

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. 17-10602, entitled: "RESOLUTION RELATING TO \$56,505,000 SEWER SYSTEM REVENUE BONDS, SERIES 2017; AUTHORIZING THE SALE AND PRESCRIBING THE FORMS AND TERMS THEREOF 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 February 13, 2017, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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, Yakawich, Brewster, Cimmino, McFadden, Friedel, Sullivan, Swanson, Clark and Brown; voted against the same: N/A; abstained from voting thereon: N/A; or were absent: N/A.

WITNESS my hand officially this 13th day of February, 2017.



Denise R. Bohlman
Denise R. Bohlman, City Clerk

RESOLUTION NO. 17-10602

RESOLUTION RELATING TO \$56,505,000 SEWER SYSTEM REVENUE BONDS,
SERIES 2017; AUTHORIZING THE SALE AND PRESCRIBING THE FORMS AND
TERMS THEREOF 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, Authorizations and Findings.

1.01. Authorization. Under the Act, the City is authorized to issue and sell its revenue bonds payable during a term not exceeding forty years from their date of issue, to provide funds for the reconstruction, improvement, betterment and extension of a sewer system; provided that the bonds and the interest thereon are to be payable solely out of the income and revenues to be derived from rates, fees and charges for the services, facilities and commodities furnished by such sewer system, and are not to create any obligation of the City for the payment of which taxes may be levied except to pay for services provided by the sewer system to the City.

1.02. Original Resolution; Outstanding SRF Bonds. In accordance with the authorization described in Section 1.01 and pursuant to a resolution of the City, adopted by the Council on February 13, 2017 (the “Original Resolution”), the City has issued and there are outstanding its First Amended and Restated Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2005 (the “Series 2005 Bond”), First Amended and Restated Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2008 (the “Series 2008 Bond”), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009B (the “Series 2009B Bond”), First Amended and Restated Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009C (the “Series 2009C Bond”), First Amended and Restated Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010B (the “Series 2010B Bond”), First Amended and Restated Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010C (the “Series 2010C Bond”) and Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2013 (the “Series 2013 Bond”). The Series 2005 Bond, Series 2008 Bond, Series 2009B Bond, Series 2009C Bond, Series 2010B Bond, Series 2010C Bond and Series 2013 Bond are referred to collectively herein as the “Outstanding SRF Bonds.” Capitalized terms, used but not defined herein, shall have the meanings ascribed to them in the Original Resolution.

1.03. Parity Bonds. In Article VI of the Original Resolution, the City reserved the right to issue Additional Bonds payable from and secured by Net Revenues of the System on a parity with the Outstanding SRF Bonds on certain terms and conditions. Based on the Net Revenues of the System for fiscal year ended June 30, 2016, it is determined that the City is authorized to issue a series of bonds (the “Series 2017 Bonds”) in the aggregate principal amount of \$56,505,000 in order to finance or reimburse the costs of the 2017 Project (as hereinafter defined), which Bonds shall be payable from and secured by the Net Revenues of the System on a parity with the Outstanding SRF Bonds.

1.04. 2017 Project. After investigation of the facts and as authorized by the Act, this Council has determined it to be necessary and desirable to undertake certain improvements to the System, as further described on Exhibit A hereto (the “2017 Project”). The estimated costs of the 2017 Project, including engineering and financing costs, are presently estimated to be \$77,932,765.85, and consist of the following items:

Construction	\$63,105,610.69
Costs of Issuance	273,563.00
Underwriter’s Discount	203,418.00
Premium of Debt Service Reserve Surety Bond	62,174.16
<u>Total</u>	<u>\$63,644,765.85</u>

Costs of the 2017 Project in excess of the proceeds of the Series 2017 Bonds shall be paid from Surplus Net Revenues of the System available therefor (\$14,288,000).

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

(a) The City is authorized under the Act to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the System, and to pledge and appropriate to the payment of the Bonds the revenues to be derived from the operation of the System, including improvements, betterments or extensions thereof hereafter constructed or acquired.

(b) The Net Revenues to be produced by such rates, charges and rentals during the term of the Series 2017 Bonds will be sufficient to pay the principal of and interest when due on the Outstanding SRF Bonds and the Series 2017 Bonds, to create and maintain reasonable reserves therefor, to pay the reasonable and ordinary costs of operating and maintaining the System and to provide an adequate allowance for replacement and repair, as herein prescribed or prescribed in the Original Resolution. Upon the issuance of the Series 2017 Bonds, the only Bonds payable from the System will be the Outstanding SRF Bonds and the Series 2017 Bonds.

(c) In accordance with Section 6.2 of the Original Resolution, the Net Revenues of the System for Fiscal Year 2016 were \$11,004,396. Such Net Revenues (taking into account additional annual costs of operation and maintenance estimated to be incurred as a result of the 2017 Project) equaled at least 125% (\$6,662,720) of the maximum amount of principal and interest payable on the Outstanding SRF Bonds and the Series 2017 Bonds (\$5,330,176) in any subsequent Fiscal Year during the term of the Outstanding SRF Bonds.

(d) It is in the best interests of the City and its residents to issue and sell the Series 2017 Bonds to finance or reimburse the costs of the 2017 Project as provided in this Supplemental Resolution.

1.06. Authorization and Sale of Series 2017 Bonds. Pursuant to Resolution No. 16-10595, adopted December 12, 2016 (the “Initial Authorizing Resolution”) and Resolution No.

17-10600 adopted January 9, 2017 (the “Parameters Resolution”), this Council determined that it is in the best interests of the City to issue its Series 2017 Bonds to Piper Jaffray & Co., of Denver, Colorado, and D.A. Davidson & Co., of Great Falls, Montana (collectively, the “Underwriter”) pursuant to a negotiated sale, as authorized by the Act and Montana Code Annotated, Section 17-5-107, in order to pay all or a portion of the costs of the 2017 Project, to pay the premium of a Surety Bond for deposit in the Reserve Account as described in Section 1.07, and to pay costs of issuance of the Series 2017 Bonds. Pursuant to the Initial Authorizing Resolution, this Council authorized the negotiated sale of the Series 2017 Bonds to the Underwriter and pursuant to the Parameters Resolution, this Council authorized the City Administrator and the City Finance Director to enter into a Bond Purchase Agreement with the Underwriter (the “Bond Purchase Agreement”). Pursuant to the Bond Purchase Agreement, dated as of January 26, 2017, the Underwriter agreed to purchase the Series 2017 Bonds at the aggregate purchase price of \$63,441,347.85 (representing the par amount of the Series 2017 Bonds, less Underwriter’s compensation of \$203,418.00 plus a reoffering premium of \$7,139,765.85), subject to the terms and conditions of the Bond Purchase Agreement and this Supplemental Resolution. The true interest cost of the Series 2017 Bonds is 3.295217%. The sale of the Series 2017 Bonds to the Underwriter is hereby ratified and confirmed.

1.07. Reserve Account Surety Bond. In connection with the issuance of the Series 2017 Bonds, the City is required, pursuant to the terms of the Original Resolution, to cause amounts in the Reserve Account to be increased, from the proceeds of the Series 2017 Bonds, from Surplus Net Revenues and/or from Surety Bonds, to an amount equal to the Reserve Requirement during the term of the Outstanding Bonds. Upon the issuance of the Series 2017 Bonds, the City and National Public Finance Guarantee Corporation (“National”) shall enter into a Financial Guaranty Agreement substantially in the form attached hereto as Exhibit B (the “Financial Guaranty Agreement”), pursuant to which National shall agree to issue a Surety Bond with an initial face amount of \$3,885,885, which shall be credited to the Reserve Account. The face amount of the Surety Bond (\$3,885,885), together with the cash on deposit in the Reserve Account (\$1,444,291), equals the Reserve Requirement upon issuance of the Series 2017 Bonds (\$5,330,176).

The City Administrator and the City Finance Director are hereby authorized and directed to approve, execute and deliver to National the Financial Guaranty Agreement and any other documentation necessary for the issuance of the Surety Bond. In the event of the absence or disability of the City Administrator and City Finance Director, the Mayor or Deputy City Administrator shall execute and deliver the Financial Guaranty Agreement. The execution and delivery by appropriate officers of the City of the Financial Guaranty Agreement shall be conclusive as to the approval of such officers of the terms thereof and the agreement of the City with respect thereto.

1.08. Application of Proceeds of Series 2017 Bonds. The City shall deposit the proceeds of the sale of the Series 2017 Bonds as follows: (i) \$62,174.16 to pay the premium of the Surety Bond (1.6% of the face amount thereof); and (ii) deposit the balance of the proceeds of the Series 2017 Bonds in the Acquisition and Construction Account to be used to pay costs of the 2017 Project and costs of issuance of the Series 2017 Bonds.

1.09. Recitals. All acts, conditions and things required by the Constitution and laws of the State to be done, to exist, to happen and to be performed prior to the issuance of the Series 2017 Bonds have been done, do exist, have happened, and have been performed in due time, form and manner, wherefore it is now necessary for this Council to establish the form and terms of the Series 2017 Bonds, to provide for the security thereof and to issue the Series 2017 Bonds forthwith.

Section 2. Bond Terms, Execution and Delivery.

2.01. Term of Series 2017 Bonds. The Series 2017 Bonds shall be designated "Sewer System Revenue Bonds, Series 2017." The Series 2017 Bonds shall be in denominations of \$5,000 or any integral multiple thereof of single maturities. The Series 2017 Bonds shall mature, subject to redemption as hereinafter provided, on July 1 in the years and amounts listed below, and the Series 2017 Bonds maturing in such years and amounts shall bear interest from date of original issue until paid or duly called for redemption at the rates shown opposite such years and amounts, as follows:

		Interest		Interest	
<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2017	\$2,985,000	2.000%	2027	\$2,415,000	5.000%
2018	1,430,000	3.000	2028	2,535,000	5.000
2019	1,475,000	4.000	2029	2,880,000	5.000
2020	1,530,000	4.000	2030	3,395,000	5.000
2021	1,595,000	4.000	2031	3,825,000	5.000
2022	1,655,000	5.000	2032	4,120,000	5.000
2023	1,740,000	5.000	2033	4,325,000	5.000
2024	1,825,000	5.000	2034	4,640,000	4.000
2025	1,920,000	5.000	2035	4,925,000	4.000
2026	2,165,000	5.000	2036	5,125,000	4.000

Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

2.02. Registered Form, Interest Payment Dates. The Series 2017 Bonds shall be issuable only in fully registered form, and the ownership of the Series 2017 Bonds shall be transferred only upon the Bond Register. The interest on the Series 2017 Bonds shall be payable on January 1 and July 1 in each year, commencing July 1, 2017. Interest on the Series 2017 Bonds shall be payable to the Holders thereof as of the close of business on the 15th day of the month immediately preceding each interest payment date, whether or not such day is a Business Day. Interest on, and upon presentation and surrender thereof, the principal of each Series 2017 Bond shall be payable by check or draft issued by the Registrar described herein. Upon notice to the Registrar delivered not less than 15 days before the applicable payment date, accompanied by proper wire transfer instruction and payment of any fees imposed by the Registrar, any Holder of Series 2017 Bonds in an aggregate principal amount equal to or greater than \$1,000,000 may elect to be paid installments of principal of, premium, if any, and interest on the Series 2017 Bonds payable on the applicable payment date by Federal Reserve wire transfer in immediately

available funds to any bank in the United States specified by such holder which is a member of the Federal Reserve system.

2.03. Dated Date. Each Series 2017 Bond shall be dated, as originally issued, as of February 22, 2017, and upon authentication of any Series 2017 Bond the Registrar shall indicate thereon the date of such authentication.

2.04. Registration. The City shall appoint, and shall maintain, a bond registrar, transfer agent and paying agent (the "Registrar"). This Section 2.04 shall establish a system of registration for the Series 2017 Bonds. The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Bond Register. The Registrar shall keep at its principal office a Bond Register in which the Registrar shall provide for the registration of ownership of Series 2017 Bonds and the registration of transfers and exchanges of Series 2017 Bonds entitled to be registered, transferred or exchanged.

(b) Transfer of Series 2017 Bonds. Upon surrender to the Registrar for transfer of any Series 2017 Bond duly endorsed by the Holder thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the Holder thereof or by an attorney duly authorized by the Holder in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Series 2017 Bonds of the same series and a like aggregate principal amount, interest rate and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer of any Series 2017 Bond or portion thereof selected or called for redemption.

(c) Exchange of Series 2017 Bonds. Whenever any Series 2017 Bond is surrendered by the Holder for exchange, the Registrar shall authenticate and deliver one or more new Series 2017 Bonds of the same series and a like aggregate principal amount, interest rate and maturity, as requested by the Holder or the Holder's attorney in writing.

(d) Cancellation. All Series 2017 Bonds surrendered upon any transfer or exchange shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When any Series 2017 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 2017 Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Holders. The City and the Registrar may treat the Person in whose name any Series 2017 Bond is at any time registered in the Bond Register as the absolute owner of such Series 2017 Bond, whether such Series 2017 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 2017 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 2017 Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer or exchange of Series 2017 Bonds (except for an exchange upon a partial redemption of a Series 2017 Bond), the Registrar may impose a charge upon the Holder thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Series 2017 Bonds. In case any Series 2017 Bond shall become mutilated or be lost, stolen or destroyed, the Registrar shall deliver a new Series 2017 Bond of the same series and a like aggregate principal amount, interest rate and maturity in exchange and substitution for and upon cancellation of any such mutilated Series 2017 Bond or in lieu of and in substitution for any such Series 2017 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 2017 Bond lost, stolen or destroyed, upon filing with the Registrar of evidence satisfactory to it that such Series 2017 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 2017 Bonds so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the City. If the mutilated, lost, stolen or destroyed Series 2017 Bond has already matured or such Series 2017 Bond has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Series 2017 Bond prior to payment.

2.05. Appointment of Initial Registrar. The City hereby appoints U.S. Bank National Association, of Salt Lake City, Utah, to act as the Registrar for the Series 2017 Bonds. The City reserves the right to appoint a successor Registrar, but 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 2017 Bonds in its possession as Registrar to the successor Registrar and shall deliver the Bond Register to the successor Registrar.

2.06. Optional Redemption. The Series 2017 Bonds with Stated Maturities in the years 2017 through 2027 are not subject to redemption prior to their Stated Maturities. The Series 2017 Bonds with Stated Maturities on or after July 1, 2028 are subject to redemption on July 1, 2027 and any date thereafter, at the option of the City, in whole or in part, and if in part from such Stated Maturities and in such principal amounts as the City may designate in writing to the Registrar (or, if no designation is made, in inverse order of maturities and within a maturity in \$5,000 principal amounts selected by the Registrar by lot or other manner it deems fair), at a redemption price equal to the principal amount thereof and interest accrued to the Redemption Date, without premium.

The Redemption Date and the principal amount of the Series 2017 Bonds to be redeemed shall be fixed by the City Finance Director who shall give notice thereof to the Registrar at least 35 days prior to the Redemption Date or such lesser period as the Registrar accepts. The Registrar, at least 30 days prior to the designated Redemption Date, shall cause notice of redemption to be mailed, by first class mail, or by other means required by the securities depository, to the Holders of each Series 2017 Bond to be redeemed at their addresses as they appear on the Bond Register, but no defect in or failure to give such notice shall affect the validity of proceedings for the redemption of any Series 2017 Bond not affected by such defect or failure. The notice of redemption shall specify the Redemption Date, redemption price, the numbers, interest rates and CUSIP numbers of the Series 2017 Bonds to be redeemed and the place at which the Series 2017 Bonds are to be surrendered for payment, which is the principal office of the Registrar. Official notice of redemption having been given as aforesaid, the Series 2017 Bonds or portions thereof so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified and from and after such date (unless the City shall default in the payment of the redemption price) such Series 2017 Bonds or portions thereof shall cease to bear interest.

Notwithstanding anything in the Original Resolution or this Supplemental Resolution to the contrary, (i) there may be no optional redemption of any Bonds (including the Series 2017 Bonds) unless all amounts owed National Public Finance Guarantee Corporation (“National”) under the Financial Guaranty Agreement dated as of February 22, 2017 (the “Financial Guaranty Agreement Agreement”) or any other documents have been paid in full by the City and (ii) the Original Resolution and this Supplemental Resolution may not be terminated until National has been paid all amounts owed to it under the terms of the Financial Guaranty Agreement or any other documents.

2.07. Execution and Delivery. The Series 2017 Bonds shall be executed on behalf of the City in accordance with the Original Resolution. When the Series 2017 Bonds have been so executed, they shall be authenticated and registered by the Registrar and delivered to the Underwriter upon payment of the purchase price in accordance with the Bond Purchase Agreement. The Underwriter shall not be obligated to see to the application of the purchase price.

2.08. Securities Depository for the Series 2017 Bonds.

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

“Beneficial Owner” shall mean, whenever used with respect to a Series 2017 Bond of which DTC (as hereinafter defined) or its nominee is the Holder, the Person (or subrogee of the Person) recorded as the beneficial owner of such Series 2017 Bond on the records of the Participant (as hereinafter defined) in whose name DTC holds such Series 2017 Bond.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2017 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 Series 2017 Bonds as securities depository.

“Representation Letter” shall mean the Blanket Issuer Letter of Representations pursuant to which the City agrees to comply with DTC’s Operational Arrangements.

(b) The Series 2017 Bonds shall be initially issued as separately authenticated fully registered Series 2017 Bonds, and one Series 2017 Bond shall be issued in the principal amount of each Stated Maturity of the Series 2017 Bonds. Upon initial issuance, the ownership of all Series 2017 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 Holder of the Series 2017 Bonds registered in its name for the purposes of payment of the principal of or interest on the Series 2017 Bonds, selecting the Series 2017 Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to Holder of Series 2017 Bonds under the Original Resolution or this Supplemental Resolution, registering the transfer of Series 2017 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 2017 Bonds under or through DTC or any Participant, or any other Person which is not shown on the Bond Register as being an Holder, 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 2017 Bonds, with respect to any notice which is permitted or required to be given to Holders under the Original Resolution or this Supplemental 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 2017 Bonds, or with respect to any consent given or other action taken by DTC as Holder of the Series 2017 Bonds. So long as any Series 2017 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 2017 Bond, and shall give all notices with respect to such Series 2017 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 2017 Bonds to the extent of the sum or sums so paid. Unless the services of DTC as securities depository with respect to the Series 2017 Bonds are terminated as provided in subsection (c) hereof, no Person other than DTC shall receive an authenticated Series 2017 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 2017 Bonds will be transferable to such new nominee in accordance with subsection (e) hereof.

(c) In the event the City determines to discontinue the book-entry-only system for the Series 2017 Bonds, the City may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Series 2017 Bonds in the form of certificates. In such event, the Series 2017 Bonds will be transferable in accordance with subsection (e) hereof. DTC may determine to discontinue providing its services with respect to the Series 2017 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 2017 Bonds will be transferable in accordance with subsection (e) hereof.

(d) The Representation Letter sets forth certain matters with respect to, among other things, notices, consents and approvals by Holders and Beneficial Owners and payments on the Series 2017 Bonds. The Registrar shall have the same rights with respect to its actions thereunder as it has with respect to its actions under the Original Resolution and this Supplemental Resolution.

(e) In the event that any transfer or exchange of Series 2017 Bonds is permitted under subsection (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Series 2017 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Original Resolution and this Supplemental Resolution. In the event Series 2017 Bonds in the form of certificates are issued to Holders other than Cede & Co., its successor as nominee for DTC as Holder of all the Series 2017 Bonds, or another securities depository as Holder of all the Series 2017 Bonds, the provisions of the Original Resolution and this Supplemental Resolution shall also apply to all matters relating thereto, including, without limitation, the preparation of such Series 2017 Bonds in the form of Series 2017 Bond certificates and the method of payment of principal of and interest on such Series 2017 Bonds in the form of Series 2017 Bond certificates.

2.09. Form of Series 2017 Bonds. The Series 2017 Bonds shall be prepared in substantially the form set forth in Exhibit C hereto and by this reference is made a part hereof.

Section 3. Security for the Series 2017 Bonds. The Series 2017 Bonds are issued under and pursuant to Sections 6.1 and 6.2 of the Original Resolution and shall, with the Outstanding SRF Bonds and any Additional Bonds hereafter issued, be secured, equally and ratably, by a first lien upon the Net Revenues of the System (the Gross Revenues being subject to the prior appropriation thereof to the Operating Account for the payment of Operating Expenses) and secured by the Reserve Account, without preference or priority of any one Bond over any other by reason of serial number, date of issue, series designation or otherwise, all as provided in the Original Resolution. Upon the issuance of the Series 2017 Bonds, the City Finance Director shall deposit the Surety Bond to the credit of the Reserve Account, following which deposit, amounts in the Reserve Account shall equal the Reserve Requirement with respect to the Outstanding SRF Bonds and the Series 2017 Bonds for the current or any future Fiscal Year. The City shall keep, perform and observe each and every one of its covenants and undertakings set forth in the Original Resolution, as amended and supplemented, and shall cause the 2017 Project to be undertaken and completed expeditiously.

Section 4. Continuing Disclosure.

(a) **Purpose and Beneficiaries.** To provide for the public availability of certain information relating to the Series 2017 Bonds and the security therefor and to permit the Original Purchasers and other participating underwriters in the primary offering of the Series 2017 Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City hereby makes the following covenants and agrees, for the benefit of the Holders (as hereinafter

defined) from time to time of the Series 2017 Bonds, to provide annual reports of specified information and notice of the occurrence of certain events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access system website (“EMMA”), as hereinafter described (the “Disclosure Covenants”).

If the City fails to comply with the Disclosure Covenants, any Person aggrieved thereby, including the Holders of the Series 2017 Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of the Disclosure Covenants, 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 in the Disclosure Covenants, in no event shall a default under this Section 4 constitute a default under the Series 2017 Bonds or under any other provision of the Original Resolution or this Supplemental Resolution.

As used in this Section 4, “Holder” means, in respect of a Series 2017 Bond, the registered owner or owners thereof appearing in the Bond Register 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 in this Section 4, “Beneficial Owner” means, in respect of a Series 2017 Bond, any Person that (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series 2017 Bond (including Persons holding Series 2017 Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the Holder of the Series 2017 Bond for federal income tax purposes.

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

(i) on or before 365 days after the end of each fiscal year of the City, commencing with the fiscal year ending June 30, 2016, 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 a balance sheet as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the System 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 State 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 City Finance Director; and

(B) To the extent not included in the financial statements referred to in paragraph (b)(i)(A) hereof, the information for such fiscal year of the type set forth below, which information may be unaudited:

- (1) updated information regarding any changes in the user rates in a format similar to the table “Sewer Rates” in the final Official Statement dated January 26, 2017 with respect to the Series 2017 Bonds (the “Official Statement”);
- (2) updated information regarding the number of customers served by the System in a format similar to the table “Number of Customers” in the Official Statement;
- (3) a list of the major System users for the then current fiscal year in format similar to the table “Largest Customers” in the Official Statement;
- (4) updated information regarding the average daily flow for the System in a format similar to the table “Sewer Treatment Capacity Requirements” in the Official Statement; and
- (5) updated information regarding maximum daily flow for the System in a format similar to the table “Sewer Peak Daily Demand” in the Official Statement.

Notwithstanding anything in this Section 4 to the contrary, 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, by reference from other documents, including official statements, which have been submitted to the MSRB in the manner set forth in paragraph (c) hereof. The City shall clearly identify in the Disclosure Information in 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 material (as hereinafter defined), 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 the Disclosure Covenants are amended as permitted by paragraph (d) hereof, then the City shall include in the next Disclosure Information to be delivered pursuant to this Section 4, 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.

(ii) In a timely manner not in excess of ten business days, the City will provide notice of the occurrence of any of the following events:

- (A) principal and interest payment delinquencies;
- (B) non-payment related defaults, if material;
- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Series 2017 Bonds or other material events affecting the tax status of the Series 2017 Bonds;
- (G) modifications to rights of holders of the Series 2017 Bonds, if material;
- (H) bond calls, if material, and tender offers;
- (I) defeasances;
- (J) release, substitution or sale of property securing repayment of the Series 2017 Bonds, if material;
- (K) rating changes;
- (L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (M) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (N) appointment of a successor or additional trustee or the change of name of a trustee, if material.

An event is “material” if it is an event 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 2017 Bond or, if not disclosed, would materially alter the total mix of information otherwise available to an investor from the Official Statement or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the

purchase, holding or sale of a Series 2017 Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

(iii) In a timely manner, the City will provide notice of the occurrence of any of the following events or conditions:

(A) the failure of the City to provide the Disclosure Information described under paragraph (b)(i) hereof at the time specified thereunder;

(B) the amendment or supplementing of the Disclosure Covenants pursuant to paragraph (d) hereof, together with a copy of such amendment or supplement and any explanation provided by the City; and

(C) any change in the fiscal year of the City.

(c) Manner of Disclosure. The City agrees to make available the information described in paragraph (b) hereof to the MSRB through EMMA or in a manner as may be otherwise proscribed by the MSRB consistent with the Rule. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(d) Term; Amendments; Interpretation.

(i) The Disclosure Covenants shall remain in effect so long as any Series 2017 Bonds are outstanding.

(ii) Notwithstanding paragraph (d)(i) hereof, the Disclosure Covenants (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 subsection (b)(iii) above) or the consent of the Holder of any Series 2017 Bonds, by a resolution of the Council filed with the City Clerk and 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 the Disclosure Covenants (and the form and requirements of the Disclosure Information), as so amended or supplemented, will comply with paragraph (b)(5) of 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.

(iii) The Disclosure Covenants are entered into to comply with the continuing disclosure provisions of the Rule and should be construed so the undertaking would satisfy the requirements of paragraph (b)(5) of the Rule.

Section 5. Tax Covenants and Certifications.

5.01. Use of 2017 Project. The 2017 Project has been and will continue to be owned and operated by the City and available for use by members of the general public on a substantially

equal basis. The City shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the 2017 Project or security for the payment of the Series 2017 Bonds which might cause the Series 2017 Bonds to be considered “private activity bonds” or “private loan bonds” within the meaning of Section 141 of the Code.

5.02. General Covenant. The City covenants and agrees with the Holders from time to time of the Series 2017 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 2017 Bonds to become includable in gross income for federal income tax purposes under the Code and the Regulations, and covenants to take any and all actions within its powers to ensure that the interest on the Series 2017 Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

5.03. Arbitrage Certification. The Mayor, the City Finance Director and the City Clerk, being the officers of the City charged with the responsibility for issuing the Series 2017 Bonds pursuant to the Original Resolution and this Supplemental Resolution, are authorized and directed to execute and deliver to the Underwriter, certificates 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 2017 Bonds, it is reasonably expected that the proceeds of the Series 2017 Bonds will not be used in a manner that would cause the Series 2017 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and the Regulations.

5.04. Arbitrage Rebate. The City acknowledges that the Series 2017 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 Regulations to preserve the exclusion of interest on the Series 2017 Bonds from gross income for federal income tax purposes, unless the Series 2017 Bonds qualify for the exception from the rebate requirement under Section 148(f)(4)(B) of the Code and no “gross proceeds” of the Series 2017 Bonds (other than amounts constituting a “bona fide debt service fund”) arise during or after the expenditure of the original proceeds thereof. In furtherance of the foregoing, the City Finance Director is hereby authorized and directed to execute a Rebate Certificate, substantially in the form to be prepared by Bond Counsel, and the City hereby covenants and agrees to observe and perform the covenants and agreements contained therein, unless amended or terminated in accordance with the provisions thereof.

5.05. Information Reporting. The City shall file with the Secretary of the Treasury, not later than May 15, 2017, a statement concerning the Series 2017 Bonds containing the information required by Section 149(e) of the Code.

Section 6. Certification of Proceedings.

The officers of the City are hereby authorized and directed to prepare and furnish to the Original Purchaser and to Dorsey & Whitney LLP, Bond Counsel, certified copies of all proceedings and records of the City, and such other affidavits, certificates and information as may be required to show the facts relating to the legality and marketability of the Series 2017

Bonds as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall be deemed representations of the City as to the facts recited therein.

Section 7. Repeals and Effective Date.

7.01. Repeal. All provisions of other resolutions and other actions and proceedings of the City and this Council that are in any way inconsistent with the terms and provisions of this Supplemental Resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this Supplemental Resolution.

7.02. Effective Date. This Supplemental Resolution shall take effect immediately upon its passage and adoption by this Council.

PASSED AND ADOPTED by the City Council of the City of Billings, Montana, this 13th day of February, 2017.

By: Thomas W. Hanel
Thomas W. Hanel, Mayor

Attest: Denise R. Bahlman
Denise R. Bahlman, City Clerk

(SEAL)



EXHIBIT A

2017 Project

The 2017 Project consists of various improvements and upgrades to the System, particularly to the City's sewer treatment plant, designed to reduce nutrients in treated wastewater; to meet more stringent sewer discharge requirements imposed by the United States Environmental Protection Agency and the Montana Department of Environmental Quality; to increase the plant's capacity; and to repair or replace existing System facilities.

EXHIBIT B

[FORM OF FINANCIAL GUARANTY AGREEMENT]

FINANCIAL GUARANTY AGREEMENT

FINANCIAL GUARANTY AGREEMENT made as of February 22, 2017, by and between City of Billings, Montana (the "Issuer") and National Public Finance Guarantee Corporation (the "Insurer"), organized under the laws of the state of New York.

WITNESSETH:

WHEREAS, the Issuer has or will issue the Obligations; and

WHEREAS, pursuant to the terms of the Document the Issuer agrees to make certain payments on the Covered Obligations; and

WHEREAS, the Insurer will issue its Surety Bond, substantially in the form set forth in Annex A to this Agreement, guaranteeing certain payments by the Issuer subject to the terms and limitations of the Surety Bond; and

WHEREAS, to induce the Insurer to issue the Surety Bond, the Issuer has agreed to pay the Premium for the Surety Bond and to reimburse the Insurer for all payments made by the Insurer under the Surety Bond, all as more fully set forth in this Agreement; and

WHEREAS, the Issuer understands that the Insurer expressly requires the delivery of this Agreement as part of the consideration for the execution by the Insurer of the Surety Bond; and

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Surety Bond, the Issuer and the Insurer agree as follows:

ARTICLE I DEFINITIONS; SURETY BOND

Section 1.01. Definitions. The terms which are capitalized herein shall have the meanings specified in Annex B hereto.

Section 1.02. Surety Bond.

(a) The Insurer will issue the Surety Bond in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of the Insurer under the Surety Bond and the coverage and term thereof shall be subject to and limited by the terms and conditions of the Surety Bond.

Section 1.03. Premium. In consideration of the Insurer agreeing to issue the Surety Bond hereunder, the Issuer hereby agrees to pay or cause to be paid the Premium set forth in Annex B hereto. The Premium on the Surety Bond is not refundable for any reason.

Section 1.04. Certain Other Expenses. The Issuer will pay all reasonable fees and disbursements of the Insurer's special counsel related to any modification of this Agreement or the Surety Bond after the date hereof.

ARTICLE II REIMBURSEMENT AND INDEMNIFICATION OBLIGATIONS OF ISSUER AND SECURITY THEREFOR

Section 2.01. Reimbursement for Payments Under the Surety Bond and Expenses; Indemnification.

(a) The Issuer will reimburse the Insurer, within the Reimbursement Period, without demand or notice by the Insurer to the Issuer or any other person, to the extent of each Surety Bond Payment with interest on each Surety Bond Payment from and including the date made to the date of the reimbursement at the lesser of the Reimbursement Rate or the maximum rate of interest permitted by then applicable law.

(b) The Issuer also agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by State law, for all reasonable expenses incurred by the Insurer in connection with the Surety Bond and the enforcement by the Insurer of the Issuer's obligations under this Agreement, the Document, and any other document executed in connection with the issuance of the Obligations, together with interest on all such expenses from and including the date incurred to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

(c) The Issuer agrees to indemnify the Insurer, to the extent permitted by State law, against any and all liability, claims, loss, costs, damages, fees of attorneys and other expenses which the Insurer may sustain or incur by reason of or in consequence of (i) the failure of the Issuer to perform or comply with the covenants or conditions of this Agreement or (ii) reliance by the Insurer upon representations made by the Issuer or (iii) a default by the Issuer under the terms of the Document or any other documents executed in connection with the issuance of the Obligations.

(d) The Issuer agrees that all amounts owing to the Insurer pursuant to Section 1.03 hereof and this Section 2.01 must be paid in full prior to any optional redemption or refunding of the Obligations.

(e) All payments made to the Insurer under this Agreement shall be paid in lawful currency of the United States in immediately available funds at the Insurer's office at 1 Manhattanville Road, Suite 301, Purchase, New York 10577, Attention: Portfolio Surveillance Group, or at such other place as shall be designated by the Insurer.

Section 2.02. Allocation of Payments. The Insurer and the Issuer hereby agree that each payment received by the Insurer from or on behalf of the Issuer as a reimbursement to the Insurer as required by Section 2.01 hereof shall be applied by the Insurer first, toward payment of any unpaid Premium; second, toward repayment of the aggregate Surety Bond Payments made by the Insurer and not yet repaid, payment of which will reinstate all or a portion of the Surety Bond Coverage to the extent of such repayment (but not to exceed the Surety Bond Limit); and third, upon full reinstatement of the Surety Bond Coverage to the Surety Bond Limit, toward other amounts, including, without limitation, any interest payable with respect to any Surety Bond Payments then due to the Insurer.

Section 2.03. Security for Payments; Instruments of Further Assurance. To the extent, but only to the extent, that the Document, or any related indenture, trust agreement, ordinance, resolution, mortgage, security agreement or similar instrument, if any, pledges to the Owners or any trustee therefor, or grants a security interest or lien in or on any collateral, property, revenue or other payments ("Collateral and Revenues") in order to secure the Obligations or provide a source of payment for the Obligations, the Issuer hereby grants to the Insurer a security interest in or lien on, as the case may be, and pledges to the Insurer all such Collateral and Revenues as security for payment of all amounts due to the Insurer hereunder and under the Document or any other document executed in connection with the issuance of the Obligations, which security interest, lien and/or pledge created or granted under this Section 2.03 shall be subordinate only to the interests of the Owners and any trustee therefor in such Collateral and Revenues, except as otherwise provided. The Issuer agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all financing statements, if applicable, and all other further instruments as may be required by law or as shall reasonably be requested by the Insurer for the perfection of the security interest, if any, granted under this Section 2.03 and for the preservation and protection of all rights of the Insurer under this Section 2.03.

Section 2.04. Unconditional Obligation. The obligations hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, subject to the limitations of the Document, irrespective of:

(a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to the Covered Obligations, the Document or any other document executed in connection with the issuance of the Covered Obligations; or

- (b) any exchange, release or nonperfection of any security interest in property securing the Covered Obligations or this Agreement or any obligations hereunder; or
- (c) any circumstances that might otherwise constitute a defense available to, or discharge of, the Issuer with respect to the Covered Obligations, the Document or any other document executed in connection with the issuance of the Covered Obligations; or
- (d) whether or not such obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated.

Notwithstanding anything in this Agreement to the contrary, the Covered Obligations and all amounts due to the Issuer hereunder and under the Surety Bond shall be special, limited obligations of the Issuer payable solely from Net Revenues (as defined in the Document). The Covered Obligations and all amounts due to the Issuer hereunder and under the Surety Bond shall not be or constitute a pledge of the general credit or taxing powers of the Issuer of any kind whatsoever. Neither of the Covered Obligations nor any of the agreements or obligations of the Issuer contained herein and in the Surety Bond shall be construed to constitute an indebtedness of the State or the Issuer within the meaning of any constitutional or statutory provisions whatsoever.

Section 2.05. Insurer's Rights. The Issuer shall repay the Insurer to the extent of payments made and expenses incurred by the Issuer in connection with the Obligations and this Agreement. The obligation of the Issuer to repay such amounts shall be subordinate only to the rights of the Owners to receive regularly scheduled principal and interest on the Covered Obligations.

Section 2.06. On-Going Information Obligations of Issuer.

- (a) Annual Reports. The Issuer will provide to the Insurer annual financial statements audited by an independent certified public accountant within 365 days of the end of each fiscal year;
- (b) Access to Facilities, Books and Records. The Issuer will grant the Insurer reasonable access to the project financed by the Obligations and will make available to the Insurer, at reasonable times and upon reasonable notice all books and records relative to the project financed by the Obligations; and
- (c) Compliance Certificate. On an annual basis the Issuer will provide to the Insurer a certificate confirming compliance with all covenants and obligations hereunder and under the Document or any other document executed in connection with the issuance of the Obligations.

ARTICLE III AMENDMENTS TO DOCUMENT

So long as this Agreement is in effect and except as set forth in Section 9.1 of the Document, the Issuer agrees that it will not agree to amend the Document or any other document executed in connection with the issuance of the Obligations, without the prior written consent of the Insurer.

ARTICLE IV EVENTS OF DEFAULT; REMEDIES

Section 4.01. Events of Default. The following events shall constitute Events of Default hereunder:

- (a) The Issuer shall fail to pay to the Insurer when due any amount payable under Sections 1.03; or
- (b) The Issuer shall fail to pay to the Insurer any amount payable under Sections 1.04 and 2.01 hereof and such failure shall have continued for a period in excess of the Reimbursement Period; or
- (c) Any material representation or warranty made by the Issuer under the Document or hereunder or any statement in the application for the Surety Bond or any report, certificate, financial statement, document or other instrument provided in connection with the Commitment, the Surety Bond, the Obligations, or herewith shall have been materially false at the time when made; or
- (d) Except as otherwise provided in this Section 4.01, the Issuer shall fail to perform any of its other obligations under the Document, or any other document executed in connection with the issuance of the Obligations, or hereunder, provided that such failure continues for more than 30 days after receipt by the Issuer of written notice of such failure to perform; or

(e) The Issuer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(f) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Issuer, or of a substantial part of its property, under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Issuer or for a substantial part of its property; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days.

Section 4.02. Remedies. If an Event of Default shall occur and be continuing, then the Insurer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or to enforce performance of any obligation of the Issuer to the Insurer under the Document or any related instrument, and any obligation, agreement or covenant of the Issuer under this Agreement; provided, however, that the Insurer may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. In addition, if an Event of Default shall occur due to the failure to pay to the Insurer the amounts due under Section 1.03 hereof, the Insurer shall have the right to cancel the Surety Bond in accordance with its terms. All rights and remedies of the Insurer under this Section 4.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

ARTICLE V SETTLEMENT

The Insurer shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against the Insurer, the Issuer or any other party on the Surety Bond shall or shall not be paid, compromised, resisted, defended, tried or appealed, and the Insurer's decision thereon, if made in good faith, shall be final and binding upon the Insurer, the Issuer and any other party on the Surety Bond. An itemized statement of payments made by the Insurer, certified by an officer of the Insurer, or the voucher or vouchers for such payments, shall be *prima facie* evidence of the liability of the Issuer, and if the Issuer fails to immediately reimburse the Insurer upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by the Insurer at the rate set forth in subsection (a) of Section 2.01 hereof.

ARTICLE VI MISCELLANEOUS

Section 6.01. Interest Computations. All computations of interest due hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 6.02. Exercise of Rights. No failure or delay on the part of the Insurer to exercise any right, power or privilege under this Agreement and no course of dealing between the Insurer and the Issuer or any other party shall operate as a waiver of any such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Insurer would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 6.03. Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Issuer and the Insurer. Upon the written request of the Issuer, the Insurer may make or consent to issue any substitute for the Surety Bond to cure any ambiguity or formal defect or omission in the Surety Bond which does not materially change the terms of the Surety Bond nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted surety bond. The Insurer agrees to deliver to the Issuer and to the company or companies, if any, rating the Obligations, a copy of such substituted surety bond.

Section 6.04. Successors and Assigns; Descriptive Headings.

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Issuer and the Insurer and their respective successors and assigns; provided, that the Issuer may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of the Insurer.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 6.05. Other Sureties. If the Insurer shall procure any other surety to reinsure the Surety Bond, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Issuer to enforce this Agreement, and "the Insurer," wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

Section 6.06. Signature on Bond. The Issuer's liability shall not be affected by its failure to sign the Surety Bond nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

Section 6.07. Waiver. The Issuer waives any defense that this Agreement was executed subsequent to the date of the Surety Bond, admitting and covenanting that such Surety Bond was executed pursuant to the Issuer's request and in reliance on the Issuer's promise to execute this Agreement.

Section 6.08. Notices, Requests, Demands. Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as any of the parties may hereafter specify in writing to the others:

If to the Issuer:

City of Billings
210 North 27th Street
Billings, Montana 59103
Attention: Mayor

If to the Insurer:

National Public Finance Guarantee Corporation
1 Manhattanville Road, Suite 301
Purchase, New York 10577
Attention: Portfolio Surveillance Group

Section 6.09. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Surety Bond.

Section 6.10. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

Section 6.11. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Issuer and the Insurer.

Section 6.12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 6.13. Survival of Obligations. Notwithstanding anything to the contrary contained in this Agreement, the obligation of the Issuer to pay all amounts due hereunder and the rights of the Insurer to pursue all remedies shall survive the expiration, termination or substitution of the Surety Bond and this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

City of Billings, Montana

By: _____

Title: _____

**National Public Finance
Guarantee Corporation**

President _____

Attest: _____
Secretary

ANNEX A
DEBT SERVICE RESERVE
SURETY BOND
National Public Finance Guarantee Corporation
Purchase, New York 10577

Surety Bond No. NP1405110

National Public Finance Guarantee Corporation (the "Insurer"), in consideration of the payment of the Premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payment of principal of and interest on the Covered Obligations (as hereinafter defined) that are required to be made by or on behalf of City of Billings (the "Issuer") under resolutions adopted by the City Council of the City on or about February 13, 2017 pursuant to the Constitution and laws of the State of Montana, including Montana Code Annotated, Title 7, Chapter 13, Parts 43 and 44 and Title 7, Chapter 7, Parts 44 and 45, as amended (the "Document"), as such payments are due but shall not be so paid, provided that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed \$3,885,885 (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Issuer under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein. The term "Obligations" means \$56,505,000 City of Billings, Montana, Sewer System Revenue Bonds, Series 2017. The term "Parity Obligations" mean any Bonds (as defined in the Document) heretofore or hereafter issued and payable on a parity as to both principal and interest with the Obligations. The term "Covered Obligations" means the Obligations and the Parity Obligations. 1. As used herein, the term "Owner" shall mean the registered owner of any Covered Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Issuer ; or (ii) the payment date of the Covered Obligations as specified in the Demand for Payment presented by the Issuer to the Insurer, the Insurer will make a deposit of funds in an account or accounts directed by the Issuer in the Demand for Payment, sufficient for the payment , of amounts that are then due on the Covered Obligations (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by written or electronic delivery of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Issuer, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Issuer may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Issuer is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the Issuer (the "Financial Guaranty Agreement"); provided, that no Premium is due and unpaid on this Surety Bond and that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Issuer, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Issuer will be substantially in the form attached hereto as Attachment 2.

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire on the earlier of (i) July 1, 2036 (the maturity date of the Obligations), or (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The Premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. Any suit hereunder in connection with any payment may be brought only by the Issuer within one year after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such

payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Issuer to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

9. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.
10. Capitalized terms used herein but not otherwise defined shall have the respective meanings given such terms in the Financial Guaranty Agreement.

In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this 22nd day of February, 2017.

**National Public Finance
Guarantee Corporation**

President

Attest:

Secretary

DEMAND FOR PAYMENT

_____, 20____

National Public Finance Guarantee Corporation
1 Manhattanville Road, Suite 301
Purchase, New York 10577

Attention: President

RE: Debt Service Reserve Fund City of Billings Covered Obligations

Reference is made to Policy No. NP1405110 (the "Policy") issued by the National Public Finance Guarantee Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Policy unless the context otherwise requires.

The Issuer hereby certifies that:

- (a) In accordance with the provisions of the Document (attached hereto as Exhibit A), payment is due to the Owners of the Covered Obligations on _____ (the "Due Date") in an amount equal to \$ _____ (the "Full Amount Due to Owners").
- (b) The amounts legally available to the Issuer on the Due Date will be \$ _____ less than the Amount Due ("Available Funds").
- (c) The short fall between the Full Amount Due to Owners and Available Funds will be \$ _____ (the "Deficiency"). (a-b=c)

The Issuer hereby requests that payment of the Deficiency be made by the Insurer under the Policy and directs that payment under the Policy be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Policy:

[ISSUER'S ACCOUNT INFORMATION]

Bank Name:

ABA #:

G.L. Account No #:

FFC TAS #:

Ref:

Attn: Name/Phone number

Beneficiary Address:

[Name of Bank]

[Street Address]

[City, State Zip]

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

City of Billings, Montana

By _____

Its _____

Attachment 2
Surety Bond No. NP1405110

NOTICE OF REINSTATEMENT

_____, 20____

City of Billings
Billings, Montana

Reference is made to the Surety Bond No. NP1405110 (the "Surety Bond") issued by the National Public Finance Guarantee Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Insurer hereby delivers notice that it is in receipt of payment from the Issuer pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is \$ 3,885,885.

**National Public Finance
Guarantee Corporation**

President

Attest: _____
Secretary

ANNEX B

DEFINITIONS

For all purposes of this Agreement and the Surety Bond, except as otherwise expressly provided herein or unless the context otherwise requires, all capitalized terms shall have the meaning as set out below, which shall be equally applicable to both the singular and plural forms of such terms.

"Agreement" means this Financial Guaranty Agreement.

"Closing Date" means February 22, 2017.

"Commitment" means the commitment to issue Debt Service Reserve Surety Bond in the form attached hereto as Annex C.

"Covered Obligations" means the Obligations and the Parity Obligations.

"Debt Service Payments" means those payments required to be made by or on behalf of the Issuer which will be applied to payment of principal of and interest on the Covered Obligations.

"Demand for Payment" means the certificate submitted to the Insurer for payment under the Surety Bond substantially in the form attached to the Surety Bond as Attachment 1.

"Document" means resolutions adopted by the City Council of the City on or about February 13, 2017 pursuant to the Constitution and laws of the State of Montana, including Montana Code Annotated, Title 7, Chapter 13, Parts 43 and 44 and Title 7, Chapter 7, Parts 44 and 45, as amended.

"Event of Default" shall mean those events of default set forth in Section 4.01 of the Agreement.

"Insurer" has the same meaning as set forth in the first paragraph of this Agreement.

"Issuer" means City of Billings, Montana.

"Obligations" means \$56,505,000 City of Billings, Montana, Sewer System Revenue Bonds, Series 2017.

"Owners" means the registered owner of any Covered Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose.

"Parity Obligations" mean any Bonds (as defined in the Document) heretofore or hereafter issued and payable on a parity as to both principal and interest with the Obligations.

"Premium" means \$62,174.16 payable to the Insurer on or prior to the Closing Date.

"Reimbursement Period" means the period commencing on the date of a Surety Bond Payment and ending on the earlier of the date of cancellation of the Surety Bond due to nonpayment of Premium when due or on the expiration of 360 days following such Surety Bond Payment.

"Reimbursement Rate" means Citibank's prime rate plus three (3) percent per annum, as of the date of such Surety Bond Payment, said "prime rate" being the rate of interest announced from time to time by Citibank, N.A., New York, New York, as its prime rate. The rate of interest shall be calculated on the basis of the actual number of days elapsed over a 360-day year.

"State" means Montana.

"Surety Bond" means that surety bond attached hereto as Annex A and issued by the Insurer guaranteeing, subject to the terms and limitations thereof, Debt Service Payments required to be made by the Issuer under the Document.

"Surety Bond Coverage" means the amount available at any particular time to be paid under the terms of the Surety Bond, which amount shall never exceed the Surety Bond Limit.

"Surety Bond Limit" means \$3,885,885.

"Surety Bond Payment" means an amount equal to the Debt Service Payment required to be made by the Issuer pursuant to the Document less (i) that portion of the Debt Service Payment paid by or on behalf of the Issuer, and (ii) other funds legally available for payment to the Owners, all as certified in a Demand for Payment.

EXHIBIT C

[FORM OF SERIES 2017 BOND]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF YELLOWSTONE

CITY OF BILLINGS

SEWER SYSTEM REVENUE BOND SERIES 2017

No. R-_____ \$ _____

<u>Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
%	July 1,	February 22, 2017	090132

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS AND NO/100

FOR VALUE RECEIVED, THE CITY OF BILLINGS, MONTANA (the "City"), 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 registered owner named above, or registered assigns, solely from the Revenue Bond Account of its Sewer System Fund, the principal amount specified above on the maturity date specified above or, if this Bond is prepayable as stated herein, on any date prior thereto on which this Bond shall have been duly called for redemption, with interest thereon from the Date of Original Issue set forth above or from such later date to which interest has been paid or duly provided for at the rate specified above. Principal of this Bond is payable upon presentation and surrender hereof to U.S. Bank National Association, of Salt Lake City, Utah, as registrar, transfer agent and paying agent, or its successor designated under the Resolution described herein (the "Registrar") at its operations center in St. Paul, Minnesota. The interest on this Bond shall be payable on January 1 and July 1 in each year, commencing July 1, 2017. Interest on the Series 2017 Bonds shall be payable to the owners of record thereof as such appear on the Bond Register as of the close of business on the 15th day of the month immediately preceding each interest payment date, whether or not such day is a Business Day. Interest on, and upon presentation and surrender thereof, the principal of this Bond shall be payable by check or draft issued by the Registrar described herein. Upon notice to the Registrar delivered not less than 15 days before the applicable payment date, accompanied by proper wire transfer instruction and payment of any fees imposed by the Registrar, any Holder of Series 2017 Bonds in an aggregate principal amount equal to or greater than \$1,000,000 may elect to be paid installments of principal of, premium, if any, and interest on the Series 2017 Bonds payable on the applicable payment date by Federal Reserve wire transfer in immediately available funds to any bank in the United States specified by such holder which is a member of the Federal

Reserve system. The principal of and interest on this Bond are payable in lawful money of the United States of America. Interest shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each.

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 an issue of Sewer System Revenue Bonds of the City authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$56,505,000 (the "Series 2017 Bonds"). The Series 2017 Bonds are issued to finance costs of construction of certain improvements to the sewer system of the City (the "System"), to pay the premium of a Surety Bond for deposit in the Reserve Account and to pay costs of issuance of the Series 2017 Bonds. The Series 2017 Bonds are 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 Resolution No. [] (the "Original Resolution"), adopted by the City Council on February 13, 2017, as amended and supplemented by Resolution No. [], adopted February 13, 2017 (as so amended and supplemented and as hereafter amended and supplemented in accordance with its terms, 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 Series 2017 Bonds and the City and the terms upon which the Series 2017 Bonds are to be issued and delivered. Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. As provided in the Resolution, the Series 2017 Bonds are issuable in series which may vary as in the Resolution provided or permitted. The Series 2017 Bonds are issuable as a series, all of like date of original issue and tenor except as to serial number, denomination, date, interest rate, maturity date and redemption privilege. The Series 2017 Bonds are issued on a parity and are equally and ratably secured by Net Revenues of the System with the City's outstanding Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2005, Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2008, Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009B, Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009C, Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010B, Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010C, and Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2013 (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 Series 2017 Bonds have 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 and the Series 2017 Bonds (collectively, the "Bonds") or

otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the City, and the rights of the owners of the Series 2017 Bonds.

The Series 2017 Bonds with stated maturities in the years 2017 through 2027 are not subject to redemption prior to their stated maturities. The Series 2017 Bonds with stated maturities on or after July 1, 2028 are subject to redemption on July 1, 2027 and any date thereafter, at the option of the City, in whole or in part, and if in part from such stated maturities and in such principal amounts as the City may designate in writing to the Registrar (or, if no designation is made, in inverse order of maturities and within a maturity in \$5,000 principal amounts selected by the Registrar by lot or other manner it deems fair), at a redemption price equal to the principal amount thereof and interest accrued to the Redemption Date, without premium.

As provided in the Resolution and subject to certain limitations set forth therein, this Series 2017 Bond is transferable upon the books of the City at the principal office of the Registrar, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his attorney; and may also be surrendered in exchange for Series 2017 Bonds of other authorized denominations. Upon any such transfer or exchange, the City will cause a new Series 2017 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 Series 2017 Bonds, 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 City within the meaning of any constitutional or statutory limitation or provision.

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

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the City will forthwith construct and complete the improvements to the System hereinabove described; 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 Sewer System Fund into which the gross revenues of the System will be paid, and a separate and special Revenue Bond Account in the Sewer 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 one-twelfth of the interest and principal to become due within the next twelve months with respect to all Bonds payable from the Revenue Bond Account; that the City has created a Reserve Account in the Sewer 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 the current or 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 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 City to be done, to exist, to happen and to be performed in order to make this Bond a valid and binding special obligation of the City 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 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 Series 2017 Bonds 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 City to be affixed hereto, and has caused this Bond to be dated as of the 22nd day of February, 2017.

CITY OF BILLINGS, MONTANA

(Facsimile Signature)
MAYOR

(Facsimile Seal)

(Facsimile Signature)
CITY FINANCE DIRECTOR

(Facsimile Signature)
CITY CLERK

Dated:

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the Resolution mentioned herein.

U.S. BANK NATIONAL ASSOCIATION,
as Registrar, Transfer Agent, and
Paying Agent

By _____
Authorized Signature

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	under Uniform Gifts to
JT TEN -- as joint tenants with right of survivorship and not as tenants in common	Minor Act..... (State)

Additional abbreviations may also be used.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____
the within Bond and all rights 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.

Dated: _____

PLEASE INSERT SOCIAL SECURITY
OR OTHER IDENTIFYING NUMBER
OF ASSIGNEE:

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

SIGNATURE GUARANTEED

Signature(s) must be guaranteed by an
"eligible guarantor institution" meeting
the requirements of the Registrar,
which requirements include membership
or participation in STAMP or such other
"signature guaranty program" as may be
determined by the Registrar in
addition to or in substitution for STAMP,
all in accordance with the Securities
Exchange Act of 1934, as amended.