

## CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Billings, Montana (the "City"), hereby certify that the attached resolution is a true copy of Resolution No. 12-19229, entitled: "RESOLUTION RELATING TO AMENDED AND RESTATED WATER SYSTEM REVENUE BONDS (DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM); AMENDING AUTHORIZING RESOLUTIONS ADOPTED SEPTEMBER 12, 2005, JULY 27, 2009, SEPTEMBER 14, 2009 AND JULY 12, 2010" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Council of the City at a meeting on October 22, 2012, and that the meeting was duly held by the City Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: Cromley, Ronquillo, Pitman, Cimmino; McFadden, Bird, McCall, Ulledalen, Astle, and Crouch; voted against the same: none; abstained from voting thereon: none; or were absent: none.

WITNESS my hand officially this 22nd day of October, 2012.

Cari Martin  
Cari Martin, City Clerk



RESOLUTION NO. 12-19229

RESOLUTION RELATING TO AMENDED AND RESTATED  
WATER SYSTEM REVENUE BONDS (DNRC DRINKING  
WATER STATE REVOLVING LOAN PROGRAM);  
AMENDING AUTHORIZING RESOLUTIONS ADOPTED  
SEPTEMBER 12, 2005, JULY 27, 2009, SEPTEMBER 14, 2009  
AND JULY 12, 2010

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

Section 1. Recitals.

1.01. Issuance of Prior Bonds. Pursuant to Resolution No. 05-18329, adopted by the City Council on September 12, 2005 (the "2005 Resolution"), as amended and supplemented by Resolution No. 09-18852 adopted on July 27, 2009 (the "2009C Resolution"), Resolution No. 09-18869 adopted on September 14, 2009 (the "2009D Resolution"), Resolution No. 10-18964 adopted on July 12, 2010 (the "2010B Resolution"), and Resolution No. 12-19209 adopted on September 10, 2012 (collectively, the "Prior Resolutions"), the City authorized the issuance of its Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2005, in the maximum principal amount of \$17,300,000 (the "Series 2005 Bond"), its Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009C, in the maximum principal amount of \$2,750,000 (the "Series 2009C Bond"), its Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009D, in the maximum principal amount of \$7,412,000 (the "Series 2009D Bond") and its Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2010B, in the maximum principal amount of \$2,800,000 (the "Series 2010B Bond"), in order to finance improvements (collectively, the "Improvements") to its municipal water distribution system (the "System"), as more particularly described in the Prior Resolutions. The Series 2005 Bond, the Series 2009C Bond, the Series 2009D Bond, and the Series 2010B Bond (collectively, the "Prior Bonds") were originally issued as of December 21, 2005, August 12, 2009, October 15, 2009 and July 19, 2010, respectively, and were purchased and are currently held by the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"). There are no other bonds or indebtedness of the City that are outstanding and payable from revenues of the System, except the City's Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009B, issued in the maximum principal amount of \$333,700 (the "Series 2009B Bond"), and its Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2012, issued in the maximum principal amount of \$3,100,000 (the "Series 2012 Bond"). Terms with initial capital letters used but not defined herein have the meanings given them in the Prior Resolutions.

1.02. Interest Rate Reduction. Pursuant to the Intended Use Plan for fiscal year 2013 (the "IUP") for the Drinking Water State Revolving Loan Program (the "Program"), the DNRC and the Department of Environmental Quality of the State of Montana have determined that it is in the best interests of borrowers of loans made under the Program and the Program to reduce the interest rates available under the Program.

1.03. Reduction in Interest Rate on Prior Bonds. It is proposed that debt service on the Prior Bonds be reduced in accordance with the interest rate reduction proposal under the IUP, thereby reducing the interest rate on (i) the Series 2005 Bond from three and three-quarters percent (3.75%) per annum to two and one-quarter percent (2.25%) per annum from and after the date of delivery of the First Amended and Restated Series 2005 Bond; (ii) the Series 2009C Bond from three and three-quarters percent (3.75%) per annum to three percent (3.00%) per annum from and after the date of delivery of the First Amended and Restated Series 2009C Bond; (iii) the Series 2009D Bond from three and three-quarters percent (3.75%) per annum to three percent (3.00%) per annum from and after the date of delivery of the First Amended and Restated Series 2009D Bond; and (iv) the Series 2010B Bond from three and three-quarters percent (3.75%) per annum to three percent (3.00%) per annum from and after the date of delivery of the First Amended and Restated Series 2010B Bond.

Section 2. Amendment of the Prior Resolutions and Prior Bonds.

2.01. Authorization for Amendment. The City in Section 14.4 of the 2005 Resolution, Section 13.4 of the 2009C Resolution, Section 12.4 of the 2009D Resolution and Section 13.4 of the 2010B Resolution, respectively, provide that the Prior Resolutions may be amended with the consent of the DNRC.

2.02. Consent of DNRC. The DNRC has agreed to the amendment of the Prior Resolutions and the Prior Bonds in order to effect the reduction in interest rates described in Section 1.03 of this Resolution.

2.03. Amendment of Prior Resolutions. Pursuant to the authority cited in Sections 2.01 and 2.02 of this Resolution:

(a) The 2005 Resolution is hereby amended effective as of the date of delivery of the First Amended and Restated Series 2005 Bond (as hereinafter defined) to read as follows:

(i) all references to the aggregate interest rate, or that interest rate that includes the interest rate and all surcharges, on the Series 2005 Bond are hereby amended to read 2.25% per annum, instead of 3.75% per annum; (ii) all references to the interest rate on the Series 2005 Bond exclusive of any surcharges are hereby amended to read 1.25% per annum, instead of 2.00% per annum; (iii) the administrative expense surcharge on the Series 2005 Bond will continue in effect at 0.75% per annum; and (iv) all references to the loan loss reserve surcharge on the Series 2005 Bond are hereby amended to read 0.25% per annum, instead 1.00% per annum; and

(ii) the total principal amount of the First Amended and Restated Series 2005 Bond is \$12,639,000.

(b) The 2009C Resolution is hereby amended effective as of the date of delivery of the First Amended and Restated Series 2009C Bond (as hereinafter defined) to read as follows:

(i) all references to the aggregate interest rate, or that interest rate that includes the interest rate and all surcharges, on the Series 2009C Bond are hereby amended to read 3.00% per annum, instead of 3.75% per annum; (ii) all references to the interest rate on

the Series 2009C Bond exclusive of any surcharges will continue in effect at 2.00% per annum; (iii) the administrative expense surcharge on the Series 2009C Bond will continue in effect at 0.75% per annum; and (iv) all references to the loan loss reserve surcharge on the Series 2009C Bond are hereby amended to read 0.25% per annum, instead 1.00% per annum; and

(ii) the total principal amount of the First Amended and Restated Series 2009C Bond is \$2,456,000.

(c) The 2009D Resolution is hereby amended effective as of the date of delivery of the First Amended and Restated Series 2009D Bond (as hereinafter defined) to read as follows:

(i) all references to the aggregate interest rate, or that interest rate that includes the interest rate and all surcharges, on the Series 2009D Bond are hereby amended to read 3.00% per annum, instead of 3.75% per annum; (ii) all references to the interest rate on the Series 2009D Bond exclusive of any surcharges will continue in effect at 2.00% per annum; (iii) the administrative expense surcharge on the Series 2009D Bond will continue in effect at 0.75% per annum; and (iv) all references to the loan loss reserve surcharge on the Series 2009D Bond are hereby amended to read 0.25% per annum, instead 1.00% per annum; and

(ii) the total principal amount of the First Amended and Restated Series 2009D Bond is \$5,968,215.

(d) The 2010B Resolution is hereby amended effective as of the date of delivery of the First Amended and Restated Series 2010B Bond (as hereinafter defined) to read as follows:

(i) all references to the aggregate interest rate, or that interest rate that includes the interest rate and all surcharges, on the Series 2010B Bond are hereby amended to read 3.00% per annum, instead of 3.75% per annum; (ii) all references to the interest rate on the Series 2010B Bond exclusive of any surcharges will continue in effect at 2.00% per annum; (iii) the administrative expense surcharge on the Series 2010B Bond will continue in effect at 0.75% per annum; and (iv) all references to the loan loss reserve surcharge on the Series 2010B Bond are hereby amended to read 0.25% per annum, instead 1.00% per annum; and

(ii) the total principal amount of the First Amended and Restated Series 2010B Bond is \$2,064,612.

(e) Except as expressly noted herein, other interest rates or surcharges are not adjusted, including, without limitation, interest on past-due amounts.

2.04. Amendment of Forms of Bonds. Pursuant to the authority cited in Sections 2.01 and 2.02 of this Resolution, effective as of the date of delivery of each series of amended and restated bonds, the Series 2005 Bond attached as Exhibit B to the 2005 Resolution is hereby amended and restated in its entirety substantially as set forth on the attached Appendix A (the "First Amended and Restated Series 2005 Bond"); the Series 2009C Bond attached as Appendix B-3 to the 2009C Resolution is hereby amended and restated in its entirety substantially as set

forth on the attached Appendix B (the "First Amended and Restated Series 2009C Bond"); the Series 2009D Bond attached as Appendix B to the 2009D Resolution is hereby amended and restated in its entirety as set forth on the attached Appendix C (the "First Amended and Restated Series 2009D Bond"); and the Series 2010B Bond attached as Appendix B-2 to the 2010B Resolution is hereby amended and restated in its entirety substantially as set forth on the attached Appendix D (the "First Amended and Restated Series 2010B Bond").

2.05. Effect of Amendments. Except as amended by Sections 2.03 and 2.04 of this resolution, the Prior Resolutions shall remain in full force and effect as amended by Sections 2.03 and 2.04 of this Resolution for the benefit of the holders from time to time of the First Amended and Restated Series 2005 Bond, the Series 2009B Bond, the First Amended and Restated Series 2009C Bond, the First Amended and Restated Series 2009D Bond, the First Amended and Restated Series 2010B Bond, the Series 2012 Bond and any other Bonds now outstanding and any Additional Bonds that may be issued thereunder.

Section 3. Preparation and Delivery of Amended and Restated Bonds. The First Amended and Restated Series 2005 Bond, the First Amended and Restated Series 2009C Bond, the First Amended and Restated Series 2009D Bond and the First Amended and Restated Series 2010B Bond (collectively, the "Amended and Restated Bonds") shall be prepared under the direction of the City Finance Director and shall be executed on behalf of the City by the signatures of the Mayor, the City Finance Director and the City Clerk and sealed with the official corporate seal of the City. When the Amended and Restated Bonds have been executed, the City Finance Director shall cause them to be dated as of the date of delivery and delivered to the DNRC, as purchaser thereof, in anticipation of the surrender of the Prior Bonds.

Section 4. Revenue Bond Account; Reserve Account. The City Finance Director is authorized and directed to transfer amounts in the Revenue Bond Account to pay interest owing on the Prior Bonds as of the date of delivery of the Amended and Restated Bonds. The City Finance Director is further authorized and directed to transfer amounts made available in the Reserve Account because of the foregoing interest rate adjustments to the Revenue Bond Account to prepay any one or more Prior Bonds or any other Bonds outstanding as of the date of delivery of the Amended and Restated Bonds, to pay costs of issuance of the Amended and Restated Bonds, or to any other eligible fund or account or for any other eligible purpose, as described more particularly in certificates or documents delivered in conjunction with the delivery of the Amended and Restated Bonds.

#### Section 5. Tax Matters.

5.01. General Covenants. The City covenants and agrees with the owners from time to time of the Amended and Restated 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 Amended and Restated Bonds to become includable in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (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 Amended and Restated Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations. The Improvements and the System are each owned and maintained by the City and available for use by members of the

general public on a substantially equal basis. The City agrees not to enter into any lease, use or other agreement with any non-governmental person relating to the use of the Improvements or the System or security for the payment of the Amended and Restated Bonds which might cause the Amended and Restated Bonds to be considered “private activity bonds” or “private loan bonds” within the meaning of Section 141 of the Code.

5.02. Arbitrage Rebate. The City acknowledges that the Amended and Restated 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 Amended and Restated Bonds from gross income for federal income tax purposes. In furtherance of the foregoing, the City Finance Director is hereby authorized and directed to execute a Rebate Certificate, substantially in the form of the Rebate Certificate prepared by Bond Counsel and the City hereby covenants and agrees to observe and perform the covenants and agreements contained therein, unless amended or terminated in accordance with the provisions thereof.

5.03. Certification. The Mayor, the City Finance Director and the City Clerk, being the officers of the City charged with the responsibility for issuing the Amended and Restated Bonds pursuant to this resolution, are authorized and directed to execute and deliver to the DNRC certifications to satisfy the provisions of Sections 1.148-2(b) of the Treasury Regulations relating to a reasonable expectation that the proceeds of the Amended and Restated Bonds will be used in a manner that will not cause them to be arbitrage bonds.

5.04. Information Reporting. The City shall file with the Secretary of the Treasury, not later than February 15, 2013, a statement concerning the Amended and Restated Bonds containing the information required by Section 149(e) of the Code.

Section 6. Program Covenants. The City agrees that (i) neither it nor any “related person” to the City (within the meaning of Section 147(a)(2) of the Code) shall, whether pursuant to a formal or informal arrangement, acquire bonds issued by the State under the Trust Indenture for the Program in an amount related to the amount of the Amended and Restated Bonds; and (ii) for purposes of the Program, the issuance of the Amended and Restated Bonds constitutes a “deemed” refunding of the Prior Bonds effective as of the date of delivery of the Amended and Restated Bonds and the DNRC shall be deemed to have relent the proceeds of the Prior Bonds under the Program effective as of such date.

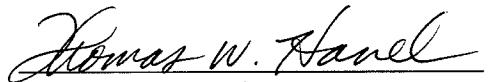
#### Section 7. Certification and Effective Date.

7.01. Certification. The officers of the City are authorized and directed to prepare and furnish to the DNRC and to the attorneys rendering an opinion as to the legality of the Amended and Restated Bonds, certified copies of all ordinances, resolutions and records and such other certificates, affidavits and other instruments as may be required to evidence the validity, status of tax-exempt interest, or marketability of the Amended and Restated Bonds and all such certified copies, certificates and affidavits shall constitute representations of the City as to the truth of all statements of fact contained therein.

7.02. Effective Date. This resolution shall be in full force and effect from and after its passage. The amendments to the Amended and Restated Bonds noted herein, however, shall be effective only from and after the date of delivery of the Amended and Restated Bonds.

Adopted by the City Council of the City of Billings, Montana, on this 22nd day of October, 2012.

CITY OF BILLINGS

  
Thomas W. Hanel  
Thomas W. Hanel, Mayor

Attest: Cari Martin  
Cari Martin, City Clerk

(SEAL)



APPENDIX A

[FORM OF FIRST AMENDED AND RESTATED SERIES 2005 BOND]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF YELLOWSTONE

CITY OF BILLINGS

FIRST AMENDED AND RESTATED  
WATER SYSTEM REVENUE BOND

(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)  
SERIES 2005

No. R-2 \$12,639,000.00

FOR VALUE RECEIVED, THE CITY OF BILLINGS, MONTANA (the "Borrower"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely from the Revenue Bond Account of its Water System Fund, the principal amount of TWELVE MILLION SIX HUNDRED THIRTY NINE THOUSAND DOLLARS (\$12,639,000), with interest thereon from the date hereof at the rate of one and twenty-five hundredths percent (1.25%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) per annum and twenty-five hundredths of one percent (0.25%) per annum, respectively. Principal, interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a "Loan Repayment Date"), commencing January 1, 2013. Each installment shall be in the amount set forth opposite its due date in Schedule A hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule A hereto. Past-due payments of principal, interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond is one of an issue of Water System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$17,300,000 (the "First Amended and Restated Series 2005 Bond"). The First Amended and Restated Series 2005 Bond is issued to refinance costs of construction of certain improvements to the water system of the Borrower (the "System"). The

First Amended and Restated Series 2005 Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 05-18329 (the "Original Resolution"), adopted by the City Council on September 12, 2005, as amended and supplemented by Resolution Nos. 09-18852, 09-18869, 10-18964, 12-19209 and [\_\_\_\_\_], adopted July 27, 2009, September 14, 2009, July 12, 2010, September 10, 2012 and October 22, 2012, respectively (as so amended and supplemented and as hereafter amended and supplemented in accordance with its terms, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The First Amended and Restated Series 2005 Bond is issuable only as a single, fully registered bond. The First Amended and Restated Series 2005 Bond is issued on a parity and is equally and ratably secured by Net Revenues of the System with the Borrower's outstanding Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009B (the "Series 2009B Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009C (the "First Amended and Restated Series 2009C Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009D (the "First Amended and Restated Series 2009D Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2010B (the "First Amended and Restated Series 2010B Bond") and Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2012 (the "Series 2012 Bond") (all such Bonds, collectively, the "Outstanding Bonds").

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the First Amended and Restated Series 2005 Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which additional bonds may be issued under the Resolution and made payable from such Net Revenues on a parity with the Outstanding Bonds (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the First Amended and Restated Series 2005 Bond.

The Borrower may prepay the principal of the First Amended and Restated Series 2005 Bond only if (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest, and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the First Amended and Restated Series 2005 Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The First Amended and Restated Series 2005 Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this First Amended and Restated Series 2005 Bond is registered as the absolute owner hereof, whether this First Amended and Restated Series 2005 Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The First Amended and Restated Series 2005 Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Water System Fund into which the gross revenues of the System will be paid, and a separate and special Revenue Bond Account in the Water System Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than the sum of one-sixth of the interest to become due within the next six months and one-twelfth of the principal to become due within the next twelve months with respect to all Bonds payable from the Revenue Bond Account; that the Borrower has created a Reserve Account in the Water System Fund into which shall be paid additional Net Revenues, after required credits to the Revenue Bond Account sufficient to maintain a reserve therein equal to the maximum amount of principal and interest payable on the Bonds in any future fiscal year; that the Revenue Bond Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce during each fiscal year Net Revenues not less than 125% of the maximum annual principal and interest payable on the outstanding Bonds in the current or any future fiscal year; that additional bonds may be issued and made payable from the Revenue Bond Account on a parity with the outstanding Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the outstanding Bonds on such Net Revenues; that all provisions for the security of the holder of this First Amended and Restated Series 2005 Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this First Amended and Restated Series 2005 Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this First Amended and Restated Series 2005 Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the First Amended and Restated Series 2005 Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Billings, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor, the City Finance Director, and City Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the \_\_\_\_\_ day of \_\_\_\_\_, 2012.

---

Mayor

(SEAL)

---

City Finance Director

---

City Clerk

## REGISTRATION AND TRANSFER

This Bond shall be fully registered as to both principal and interest. No transfer of this Bond shall be valid unless and until (1) the registered holder of the Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Bond, and (2) the City Finance Director as bond registrar (the "Registrar"), has duly noted the transfer on the Bond and recorded the transfer on the Registrar's registration books. The Borrower shall be entitled to deem and treat the person in whose name this Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of the Bond shall be made only to the order of the registered holder thereof, and all such payments shall be valid and effectual to satisfy and discharge the Borrower's liability upon the Bond to the extent of the sum or sums so paid.

## REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the City of Billings, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u> <u>November 2, 2012</u>	<u>Name and Address of Registered Holder</u> <u>Department of Natural Resources and Conservation</u> <u>1625 Eleventh Avenue</u> <u>Helena, MT 59620</u>	<u>Signature of City Finance Director</u> <hr/>
--	---	--

THE FOLLOWING ENTRIES ARE TO BE MADE ONLY BY THE BOND  
REGISTRAR UPON REGISTRATION OF EACH TRANSFER

The City Finance Director of the City of Billings, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this Bond to the new registered holder noted next to such date, except for amounts of principal and interest theretofore paid.

Date of Transfer	Name of New Registered Holder	Signature of Bond Registrar

### FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_  
the within Bond and does hereby irrevocably  
constitute and appoint \_\_\_\_\_ attorney to transfer the Bond on  
the books kept for the registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

## SCHEDULE A

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Expense Surcharge</u>	<u>Loan Loss Reserve Surcharge</u>	<u>Total Loan Payment</u>
-------------	------------------	-----------------	---	--	-------------------------------

## APPENDIX B

### [FORM OF FIRST AMENDED AND RESTATED SERIES 2009C BOND]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF YELLOWSTONE

CITY OF BILLINGS

FIRST AMENDED AND RESTATED  
WATER SYSTEM REVENUE BOND

(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)  
SERIES 2009C

R-2 \$2,456,000.00

FOR VALUE RECEIVED, THE CITY OF BILLINGS, MONTANA (the "Borrower"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely from the Revenue Bond Account of its Water System Fund, the principal amount of TWO MILLION FOUR HUNDRED FIFTY SIX THOUSAND DOLLARS (\$2,456,000), with interest thereon from the date hereof at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) per annum and twenty-five hundredths of one percent (0.25%) per annum, respectively. Principal, interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a "Loan Repayment Date"), commencing January 1, 2013. Each installment shall be in the amount set forth opposite its due date in Schedule A hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule A hereto. Past-due payments of principal, interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond is one of an issue of Water System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$2,750,000 (the "First Amended and Restated Series 2009C Bond"). The First Amended and Restated Series 2009C Bond is issued to refinance costs

of construction of certain improvements to the water system of the Borrower (the "System"). The First Amended and Restated Series 2009C Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 05-18329 (the "Original Resolution"), adopted by the City Council on September 12, 2005, as amended and supplemented by Resolution Nos. 09-18852, 09-18869, 10-18964, 12-19209 and [\_\_\_\_\_], adopted July 27, 2009, September 14, 2009, July 12, 2010, September 10, 2012 and October 22, 2012, respectively (as so amended and supplemented and as hereafter amended and supplemented in accordance with its terms, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The First Amended and Restated Series 2009C Bond is issuable only as a single, fully registered bond. The First Amended and Restated Series 2009C Bond is issued on a parity and is equally and ratably secured by Net Revenues of the System with the Borrower's outstanding Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2005 (the "First Amended and Restated Series 2005 Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009B (the "Series 2009B Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009D (the "First Amended and Restated Series 2009D Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2010B (the "First Amended and Restated Series 2010B Bond") and Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2012 (the "Series 2012 Bond") (all such Bonds, collectively, the "Outstanding Bonds").

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the First Amended and Restated Series 2009C Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which additional bonds may be issued under the Resolution and made payable from such Net Revenues on a parity with the Outstanding Bonds (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the First Amended and Restated Series 2009C Bond.

The Borrower may prepay the principal of the First Amended and Restated Series 2009C Bond only if (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest, and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the First Amended and Restated Series 2009C Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The First Amended and Restated Series 2009C Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this First Amended and Restated Series 2009C Bond is registered as the absolute owner hereof, whether this First Amended and Restated Series 2009C Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The First Amended and Restated Series 2009C Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Water System Fund into which the gross revenues of the System will be paid, and a separate and special Revenue Bond Account in the Water System Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than the sum of one-sixth of the interest to become due within the next six months and one-twelfth of the principal to become due within the next twelve months with respect to all Bonds payable from the Revenue Bond Account; that the Borrower has created a Reserve Account in the Water System Fund into which shall be paid additional Net Revenues, after required credits to the Revenue Bond Account sufficient to maintain a reserve therein equal to the maximum amount of principal and interest payable on the Bonds in any future fiscal year; that the Revenue Bond Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce during each fiscal year Net Revenues not less than 125% of the maximum annual principal and interest payable on the outstanding Bonds in the current or any future fiscal year; that additional bonds may be issued and made payable from the Revenue Bond Account on a parity with the outstanding Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the outstanding Bonds on such Net Revenues; that all provisions for the security of the holder of this First Amended and Restated Series 2009C Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this First Amended and Restated Series 2009C Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this First Amended and Restated Series 2009C Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the First Amended and Restated Series 2009C Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Billings, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor, the City Finance Director, and City Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the \_\_\_\_\_ day of \_\_\_\_\_, 2012.

---

Mayor

(SEAL)

---

City Finance Director

---

City Clerk

## REGISTRATION AND TRANSFER

This Bond shall be fully registered as to both principal and interest. No transfer of this Bond shall be valid unless and until (1) the registered holder of the Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Bond, and (2) the City Finance Director as bond registrar (the "Registrar"), has duly noted the transfer on the Bond and recorded the transfer on the Registrar's registration books. The Borrower shall be entitled to deem and treat the person in whose name this Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of the Bond shall be made only to the order of the registered holder thereof, and all such payments shall be valid and effectual to satisfy and discharge the Borrower's liability upon the Bond to the extent of the sum or sums so paid.

## REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the City of Billings, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u> <u>November 2, 2012</u>	<u>Name and Address of Registered Holder</u> <u>Department of Natural Resources and Conservation</u> <u>1625 Eleventh Avenue</u> <u>Helena, MT 59620</u>	<u>Signature of City Finance Director</u> <hr/>
--	---	--

THE FOLLOWING ENTRIES ARE TO BE MADE ONLY BY THE BOND  
REGISTRAR UPON REGISTRATION OF EACH TRANSFER

The City Finance Director of the City of Billings, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this Bond to the new registered holder noted next to such date, except for amounts of principal and interest theretofore paid.

Date of Transfer	Name of New Registered Holder	Signature of Bond Registrar

FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_  
the within Bond and does hereby irrevocably  
constitute and appoint \_\_\_\_\_ attorney to transfer the Bond on  
the books kept for the registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

## SCHEDULE A

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Expense Surcharge</u>	<u>Loan Loss Reserve Surcharge</u>	<u>Total Loan Payment</u>
-------------	------------------	-----------------	---	--	-------------------------------

## APPENDIX C

[FORM OF FIRST AMENDED AND RESTATED SERIES 2009D BOND]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF YELLOWSTONE

CITY OF BILLINGS

FIRST AMENDED AND RESTATED  
WATER SYSTEM REVENUE BOND

(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)  
SERIES 2009D

R-2	\$5,968,215.00
-----	----------------

FOR VALUE RECEIVED, THE CITY OF BILLINGS, MONTANA (the "Borrower"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely from the Revenue Bond Account of its Water System Fund, the principal amount of FIVE MILLION NINE HUNDRED SIXTY EIGHT THOUSAND TWO HUNDRED FIFTEEN DOLLARS (\$5,968,215), with interest thereon from the date hereof at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) per annum and twenty-five hundredths of one percent (0.25%) per annum, respectively. Principal, interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a "Loan Repayment Date"), commencing January 1, 2013. Each installment shall be in the amount set forth opposite its due date in Schedule A hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule A hereto. Past-due payments of principal, interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond is one of an issue of Water System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$7,412,000 (the "First Amended and Restated Series 2009D Bond"). The First Amended and Restated Series 2009D Bond is issued to refinance costs

of construction of certain improvements to the water system of the Borrower (the "System"). The First Amended and Restated Series 2009D Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 05-18329 (the "Original Resolution"), adopted by the City Council on September 12, 2005, as amended and supplemented by Resolution Nos. 09-18852, 09-18869, 10-18964, 12-19209 and [\_\_\_\_\_], adopted July 27, 2009, September 14, 2009, July 12, 2010, September 10, 2012 and October 22, 2012, respectively (as so amended and supplemented and as hereafter amended and supplemented in accordance with its terms, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The First Amended and Restated Series 2009D Bond is issuable only as a single, fully registered bond. The First Amended and Restated Series 2009D Bond is issued on a parity and is equally and ratably secured by Net Revenues of the System with the Borrower's outstanding Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2005 (the "First Amended and Restated Series 2005 Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009B (the "Series 2009B Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009C (the "First Amended and Restated Series 2009C Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2010B (the "First Amended and Restated Series 2010B Bond") and Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2012 (the "Series 2012 Bond") (all such Bonds, collectively, the "Outstanding Bonds").

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the First Amended and Restated Series 2009D Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which additional bonds may be issued under the Resolution and made payable from such Net Revenues on a parity with the Outstanding Bonds (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the First Amended and Restated Series 2009D Bond.

The Borrower may prepay the principal of the First Amended and Restated Series 2009D Bond only if (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest, and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the First Amended and Restated Series 2009D Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The First Amended and Restated Series 2009D Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this First Amended and Restated Series 2009D Bond is registered as the absolute owner hereof, whether this First Amended and Restated Series 2009D Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The First Amended and Restated Series 2009D Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Water System Fund into which the gross revenues of the System will be paid, and a separate and special Revenue Bond Account in the Water System Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than the sum of one-sixth of the interest to become due within the next six months and one-twelfth of the principal to become due within the next twelve months with respect to all Bonds payable from the Revenue Bond Account; that the Borrower has created a Reserve Account in the Water System Fund into which shall be paid additional Net Revenues, after required credits to the Revenue Bond Account sufficient to maintain a reserve therein equal to the maximum amount of principal and interest payable on the Bonds in any future fiscal year; that the Revenue Bond Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce during each fiscal year Net Revenues not less than 125% of the maximum annual principal and interest payable on the outstanding Bonds in the current or any future fiscal year; that additional bonds may be issued and made payable from the Revenue Bond Account on a parity with the outstanding Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the outstanding Bonds on such Net Revenues; that all provisions for the security of the holder of this First Amended and Restated Series 2009D Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this First Amended and Restated Series 2009D Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this First Amended and Restated Series 2009D Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the First Amended and Restated Series 2009D Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Billings, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor, the City Finance Director, and City Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the \_\_\_\_\_ day of \_\_\_\_\_, 2012.

---

Mayor

---

City Finance Director

(SEAL)

---

City Clerk

## REGISTRATION AND TRANSFER

This Bond shall be fully registered as to both principal and interest. No transfer of this Bond shall be valid unless and until (1) the registered holder of the Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Bond, and (2) the City Finance Director as bond registrar (the "Registrar"), has duly noted the transfer on the Bond and recorded the transfer on the Registrar's registration books. The Borrower shall be entitled to deem and treat the person in whose name this Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of the Bond shall be made only to the order of the registered holder thereof, and all such payments shall be valid and effectual to satisfy and discharge the Borrower's liability upon the Bond to the extent of the sum or sums so paid.

## REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the City of Billings, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u> <u>November 2, 2012</u>	<u>Name and Address of Registered Holder</u> <u>Department of Natural Resources and Conservation</u> <u>1625 Eleventh Avenue</u> <u>Helena, MT 59620</u>	<u>Signature of City Finance Director</u> <hr/>
--	---	--

THE FOLLOWING ENTRIES ARE TO BE MADE ONLY BY THE BOND  
REGISTRAR UPON REGISTRATION OF EACH TRANSFER

The City Finance Director of the City of Billings, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this Bond to the new registered holder noted next to such date, except for amounts of principal and interest theretofore paid.

Date of Transfer	Name of New Registered Holder	Signature of Bond Registrar

### FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_  
\_\_\_\_\_ the within Bond and does hereby irrevocably  
constitute and appoint \_\_\_\_\_ attorney to transfer the Bond on  
the books kept for the registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

## SCHEDULE A

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Expense Surcharge</u>	<u>Loan Loss Reserve Surcharge</u>	<u>Total Loan Payment</u>
-------------	------------------	-----------------	---	--	-------------------------------

## APPENDIX D

[FORM OF FIRST AMENDED AND RESTATED SERIES 2010B BOND]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF YELLOWSTONE

CITY OF BILLINGS

FIRST AMENDED AND RESTATED  
WATER SYSTEM REVENUE BOND

(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)  
SERIES 2010B

R-2	\$2,064,612.00
-----	----------------

FOR VALUE RECEIVED, THE CITY OF BILLINGS, MONTANA (the "Borrower"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely from the Revenue Bond Account of its Water System Fund, the principal amount of TWO MILLION SIXTY FOUR THOUSAND SIX HUNDRED TWELVE DOLLARS (\$2,064,612), with interest thereon from the date hereof at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) per annum and twenty-five hundredths of one percent (0.25%) per annum, respectively. Principal, interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a "Loan Repayment Date"), commencing January 1, 2013. Each installment shall be in the amount set forth opposite its due date in Schedule A hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule A hereto. Past-due payments of principal, interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond is one of an issue of Water System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$2,800,000 (the "First Amended and Restated Series 2010B Bond"). The First Amended and Restated Series 2010B Bond is issued to refinance costs

of construction of certain improvements to the water system of the Borrower (the "System"). The First Amended and Restated Series 2010B Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 05-18329 (the "Original Resolution"), adopted by the City Council on September 12, 2005, as amended and supplemented by Resolution Nos. 09-18852, 09-18869, 10-18964, 12-19209 and [\_\_\_\_\_], adopted July 27, 2009, September 14, 2009, July 12, 2010, September 10, 2012 and October 22, 2012, respectively (as so amended and supplemented and as hereafter amended and supplemented in accordance with its terms, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The First Amended and Restated Series 2010B Bond is issuable only as a single, fully registered bond. The First Amended and Restated Series 2010B Bond is issued on a parity and is equally and ratably secured by Net Revenues of the System with the Borrower's outstanding Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2005 (the "First Amended and Restated Series 2005 Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009B (the "Series 2009B Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009C (the "First Amended and Restated Series 2009C Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009D (the "First Amended and Restated Series 2009D Bond") and Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2012 (the "Series 2012 Bond") (all such Bonds, collectively, the "Outstanding Bonds").

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the First Amended and Restated Series 2010B Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which additional bonds may be issued under the Resolution and made payable from such Net Revenues on a parity with the Outstanding Bonds (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the First Amended and Restated Series 2010B Bond.

The Borrower may prepay the principal of the First Amended and Restated Series 2010B Bond only if (i) a Determination Statement has been delivered, (ii) it obtains the prior written consent of the DNRC thereto, and (iii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest, and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the First Amended and Restated Series 2010B Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The First Amended and Restated Series 2010B Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this First Amended and Restated Series 2010B Bond is registered as the absolute owner hereof, whether this First Amended and Restated Series 2010B Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The First Amended and Restated Series 2010B Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Water System Fund into which the gross revenues of the System will be paid, and a separate and special Revenue Bond Account in the Water System Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than the sum of one-sixth of the interest to become due within the next six months and one-twelfth of the principal to become due within the next twelve months with respect to all Bonds payable from the Revenue Bond Account; that the Borrower has created a Reserve Account in the Water System Fund into which shall be paid additional Net Revenues, after required credits to the Revenue Bond Account sufficient to maintain a reserve therein equal to the maximum amount of principal and interest payable in any subsequent fiscal year on all such Bonds; that the Revenue Bond Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce during each fiscal year Net Revenues not less than 125% of the maximum annual principal and interest payable on the outstanding Bonds in the current or any future fiscal year; that additional bonds may be issued and made payable from the Revenue Bond Account on a parity with the outstanding Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the outstanding Bonds on such Net Revenues; that all provisions for the security of the holder of this First Amended and Restated Series 2010B Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this First Amended and Restated Series 2010B Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this First Amended and Restated Series 2010B Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the First Amended and Restated Series 2010B Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Billings, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor, the City Finance Director, and City Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the \_\_\_\_\_ day of \_\_\_\_\_, 2012.

---

Mayor

---

City Finance Director

(SEAL)

---

City Clerk

## REGISTRATION AND TRANSFER

This Bond shall be fully registered as to both principal and interest. No transfer of this Bond shall be valid unless and until (1) the registered holder of the Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Bond, and (2) the City Finance Director as bond registrar (the "Registrar"), has duly noted the transfer on the Bond and recorded the transfer on the Registrar's registration books. The Borrower shall be entitled to deem and treat the person in whose name this Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of the Bond shall be made only to the order of the registered holder thereof, and all such payments shall be valid and effectual to satisfy and discharge the Borrower's liability upon the Bond to the extent of the sum or sums so paid.

## REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the City of Billings, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u> <u>November 2, 2012</u>	<u>Name and Address of Registered Holder</u> <u>Department of Natural Resources and Conservation</u> <u>1625 Eleventh Avenue</u> <u>Helena, MT 59620</u>	<u>Signature of City Finance Director</u> <hr/>
--	---	--

THE FOLLOWING ENTRIES ARE TO BE MADE ONLY BY THE BOND  
REGISTRAR UPON REGISTRATION OF EACH TRANSFER

The City Finance Director of the City of Billings, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this Bond to the new registered holder noted next to such date, except for amounts of principal and interest theretofore paid.

Date of Transfer	Name of New Registered Holder	Signature of Bond Registrar

### FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_  
the within Bond and does hereby irrevocably  
constitute and appoint \_\_\_\_\_ attorney to transfer the Bond on  
the books kept for the registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

## SCHEDULE A

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Expense Surcharge</u>	<u>Loan Loss Reserve Surcharge</u>	<u>Total Loan Payment</u>
-------------	------------------	-----------------	---	--	-------------------------------