. In addition, the City hereby covenants to comply with the requirements of the Code and the Regulations in order that the Revolving Fund comply and continue to qualify as "reasonably required" debt service reserve fund for the Bonds.

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

4.01. Compliance with Resolution. The City will hold the Debt Service Fund and the Revolving Fund as trust funds, separate and apart from all of its other funds, and the City, its officers and agents, will comply with all covenants and agreements contained in this resolution. The provisions hereinabove made with respect to the Debt Service Fund and the Revolving Fund are in accordance with the undertaking and agreement of the City made in connection with the public offering of the Bonds and the sale of the Bonds as set forth in Section 1.04.

4.02. Construction of Improvements. The City will do all acts and things necessary to enforce the provisions of the construction contracts and bonds referred to in Section 1.03 and to ensure the completion of the Improvements for the benefit of the Districts in accordance with the plans and specifications and within the time therein provided, and will pay all costs thereof promptly as incurred and allowed, out of the Debt Service Fund and within the amount of the proceeds of the Bonds appropriated thereto.

4.03. Levy of Assessments. The City will do all acts and things necessary for the final and valid levy of special assessments upon all assessable real property within the boundaries of the Districts in accordance with the Constitution and laws of the State and the Constitution of the United States, in an aggregate principal amount not less than \$1,075,000. In addition the levy of special assessments with respect to each of the Districts shall not be less than the amounts set forth in the following table:

<u>District Number</u>	<u>Principal Amount</u>
1378	\$235,000
1379	442,000
1380	80,000
1383	318,000

The special assessments shall be levied on the basis set forth in each Intent Resolutions; and shall be payable in equal, semiannual installments over a period of fifteen (15) years, with interest on the whole amount remaining unpaid at an



annual rate equal to the sum of: (i) the average annual interest rate borne by the Bonds, plus (ii) one-half of one percent (0.50%) per annum, interest being payable with principal installments. The special assessments to be levied will be payable on the 30th day of November in each of the years 2008 through 2022, and on the 31st day of May in the years 2009 through 2023, inclusive, if not theretofore paid, and shall become delinquent on such date unless paid in full. The first partial payment of each assessment shall include interest on the entire assessment from the date of original registration of the Bonds to January 1, 2009 and each subsequent partial payment shall include interest for six (6) months on that payment and the then remaining balance of the special assessment. The special 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. Reassessment. If at any time and for whatever reason any special assessment or tax herein agreed to be levied is held invalid, the City and this City Council, its officers and employees, will take all steps necessary to correct the same and to reassess and re-levy the same, including the ordering of work, with the same force and effect as if made at the time provided by law, ordinance or resolution relating thereto, and will reassess and re-levy the same with the same force and effect as an original levy thereof, as authorized in Section 7-12-4186 of the Act. Any special assessment, or reassessment or re-levy shall, so far as is practicable, be levied and collected as it would have been if the first levy had been enforced including the levy and collection of any interest accrued on the first levy.

If proceeds of the Bonds, including investment income thereon, are applied to the redemption of such Bonds, as provided in Sections 7-12-4205 and 7-12-4206 of the Act, or if refunding bonds are issued and the principal amount of the outstanding Bonds of the Districts is decreased or increased, the City will reduce or increase, respectively, the special assessments levied in the Districts and then outstanding pro rata by the principal amount of such prepayment or the amount above or below the outstanding principal amount of bonds represented by the refunding bonds. The City and this City Council, its officers and employees will reassess and re-levy such special 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.

4.06. Absence of Litigation. There is now no litigation pending or, to the best knowledge of the City, threatening or questioning: the validity or regularity of the creation of the Districts, the contracts for construction of the Improvements or the undertaking and agreement of the City to levy special assessments therefor and to make good any deficiency in the collection thereof through the levy of taxes for and the making of advances from the Revolving Fund as security for the Bonds; the right and power of the City to issue the Bonds; or in any manner questioning the existence of any condition precedent to the exercise of the City's powers in these matters. If any such litigation should be initiated or threatened, the City will forthwith notify in writing the Purchaser, and will furnish the Purchaser a copy of all documents, including pleadings, in connection with such litigation.

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

#### 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 Code and the applicable Regulations.

5.02. General Covenant. The City covenants and agrees with the owners from time to time of the Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Bonds to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations applicable to the Bonds. By this resolution, the City covenants to take any and all actions within its powers to ensure that the interest on the Bonds will not become includable in gross income for federal income tax purposes under the Code and the applicable Regulations.

5.03. Arbitrage Certification. The Mayor, the City Clerk and the Financial Services Manager, being the officers of the City charged with the responsibility for issuing the Bonds pursuant to this resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with the provisions of Section 148 of the Code and the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Bonds, it is reasonably expected that the proceeds of the Bonds will be used in a manner that would not cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the Regulations.

Section 6. Authentication of Transcript. The officers of the City are hereby authorized and directed to furnish to the Purchaser and to bond counsel certified copies of all proceedings relating to the issuance of the Bonds and such other certificates and affidavits as maybe required to show the right, power and authority of the City to issue the Bonds, and all