

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Billings, Montana (the "City"), hereby certify that the attached resolution is a true copy of a Resolution entitled: "RESOLUTION RELATING TO \$700,000 POOLED SPECIAL IMPROVEMENT DISTRICT BOND ANTICIPATION NOTES, SERIES 2011 (SPECIAL IMPROVEMENT DISTRICT NOS. 1369 AND 1391); FIXING THE FORM AND DETAILS AND PROVIDING FOR THE EXECUTION AND DELIVERY THEREOF AND SECURITY THEREFOR" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Council of the City at a regular meeting on June 27, 2011, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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: Ronquillo, Gaghen, Pitman, Cimmino, McFadden, Ruegamer, McCall, Ulledalen, Astle and Clark; voted against the same: none; abstained from voting thereon none; or were absent: none.

WITNESS my hand and seal officially this 27th day of June, 2011.

(SEAL)



Cari Martin
Cari Martin, City Clerk

RESOLUTION NO. 11-19071

RESOLUTION RELATING TO \$700,000 POOLED SPECIAL IMPROVEMENT DISTRICT BOND ANTICIPATION NOTES, SERIES 2011 (SPECIAL IMPROVEMENT DISTRICT NOS. 1369 AND 1391); FIXING THE FORM AND DETAILS AND PROVIDING FOR THE EXECUTION AND DELIVERY THEREOF AND SECURITY THEREFOR

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

Section 1. Recitals. It is hereby found, determined and declared as follows:

1.01. Resolutions of Intention. By Resolution No. 11-19027, duly adopted by the Council on February 14, 2011, and Resolution No. 10-18960, duly adopted by the Council on June 28, 2010 (together, the “Resolutions of Intention”), this Council declared its intention to create Special Improvement District No. 1369 (Moore Lane) (“SID No. 1369”) and Special Improvement District No. 1391 (Lynn Avenue) (“SID No. 1391”), respectively (together, the “Districts”), for the purpose of financing costs of certain public improvements of special benefit to the properties within the Districts. Each of the Resolutions of Intention designated the number of the District, described the boundaries thereof, stated whether the District was an extended district and stated the general character of the improvements to be made (collectively, the “Improvements”) and an approximate estimate of the costs thereof, in accordance with the provisions of Montana Code Annotated, Title 7, Chapter 12, Parts 41 and 42, as amended (the “Act”). By each Resolution of Intention this Council also declared its intention to cause the cost and expense of making the Improvements specially benefiting a District to be assessed against the properties included within the boundaries thereof in accordance with one or more methods of assessment authorized in Montana Code Annotated, Sections 7-12-4161 to 7-12-4165 and as set forth in each Resolution of Intention.

In the Resolutions of Intention, this Council further found that it is in the public interest, and in the best interest of the City and the Districts, to secure payment of principal of and interest on the Definitive Bonds (as hereinafter defined) by the Special Improvement District Revolving Fund of the City (the “Revolving Fund”), on the basis of factors required to be considered under Section 7-12-4225 of the Act. Those findings are hereby ratified and confirmed.

1.02. Notices. Notices of the passage of each of the Resolutions of Intention were given by two publications, with at least six days between publications, in the *Billings Times*, a weekly newspaper of general circulation published within the City. Notices of the passage of each of the Resolutions of Intention were also mailed the same day the notice was first published to all persons, firms or corporations or the agents thereof having real property within each District, listed in their names upon the last completed assessment roll for State, county and school district taxes, at their last known addresses. The notices for each District described the general character of the Improvements, stated the estimated cost of the Improvements and the method or methods

of assessment of such costs against properties in each District, specified the time when and the place where the Council would hear and pass upon all protests made against the making of the Improvements or the creation or extension of such District, and referred to the appropriate Resolutions of Intention as being on file in the office of the City Clerk for a description of the boundaries of the District, all in accordance with the provisions of each Resolution of Intention, and included a statement that, subject to the limitations of Section 7-12-4222 of the Act, the general fund of the City may be used to provide loans to the revolving fund or a general tax levy may be imposed on all taxable property in the City to meet the financial requirements of the revolving fund.

1.03. Creation of Districts. At the times and places specified in the notices hereinabove described, this Council met to hear, consider and pass upon all protests made against the making of the Improvements and the creation of each of the Districts, and, after consideration thereof, it was determined and declared that insufficient protests against the creation of each of the Districts or the proposed work had been filed in the time and manner provided by law by the owners of the property to be assessed for the Improvements in the respective Districts, and this Council did therefore by Resolution No. 11-19040, adopted March 14, 2011, and Resolution No. 10-18972, adopted July 26, 2010, create SID No. 1369 and SID No. 1391, respectively, and order the proposed Improvements in each District in accordance with the applicable Resolution of Intention.

1.04. Costs. It is currently estimated that the costs and expenses connected with and incidental to the formation of the Districts, including costs of preparation of plans, specifications, maps, profiles, engineering superintendence and inspection, preparation of assessment rolls, expenses of making the assessments, the cost of work and materials under the construction contracts and all other costs and expenses, including the deposit of proceeds in the Revolving Fund, are \$1,327,333.77, of which \$1,177,956.90 is attributable to SID No. 1369 and \$149,376.87 is attributable to SID No. 1391. After deducting amounts contributed by the City for the Improvements and prepayments of Improvements by certain property owners within the Districts, the aggregate principal amount required to finance the construction of the Improvements is \$700,000, of which \$595,999.47 shall be allocated to SID No. 1369 and \$104,000.53 shall be allocated to SID No. 1391, as shown in the table below:

	SID 1369	SID 1391	TOTAL
Total Project Costs	1,177,956.90	149,376.87	1,327,333.77
Less City Contribution	(419,804.17)	(39,131.35)	(458,935.52)
Less Prepays	(259,230.60)	(23,184.76)	(282,415.36)
Project Costs	498,922.13	87,060.76	585,982.89
Bond Costs	97,077.34	16,939.77	114,017.11
Total Cost	595,999.47	104,000.53	700,000.00

1.05. Definitive Bonds. By Resolution No. 11-19061, duly adopted by the Council on June 13, 2011 and pursuant to Montana Code Annotated, Section 7-12-4204, this Council determined that it is in the best interests of the City to sell its Pooled Special Improvement District Bonds, Series 2011 (Special Improvement District Nos. 1369 and 1391) in an aggregate principal amount not to exceed \$1,446,000 (the “Definitive Bonds”) at a private negotiated sale.

Piper Jaffray & Co., of Helena, Montana, and Denver, Colorado, has stated its intention to underwrite the sale of the Definitive Bonds, subject to certain terms and conditions, however the sale cannot be accomplished in the timeframe desired to proceed with the construction of the Improvements and the City's Financial Services Manager has recommended that the City issue bond anticipation notes in anticipation of the issuance of the Definitive Bonds.

Section 2. Sale and Issuance of Series 2011 Note.

2.01. Sale and Authorization of Series 2011 Note. In anticipation of the issuance of the Definitive Bonds, and in order to provide interim financing for the construction of the Improvements, this Council determines that it is necessary and desirable that the City issue up to \$700,000 in aggregate principal amount of Pooled Special Improvement District Bond Anticipation Note, Series 2011 (Special Improvement District Nos. 1369 and 1391) (the "Series 2011 Note").

2.02. Board of Investments INTERCAP Program. Pursuant to Montana Code Annotated, Section 2-15-1808 and Title 17, Chapter 5, Part 16, as amended (the "INTERCAP Act"), and in accordance with the Indenture of Trust and Supplemental Indentures of Trust, of various dates (hereafter the "Indenture"), between the Board of Investments and U.S. Bank National Association (formerly known as First Trust Company of Montana National Association), as trustee (with any successor trustee thereunder, the "Trustee"), the Board of Investments has established its INTERCAP Revolving Loan Program (the "INTERCAP Program") pursuant to which the Board of Investments will issue, from time to time, its Annual Adjustable Rate Tender Option Municipal Finance Consolidation Act Bonds (INTERCAP Revolving Program) (the "INTERCAP Bonds"), for the purpose of making loans to eligible government units to finance or refinance the acquisition and installation of equipment and personal and real property improvements, to provide temporary financing of projects, or for other authorized purposes of an eligible government unit. All INTERCAP Bonds issued under the Indenture are secured equally and ratably thereunder and bear interest at a rate that is adjustable annually, effective for the period commencing on each February 16 and ending on the next succeeding February 15th. Pursuant to the INTERCAP Act, the City is authorized to sell the Series 2011 Note to the Board of Investments.

2.03. Authorization. Pursuant to the foregoing authority, the City authorizes the sale of the Series 2011 Note to the Board of Investments, subject to the terms set forth in this Resolution. The Board of Investments will fund its purchase of the Series 2011 Note from the proceeds of a series of INTERCAP Bonds or from loan repayments made by borrowers with respect to loans funded from such proceeds under the INTERCAP Program.

Section 3. The Series 2011 Note.

3.01. Maturity Date. The Series 2011 Note shall bear a Maturity Date of September 1, 2011.

3.02. Disbursements, Maturities, Denominations, Date and Interest Rates. To obtain a disbursement of principal of the Series 2011 Note to pay costs of the Improvements and incidental costs, the City shall submit to the Board of Investments a signed request for

disbursement on a form prescribed by the Board of Investments. The City may obtain disbursements only for costs that have been legally incurred. The Series 2011 Note shall be in the maximum principal amount of \$700,000, payable solely from the Note Account. The Series 2011 Note shall be issued as a fully registered note numbered No. R-1, and shall be dated, as originally issued, and registered as of the date of delivery to the Board of Investments. Principal of the Series 2011 Note shall bear interest from the date each amount of principal is advanced at the rate per annum equal to the Variable Rate (as hereinafter defined), as determined from time to time, until paid. Interest shall be payable at maturity or earlier redemption as provided herein to the owners of record of the Series 2011 Note as such appear on the note register on the first day of the month preceding the date of payment, whether or not such day is a Business Day (as hereinafter defined).

For purposes of this Resolution, "Variable Rate" shall mean, until the initial Adjustment Date (as hereinafter defined) or shorter period of time until the Series 2011 Note is discharged in full, one and ninety-five hundredths percent (1.95%) per annum. Thereafter, for each Adjustment Period (as hereinafter defined) or shorter period of time until the Series 2011 Note is discharged in full, the Variable Rate shall be an annual interest rate specified by the Trustee and calculated as provided under the Indenture, which rate generally shall be equal to the sum of (i) the interest rate on the INTERCAP Bonds during such period which interest rate may not exceed fifteen percent (15%) per annum plus (ii) a rate, not to exceed one and one-half percent (1.50%) per annum, sufficient to produce the amount necessary to pay the City's share of Program Expenses (as defined hereinafter). If for any reason the interest rate cannot be established as so provided or is held invalid or unenforceable by a court of law, the interest rate for the Series 2011 Note for the Adjustment Period shall be a rate equal to the largest integral multiple of five hundredths of one percent (0.05%) that is equal to or less than eighty percent (80%) of the average yield, evaluated at par, of United States Treasury obligations with stated or remaining maturity of one year, as reported in *The Wall Street Journal* (Des Moines Edition) (or, if such paper is no longer published or fails to report such information, in any other financial periodical selected by the City and acceptable to the Holder (as hereinafter defined)) on the Adjustment Date or, if the Adjustment Date is not a Business Day, the immediately preceding Business Day, but in no event to exceed fifteen percent (15.00%) per annum. Interest is calculated on the basis of a 365-day year. As used herein, "Adjustment Date" means February 16, during the term of the Series 2011 Note; "Adjustment Period" means the period beginning on an Adjustment Date and ending on the day before the next succeeding Adjustment Date or the final stated maturity of the Series 2011 Note, whichever is earlier; provided that if the Series 2011 Note is not paid at its final stated maturity, the final Adjustment Period shall extend until the principal of the Series 2011 Note together with interest thereon are paid or provision has been duly made for their payment; "Program Expenses" means the expenses of the INTERCAP Program, including (without limitation) the fees and expenses of the Trustee and such other fees and expenses of the INTERCAP Program or of the Board of Investments relating thereto as shall be approved by the Board of Investments; "Holder" means the Board of Investments and any subsequent registered holder of the Series 2011 Note pursuant to an assignment or transfer as authorized in this Resolution and in the Series 2011 Note; and "Business Day" means any day which is not a Saturday or Sunday and is not a day on which banks in Montana are authorized or required by law to close.

During the term of the Series 2011 Note within 30 days after each Adjustment Date, the Trustee is to calculate and notify the City of the interest rate on the Series 2011 Note for the period commencing on the preceding February 16.

3.02. Negotiability, Transfer and Registration. The Series 2011 Note shall be fully registered as to both principal and interest, and shall be initially registered in the name of and payable to the Board of Investments. The Series 2011 Note shall be negotiable, subject to the provisions for registration and transfer contained in this section. No transfer of the Series 2011 Note shall be valid unless and until (1) the Holder, or a duly authorized attorney or legal representative, has executed the form of assignment appearing on the Series 2011 Note, and (2) the Financial Services Manager, as Note Registrar (the "Registrar"), has duly noted the transfer on the Series 2011 Note and recorded the transfer on the registration books of the Registrar. The Registrar may, prior to noting and recording the transfer, require appropriate proof of the transferor's authority and the genuineness of the transferor's signature. All costs of such registration and transfer shall be paid by the City, except that the City may charge the Holder for any tax, fee or other governmental charge imposed upon or with respect to the transfer of the Series 2011 Note. The City shall be entitled to deem and treat the person in whose name the Series 2011 Note is registered as the absolute owner of the Series 2011 Note for all purposes, notwithstanding any notice to the contrary, and all payments to the registered holder shall be valid and effectual to satisfy and discharge the liability upon such Series 2011 Note to the extent of the sum or sums so paid.

3.03. Execution and Delivery. The Series 2011 Note shall be prepared substantially in the form attached hereto as Exhibit A and shall be executed on behalf of the City by the manual signatures of the Mayor, the Financial Services Manager and the City Clerk. Any or all of such signatures may be affixed at or prior to the date of delivery of the Series 2011 Note. In the event that any of the officers who shall have signed the Series 2011 Note shall cease to be officers of the City before the Series 2011 Note is issued or delivered, their signatures shall remain binding upon the City. The Series 2011 Note shall be delivered to the Board of Investments, or its attorney or legal representative. The Board of Investments shall not be obligated to verify the application of the proceeds of the Series 2011 Note. However, the City shall use the proceeds of the Series 2011 Note solely for the Improvements and incidental costs.

The Mayor, the Financial Services Manager and the City Clerk are authorized and directed to do all acts and things, and to execute all documents necessary and appropriate in connection with the issuance of the Series 2011 Note.

3.04. Optional Redemption. The Series 2011 Note is subject to redemption at the option of the City at any time. The redemption price is equal to the principal amount of the Series 2011 Note to be redeemed plus interest accrued thereon to the date of redemption, without premium. The date of redemption shall be fixed by the Financial Services Manager, who shall give notice by first class mail, postage prepaid, to the owner or owners of the Series 2011 Note at their address shown on the note register, of the principal amount to be redeemed and the date on which payment will be made, which date shall not be less than 15 days after the date of mailing of notice, on which date so fixed interest shall cease. On the date so fixed, interest on the principal amount so redeemed shall cease to accrue.

Section 4. District Fund. There is hereby created and established the 2011 Pooled Special Improvement District Fund (the “District Fund”), which shall be maintained by the Financial Services Manager on the books and records of the City separate and apart from all other funds of the City. Within the District Fund there shall be a separate Construction Account for each of SID No. 1369 and SID No. 1391 and a Note Account.

4.01. Construction Accounts. There shall be credited to the Construction Accounts in the District Fund the proceeds of the sale of the Series 2011 Note attributable to the respective District as provided in Section 1.04, including costs of issuance of the Series 2011 Note. Any earnings on investment of money in a Construction Account shall be retained therein. All costs and expenses of constructing the Improvements to be paid from proceeds of the Series 2011 Note in and for the benefit of a District shall be paid from time to time as incurred and allowed from the Construction Account in accordance with the provisions of applicable law, and money in the Construction Account shall be used for no other purpose; provided that upon completion of the Improvements and after all claims and expenses with respect to the Improvements have been fully paid and satisfied, any money remaining in said Construction Account shall be transferred to the Note Account as provided in Section 4.02.

4.02. Note Account. There shall be credited to the Note Account in the District Fund the proceeds of the Definitive Bonds attributable to the respective District and such other money as shall be received and appropriated to the Series 2011 Note Account from time to time. The City agrees to transfer to the Note Account from the City’s Revolving Fund maintained for its special improvement districts, an amount sufficient to pay the interest on the Series 2011 Note at maturity or earlier redemption. Amounts on deposit in the Note Account shall be used solely to pay the principal of and interest on the Series 2011 Note at maturity. Upon payment or discharge of the Series 2011 Note, surplus funds in the Note Account, if any, shall be transferred to the District Fund created pursuant to the resolution authorizing the issuance of the Definitive Bonds.

Section 4. Covenants and Representations. The City covenants that until the Series 2011 Note and interest thereon are fully paid:

4.01. Compliance with the Resolution. The City will hold the District Fund as trust funds, separate and apart from all of its other funds, and the District, its officers and agents, will comply with all covenants and agreements contained in this Resolution. The provisions hereinabove made with respect to the District Fund are in accordance with the undertaking and agreement of the City made in connection with the sale of the Series 2011 Note as set forth in Section 1.05.

4.02. Construction of Improvements. The City has taken all steps necessary to enforce the provisions of the construction contracts and bonds relating to the Improvements and to ensure the completion of the Improvements in accordance with the plans and specifications and within the time therein provided, and has paid all costs thereof promptly as incurred and allowed, out of the District Fund. All awards of contracts have complied with the applicable bid and award statutes.

4.03. Absence of Litigation. There is now no litigation pending or, to the best knowledge of the City, threatened questioning the right and power of the City to issue the Series

2011 Note or in any manner questioning the existence of any condition precedent to the exercise of the City's powers in these matters. If any such litigation should be initiated or threatened, the City will forthwith notify in writing the Board of Investments, and will furnish the Board of Investments a copy of all documents, including pleadings, in connection with such litigation.

4.04. Issuance of Definitive Bonds. The Council hereby covenants and agrees that at or prior to the maturity of the Series 2011 Note, it will use its best efforts to sell and issue the Definitive Bonds in an aggregate principal amount sufficient to provide the amount needed, together with any other money on deposit in the Note Account, to pay in full the outstanding principal of and interest on the Series 2011 Note at its maturity. The proceeds of the Definitive Bonds shall be appropriated to the Note Account to the extent required to pay principal of and interest on the Series 2011 Note at its maturity.

4.05. Exchange of Series 2011 Note for Definitive Bonds. If the City is unable to issue and sell the Definitive Bonds at or prior to the stated maturity of the Series 2011 Note, and the proceeds of the Definitive Bonds are necessary to pay and redeem the Series 2011 Note, the Holders of the Series 2011 Note, at their option, may surrender the Series 2011 Note for Definitive Bonds amortized in semiannual installments over a fifteen -year period and bearing interest the Variable Rate, on a par-for-par basis.

Section 5. Tax Matters.

5.01. Use of Improvements. The Improvements will be owned and operated by the City and available for use by members of the general public on a substantially equal basis. The City shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the Improvements or security for the payment of the Series 2011 Note which might cause the Series 2011 Note to be considered a "private activity bond" or "private loan bond" within the meaning of Section 141 of the Code.

5.02. General Covenant. The City covenants and agrees with the owners from time to time of the Series 2011 Note 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 2011 Note to become includable in gross income for federal income tax purposes under the Code and Treasury Regulations (the "Regulations") applicable to the Series 2011 Note and promulgated under the Code, including, without limitation, the Regulations, and covenants to take any and all actions within its powers to ensure that the interest on the Series 2011 Note will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

5.03 Certification. The Mayor, the Financial Services Manager and the City Clerk are authorized and directed to execute and deliver to the Board of Investments a certificate in accordance with the provisions of Section 148 of the Code and the Regulations, Section 1.148-2(b), stating that on the basis of the facts, estimates and circumstances in existence on the date of issue and delivery of the Series 2011 Note, as such facts, estimates and circumstances are set forth in the certificate, it is expected that the proceeds of such Series 2011 Note will be used in a manner that would not cause the Series 2011 Note to be arbitrage bonds within the meaning of Section 148 of the Code and the Regulations applicable thereto.

5.04 Arbitrage Rebate. The Series 2011 Note is 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 such Series 2011 Note from gross income for federal income tax purposes. In furtherance of the foregoing, the Mayor, the Financial Services Manager and the City Clerk are hereby authorized and directed to execute a Rebate Certificate implementing the foregoing covenants and agreements, 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 November 15, 2011, a statement concerning the Series 2011 Note containing the information required by Section 149(e) of the Code.

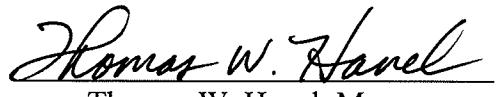
5.06 Survival of Obligations. The provisions of Sections 6.02 and 6.04 shall survive the retirement and payment of the Series 2011 Note and the discharge of the other obligations of the City hereunder.

Section 6. Recitals. All acts, conditions and things required by the Constitution and laws of the State of Montana, including the Act, and the home rule charter of the City, in order to make the Series 2011 Note a valid and binding special obligation in accordance with its terms and in accordance with the terms of this Resolution have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required.

Section 7. Authentication of Transcript. The officers of the City are hereby authorized and directed to furnish to the Board of Investments and to bond counsel certified copies of all proceedings relating to the issuance of the Series 2011 Note and such other certificates and affidavits as may be required to show the right, power and authority of the City to issue the Series 2011 Note, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the City as to the truth of the statements purported to be shown thereby.

Section 8. Effective Date. This Resolution shall take effect immediately upon its passage and adoption by the Council.

Passed and adopted by the City Council of the City of Billings, Montana, this 27th day of July, 2011.



Thomas W. Hanel
Thomas W. Hanel, Mayor

Attest: Cari Martin
Cari Martin, City Clerk

EXHIBIT A

[Form of Series 2011 Note]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF YELLOWSTONE

CITY OF BILLINGS

POOLED SPECIAL IMPROVEMENT DISTRICT
BOND ANTICIPATION NOTE, SERIES 2011
(Special Improvement District Nos. 1369 and 1391)

No. R-1 \$700,000.00

<u>Rate</u>	<u>Maturity Date</u>	Date of <u>Original Issue</u>
Variable	September 1, 2011	July [__], 2011

REGISTERED OWNER: BOARD OF INVESTMENTS OF THE STATE OF MONTANA

PRINCIPAL AMOUNT: SEVEN HUNDRED THOUSAND AND NO/100 DOLLARS

FOR VALUE RECEIVED, THE CITY OF BILLINGS (the "City"), a duly organized municipal corporation of the State of Montana, acknowledges itself to be specially indebted and hereby promises to pay to the Board of Investments of the State of Montana (the "Board of Investments"), or registered assigns, but solely out of the Note Account (the "Note Account") in its 2011 Pooled Special Improvement District Fund (the "District Fund"), the principal amount equal to the sum of the amounts entered on Schedule A hereto under "Total Amount Advanced" on the maturity date specified above, with interest on such amount as advanced hereunder, at the Variable Rate (as hereinafter defined), until paid or redeemed. Upon presentation and surrender hereof at the office of the Financial Services Manager in Billings, Montana, the interest hereon and the principal hereof are payable in lawful money of the United States of America to the registered owner of this Note as it appears in the note register of the City.

This Note shall bear interest from the date principal is advanced at the rate per annum equal to the Variable Rate (as hereinafter defined), as determined from time to time, until paid or redeemed. Interest shall be payable on each February 15th and August 15th, commencing August 15, 2011, to the owners of record of this Note as such appear on the note register on the first day of the month preceding the date of payment, whether or not such day is a Business Day.

For purposes of this Note, "Variable Rate" shall mean, until the initial Adjustment Date (as hereinafter defined) or shorter period of time until this Note is discharged in full, one and ninety-five hundredths percent (1.95%) per annum. Thereafter, for each Adjustment Period (as hereinafter defined) or shorter period of time until this Note is discharged in full, the Variable

Rate shall be an annual interest rate specified by the Trustee and calculated as provided under the Indenture, which rate generally shall be equal to the sum of (i) the interest rate on the INTERCAP Bonds during such period which interest rate may not exceed fifteen percent (15%) per annum plus (ii) a rate, not to exceed one and one-half percent (1.50%) per annum, sufficient to produce the amount necessary to pay the City's share of Program Expenses (as defined hereinafter). If for any reason the interest rate cannot be established as so provided or is held invalid or unenforceable by a court of law, the interest rate for this Note for the Adjustment Period shall be a rate equal to the largest integral multiple of five hundredths of one percent (0.05%) that is equal to or less than eighty percent (80%) of the average yield, evaluated at par, of United States Treasury obligations with stated or remaining maturity of one year, as reported in *The Wall Street Journal* (Des Moines Edition) (or, if such paper is no longer published or fails to report such information, in any other financial periodical selected by the City and acceptable to the registered owner hereof on the Adjustment Date or, if the Adjustment Date is not a Business Day, the immediately preceding Business Day, but in no event to exceed fifteen percent (15.00%) per annum. Interest is calculated on the basis of a 365-day year. As used herein, "Adjustment Date" means February 16, during the term of this Note; "Adjustment Period" means the period beginning on an Adjustment Date and ending on the day before the next succeeding Adjustment Date or the final stated maturity of this Note, whichever is earlier; provided that if this Note is not paid at its final stated maturity, the final Adjustment Period shall extend until the principal of this Note together with interest thereon are paid or provision has been duly made for their payment; "Program Expenses" means the expenses of the INTERCAP Program, including (without limitation) the fees and expenses of the Trustee and such other fees and expenses of the INTERCAP Program or of the Board of Investments relating thereto as shall be approved by the Board of Investments.

Upon each disbursement of proceeds of this Note, the registered owner hereof shall enter the amount advanced on Schedule A attached hereto under "Advances" and the total amount advanced under the Resolution, including such disbursement, under "Total Amount Advanced."

This Note comprises an issue of "Pooled Special Improvement District Bond Anticipation Notes, Series 2011 (Special Improvement District Nos. 1369 and 1391)" of the City. This Note is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 12, Parts 41 and 42, as amended (the "Act") and Resolution No. 11-19071, adopted by the City Council of the City on June 27, 2011 (as such may be amended or supplemented, the "Resolution"), in anticipation of the issuance by the City of its Pooled Special Improvement District Bonds, Series 2011 (Special Improvement District Nos. 1369 and 1391) (the "Definitive Bonds") under the Act, to finance the costs of certain local improvements (the "Improvements") for the special benefit of property located in the following Special Improvement Districts of the City: Special Improvement District Nos. 1369 and 1391 (collectively, the "Districts"). Capitalized terms used herein but not otherwise defined shall have the respective meanings given such terms in the Resolution.

This Note is not a general obligation of the City and the City's general credit and taxing powers are not pledged to the payment of this Note or interest thereon. **The Revolving Fund is not pledged to the repayment of the Series 2011 Note.**

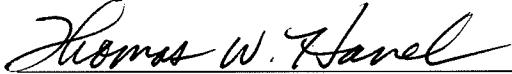
This Note is subject to redemption at the option of the City at any time. The redemption price is equal to the principal amount of this Note to be redeemed plus interest accrued hereon to the date of redemption, without premium. The date of redemption shall be fixed by the Financial Services Manager, who shall give notice by first class mail, postage prepaid, to the owner or owners of the Series 2011 Note at their address shown on the note register, of the principal amount to be redeemed and the date on which payment will be made, which date shall not be less than 15 days after the date of mailing of notice, on which date so fixed interest shall cease. On the date so fixed, interest on the principal amount so redeemed shall cease to accrue.

As provided in the Resolution and subject to certain limitations set forth therein, this Note is transferable upon the books of the City at the office of the Financial Services Manager, 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 Financial Services Manager, duly executed by the registered owner or his attorney. Upon such transfer, the City will cause a new Note 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.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all things required to be done precedent to the issuance of this Note have been properly done, happened and been performed in the manner prescribed by the laws of the State of Montana and the resolutions and ordinances of the City of Billings, Montana, relating to the issuance thereof; that the City in the Resolution has covenanted and agreed that at or prior to the stated maturity of this Note it will use its best efforts to sell and issue Definitive Bonds in an aggregate principal amount sufficient to provide the amount needed, together with any other money on deposit in the Note Account, to pay in full the outstanding principal of and interest on this Note at the stated maturity hereof; that all provisions for the security of the registered owner of this Note set forth in the Resolution will be punctually and faithfully performed as therein stipulated; and that the issuance of this Note does not cause the general or special indebtedness of the City to exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the City of Billings, State of Montana, by its City Council, has caused this Note to be executed by the signatures of the Mayor, the Financial Services Manager and the City Clerk, and by the official seal of the City.

CITY OF BILLINGS, MONTANA



Thomas W. Hanel
Mayor

(Seal)

Financial Services Manager

City Clerk

PROVISIONS FOR REGISTRATION OF TRANSFER AND EXCHANGE

The ownership of this Note and of the interest payable hereon may be transferred to a bona fide purchaser only by delivery hereof with an assignment duly executed by the registered owner or his attorney or legal representative, and the City may treat the registered owner as the person exclusively entitled to receive payments of principal of and interest on this Note and to exercise all the rights and powers of an owner until this Note is presented to the Financial Services Manager of the City of Billings, Montana, as Registrar, accompanied by said assignment and by assurance of the nature provided by law that the same is genuine and effective, and until such transfer is duly registered on the books of the City and noted hereon by the Registrar.

REGISTER

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

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Financial Services Manager</u>
July [], 2011	Board of Investments 2401 Colonial Dr. P.O. Box 200126 Helena, MT 59620-0126	

NO WRITING HEREON EXCEPT BY FINANCIAL SERVICES MANAGER AS REGISTRAR

The Registrar has transferred on the books of the City of Billings, Montana, on the date last noted below, to the registered assign noted opposite said date, ownership of the principal amount of and interest on this Note, except the amounts of principal and interest theretofore paid:

<u>Date of Transfer</u>	<u>Registered Assign</u>	<u>Signature of Financial Services Manager</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

SCHEDULE A
SCHEDULE OF AMOUNTS ADVANCED