

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 URBAN RENEWAL; PROVIDING FOR TAX INCREMENT URBAN RENEWAL REVENUE REFUNDING BONDS, SERIES 2003; AUTHORIZING AND DIRECTING THE ISSUANCE, RATIFYING THE SALE AND PRESCRIBING THE FORM AND TERMS THEREOF AND THE SECURITY THEREFOR; AND DEFINING TERMS, MANNER OF PAYMENT, AND TERMS OF ISSUANCE OF ADDITIONAL BONDS AND NOTES AND THE 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 regular meeting on January 27, 2003, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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: UNANIMOUS _____; voted against the same: _NONE; _____; abstained from voting thereon: _____; or were absent: _____.

WITNESS my hand officially this 27TH day of January, 2003.

City Clerk

RESOLUTION NO. 03-17953

RESOLUTION RELATING TO URBAN RENEWAL;
PROVIDING FOR TAX INCREMENT URBAN RENEWAL
REVENUE REFUNDING BONDS, SERIES 2003;
AUTHORIZING AND DIRECTING THE ISSUANCE,
RATIFYING THE SALE AND PRESCRIBING THE FORM
AND TERMS THEREOF AND THE SECURITY THEREFOR;
AND DEFINING TERMS, MANNER OF PAYMENT, AND
TERMS OF ISSUANCE OF ADDITIONAL BONDS AND
NOTES AND THE SECURITY THEREFOR

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

Section 1. Definitions.

1.01 Definitions. The terms defined in this Section 1.01 shall for all purposes of this Resolution have the meanings herein specified, unless the context clearly otherwise requires:

(a) “Resolution” means this Resolution No. 03-17953 as originally adopted or as it may from time to time be amended or supplemented pursuant to the provisions hereof.

(b) All references in this Resolution to designated sections and other subdivisions are to the designated sections and other subdivisions of this Resolution as originally adopted.

(c) The words “herein,” “hereof” and “hereunder” and other words of similar import without reference to any particular section or subdivision refer to this Resolution as a whole and not to any particular section or other subdivision unless the context clearly indicates otherwise.

(d) The terms defined in this Section include plural as well as the singular.

(e) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities in the United States of America.

(f) All computations provided herein shall be made in accordance with generally accepted accounting principles applicable to governmental entities in the United States of America consistently applied.

Accountant shall mean a Person engaged in the practice of accounting as a certified public accountant, whether or not employed by the City.

Act shall mean the Urban Renewal Law, Montana Code Annotated, Title 7, Chapter 15, Parts 42 and 43, as amended or supplemented.

Additional Bonds shall mean any Bonds issued pursuant to Sections 8.01 through 8.03, inclusive, hereof.

Bond Account shall mean the account so designated in the Tax Increment Debt Service Fund.

Bond Counsel shall mean any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing, selected by the City.

Bond Registrar shall mean the registrar maintained for the purpose of registering the ownership, transfer and exchange of the Bonds of any series.

Bondowner shall mean the Owner of a Bond.

Bonds shall mean all Bonds issued pursuant to this Resolution, including the Series 2003 Bonds and any Additional Bonds.

Business Day shall mean, with respect to the Bonds of any series, any day other than a Saturday, Sunday or other day on which the Registrar for such series of Bonds is not open for business.

City shall mean the City of Billings, Montana, or its successor.

City Resolution shall mean a resolution, ordinance or other appropriate enactment by the Council to have been duly adopted and to be in full force and effect.

Code shall mean the International Revenue Code of 1986, as amended from time to time.

Construction Account shall mean the account so designated in the Tax Increment Capital Project Fund.

Council shall mean the City Council of the City or any successor governing body of the City.

County shall mean Yellowstone County, Montana.

Financial Consultant shall mean an Independent Person selected by the City, qualified to study urban renewal areas and projects and tax increment financing plans, and in the judgment of the Council, having a favorable repute for skill and experience in such work.

Fiscal Year shall mean the period commencing on the first day of July of any year and ending on the last day of June of the next calendar year, or any other twelve-month period authorized by law and specified by the Council as the City's fiscal year.

Government Obligations shall mean direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to payment by, the United States of America.

Independent shall mean, when used with respect to any specified Person, such a Person who (i) is in fact independent; (ii) does not have any direct financial interest or any material indirect financial interest in the City, other than the payment to be received under a contract for services to be performed by such Person; and (iii) is not connected with the City as an officer, employee, promoter, trustee, partner, director, underwriter or person performing similar functions. Whenever it is herein provided that any Independent Person's opinion or certificate shall be furnished, such Person shall be appointed by the City and such opinion or certificate shall state that the signer has read this definition and the signer is Independent within the meaning hereof.

Interest Account shall mean the subaccount so designated in the Bond Account.

Interest Payment Date shall mean the Stated Maturity of an installment of interest on any of the Bonds or the Notes.

Maturity shall mean, when used with respect to any Bond, the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at its Stated Maturity or by declaration of acceleration, redemption or otherwise.

Notes shall mean any bond anticipation note or notes issued pursuant to Section 8.04 hereof.

Note Registrar shall mean the registrar maintained for the purpose of registering ownership, transfer, and exchange of the Notes of any Series.

Obligations shall mean Bonds, Notes, and Subordinate Bonds.

Opinion of Counsel shall mean a written opinion of counsel, who may (except as otherwise expressly provided in this Resolution) be counsel for the City.

Original Purchaser shall mean, with respect to any series of Bonds, the Person or Persons who purchase such series of Bonds from the City when first issued. The Original Purchaser of the Series 2003 Bonds is S.G. Long & Company, of Missoula, Montana.

Owner shall mean, with respect to any Bond or Note, the Person in whose name such Bond or Note is registered in the Bond Register or Note Registrar, respectively.

Outstanding shall mean, with reference to Bonds, as of the date of determination, all Bonds theretofore issued and delivered under this Resolution except:

- (i) Bonds theretofore canceled by the City or delivered to the City canceled or for cancellation;

(ii) Bonds and portions of Bonds for whose payment or redemption money or Government Obligations (as provided in Section 8) shall have been theretofore deposited in trust for the Owners of such Bonds; provided, however, that if such Bonds are to be redeemed, notice of such redemption shall have been duly given pursuant to this Resolution or irrevocable instructions to call such Bonds for redemption at a stated Redemption Date shall have been given by the City to the Registrar; and

(iii) Bonds in exchange for or in lieu of which other Bonds shall have been issued and delivered pursuant to this Resolution;

provided, however, that in determining whether the Owners of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the City shall be disregarded and deemed not to be Outstanding.

Person shall mean any individual, corporation, partnership, limited liability company, limited liability partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Plan shall mean the Downtown Redevelopment District Plan of the City adopted and approved pursuant to the Act and Resolution No. 12303 as heretofore amended and supplemented, and including all amendments thereof or supplements thereto entered into in accordance with the Act and this Resolution.

Principal and Interest Requirements shall mean, with respect to any Bonds or Notes and for any Fiscal Year or other specified period, the amount required to pay the principal of and interest on such Bonds or Notes during such Fiscal Year or other period, determined on the assumption that each Serial Bond is to be paid on its Stated Maturity and each Term Bond is to be paid on the Sinking Fund Payment Dates according to the mandatory redemption requirements established for such Term Bond by the applicable section of this Resolution or any Supplemental Resolution.

Principal Payment Date shall mean the Stated Maturity of principal of any Serial Bond and the Sinking Fund Payment Date for any Term Bond.

Prior Resolution shall mean the following resolutions adopted by the City: Resolution No. 12937, adopted on February 26, 1979, as amended and supplemented by Resolution Nos. 84-14621, 87-15853, 88-15986, 92-16546, 93-16754, and 95-17051.

Project shall mean any urban renewal project undertaken under the Act, the costs of which are to be paid, in whole or in part, from the proceeds of the Bonds, Notes, or Subordinate Bonds.

Qualified Investments shall mean the investments described as eligible securities under Section 7-6-202 and investments under Title 17, chapter 6, part 2, Montana Code Annotated.

Redemption Date when used with respect to any Bond to be redeemed shall mean the date on which it is to be redeemed.

Redemption Price when used with respect to any Bond to be redeemed shall mean the price at which it is to be redeemed.

Refunded Bonds shall mean the outstanding Series 1992 Bonds, the Series 1993A Bonds, the Series 1993B Bonds, and the Series 1995 Bonds, currently outstanding in the aggregate principal amounts of \$5,365,000, \$1,120,000, \$215,000, and \$1,600,000, respectively.

Registrar shall mean the Person appointed by the City to maintain the Bond Register for a series of Bonds and designated by or pursuant to this Resolution to receive and disburse the principal of, premium, if any, and interest on such Bonds.

Replacement Revenues shall mean any amounts received by the City for the benefit of the Urban Renewal Area as reimbursements for lost tax increment attributable to changes in rates of taxation on classes of property or any payments received by the City designated as replacement revenues for lost tax increment within the Urban Renewal Area.

Reserve Account shall mean the account so designated in the Tax Increment Debt Service Fund.

Reserve Requirement shall mean, as of the date of calculation, an amount equal to the lesser of: (1) the maximum Principal and Interest Requirements on Outstanding Bonds for the then current or any future Fiscal Year or (2) ten percent (10%) of the aggregate original principal amounts of all series of Bonds for which a Bond is then Outstanding.

Serial Bonds shall mean Bonds which are not Term Bonds.

Series 1992 Bonds shall mean the City's Tax Increment Urban Renewal Revenue Bonds, Refunding Series 1992, issued in the original aggregate amount of \$7,930,000 pursuant to the Prior Resolution as then in effect, to refund the City's then outstanding Tax Increment Urban Renewal Bonds, Series 1987A.

Series 1993 Bonds shall mean the Series 1993A Bonds and the Series 1993B Bonds.

Series 1993A Bonds shall mean the City's Tax Increment Urban Renewal Refunding Bonds, Series 1993A, issued in the original principal amount of \$4,820,000 pursuant to the Prior Resolution as then in effect, to refund the City's then outstanding Tax Increment Urban Renewal Bonds, Series 1979, and the Tax Increment Urban Renewal Bonds, Refunding Series 1988A.

Series 1993B Bonds shall mean the City's Tax Increment Urban Renewal Refunding Bonds, Series 1993B, issued in the original principal amount of \$980,000 pursuant to the Prior Resolution as then in effect, to refund the then outstanding Tax Increment Urban Renewal Bonds, Series 1979, and the Tax Increment Urban Renewal Bonds, Series 1988A.

Series 1995A Bonds shall mean the City's Tax Increment Urban Renewal Bonds, Series 1995, issued in the original principal amount of \$1,600,000 pursuant to the Prior Resolution then in effect.

Series 2003 Bonds shall mean the City's Tax Increment Urban Renewal Revenue Refunding Bonds, Series 2003, issued in the original aggregate principal amount of \$6,240,000 pursuant to this Resolution.

Sinking Fund Account shall mean the subaccount so designated in the Bond Account.

Sinking Fund Payment Date shall mean a date set forth in any applicable provision of this Resolution or a Supplemental Resolution for the making of a mandatory principal payment for the redemption of a Term Bond.

Stated Maturity when used with respect to any Bond or any installment of interest thereon shall mean the date specified in such Bond on which principal of such Bond or such installment of interest is due and payable.

Subordinate Bonds shall mean any Bonds issued pursuant to Section 8.05.

Supplemental Reserve Fund shall mean the supplemental reserve fund created and established under the Prior Resolution.

Supplemental Resolution shall mean any resolution supplemental to this Resolution adopted pursuant to Section 8 hereof.

Tax Increment shall mean the amount received by the City pursuant to the Act and the Plan from the extension of levies of Taxes against the incremental taxable value, as defined in the Act, of all taxable property within the Urban Renewal Area and shall include any payments in lieu of Taxes attributable to the incremental taxable value and Replacement Revenues.

Tax Increment Capital Project Fund shall mean the fund established pursuant to Section 9.01.

Tax Increment Debt Service Fund shall mean the fund established pursuant to Section 9.01.

Tax Increment Development Fund shall mean the fund established pursuant to Section 9.01.

Tax Increment Funds shall mean the Tax Increment Capital Project Fund, the Tax Increment Debt Service Fund and the Tax Increment Development Fund.

Taxes shall mean all taxes levied on an ad valorem basis by a Taxing Body against taxable real and personal property located within the Urban Renewal Area (exclusive of the six-mill levy levied by the State of Montana for the state university system) and shall include all payments in lieu of taxes received by the City with respect to property within the Urban Renewal Area.

Taxing Body shall mean the City, the County, the State of Montana, school districts and any other political subdivision or governmental unit which now or hereafter levies Taxes against taxable rental or personal property within the Urban Renewal Area.

Term Bond shall mean any Bond for the payment of the principal of which mandatory payments are required by this Resolution or Supplemental Resolution to be made at times and in amounts sufficient to redeem all or a portion of such Bond prior to its Stated Maturity.

Urban Renewal Area shall mean the City of Billings Downtown Redevelopment District created and established as an urban renewal area pursuant to the Act and Resolution No. 12107, adopted January 5, 1976 as such Resolution has been amended or supplemented from time to time, and as such area may be enlarged or reduced in accordance with the Act and this Resolution.

Section 2. Authorizations and Findings.

2.01 Authorization Generally. Under the provisions of the Act, the City is authorized to create urban renewal areas, prepare and adopt an urban renewal plan therefor and amendments thereto, undertake urban renewal projects therein, provide for the segregation and collection of tax increment with respect to property taxes collected in such areas, issue its bonds to pay the costs of such projects and to refund bonds previously issued under the Act and pledge to the repayment of the bonds the tax increment and other revenues derived from projects undertaken within the urban renewal area.

2.02 Prior City Actions. The City by Resolution No. 12107, adopted January 5, 1976, created the Urban Renewal Area, and by Resolution No. 12303 adopted the Plan as an urban renewal plan relating to the Urban Renewal Area, all in accordance with the provisions of the Act. The Plan provides for the segregation and collection of Tax Increment with respect to the Urban Renewal Area. The Urban Renewal Area and the Plan providing for the segregation and collection of the Tax Increment have been duly and validly created and adopted in strict accordance with applicable provisions of the Act and are in full force and effect.

2.03 Refunded Bonds. Pursuant to the authorization described in Sections 2.01 and 2.02 hereof, and the Prior Resolution, or those portions thereof then in effect, the City issued and sold its Series 1992 Bonds, Series 1993 Bonds, and Series 1995A Bonds. Pursuant to the Act and the Resolution, the City reserved the right to issue refunding bonds for the purpose of refunding and redeeming outstanding bonds. No bonds are now outstanding payable from the Tax Increment or revenues of the Urban Renewal Area other than the Refunded Bonds, which are outstanding in the aggregate principal amount of \$8,300,000. Upon the redemption of the Refunded Bonds, or the provision therefor by calling all Refunded Bonds for redemption on the next date when they may be prepaid in accordance with their terms, by giving the notice required for such redemption, and by depositing irrevocably in escrow, with a bank qualified by law as an escrow agent for this purpose, cash or securities which are general obligations of the United States or securities of United States agencies 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 to provide funds sufficient to pay all principal, interest and redemption premiums to become due on the Refunded Bonds on or before the applicable redemption date, in accordance with the Prior Resolution, the City may discharge the Prior Resolution.

2.04 Authorization and Award of Sale of the Series 2003 Bonds. For the purpose of reducing the interest cost on the Refunded Bonds and releasing amounts in the Supplemental

Reserve Fund, this Council has determined by Resolution No. 02-17927, adopted on November 25, 2003, that it is in the best interests of the City that the outstanding Series 1992 Bonds, Series 1993A Bonds, and Series 1993B Bonds be called for redemption on March 1, 2003, and the outstanding Series 1995A Bonds be called for redemption on March 1, 2006, and that the City issue its refunding bonds (the "Series 2003 Bonds"), as authorized by Section 7-15-4301(1)(b) of the Act and this Resolution in order to provide funds to be used, with other available funds of the City, to pay, refund, and redeem the Refunded Bonds and to pay costs of issuance of the Series 2003 Bonds and of the refunding, and for the City to sell by competitive sale the Series 2003 Bonds, pursuant to Montana Code Annotated, Section 7-15-4301.

Pursuant to Resolution No. 02-17927, this Council provided for the public sale of the Series 2003 Bonds, in the estimated aggregate principal amount of \$7,315,000 to finance the costs of paying, refunding, and redeeming the Refunded Bonds. The sale was postponed from December 9, 2002, to January 13, 2003 and this Council authorized the Director of Finance and Administrative Services to modify the Notice of Sale and Terms and Conditions as required to conduct the sale on January 13, 2003. As no bids were received, this Council authorized the Director of Finance and Administrative Services to negotiate the sale of the Series 2003 Bonds. Springsted, Inc., the City's financial advisor, concluded the City could reduce the principal amount of the Series 2003 Bonds and the Director of Finance and Administrative Services with the assistance of Springsted Inc. conducted negotiations for the sale of the Series 2003 Bonds. On January 21, 2003, the Director of Finance and Administrative Services executed a Bond Purchase Agreement with S.G. Long & Company, of Missoula, Montana for the sale of the Series 2003 Bonds in the amount of \$6,240,000, at a purchase price of \$6,202,560 and at the interest rates set forth in Section 6.02 hereof, which results in a net interest cost of \$647,186.63 and a true interest cost of 3.4653%. The sale of the Series 2003 Bonds under the Bond Purchase Agreement to the Original Purchaser is hereby ratified. In the event of a conflict between the Bond Purchase Agreement and this Resolution, this Resolution controls.

The Mayor, City Clerk and the Director of Finance and Administrative Services are hereby authorized and directed to execute on behalf of the City a contract for the sale of the Series 2003 Bonds with the Original Purchaser.

2.05 Costs of Refunding. The total cost of refunding the Refunded Bonds, including costs incidental to the issuance and sale of the Series 2003 Bonds, is estimated as follows:

Deposit to Net Cash Escrow Fund	\$8,714,657.20
Deposit to Debt Service Reserve Fund	624,000.00
Costs of Issuance	90,930.72
Total Underwriter's Discount	37,440.00
Total	<u>\$9,467,027.92</u>

The sources of revenue to complete the refunding are:

Series 2003 Bonds	\$6,240,000.00
Transfers from debt service reserve funds of Refunded Bonds	1,747,525.00
Transfers from debt service funds of Refunded Bonds	<u>1,479,502.92</u>

Total

\$9,467,027.92

2.06 Estimate of Tax Increment. Pursuant to 7-15-4324, Montana Code Annotated, the Council hereby determines, based on the Tax Increment (including Replacement Revenue) receipts payable for Fiscal Year ended June 30, 2002 of \$2,799,139, that the Tax Increment to be received from the Urban Renewal Area during the time the Series 2003 Bonds will be Outstanding, and assuming a reduction of the rate of taxation on class eight property to zero and assuming that the Replacement Revenues will be provided in accordance with the provisions of Sections 15-1-112 and 15-1-121, M.C.A., will be at least \$2,438,000 for each of Fiscal Years 2003-2008. Accordingly, the Tax Increment receipts will be sufficient to cover the annual debt service on the Series 2003 Bonds, the maximum amount of which will be \$1,396,110.00.

2.07 Findings and Determinations. It is hereby found, determined and declared by this Council as follows:

(a) The conditions precedent to the issuance of the Series 2003 Bonds under this Resolution have or shall be met prior to the issuance of the Series 2003 Bonds;

(b) The estimated Tax Increment to be received by the City from the Urban Renewal Area, as set forth in Section 0, and pledged to the payment of the Series 2003 Bonds will be sufficient to pay the principal thereof and interest thereon when due, and;

(c) It is in the best interests of the City to issue and sell the Series 2003 Bonds to refund the Refunded Bonds as provided in this Resolution and thereby achieve savings in interest costs, discharge the Prior Resolution, release amounts in the Supplemental Reserve Fund, and by this Resolution, as it may be amended or supplemented from time to time, set forth the terms and conditions on which Bonds may be issued.

Section 3. The Bonds.

3.01 General Title. The general title of the Bonds of all series shall be "Tax Increment Urban Renewal Bonds," with appropriate additions for refunding bonds and Additional Subordinate Bonds and to distinguish Bonds of each series from Bonds of each other series.

3.02 General Limitations; Issuable in Series. The aggregate principal amount of Bonds that may be authenticated and delivered and Outstanding under this Resolution is not limited, except as provided in Section 8 and except as may be limited by law.

The Bonds may be issued in series as from time to time authorized by the Council.

The Bonds are special, limited obligations of the City. Principal of, premium, if any, and interest on the Bonds (except to the extent payable out of proceeds of the Bonds) are payable solely from the Tax Increment and from other revenues, if any, derived by the City from Projects or other sources which may be pledged by this Resolution or a Supplemental Resolution to the payment of any series of Bonds. The Bonds shall not pledge the general credit or taxing powers of the City, and the State of Montana shall not in any event be liable for the payment of the principal of, premium, if any, or interest on the Bonds or for the performance of any pledge of any kind whatsoever that may be undertaken by the City. Neither the Bonds nor any of the

agreements or obligations of the City contained herein or therein shall be construed to constitute an indebtedness of the State of Montana, the City of Billings or Yellowstone County within the meaning of any constitutional or statutory provisions whatsoever.

With respect to the Bonds of any particular series, the City may incorporate in or add to the general title of such Bonds any words, letters or figures designed to distinguish that series.

If any Stated Maturity, Redemption Date or Sinking Fund Payment Date shall be on a day which is not a Business Day, then payment of principal or interest due on such day may be made on the next succeeding Business Day, with the same force and effect as if made on such Stated Maturity, Redemption Date or Sinking Fund Payment Date (whether or not such next succeeding Business Day occurs in a succeeding month).

3.03 Terms of Particular Series. Each series of bonds (except the Series 2003 Bonds, which is governed by Section 6) shall be created by a Supplemental Resolution. The Bonds of each series (other than the Series 2003 Bonds, as to which specific provision is made in Section 6) shall bear such date or dates, shall be payable at such place or places, shall have such Stated Maturities and Redemption Dates, shall bear interest at such rate or rates, from such date or dates, payable in such installments and on such dates and at such place or places, may have attached thereto such coupons for interest, and may be redeemable at such price or prices and upon such terms (in addition to the prices and terms herein specified for redemption of all Bonds) as shall be provided in the Supplemental Resolution creating that series. The City may, at the time of the creation of any series of Bonds or at any time thereafter, make, and the Bonds of that series may contain, provision for:

- (a) a sinking, amortization, improvement or other analogous fund;
- (b) limiting the aggregate principal amount of the Bonds of that series or of all Additional Bonds thereafter issued;
- (c) exchanging Bonds of that series, at the option of the Owners thereof, for other Bonds of the same series of the same aggregate principal amount of a different authorized kind and/or authorized denomination or denominations; or
- (d) the issuance of Bonds not registered as to principal or interest or Bonds registerable as to principal only with appurtenant and detachable coupons, and the exchange of such Bonds for fully registered Bonds;

all upon such terms as the City may determine. All Bonds of the same series shall be substantially identical except as to denomination and the differences specified herein or in the Supplemental Resolution between interest rates, Stated Maturities and redemption provisions.

3.04 Form and Denominations. The form of the Bonds (other than the Series 2003 Bonds, as to which specific provisions are made in Section 5) shall be established by the Supplemental Resolution creating such series. The Bonds of each series shall be distinguished from the Bonds of other series in such manner as the Council may determine.

The Bonds of any series shall be issuable as fully registered Bonds unless the Supplemental Resolution provides otherwise.

The Bonds of each series shall be issuable in such denominations as shall be provided in the provisions of the Supplemental Resolution creating such series (other than the Series 2003 Bonds, as to which specific provisions are made in Section 6). In the absence of any such provision with respect to the Bonds of any particular series, Bonds shall be in the denomination of \$5,000 or any integral multiple thereof, of a single maturity.

3.05 Execution, Authentication and Delivery. Each Bond shall be executed on behalf of the City by the officials of the City specified in a City Resolution. The signature of any official may be facsimile, if permitted by applicable law. The seal of the City need not be affixed to or imprinted on any Bond. Each Bond shall be authenticated by the Bond Registrar.

Bonds bearing the manual or facsimile signatures of individuals who were at any time the proper officials of the City shall bind the City, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the delivery of such Bonds or did not hold such offices at the date of such Bonds.

Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or be 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. Certificates of authentication on each Series 2003 Bond 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 and in accordance with the provisions hereof.

3.06 Temporary Bonds. Pending the preparation of definitive Bonds, the City, if authorized by law, may execute and deliver, temporary Bonds which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are issued, in registered form, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the City executing such Bonds may determine, as evidenced by their signing of such Bonds.

If temporary Bonds are issued, the City will cause definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the temporary Bonds shall be exchangeable for definitive Bonds upon surrender of the temporary Bonds, without charge to the Owner. Upon surrender for calculation of any one or more temporary Bonds (accompanied by any unmatured coupons appertaining thereto) the City shall execute and deliver in exchange therefor a like principal amount of definitive Bonds of authorized denominations. Until so exchanged the temporary Bonds shall in all respects be entitled to the security and benefits under this Resolution, and interest thereon, when and as payable, shall be paid to the bearers of the temporary Bonds upon presentation thereof for notation of such payment thereon, unless such temporary Bonds shall be fully registered Bonds or shall bear coupons for such interest.

Section 4. Sale of Series 2003 Bonds; Official Statement.

4.01 Sale and Issuance of Bonds. Based on the findings made in Section 2 and for the purpose of refunding, paying, and redeeming the Refunded Bonds, this Council hereby authorized the sale of the Series 2003 Bonds, to be denominated “Tax Increment Urban Renewal Refunding Bonds, Series 2003” and issued in the aggregate principal amount of \$6,240,000, in accordance with the provisions of this Resolution.

4.02 Official Statement. The Official Statement relating to the Series 2003 Bonds, dated January 27, 2003, prepared and distributed on behalf of the City by Springsted Incorporated, is hereby approved and the determination of the Director of Finance and Administrative Services that the Official Statement has been deemed final for purposes of SEC Rule 15c2-12(b)(1) is hereby ratified and confirmed. The officers of the City are hereby authorized and directed to execute such certificates as may be appropriate concerning the accuracy, completeness and sufficiency of the Official Statement and to deliver to the Purchaser within seven business days after the date of adoption of this resolution copies of the Official Statement in accordance with the Terms and Conditions, supplemented so as to contain the terms of the Series 2003 Bonds as set forth in this resolution and the reoffering and other information provided by the Purchaser for inclusion in the Official Statement.

Section 5. Form of Series 2003 Bonds. The Series 2003 Bonds to be issued pursuant to this Resolution shall be prepared in substantially the form attached hereto as Exhibit A (which is hereby incorporated by reference and made a part hereof), with such appropriate variations, omissions and insertions as are permitted or required by this Resolution.

Section 6. The Series 2003 Bonds: Denomination, Maturities, Payment and Date of the Series 2003 Bonds.

6.01 General Terms of Bonds. The Series 2003 Bonds shall be issuable only in fully registered form and shall be denominated “Tax Increment Urban Renewal Revenue Refunding Bonds, Series 2003,” in the aggregate principal amount of \$6,240,000 with Stated Maturities in the years 2004 through 2008.

6.02 Terms of the Series 2003 Bonds. The Series 2003 Bonds shall be dated, as originally issued, as of February 1, 2003, shall be in the denomination of \$5,000 each or any integral multiple thereof of single maturities, shall mature on March 1 in the years and amounts set forth below, without option of redemption, and shall bear interest from February 1, 2003 at the respective annual rates set forth opposite such years and amounts as follows:

<u>Stated Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2004	\$1,120,000	2.300%
2005	\$1,215,000	2.570%
2006	\$1,260,000	2.960%
2007	\$1,300,000	3.380%
2008	\$1,345,000	3.800%

The Series 2003 Bonds shall be issuable only in fully registered form, and the ownership of the Series 2003 Bonds shall be transferred only upon the Bond Register of the City hereinafter described. Principal of and interest on the Series 2003 Bonds are payable in lawful money of the United States of America. Principal and premium, if any, shall be payable by check or draft drawn on the Registrar hereinafter described upon presentation and surrender of the Series 2003 Bonds at maturity at the principal office of the Registrar. Interest on the Series 2003 Bonds shall be payable on March 1 and September 1 in each year, commencing September 1, 2003, by check or draft of the Registrar mailed to the owners of record thereof as such appear in the bond register on the fifteenth day of the calendar month next preceding such interest payment date, whether or not such day is a business day.

Each Series 2003 Bond shall bear an original issue date as of February 1, 2003. Upon delivery of the Series 2003 Bonds to the Original Purchaser pursuant to Section 2.04 or upon the delivery of Series 2003 Bonds upon a transfer or exchange pursuant to Section 6.02, the Registrar shall date each such Series 2003 Bond so delivered as of the date of its authentication.

6.03 System of Registration. The City shall appoint, and shall maintain, a bond registrar, transfer agent and paying agent for the Series 2003 Bonds (the "Registrar"). This Section 6.02 shall establish a system of registration for the Series 2003 Bonds as defined in the Model Public Obligations Registration Act of Montana. The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its principal office a bond register in which the Registrar shall provide for the registration of ownership of Series 2003 Bonds and the registration of transfers and exchanges thereof.

(b) Transfer. Upon surrender for transfer of any Series 2003 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 Series 2003 Bonds of a like aggregate principal amount, interest rate and maturity as requested by the transferor.

(c) Exchange. Whenever any Series 2003 Bond is surrendered by the registered owner for exchange, the Registrar shall authenticate and deliver one or more new Series 2003 Bonds of the same series and a like aggregate principal amount, interest rate and maturity, as requested by the registered owner or the owner's attorney in writing.

(d) Cancellation. All Series 2003 Bonds surrendered upon any transfer or exchange shall be promptly canceled by the Registrar and thereafter disposed of as directed by the City.

Improper or Unauthorized Transfer. When any Series 2003 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 Series 2003 Bond or separate instrument of 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.

(e) Persons Deemed Owners. The City and the Registrar may treat the Person in whose name any Series 2003 Bond is at any time registered in the bond register as the absolute owner of such Series 2003 Bond, whether such Series 2003 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest on such Series 2003 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 Series 2003 Bond to the extent of the sum or sums so paid.

(f) Taxes, Fees and Charges. For every transfer or exchange of Series 2003 Bonds 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.

(g) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Series 2003 Bond shall become mutilated or be lost, stolen or destroyed, the Registrar shall deliver a new Series 2003 Bond of a like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Series 2003 Bond or in lieu of and in substitution for any such Series 2003 Bond lost, stolen or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Series 2003 Bond lost, stolen or destroyed, upon filing with the Registrar of evidence satisfactory to it that such Series 2003 Bond was lost, stolen or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of 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 Series 2003 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, lost, stolen or destroyed Series 2003 Bond has already matured, it shall not be necessary to issue a new Series 2003 Bond prior to payment.

6.04 Initial Registrar. The City hereby appoints U.S. Bank, N.A. of Seattle, Washington, as the initial Registrar for the Series 2003 Bonds. The City reserves the right to appoint a successor Registrar, and the City agrees to pay the reasonable and customary charges of the Registrar for the services performed. Upon merger or consolidation of a bank or trust company that is acting as the Registrar, if the resulting corporation is a bank or trust company authorized by law to conduct such business, such corporation shall be authorized to act as successor Registrar. The City reserves the right to remove any Registrar upon 30 days' notice and upon the appointment of a successor Registrar, in which event the predecessor Registrar shall deliver all cash and Series 2003 Bonds in its possession as Registrar to the successor Registrar and shall deliver the bond register to the successor Registrar. On or before each principal or interest due date, without further order of this Council, the Director of Finance and Administrative Services shall transmit to the Registrar, solely from money in the Bond Account available therefor, moneys sufficient for the payment of all principal, premium, if any, and interest then due on the Series 2003 Bonds.

6.05 Optional Redemption of Bonds. The Series 2003 Bonds are not subject to redemption at the option of the City.

6.06 Execution and Delivery. The Series 2003 Bonds shall be forthwith prepared for execution under the direction of the Director of Finance and Administrative Services, at the expense of the City, and shall be executed on behalf of the City by the signatures of the Mayor, Director of Finance and Administrative Services and the City Clerk; provided that said signatures may be printed, engraved or lithographed facsimiles thereof. The seal of the City need not be affixed to or imprinted on any Series 2003 Bond. In case any officer whose signature or a facsimile of whose signature shall appear on the Series 2003 Bonds shall cease to be such officer before the delivery of any Series 2003 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. When the Series 2003 Bonds have been fully executed and authenticated as provided above, they shall be delivered by the Registrar to the Original Purchaser upon payment of the purchase price in accordance with the contract of sale heretofore made and executed, and the Purchaser shall not be obligated to see to the application of the purchase price.

6.07 Transcript Certification. The officers of the City are directed to furnish to the Original Purchaser of the Series 2003 Bonds and to Bond Counsel certified copies of all proceedings and information in their official records relevant to the authorization and issuance of the Series 2003 Bonds, and such certificates and affidavits as to other matters appearing in their official records or otherwise known to them as may be reasonably required to evidence the validity and security of the Series 2003 Bonds, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations and recitals of the City as to the correctness of all facts stated therein and the completion of all proceedings stated therein to have been taken.

6.08 Securities Depository for the Series 2003 Bonds.

(a) For purposes of this Section 6.08, the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Series 2003 Bond, the person in whose name such Series 2003 Bond is recorded as the beneficial owner of such Series 2003 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 Series 2003 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 Series 2003 Bonds as securities depository.

“Representation Letter” shall mean the Blanket Issuer Letter of Representations from the City to DTC, attached to this resolution as Exhibit B (which is hereby incorporated by reference and made a part hereof).

(b) The Series 2003 Bonds shall be initially issued as separately authenticated fully registered Series 2003 Bonds, and one Series 2003 Bond shall be issued in the principal amount of each stated maturity of the Series 2003 Bonds. Upon initial issuance, the ownership of such Series 2003 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 Series 2003 Bonds registered in its name for the purposes of payment of the principal of or interest on the Series 2003 Bonds, selecting the Series 2003 Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series 2003 Bonds under this Resolution, registering the transfer of Series 2003 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 Series 2003 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 Series 2003 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 Series 2003 Bonds, with respect to any notice which is permitted or required to be given to owners of Series 2003 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 Series 2003 Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series 2003 Bonds. So long as any Series 2003 Bond is registered in the name of Cede & Co., as nominee of DTC, the Registrar shall pay all principal of and interest on such Series 2003 Bond, and shall give all notices with respect to such Series 2003 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 Series 2003 Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated Series 2003 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 Series 2003 Bonds will be transferable to such new nominee in accordance with paragraph (e) hereof.

(c) In the event the City determines to discontinue the bookentry only registration system, the City may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Series 2003 Bonds in the form of certificates. In such event, the Series 2003 Bonds will be transferable in accordance with paragraph (e) hereof. DTC may determine to discontinue providing its services with respect to the Series 2003 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 Series 2003 Bonds will be transferable in accordance with paragraph (e) hereof.

(d) The Director of Finance and Administrative Services is hereby authorized and directed to execute and deliver to DTC the Representation Letter in the form attached as Exhibit B with such changes, omissions, insertions and revisions as the Director of Finance and Administrative Services of the City shall deem advisable, and execution of the Representation Letter by the Director of Finance and Administrative Services shall be conclusive evidence of such approval. The Representation Letter shall set forth certain matters with respect to, among other things, notices, consents and approvals by registered owners of the Series 2003 Bonds and Beneficial Owners and payments on the Series 2003 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) In the event that any transfer or exchange of Series 2003 Bonds is permitted under paragraph (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Series 2003 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 Series 2003 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 Series 2003 Bonds, or another securities depository as owner of all the Series 2003 Bonds, the provisions of this Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series 2003 Bonds in the form of Series 2003 Bond certificates and the method of payment of principal of and interest on such Series 2003 Bonds in the form of Series 2003 Bond certificates.

Section 7. Application of Proceeds; Refunding of Refunded Bonds; Transfer of Reserve; Appropriation of Supplemental Reserve Fund.

7.01 Application of Proceeds of Series 2003 Bonds; Transfer of Reserve. The City shall deposit the proceeds of the sale of the Series 2003 Bonds (including accrued interest thereon from the date from which interest is to be paid thereon to the date of delivery to the Original Purchaser) as follows:

(a) Deposit to the credit of the Interest Account in the Tax Increment Fund the amount of accrued interest, if any, paid by the Original Purchaser to the date of delivery of the Series 2003 Bonds and any rounding amount not needed for the purpose described in Section 7.02 for application toward interest on the Series 2003 Bonds payable on September 1, 2003;

(b) Apply proceeds of the Series 2003 Bonds to the extent required and as provided in Section 7.02;

(c) Deposit the balance of the proceeds of the Series 2003 Bonds in the Construction Account in the Tax Increment Fund to be used to pay costs of issuance of the Series 2003 Bonds and of the refunding of the Refunded Bonds; and

(d) Transfer from the Reserve Account in the Tax Increment Fund created under the Prior Resolution the sum of \$624,000.00 to establish the Reserve Requirement.

7.02 Escrow for Refunded Bonds. Simultaneously with the delivery of the Series 2003 Bonds, the Director of Finance and Administrative Services shall deposit in escrow with U.S. Bank, N.A., of Seattle, Washington, \$5,487,629.28 of the proceeds of the Series 2003 Bonds, and shall also transmit to said escrow agent, from money now on hand and available therefor in the Tax Increment Fund created under the Prior Resolution (including certain amounts on deposit in the Reserve Account therein), such additional sum (approximately \$3,227,027.92) as may be required to provide funds for the purchase of the securities and establish the beginning cash balance described in this Section 7.02. The Director of Finance and Administrative Services shall cause the amount so deposited to be invested in securities that are direct obligations of or obligations guaranteed by the United States of America. The amount thereof allocable to the Outstanding Series 1992 Bonds and Series 1993 Bonds shall be sufficient, without regard to investment income thereon, to redeem the Series 1992 Bonds and Series 1993 Bonds having Stated Maturities in 2004 and later years on March 1, 2003. The amount thereof allocable to the Outstanding Series 1995A Bonds shall mature on the dates and bear interest at the rates required to provide funds sufficient to pay when due the principal of and interest on the outstanding Series 1995A Bonds, and redeem the Series 1995A Bonds with Stated Maturities in 2007 and 2008 on March 1, 2006. The escrow account and all investments thereof shall be held in safekeeping by said escrow agent, and said account and all income therefrom are irrevocably appropriated for the purposes stated in this Section 7.02. At or before the time of making said deposit and investment the Mayor, Director of Finance and Administrative Services and the City Clerk shall execute on behalf of the City an escrow agreement with said escrow agent that conforms with the provisions of this Section 7.02.

7.03 Purchase of Obligations. The Director of Finance and Administrative Services and other officers of the City are authorized and directed to subscribe, or to authorize the Registrar to subscribe, with the United States Department of the Treasury for the purchase of United States Treasury Securities – State and Local Government Series (SLGS), if and to the extent necessary to provide such securities for the escrow account described in Section 7.02, and any previous subscription for such securities is hereby ratified.

7.04 Appropriation of Supplemental Reserve Fund. The City hereby appropriates all amounts in the Supplemental Reserve Fund (approximately \$1,202,989) to the Development Fund created under this Resolution.

Section 8. Additional Bonds, Notes, and Subordinate Bonds.

8.01 General Provisions. In addition to the Series 2003 Bonds, whose issuance and delivery is provided for in Section 6, Additional Bonds may at any time and from time to time be issued, sold and delivered by the City but only upon compliance with the conditions of, Sections 8.02, 8.03, or 8.04, whichever may be applicable, and upon filing with the City Clerk the following:

(a) A Supplemental Resolution authorizing the issuance and creating the designated series of Additional Bonds and the sale thereof to the purchaser or purchasers named therein for the purchase price set forth therein;

(b) A certificate executed by the Mayor and Director of Finance and Administrative Services stating that upon the issuance of the Additional Bonds, no default hereunder has occurred and is continuing which would not be cured upon the issuance of the Additional Bonds and application of the proceeds thereof.

(c) An Opinion of Bond Counsel stating that:

(1) all conditions precedent provided for in this Resolution relating to the issuance and delivery of such Additional Bonds have been complied with, including any conditions precedent specified in this Section;

(2) the series of Additional Bonds when issued and delivered by the City will be valid and binding special, limited obligations of the City in accordance with their terms and entitled to the benefits of and secured by this Resolution; and

(3) the issuance of such Additional Bonds will not affect the tax-exempt status, if any, for federal income tax purposes of any Bonds then outstanding.

No Additional Bonds shall be issued unless, immediately after the issuance thereof the balance on hand in the Reserve Account will be at least equal to the Reserve Requirement after giving effect to the issuance of such Additional Bonds.

Any Additional Bonds shall be dated, shall bear interest at a rate or rates not exceeding the maximum rate, if any, permitted by law, shall have Stated Maturities, and may be subject to redemption at such times and prices and on such terms and conditions, all as may be provided by the Supplemental Resolution authorizing their issuance. All Additional Bonds issued pursuant to Sections 8.02 and 8.03 shall be payable and secured ratably and equally and on a parity with the Series 2003 Bonds and any Additional Bonds theretofore issued, entitled to the same benefits and security of this Resolution.

8.02 Additional Bonds To Pay the Cost of Projects. Additional Bonds may be issued under this Section 8.02 , at one time or from time to time, subject to the conditions provided in Section 8.01 and this Section 8.02, for the purpose of providing funds, in an aggregate amount sufficient with any other funds available and committed therefor to pay the cost of one or more Projects.

Before any Additional Bonds shall be issued under this Section 8.02, the City shall adopt a Supplemental Resolution authorizing the issuance of such series of Additional Bonds, fixing the amount and the details thereof, describing in brief and general terms the Projects to be acquired, constructed, altered or improved and estimating the costs thereof.

In addition, prior to the execution and delivery of any series of Additional Bonds under this Section 8.02, there shall be filed with the City Clerk:

(a) A certificate executed by the Mayor and Director of Finance and Administrative Services stating: (i) the estimated cost of the Projects being financed thereby, including an allowance for contingencies and all fees, expenses and financing costs, (ii) the amount, if any, which will be required to be deposited to the credit of the Reserve Account in connection with the issuance of the Additional Bonds, (iii) the amount, if any, which will be required to be credited to the Bond Account to pay interest on the Additional Bonds prior to collection of Tax Increment pledged thereto, (iv) the amount of Tax Increment received by the City in the last completed Fiscal Year, (v) the amount of the maximum Principal and Interest Requirements on the Outstanding Bonds and the Additional Bonds proposed to be issued for any future Fiscal Year during the term of the Outstanding Bonds, and (vi) that the principal amount of such Additional Bonds is sufficient to provide for the payment of all estimated costs of Projects and credits to the Reserve Account and Bond Account as set forth above; and

(b) a certificate executed by the Mayor and Director of Finance and Administrative Services stating that:

(i) the Tax Increment received by the City in the last completed Fiscal Year was equal to at least 125% of the maximum Principal and Interest Requirements for any future Fiscal Year (during the term of the Outstanding Bonds) with respect to Outstanding Bonds and the Additional Bonds proposed to be issued; and

(ii) the Tax Increment received by the City in the last completed Fiscal Year, adjusted as provided in this Section 8.02(b)(ii), was, and the Tax Increment estimated to be received in the next succeeding three Fiscal Years, adjusted as provided in Section 8.02(c), is estimated to be, equal to at least 125% of the maximum Principal and Interest Requirements for any future Fiscal Year (during the term of the Outstanding Bonds) with respect to the Outstanding Bonds and the Additional Bonds proposed to be issued. For this purpose, the Tax Increment received by the City in the last completed Fiscal Year may be adjusted by adding any increase in Tax Increment which would have resulted from applying the tax rate effective for the last completed Fiscal Year to the value, as determined by certification of the County Assessor, of any projects which have been completed in the Urban Renewal Area before the date of issuance of the Additional Bonds and the taxable values of which as so completed are not included in the "actual taxable value" of the Urban Renewal Area (within the meaning of the Act).

The Council shall approve and confirm the findings and estimates set forth in the above-described certificates in the Supplemental Resolution authorizing the issuance of the Additional Bonds.

(c) For purposes of the foregoing paragraph (b), in estimating the Tax Increment to be received in any future Fiscal Year, the Mayor and Director of Finance and Administrative Services shall assume that: (1) 90% of the Taxes levied in the Urban Renewal Area will be collected in any Fiscal Year, (2) no Taxes delinquent in a prior

Fiscal Year will be collected in any subsequent Fiscal Year and (3) there will be no increase in the Tax Increment to be received in any future Fiscal Year resulting from (A) projected inflation in property values or projected increases in Taxes; (B) the completion of improvements to real property which are under construction at the time of the issuance of the Additional Bonds unless the improvements are substantially completed at the time of the issuance of the Additional Bonds and the Mayor and Director of Finance and Administrative Services reasonably believe that the improvements will be completed within the period for which the estimate is to be made; (C) the completion of an improvement to real estate for which construction has not commenced or is not substantially completed at the time of the issuance of the Additional Bonds unless (i) the City has entered into an agreement with the Person undertaking the improvement wherein the Person agrees to complete the improvement in accordance with a described plan and within the period for which the estimate is to be made and to pay and satisfactorily secure to the City, in the event the improvement is not completed in accordance with the described plan, the difference between the estimated Tax Increment to be derived from such improvement and the actual Tax Increment derived therefrom (adjusted upwards to reflect reductions in the mill rates from those assumed in the estimate), and (ii) the Mayor and Director of Finance and Administrative Services reasonably believe the improvement will be completed within the period for which the estimate is to be made; or (D) improvements to be completed later than the end of the second full Fiscal Year following the issuance of the Additional Bonds. In estimating the Tax Increment to be derived from future development, the City shall assume the taxable value of the development upon completion to be 66-2/3% of the estimated taxable valuation.

8.03 Additional Bonds for Refunding Purposes. Additional Bonds may be issued at any time or from time to time, subject to the conditions hereinafter stated in this Section 8.03, for the purpose of providing funds, with any other funds available and committed therefor, for paying at, or redeeming prior to, their Stated Maturities any Outstanding Bonds, including the payment of any redemption premium thereon and interest which will accrue on such Bonds to any Redemption Date or the Stated Maturities thereof, and any expenses in connection with such financing. Such Additional Bonds shall be designated substantially as the Bonds to be refunded, with the addition of the term "Refunding."

Prior to authentication and delivery of any Additional Bonds under this Section 8.03 there shall be filed with the City Clerk such documents as shall be required to show that provisions have been duly made in accordance with the provisions of this Resolution for the redemption of all of the Outstanding Bonds to be refunded.

The City shall not deliver any Additional Bonds under this Section 8.03 unless there shall be filed with the City Clerk:

(i) a report of an Independent Accountant to the effect that (a) the proceeds (excluding accrued interest but including any premium) of the Additional Bonds plus any moneys to be withdrawn from the Bond Account for such purpose, together with any other funds deposited for such purpose, will be not less than an amount sufficient to pay the principal of and redemption premium, if any, on the Outstanding Bonds to be refunded and the interest which will become due and payable on and prior to the

Redemption Date or Stated Maturities of the Bonds to be refunded, or (b) from such proceeds there shall be deposited in trust, Government Obligations which do not permit the redemption thereof at the option of the issuer, the principal of and the interest on which when due and payable (or redeemable at the option of the holder thereof) will provide, together with any other moneys which shall have been deposited in trust irrevocably for such purpose, but without reinvestment, sufficient moneys to pay such principal, redemption premium and interest;

(ii) an opinion of Bond Counsel to the effect that the issuance of such Additional Bonds will not prejudice the exclusion from gross income for purposes of federal income taxation of the interest accruing on any of the Outstanding Bonds; and

(iii) if Additional Bonds are issued to refund Notes, the conditions for the issuance of Additional Bonds pursuant to Section 8.02 are satisfied.

8.04 Notes. When and if the City has established that all of the conditions precedent to the issuance of a series of Additional Bonds have been satisfied, the City may, after authorizing the issuance of such series of Additional Bonds but in lieu of issuing such series of Additional Bonds, issue a series of Notes, denominated as “Bond Anticipation Notes,” which shall have a Stated Maturity not more than two years after their date of original issue and which shall be secured on a parity with all Outstanding Bonds except that at their Stated Maturity they shall be paid as to principal from the proceeds of the series of Additional Bonds in anticipation of which they were issued or, if for any reason the City has been unable to sell and issue that series of Additional Bonds, then Bonds of such series of Additional Bonds shall be issued to the Owners of the Notes, in exchange therefor, on a par-for-par basis.

8.05 Subordinate Bonds. Except as provided in Sections 8.01 to 8.04, no bonds or other obligations will be made payable from the Tax Increment, unless the pledge and appropriation of such Tax Increment for the payment and security of such bonds or other obligations are expressly subordinated to the pledge and appropriation made for the benefit and security of the Series 2003 Bonds and all Additional Bonds issued and to be issued under and secured by this Resolution in accordance with Sections 8.01 to 8.04. Thirty days prior to the issuance of any Subordinate Bonds, the City shall provide the holders of the bonds or other obligations of its intent to issue Subordinate Bonds and the estimated principal amount thereof. In the event of the issuance of any such Subordinate Bonds, the principal, interest and redemption premiums thereon will be made payable from one or more additional accounts created within the Tax Increment Funds for that purpose, and the balance of funds at any time on hand in any such accounts shall be available and shall be transferred whenever needed to meet the current requirements of the Bond Account and Reserve Account set forth in Sections 9.04 and 9.05, all as more particularly set forth in the Supplemental Resolution authorizing the Subordinate Bonds, which Supplemental Resolution may establish coverage tests and reserve requirements particular to the Subordinate Bonds.

Section 9. The Tax Increment Funds.

9.01 Bond Proceeds and Tax Increment Pledged and Appropriated. Three funds to be designated as the “Tax Increment Capital Project Fund,” the “Tax Increment Debt Service Fund”

and the “Tax Increment Development Fund” (the “Tax Increment Funds”) are established and shall be maintained as separate and special bookkeeping accounts on the official books of the City until all Bonds have been fully paid, or the City’s obligation with reference to all Bonds has been discharged as provided in this Resolution. Within the Tax Increment Debt Service Fund there shall be designated and maintained a Revenue Account and a Bond Account. All proceeds of Bonds and all other funds hereafter received or appropriated for purposes of the Projects are appropriated to the Tax Increment Funds as provided in this Section 9, except the proceeds of refunding Bonds, including the Series 2003 Bonds, to the extent they are applied to the refunding of bonds or other obligations not issued under this Resolution. All Tax Increment is irrevocably pledged and appropriated and shall be credited as received to the Tax Increment Debt Service Fund.

The Bonds shall be secured by a first pledge of and lien on all of the Tax Increment and of all other moneys from time to time in the Tax Increment Funds in the manner and to the extent provided in this Section 9. The City shall not issue any obligation or security superior to or on a parity with the Series 2003 Bonds, payable or secured, in whole or in part, from or by the Tax Increment other than Additional Bonds issued pursuant to Section 8, until the Series 2003 Bonds have been paid or discharged as provided herein. The Tax Increment Funds shall be subdivided into separate accounts as designated and described in Sections 9.03 to 9.07.

9.02 Tax Increment Receipts. All Tax Increment received by the City and credited to the Tax Increment Debt Service Fund, as required in Section 9.01, shall be credited as received as follows: (a) first, to the Interest Account, until the balance on hand in the Interest Account is at least equal to all interest on Outstanding Bonds and Notes due and payable from the Interest Account within the next six full calendar months; (b) second, after any credit to the Interest Account required by the preceding clause, to the Sinking Fund Account, until the balance on hand in the Sinking Fund Account is at least equal to all principal of and premium, if any, on Outstanding Bonds and Notes due and payable from the Sinking Fund Account (including amounts due and payable on a Sinking Fund Payment Date) within the next twelve full calendar months; (c) third, after any credit to the Interest Account or the Sinking Fund Account required by the preceding clauses, to the Reserve Account until the balance on hand in the Reserve Account is equal to the Reserve Requirement; and (d) fourth, after any credit to the Interest Account, the Sinking Fund Account or the Reserve Account required by the preceding clauses, to the Development Fund.

9.03 Construction Account. For each Project and for the Series 2003 Bonds, there shall be established a separate Construction Account within the Tax Increment Capital Project Fund, to be used only to pay as incurred and allowed costs which under accepted accounting principles are costs of the particular Project or costs of issuance of such Bonds, including but not limited to payments due for work and materials performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, interest accruing on Bonds during the period of construction of a Project financed thereby and for a period of time thereafter authorized by the Act and deemed necessary by the Council, if and to the extent that the Interest Account is not sufficient for payment of such interest, reimbursement of any advances made from other City funds, and all other expenses incurred in connection with the acquisition, construction and financing of the Project. To the Construction Account shall be credited as received all proceeds of Bonds issued to finance such

Project or pay such costs of issuance, except amounts otherwise appropriated in a Supplemental Resolution or received from Additional Bonds issued to refund Outstanding Bonds pursuant to Section 8 and all other funds appropriated by the City for the Project, and all income received from the investment of the Construction Account. Upon completion of any Project and payment of the cost thereof or payment of such costs of issuance, the City may transfer any money then remaining in the applicable Construction Account to the Development Fund or as otherwise provided in a Supplemental Resolution. Money in the Construction Account shall be transferred as needed to the Interest Account to pay interest on Outstanding Bonds or Notes payable therefrom to the extent moneys therein are insufficient.

9.04 Bond Account. The Bond Account is hereby established as a special account within the Tax Increment Debt Service Fund. There are hereby established within the Bond Account two separate subaccounts, designated as the Interest Account and the Sinking Fund Account.

(a) Interest Account. There shall be credited to the Interest Account the following amounts: (i) the amount specified in Section 7.01(a); (ii) any amount specified in any Supplemental Resolution to be credited to the Interest Account; and (iii) from the Tax Increment as received by the City, the amount specified in clause (a) of Section 9.02.

On or before each Interest Payment Date, the City shall withdraw from the Interest Account an amount sufficient to pay the interest coming due on the Bonds and Notes on such Interest Payment Date, and shall use such amount to pay, or make provision with the Paying Agent for the payment of, interest on the Bonds or the Notes on such Interest Payment Date.

If on any Interest Payment Date the balance in the Interest Account is not sufficient to pay the total amount of interest due on such Interest Payment Date, the City shall transfer any money then on hand in the Development Fund, Construction Account, Reserve Account or Sinking Fund Account, in the order listed and in an amount equal to such deficiency, to the Interest Account.

All income derived from the investment of amounts in the Interest Account shall be credited as received to the Interest Account.

(b) Sinking Fund Account. There shall be credited to the Sinking Fund Account the following amounts: (i) any amount specified in a Supplemental Resolution to be credited to the Sinking Fund Account; and (ii) from the Tax Increment as received by the City, the amount specified in Section 9.02(b).

Amounts on hand in the Sinking Fund Account shall be used on any Interest Payment Date to make up a deficiency in the Interest Account, if and to the extent required by the third subparagraph of paragraph (b) of this Section.

On or before each Principal Payment Date, the City shall withdraw from the Sinking Fund Account an amount sufficient to pay the principal due on the Bonds on such Principal Payment Date, and shall use such amount to pay, or make provision with

the Paying Agent for the payment of, principal of the Bonds on such Principal Payment Date, whether a Stated Maturity or a Sinking Fund Payment Date.

If on any Principal Payment Date for the Bonds the balance in Sinking Fund Account is not sufficient to pay the total amount of principal of the Bonds due on such Principal Payment Date, the City shall transfer any money then on hand in the Development Fund, the Construction Account or the Reserve Account, in the order listed and in an amount equal to such deficiency, to the Sinking Fund Account.

9.05 Reserve Account. The Reserve Account is hereby established as a special account within the Tax Increment Debt Service Fund. There shall be credited to the Reserve Account the following amounts: (i) the amount specified in Section 7.01(a); and (ii) from the Tax Increment as received by the City, the amount specified in Section 9.02(c); and (iii) any amount specified in any Supplemental Resolution to be credited to the Reserve Account. The Reserve Account does not secure payment of the Notes.

If on any Interest Payment Date (other than in respect of payment of interest on the Notes) or on any Principal Payment Date there shall exist, after the other transfers required by Sections 9.04(a) and (b), a deficiency in the Interest Account or the Sinking Fund Account, the City shall transfer from the Reserve Account to such account an amount equal to such deficiency.

All income derived from the investment of amounts in the Reserve Account shall be credited as received to the Reserve Account until such time as the balance in the Reserve Account is equal to the Reserve Requirement, and thereafter all such investment income as received shall be transferred to the Sinking Fund Account. If at any time the balance in the Reserve Account is less than the Reserve Requirement, all Tax Increment in the Tax Increment Debt Service Fund remaining after the required credit to the Bond Account is to be credited to the Reserve Account until the balance therein equals the Reserve Requirement. If at any time (including, but not limited to, any Principal Payment Date and any Redemption Date), the balance in the Reserve Account exceeds the Reserve Requirement, the City shall transfer such excess to the Bond Account to establish the required balance therein.

9.06 Development Fund. There shall be credited to the Development Fund any and all Tax Increment remaining after the required credits to the Bond Account and Reserve Account and other moneys in any of the accounts within the Tax Increment Funds in excess of the requirements of said accounts and which the City determines in its discretion to transfer to the Development Fund and all amounts in the Supplemental Reserve Fund. Money from time to time on hand in the Development Fund shall be transferred to the Bond Account and Reserve Account as provided by Sections 9.04 and 9.05 and in addition may be used for any of the following purposes and not otherwise:

(a) to be transferred to the Construction Account to pay costs authorized to be paid therefrom;

(b) to pay costs incurred in connection with Projects within the Urban Renewal Area as authorized by the Act;

(c) to redeem or discharge Bonds prior to their Stated Maturities in accordance with the provisions of this Resolution or any Supplemental Resolution;

(d) to purchase Bonds on the open market;

(e) to pay principal of Notes at maturity or upon the redemption thereof;

(f) to provide for the payment of or security for Subordinate Bonds; and

(g) to pay other Taxing Bodies a portion of the annual Tax Increment received by the City pursuant to an agreement authorized by the Act; provided, however, no such agreement shall require or permit the City to remit to any other Taxing Bodies any portion of the annual Tax Increment received in a Fiscal Year and on deposit in the Development Fund unless (1) the balance in the Reserve Account as of the date of the remittance is not less than the Reserve Requirement; and (2) there is no default under the provisions of this Resolution as evidenced by a certificate of the Director of Finance and Administrative Services filed as of the date of remittance.

9.07 Investments. The Director of Finance and Administrative Services shall cause all moneys from time to time in the Tax Increment Funds to be deposited as received with one or more depository banks duly qualified in accordance with the provisions of Montana Code Annotated, Section 7-6-201, and shall cause the balances in such accounts, except any part thereof covered by federal deposit insurance, to be secured by the pledge of bonds or securities of the kinds required by law, and no money shall at any time be withdrawn from such deposit accounts except for the purposes of the Tax Increment Funds as defined and authorized by this Resolution. The funds to the credit of the several accounts within the Tax Increment Funds may be commingled in one or more deposit accounts. The balance on hand in any of the accounts of the Tax Increment Funds may at any time be invested and reinvested in Qualified Investments, maturing and bearing interest payable at the times and in the amounts estimated to be required to provide cash when needed for the purposes of the respective accounts; provided that the Reserve Account and Development Fund shall be invested in Qualified Investments maturing not later than five years from the date of investment.

Section 10. Other Covenants of City.

10.01 Punctual Payment. The City will punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect to all the Bonds and Notes, in strict conformity with the terms of the Bonds and Notes and of this Resolution, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and all Supplemental Resolutions and of the Bonds and Notes. Nothing herein contained shall prevent the City from making advances of its own moneys however derived to any of the uses or purposes referred to herein, nor shall be deemed or constitute a pledge or appropriation of funds or assets of the City other than those expressly pledged or appropriated hereby. The City shall remit funds to the Registrar for receipt no later than one Business Day prior to each Interest Payment Date.

10.02 Accumulation of Claims of Interest. In order to prevent any accumulation of claims for interest after maturity, the City will not, directly or indirectly, extend or consent to the

extension of the time for the payment of any claim for interest on any of the Bonds or Notes and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Resolution, except subject to the prior payment in full of the principal of all of the Bonds or Notes then outstanding and of all claims for interest which shall not have been so extended or funded.

10.03 Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Tax Increment superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds or Notes, except as herein specifically provided.

10.04 Management and Operation of Properties. The City will manage and operate or cause to be managed and operated all Projects and other urban renewal projects in the Urban Renewal Area owned by the City in a sound and business-like manner, and will keep such Projects or other projects insured at all times in conformity with sound business practice.

10.05 Books and Accounts; Financial Statements. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Projects, Tax Increment and the Tax Increment Funds. Such books of record and accounts shall be at all time during business hours subject to the inspection of the Holders of not less than ten percent (10%) of the principal amount of the Bonds or Notes then Outstanding, or their representatives authorized in writing.

The City will prepare and file with the Director of Finance and Administrative Services annually, within one hundred eighty (180) days after the close of each Fiscal Year so long as any of the Bonds or Notes are Outstanding, complete financial statements with respect to the preceding Fiscal Year showing (1) the actual taxable value, the base taxable value and the incremental taxable value (each as defined in the Act) of the Urban Renewal Area; (2) the mill rates of all Taxing Bodies; (3) the Tax Increment, including a breakdown of Tax Increment attributable to current and delinquent property tax collections; (4) all disbursements from the Tax Increment Funds; (5) the financial conditions of the Projects; and (6) the balances in the Tax Increment Funds and accounts therein as of the end of each such Fiscal Year, which statements shall be accompanied by a certificate or opinion in writing of an Independent Accountant. The City will furnish a copy of such statements to any Owner of a Bond or Note upon request.

10.06 Completion of Projects. The City will commence, and will continue to completion, with all practicable dispatch, all Projects undertaken in the Urban Renewal Area, which will be accomplished and completed in a sound and economical manner and in conformity with the Plan and the Act.

10.07 Taxation of Leased Property. Other than a Project owned and operated as a public improvement or facility, whenever the City leases real property in the Urban Renewal Area to any Person other than a governmental entity, the property shall to the extent authorized by law be assessed and taxed in the same manner as privately-owned property and the lease shall provide (1) that the lessee shall pay Taxes upon the taxable value for the entire property and not

merely upon the assessed value of his or its leasehold interest, and (2) that if for any reason the Taxes paid by the lessee on such property in any year during the term of the lease shall be less than the Taxes which would have been payable upon the assessed value of the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the City within thirty days after the Taxes for such year become payable to the Taxing Bodies and in any event prior to the delinquency date of such Taxes established by law. All such payments to the City shall be treated as Tax Increment and shall be deposited by the City in the Tax Increment Funds.

10.08 Disposition of Property. The City will not authorize the disposition of any land or real property it owns or leases in the Urban Renewal Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property planned for such ownership or use by the Plan in effect on the date of this Resolution) if such disposition shall consist of more than two percent (2%) of the land area in the Urban Renewal Area, except as provided in this Section 10.08. The City shall appoint a reputable Independent Financial Consultant and direct said consultant to report on the effect of said disposition. If the report of the Independent Financial Consultant concludes that Tax Increment (including any amounts resulting from payments in lieu of taxes agreed to be paid with respect to the property) will not be reduced by the proposed disposition in each of the three complete Fiscal Years following such disposition (based on tax levies not greater than those for the current Fiscal Year) below 125% of the maximum Principal and Interest Requirements on all Outstanding Bonds and Notes in any future Fiscal Year and that the security of the Bonds and Notes or the rights of the Owner of Bonds and Notes will not be materially impaired by said proposed disposition, the City may make the proposed disposition.

10.09 Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution, and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Resolution.

10.10 Amendment of Plan. Except to authorize Projects, the City will not amend or modify the Plan or reduce the size of the Urban Renewal Area if an effect thereof will be to materially and adversely affect the security of the Outstanding Bonds or Notes; provided, however, the City may reduce the size of the Urban Renewal Area if a report as provided in Section 10.08 is received from the Independent Financial Consultant regarding the reduction in size of the Urban Renewal Area.

10.11 Federal Tax Exemption. The City will not use the proceeds of any Bonds or use or permit the use of any Project financed or refinanced from the proceeds of the Bonds or revenues derived therefrom in such a way as to cause the exemption from federal income taxation of interest on any tax-exempt Bonds to become adversely affected.

10.12 Pledge of Replacement Revenues. The City covenants and agrees that in the event the Constitution or laws of the State of Montana are amended to reduce or eliminate real or personal property taxation and Montana law then or thereafter provides to the City an alternate or supplemental source or sources of revenue, whether such revenue may be realized by the levying

or imposing of a tax, fee or charge by the City or some other entity, to replace or supplement reduced or eliminated Tax Increment, then the City will appropriate annually, subject to the limitations of then applicable law, to the Bond Account in the Tax Increment Fund, for the equal and ratable benefit of all Outstanding Bonds and Notes, as further provided in Section 9.04, from such alternate or supplemental revenues an amount that will, with money on deposit in the Bond Account or available and to be transferred to the Bond Account during such Fiscal Year, be sufficient to pay the principal of, premium, if any, and interest on the Outstanding Bonds and Notes payable in that fiscal year. If the City observes such covenants and appropriates funds to the Bond Account in such amounts, the violation of other covenants in this Resolution (including without limitation the obligation to maintain the Reserve Account in an amount equal to the Reserve Requirement, but excluding the covenant to apply money in the Bond Account to the payment of principal of, premium, if any, and interest on Bonds and Notes) is not to be deemed a default by the City of its obligations under this Resolution.

10.13 Adjustment of Base Taxable Value. The City shall not adjust the tax incremental base of the Urban Renewal Area pursuant to Section 7-15-4287 of the Act so long as any Bonds are Outstanding, if the effect thereof would be to materially and adversely affect the amount of Tax Increment.

10.14 Rights of Owners. No Owner of any Bond or Note issued and secured under the provisions of this Resolution shall have the right to institute any proceeding, judicial or otherwise, for the enforcement of the covenants herein contained, without the written concurrence of the Owners of not less than 25% in aggregate principal amount of all Bonds and Notes which are at the time Outstanding; but the Owners of this amount of such Bonds and Notes may, either at law or in equity, by suit, action or other proceedings, protect and enforce the rights of all Owners of such Bonds and Notes and compel the performance of any and all of the covenants required herein to be performed by the City and its officers and employees. The Owner of a majority in principal amount of such Outstanding Bonds and Notes shall have the right to direct the time, method and place of conducting any proceedings for any remedy available to the Owners or the exercise of any power conferred on them, and the right to waive a default in the performance of any such covenant, and its consequences, except a default in the payment of the principal of or interest on any Bond or Note when due. However, nothing herein shall impair the absolute and unconditional right of the Owner of each Bond to receive payment of the principal of and interest on such Bond as such principal and interest respectively become due, and to institute suit for the enforcement of any such payment or the Owner of each Note to receive payment of interest on such Note as such becomes due and to exchange its Notes for a Bond as provided in Section 8.04 or a Supplemental Resolution, and to institute suit for the enforcement thereof. In the event of default in any such payment, any court having jurisdiction of the action may appoint a receiver to administer the Tax Increment Funds and to collect and segregate and apply the Tax Increment and other revenues pledged thereto as provided by this Resolution and the Act.

Section 11. Supplemental Resolutions.

11.01 General. The City reserves the right to adopt Supplemental Resolutions to this Resolution from time to time and at any time, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein, or of making such

provisions with regard to matters or questions arising hereunder as the City may deem necessary or desirable and not inconsistent with this Resolution, and which shall not adversely affect the interests of the Owners of Bonds or Notes issued hereunder, or for the purpose of adding to the covenants and agreements herein contained, or to the Tax Increment herein pledged, other covenants and agreements thereafter to be observed and additional revenues or income thereafter appropriated to the Tax Increment Funds, or for the purpose of surrendering any right or power herein reserved to or conferred upon the City, or for the purpose of authorizing the creation and issuance of a series of Notes or Additional Bonds or a Series of Subordinate Bonds, as provided in and subject to the conditions and requirements of Section 8. Any such Supplemental Resolution may be adopted by resolution, without the consent of the Holder of any of the Bonds issued hereunder.

11.02 Consent of Owners. With the consent of the Owners of Outstanding Bonds and Notes as provided in Section 11.03, the City may from time to time and at any time adopt a Supplemental Resolution for the purpose of amending this Resolution by adding any provisions hereto or changing in any manner or eliminating any of the provisions hereof or of any Supplemental Resolution, except that no Supplemental Resolution shall be adopted at any time without the consent of the Owners of all Outstanding Bonds and Notes affected thereby, if it would extend the time of payment of interest thereon, would reduce the amount of the principal thereof or redemption premium thereon, would give to any Bond or Bonds or Note or Notes any privilege over any other Bond or Bonds or Note or Notes, would reduce the sources of Tax Increment or other revenues or income appropriated to the Tax Increment Funds, or would reduce the percentage in principal amount of such Bonds and Notes required to authorize or consent to any such Supplemental Resolution.

11.03 Notice. Notice of a Supplemental Resolution to be adopted pursuant to Section 11.02 shall be mailed by first-class mail, postage prepaid, to the Owners of all Outstanding Bonds and Notes at their addresses appearing in the Bond Register and Note Register and shall become effective only upon the filing of written consents with the City Clerk, signed by the Owners of not less than two-thirds in principal amount of the Bonds and Notes issued hereunder which are then Outstanding. Any written consent to the Supplemental Resolution may be embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by Owners in person or by agent duly appointed in writing, and shall become effective when delivered to the City Clerk. Any consent by the Owner of any Bond shall bind that Holder and every future Owner of the same Bond with respect to any Supplemental Resolution adopted by the City pursuant to such consent; provided that any Owner may revoke his consent with reference to any Bond by written notice received by the City Clerk before the Supplemental Resolution has become effective. In the event that unrevoked consents of the Owners of the required amount of Bonds and Notes have not been received by the City Clerk within one year after the publication of notice of the Supplemental Resolution, the Supplemental Resolution and all consents theretofore received shall be of no further force and effect.

11.04 Manner of Consent. Proof of the execution of any consent, or of a writing appointing any agent to execute the same, or of the ownership by any Person of Bonds payable to bearer, shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the City if made in the manner provided in this Section 11.04. The fact and date of the execution

by any Person of any such consent or appointment may be proved by the affidavit of a witness of such execution or by the certification of any notary public or other officer authorized by law to take acknowledgment of deeds, certifying that the Person signing it acknowledged to him the execution thereof. The fact and date of execution of any such consent may also be proved in any other manner which the City may deem sufficient; but the City may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable. The ownership of any Bonds shall be proved by the Bond Register and of any Notes by the Note Register.

Section 12. Defeasance.

12.01 General. When the liability of the City on all Bonds and Notes issued under and secured by this Resolution and all interest thereon has been discharged as provided in this Section 12, all pledges, covenants and other rights granted by this Resolution to the Owners of such Bonds or Notes shall cease.

12.02 Maturity. The City may discharge its liability with reference to all Bonds or Notes and interest thereon which are due on any date by depositing with the Registrar for such Bonds or Notes on or before the date a sum sufficient for the payment thereof in full; or if any Bond or Note or interest shall not be paid when due, the City may nevertheless discharge its liability with reference thereto by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit.

12.03 Redemption. The City may also discharge its liability with reference to any Bonds or Notes which are callable for redemption on any date in accordance with their terms, by depositing with the Registrar on or before that date an amount equal to the principal, interest and redemption premium, if any, which are then due thereon; provided that notice of such redemption has been duly given as provided in this Resolution or a Supplemental Resolution.

12.04 Escrow. The City may also at any time discharge its liability with reference to any Bonds or Notes 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 general obligations of the United States or securities of United States agencies 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 to provide funds sufficient to pay all principal and interest to become due on all such Bonds or Notes on or before the Stated Maturities thereof or, if such Bonds or Notes are subject to redemption and the City has given the redemption notice required therefor or given irrevocable instructions to give such notice and the funds provided will also be sufficient to pay any applicable redemption premium, to an earlier Redemption Date.

Section 13. Tax Covenants.

13.01 General Covenant. The City covenants and agrees with the owners from time to time of the Series 2003 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 Series 2003 Bonds 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 Series 2003 Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

13.02 Arbitrage Certification. The Mayor, the Director of Finance and Administrative Services and the City Clerk, being among those officers of the City charged with the responsibility for issuing the Series 2003 Bonds pursuant to this Resolution, are authorized and directed to execute and deliver to the Original Purchaser thereof 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 Series 2003 Bonds, it is reasonably expected that the proceeds of the Series 2003 Bonds will be used in a manner that would not cause the Series 2003 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and the Regulations.

13.03 Arbitrage Rebate. The City acknowledges that the Series 2003 Bonds are 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 Series 2003 Bonds from gross income for federal income tax purposes, unless the Series 2003 Bonds qualifies for the exception from the rebate requirement under Section 148(f)(4)(B) of the Code and no “gross proceeds” of the Series 2003 Bonds (other than amounts constituting a “bona fide debt service fund”) arise during or after the expenditure of the sale proceeds thereof. In furtherance of the foregoing, the Director of Finance and Administrative Services is hereby authorized and directed to execute a Rebate Certificate, substantially in the form of the Rebate Certificate 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.

13.04 Information Reporting. The City shall file with the Secretary of the Treasury, not later than May 15, 2003, a statement concerning the Series 2003 Bonds containing the information required by Section 149(e) of the Code.

Section 14. Continuing Disclosure.

(a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Series 2003 Bonds and the security therefor and to permit the Original Purchaser thereof and other participating underwriters in the primary offering of the Series 2003 Bonds to comply with amendments to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the “Rule”), which will enhance the marketability of the Series 2003 Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Series 2003 Bonds. The City through the Tax Increment Funds are the only “obligated persons” in respect of the Series 2003 Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. The City has complied in all material respects with any undertaking previously entered into by it under the Rule.

If the City fails to comply with any provisions of this Section 14, the Owners of any Outstanding Bonds may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this Section 14, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Section 14 constitute a default under the Series 2003 Bonds or under any other provision of this Resolution.

As used in this Section 14, "Owner" or "Bondowner" means, in respect of a Series 2003 Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any "Beneficial Owner" (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, "Beneficial Owner" means, in respect of a Series 2003 Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series 2003 Bond (including persons or entities holding Series 2003 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series 2003 Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

(1) on or before 270 days after the end of each Fiscal Year of the City, commencing with the Fiscal Year ended June 30, 2003, the following financial information and operating data in respect of the City (the "Disclosure Information"):

(A) the audited financial statements of the City for such Fiscal Year, accompanied by the audit report and opinion of the accountant or government auditor relating thereto, as permitted or required by the laws of the State of Montana, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for required funds for the fiscal year then ended, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Montana law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the Director of Finance and Administrative Services of the City; and

(B) Information of the type set forth below, which information may be unaudited, but is to be certified as to accuracy and completeness in all material

respects by the City's Director of Finance and Administrative Services to the best of his or her knowledge, which certification may be based on the reliability of information obtained from governmental or other third party sources:

- (1) updated figures for the total incremental taxable value of the District as shown in similar format on page 15 in the table first appearing below the heading "Tax Increment Pledged and Appropriated" in the Official Statement;
- (2) updated figures for the total taxable value of property within the District as shown in similar format on page 18 in the table under the caption "Taxable Value of District" in the Official Statement;
- (3) information, for such Fiscal Year, of the type contained on page 18 in the table under the caption "Top Ten Taxpayers in the District" in the Official Statement;
- (4) information, as of the end of such Fiscal Year, of the type contained on page 18 in the table under the caption "Mill Levies in the District" in the Official Statement;
- (5) information, as of the end of such Fiscal Year, of the type contained on page 19 in the table under the caption "Total City-Wide Tax Collections Excluding Tax Increment Amounts" in the Official Statement;
- (6) information, as of the end of such Fiscal Year, of the type contained on page 19 in the table under the caption "Collection of Real Property Taxes within the District" in the Official Statement;
- (7) information, as of the end of such Fiscal Year, of the type contained on page 20 in the table under the caption "Tax Increment Special Revenue Fund Statement of Revenues, Expenses, and Changes in Retained Earnings" in the Official Statement;
- (8) information, as of the end of such Fiscal Year, of the type contained on page 21 in the table under the caption "Tax Increment Special Revenue Fund Balance Sheets" in the Official Statement;
- (9) information, as of the end of such Fiscal Year, of the type contained on page 22 in the table under the caption "Pro Forma Debt Service Schedule and Coverage" in the Official Statement;
- (10) information, as of the end of the Fiscal Year, of the type contained in the table on page 28 under the caption "City Indebtedness" in the Official Statement; and
- (11) information, as of the end of the Fiscal Year, of the type contained in the table on page 29 under the caption "Overlapping General Obligation Debt" in the Official Statement; and

- (12) information, as of the end of the Fiscal Year, of the type contained in the table on page 29 under the caption “Debt Ratios for General Obligation Debt” in the Official Statement.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements.

Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to each of the repositories hereinafter referred to under subsection (c) or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the Municipal Securities Rulemaking Board. The City shall clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or this Section 14 is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner, notice of the occurrence of any of the following events which is a Material Fact (as hereinafter defined):

- (A) Principal and interest payment delinquencies;
- (B) Non-payment related defaults;
- (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (G) Modifications to rights of security holders;
- (H) Bond calls;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities;
- and
- (K) Rating changes.

As used herein, a “Material Fact” is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Series 2003 Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a “Material Fact” is also an event that would be deemed “material” for purposes of the Rule.

(3) In a timely manner, notice of the occurrence of any of the following events or conditions:

(A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;

(B) the amendment or supplementing of this Section 14 pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);

(C) the termination of the obligations of the City under this Section 14 pursuant to subsection (d);

(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information or the audited financial statements, if any, furnished pursuant to subsection (b)(1) are prepared; and

(E) any change in the Fiscal Year of the City.

(c) Manner of Disclosure. The City agrees to make available the information described in subsection (b) to the following entities by telecopy, overnight delivery, mail or other means, as appropriate:

(1) the information described in subsection (b), to each then nationally recognized municipal securities information repository under the Rule and to any state information depository then designated or operated by the State of Montana as contemplated by the Rule (the “State Depository”), if any;

(2) the information described in paragraphs (2) and (3) of subsection (b), to the Municipal Securities Rulemaking Board and to the State Depository, if any; and

(3) the information described in subsection (b), to any rating agency then maintaining a rating of the Series 2003 Bonds and, at the expense of such Bondowner, to any Bondowner who requests in writing such information, at the time of transmission under paragraphs (1) or (2) of this subsection (c), as the case may be, or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

(d) Term; Amendments; Interpretation.

(1) The covenants of the City in this Section 14 shall remain in effect so long as any Series 2003 Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this Section 14 shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this Section 14 will not cause participating underwriters in the primary offering of the Series 2003 Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This Section 14 (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Series 2003 Bonds, by a resolution of this Council filed in the office of the City Clerk accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this Section 14 as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Series 2003 Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This Section 14 is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

(e) Further Limitation of Liability of City. In the event and to the extent the limitations of liability contained in subsection (a) are not effective, anything contained in this Section 14 to the contrary notwithstanding, in making the agreements, provisions and covenants set forth in this Section 14, the City has not obligated itself except with respect to the Tax Increment. None of the agreements or obligations of the City contained herein shall be construed to constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provisions whatsoever or constitute a pledge of the general credit or taxing powers of the City.

Section 15. Effective Date. This Resolution shall be in full force and effect from and after its final passage and approval according to law.

Adopted by the City Council of the City of Billings, Montana, on this 27th day of January, 2003.

Mayor

Attest:

City Clerk

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF YELLOWSTONE

CITY OF BILLINGS

TAX INCREMENT URBAN RENEWAL REFUNDING BOND
SERIES 2003

No. _____ \$ _____ .00

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
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February 1, 2003

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: AND NO/100 DOLLARS

FOR VALUE RECEIVED, THE CITY OF BILLINGS (the "City"), a duly organized and validly existing municipal corporation located in Yellowstone County, Montana, acknowledges itself to be specially indebted and hereby promises to pay to the registered owner specified above or registered assigns, solely from the Tax Increment Debt Service Fund, the principal amount specified above on the maturity date specified above, with interest thereon from the date of original issue hereof, or such later date to which interest hereon has been paid or duly provided for, until the principal amount is paid, without option of redemption. Interest hereon is payable semiannually on March 1 and September 1 in each year, commencing September 1, 2003, by check or draft drawn on U.S. Bank, N.A., at its operations center in St. Paul, Minnesota, as Bond Registrar, Transfer Agent and Paying Agent, or its successor designated under the Resolution described herein (the "Bond Registrar"), mailed to the registered owner of this Bond as such appears of record in the bond register on the fifteenth day of the calendar month next preceding such interest payment date (whether or not a business day). The principal of this Bond is payable upon presentation and surrender hereof at maturity at the principal office of the Bond Registrar. Such principal and interest are payable in lawful money of the United States of America.

Notwithstanding any other provisions of this Bond, so long as this Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Registrar shall pay all principal of and interest on this Bond, and shall give all notices with respect to this Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the City.

This Bond is one of a duly authorized issue of Bonds of the City designated as “Tax Increment Urban Renewal Refunding Bonds” (collectively, the “Bonds”), issued and to be issued in one or more series under, and all equally and ratably secured by Resolution No. 03-_____, adopted by the City Council on January 27, 2003 (as from time to time hereafter amended or supplemented in accordance with the provisions thereof, the “Resolution”), to which Resolution, copies of which are on file with the City, reference is hereby made for a description of the nature and extent of the security, the respective rights thereunder of the Holders of the Bonds and the City and the terms upon which the Bonds and any Subordinate Bonds (as defined in the Resolution) (collectively, the “Bonds”) are to be delivered. As provided in the Resolution, the Bonds are issuable in series which may vary as in the Resolution provided or permitted. This Bond is one of the series specified in its title, issued in the aggregate principal amount of \$6,240,000 (the “Series 2003 Bonds”), all of like date of original issue and tenor except as to serial number, denomination, date, interest rate, and maturity date. The Series 2003 Bonds are issued by the City for the purpose of refunding in advance of their maturities all of the City’s outstanding Tax Increment Revenue Bonds, Refunding Series 1992, Tax Increment Urban Renewal Refunding Bonds, Series 1993A, Tax Increment Urban Renewal Refunding Bonds, Series 1993B, and Tax Increment Urban Renewal Bonds, Series 1995, which, immediately prior to the issuance of this Bond, constituted all of the bonds payable from the Tax Increment of the City’s Downtown Redevelopment District (the “Urban Renewal Area”), thereby assisting activities in the public interest and for the public welfare of the City.

The Series 2003 Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Montana and the home rule charter of the City, particularly Montana Code Annotated, Title 7, Chapter 15, Parts 42 and 43, as amended (the “Act”), and pursuant to the Resolution. The Bonds are payable solely and ratably from Tax Increment received by the City. Tax Increment results from the extension of ad valorem taxes levied by certain Taxing Bodies against the incremental taxable value of properties within the Urban Renewal Area pursuant to the Act and includes payments in lieu of taxes and any replacement revenues received from the City for the benefit of the Urban Renewal Area as reimbursements for lost tax increment attributable to changes in rates of taxation on classes of property or any payments received by the City designated as replacement revenues for lost tax revenues in the Urban Renewal Area. By the Resolution, the City has pledged the Tax Increment received by the City to the Tax Increment Debt Service Fund. The Bonds are also payable from the Reserve Account established and maintained therefor.

The Bonds are not general obligations of the City and the City’s general credit and taxing powers are not pledged to the payment of the Bonds or the interest thereon. The Bonds shall not constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter limitations.

The Series 2003 Bonds are not subject to optional redemption.

If provision is made for the payment of principal of and interest on this Series 2003 Bond in accordance with the Resolution, this Series 2003 Bond shall no longer be deemed Outstanding under the Resolution, shall cease to be entitled to the benefits of the Resolution, and shall thereafter be payable solely from the funds provided for payment.

The Resolution permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the City and the Owners of the Bonds and Notes at any time with the consent of the Owners of two-thirds in aggregate principal amount of the Bonds and Notes at the time Outstanding (as defined in the Resolution) which are affected by such modifications. The Resolution also contains provisions permitting Owners of a majority in aggregate principal amount of the Bonds and Notes of all series at the time Outstanding, on behalf of all the Owners of all Bonds and Notes, to waive compliance by the City with certain provisions of the Resolution and certain past defaults under the Resolution and their consequences. Any such consent or waiver by the Owner of this Bond shall be conclusive and binding upon such Owner and on all future Owners of this Bond and of any Bond issued in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

The Holder of this Bond shall have no right to enforce the provisions of the Resolution, or to institute action to enforce the covenants therein or take any action with respect to a default under the Resolution or to institute, appear in or defend any suit or other procedure with respect thereto except as provided in the Resolution.

This Series 2003 Bond is a negotiable investment security as provided in the Montana Uniform Commercial Code. As provided in the Resolution and subject to certain limitations set forth therein, this Series 2003 Bond is transferable upon the books of the City at the principal office of the Bond 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 Bond Registrar, duly executed by the registered owner or his attorney; and may also be surrendered in exchange for Series 2003 Bonds of other authorized denominations. Upon such transfer or exchange, the City will cause a new Series 2003 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 Bond Registrar may deem and treat the person in whose name this Series 2003 Bond is registered as the absolute owner hereof, whether this Series 2003 Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND DECLARED that all acts, conditions and things required by the Constitution and laws of the State of Montana and ordinances and resolutions of the City to be done, to exist, to happen and to be performed in order to make this Series 2003 Bond a valid and binding special, limited obligation of the City in accordance with its terms have been done, do exist, have happened and have been performed as so required; that this Series 2003 Bond has been issued by the City in connection with urban renewal projects (as defined in the Act); that the City, in and by the Resolution, has validly made and entered into covenants and agreements with and for the benefit of the holders from time to time of all Bonds issued thereunder including covenants that it will pledge, appropriate and credit the Tax Increment derived from the Urban Renewal Area to the Tax Increment Debt Service Fund of the City; that additional bonds and refunding bonds may be issued and made payable from the Tax Increment Debt Service Fund on a parity with the outstanding Series 2003 Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise

incurred and made payable from the Tax Increment unless the lien thereof shall be expressly made subordinate to the lien on the Tax Increment of the Series 2003 Bonds; that all provisions for the security of the Holders of the Bonds as set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that the issuance of the Series 2003 Bonds does not cause the indebtedness of the City to exceed any constitutional, statutory or charter limitation; and that the opinion attached hereto is a true copy of the legal opinion given by Bond Counsel with reference to the Series 2003 Bonds, dated the date of original issuance and delivery of the Series 2003 Bonds.

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

IN WITNESS WHEREOF, the City of Billings, Yellowstone County, Montana, by its City Council, has caused this Bond and the certificate to be executed by the facsimile signatures of the Mayor, the Director of Finance and Administrative Services and the City Clerk.

CITY OF BILLINGS, MONTANA

(Facsimile Signature)
Mayor

(Facsimile Signature)
Director of Finance and Administrative Services

(Facsimile Signature)
City Clerk

Dated:

CERTIFICATE OF AUTHENTICATION

This is one of the Tax Increment Urban Renewal Revenue Bonds, Series 2003, delivered pursuant to the Resolution mentioned within.

U.S. BANK, N.A., as Bond Registrar,
Transfer Agent and Paying Agent

By _____
Authorized Representative

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 entireties	
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 VALUED RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date: _____

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 GUARANTEE

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond 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 B

DTC BLANKET LETTER OF REPRESENTATIONS