

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 No. 11-19108 entitled: "RESOLUTION RELATING TO \$2,625,000 SPECIAL IMPROVEMENT DISTRICT NO. 1360 REFUNDING BONDS, SERIES 2011; 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 September 12, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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 and Clark _____; voted against the same: _____; abstained from voting thereon: _____; or were absent: Astle _____.

WITNESS my hand and seal officially this 12th day of September, 2011.

(SEAL)



Cari Martin
Cari Martin, City Clerk

RESOLUTION NO. 11-19108

RESOLUTION RELATING TO \$2,625,000 SPECIAL IMPROVEMENT DISTRICT NO. 1360 REFUNDING BONDS; 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. Outstanding Bonds. The City, pursuant to Montana Code Annotated, Title 7, Chapter 12, Parts 41 and 42, as amended (the "Act"), has issued its Special Improvement District No. 1360 Bonds, dated, as originally issued, as of April 23, 2003, in the original aggregate principal amount of \$8,053,000 (the "Series 2003 Bonds"), drawn against the funds of, and to finance the costs of certain local improvements (the "Improvements") in or for the benefit of, Special Improvement District No. 1360 of the City (the "District"). All of the Improvements have been completed and all proceeds of the Series 2003 Bonds and investment income thereon have been applied to costs of the Improvements or to the partial redemption of the Series 2003 Bonds, except for certain proceeds of the Series 2003 Bonds on deposit in the Special Improvement District Revolving Fund of the City (the "Revolving Fund"). The outstanding Series 2003 Bonds may be redeemed on any interest payment date on or after January 1, 2012. The Series 2003 Bonds are presently outstanding in the aggregate principal amount of \$2,540,000 (the "Outstanding Bonds").

1.02. Authorization. Section 7-12-4194 of the Act authorizes the issuance of special improvement district bonds under the Act to provide money needed to pay principal of and interest on outstanding bonds if the rate of interest on the refunding bonds is not less than one-half of one percent (0.50%) a year less than the rate of interest on the bonds to be refunded.

1.03. Public Hearing. Pursuant to Section 7-12-4194 of the Act, because the Bonds will be issued in a principal amount greater than the principal amount of the Outstanding Bonds, a public hearing was required to establish the desirability of issuing the Bonds. The City duly noticed and held a public hearing on August 8, 2011 and subsequent thereto determined that it is in the best interests of the City to issue such Bonds.

1.04. Issuance of Refunding Bonds. By Resolution No. 11-19088 adopted on July 25, 2011, Resolution No. 11-19089 adopted on August 8, 2011 and Resolution No. 11-19098 adopted on August 22, 2011, this Council determined that it is in the best interests of the City and the owners of property in the District for the City to sell its special improvement district refunding bonds, pursuant to Section 7-12-4194(3)(a) of the Act, in order to provide funds to be used, with other available funds of the City, to refund the Outstanding Bonds in advance of their stated maturities. Such bonds shall be denominated "Special Improvement District No. 1360 Refunding Bonds, Series 2011 (the "Bonds"), and shall be issued in the aggregate principal amount of \$2,625,000.

The Bonds will be issued to achieve debt service savings for the District. The savings will benefit the District and the owners of property therein by reducing the total cost of the Improvements.

1.05. Sale of Bonds. Pursuant to the authority recited in Sections 1.01 and 1.02 above and for the purpose of refunding the Outstanding Bonds, this Council authorized the sale of the Bonds to Piper Jaffray & Co., of Helena, Montana and Denver, Colorado (the "Purchaser"), pursuant to Resolution No. 11-19088 adopted by the Council on July 25, 2011, Resolution No. 11-19089 adopted on August 8, 2011 and Resolution No. 11-19098 adopted on August 22, 2011, subject to certain terms and conditions stated therein. The City hereby ratifies and confirms the issuance and sale of revenue bonds to be designated as Special Improvement District No. 1360 Refunding Bonds, in the aggregate principal amount of \$2,625,000 in accordance with the provisions of this Resolution (the "Resolution"), and in accordance with a Bond Purchase Agreement dated August 30, 2011, between the City and the Purchaser.

1.06. Debt Service Savings. The debt service savings to result from the refunding of the Outstanding Bonds is estimated to be \$341,713.33, calculated on a present-value basis, and using a discount rate of 3.33096% (the approximate yield of the Bonds) over the term of the Outstanding Bonds. The average annual rate of interest on the Bonds (3.276274%) is approximately 2.462758% less than the average annual rate of interest on the Outstanding Bonds (5.739032%). Thus, the City has authority under the Act to issue the Bonds to the Purchaser upon the terms and conditions set forth in this Resolution.

1.07. Official Statement. The Preliminary Official Statement relating to the Bonds, dated August 19, 2011, is hereby approved and the determination of the City Finance Director that the Preliminary Official Statement has been deemed final for purposes of SEC Rule 15c2-12(b)(1) is hereby ratified and confirmed. The Official Statement relating to the Bonds, to be dated the date hereof, and substantially in the form of the Preliminary Official Statement with such changes therein as the City Finance Director may approve, is hereby approved. The City Finance Director is hereby authorized and directed to execute such certificates as may be appropriate concerning the accuracy, completeness and sufficiency of the Official Statement.

1.08. 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 Bonds valid and binding special obligations in accordance with their terms and in accordance with the terms of this Resolution have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required.

Section 2. The Bonds.

2.01. Principal Amount, Maturities, Denominations, Date, Interest Rates. For the purpose of providing funds sufficient, with other moneys of the City legally available therefor, to refund in advance of their stated maturities the Outstanding Bonds, and in anticipation of the collection of special assessments to be levied therefor, and in accordance with the proposal described in Section 1.05, the City shall forthwith issue and deliver to the Purchaser the Bonds, denominated "Special Improvement District No. 1360 Refunding Bonds, Series 2011," in the aggregate principal amount of \$2,625,000, payable solely from the Special Improvement District

No. 1360 Sinking Fund of the City created in Section 4.01 (the “Sinking Fund”). The Bonds shall be dated, as originally issued, and be registered as of October 4, 2011, shall each be in the denomination of \$5,000 each or any integral multiple thereof of single maturities, shall mature on July 1 in the years and principal amounts set forth below, and Bonds maturing in such years and principal amounts shall bear interest from the date of original registration until paid or duly called for redemption at the rates per annum set forth opposite such years and amounts, respectively:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2012	\$365,000	2.000%	2016	\$380,000	3.000%
2013	355,000	2.000	2017	390,000	4.000
2014	360,000	2.375	2018	405,000	4.000
2015	370,000	2.500			

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

2.02. Interest Payment Dates. Interest on the Bonds shall be payable on each January 1 and July 1, commencing July 1, 2012, to the owners of record thereof as such appear on the bond register at the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day. Upon the original delivery of the Bonds to the Purchaser and upon each subsequent transfer or exchange of a Bond pursuant to Section 2.04, the Registrar shall date each Bond as of the date of its authentication.

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

2.04. Registration. The City shall appoint, and shall maintain, a bond registrar, transfer agent and paying agent for the Bonds (the “Registrar”). This Section 2.04 shall establish a system of registration for the Bonds as defined in the Model Public Obligations Registration Act of Montana.

The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) 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 the Bonds and the registration of transfers and exchanges of the Bonds entitled to be registered, transferred or exchanged.

(b) Transfer. Upon surrender to the Registrar for transfer of any Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing and guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, the Registrar shall authenticate and deliver, in the name of the designated

transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer of any Bond or portion thereof selected or called for redemption.

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

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

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

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered on the bond register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the City upon such Bond to the extent of the sum or sums so paid.

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

(h) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be canceled by it and evidence of such cancellation shall be given to the City. If the mutilated, destroyed, stolen or lost Bond has already

matured or such Bond has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Bond prior to payment.

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

2.06. Redemption.

(a) Mandatory Redemption. If on any interest payment date there will be a balance in the Sinking Fund after payment of the principal and interest due on all Bonds drawn against it, from the prepayment of special assessments levied in the District, the City Finance Director shall call for redemption on the interest payment date outstanding Bonds, or portions thereof, in an amount which, together with the interest thereon to the interest payment date, will equal the amount of such funds on deposit in the Sinking Fund on that date. The redemption price shall equal the amount of the principal amount of the Bonds to be redeemed plus interest accrued to the date of redemption.

(b) Optional Redemption. The Bonds will not be subject to optional redemption in advance of their respective stated maturity dates.

(c) Selection of Bonds for Redemption. If less than all of the Bonds are to be redeemed, Bonds shall be redeemed in order of the stated maturities thereof. If less than all Bonds of a stated maturity are to be redeemed, the Bonds of such maturity shall be selected for redemption in \$5,000 principal amounts selected by the Registrar by lot or other manner it deems fair.

(d) Notice and Effect of Redemption. The date of redemption and the principal amount of the Bonds shall be fixed by the City Finance Director, who shall give notice thereof to the Registrar 45 days prior to the date set for redemption in order for the Registrar to give notice, by first class mail, postage prepaid, or by other means required by the securities depository, to the owner or owners of such Bonds at their addresses appearing on the bond register, of the numbers of the Bonds or portions thereof to be redeemed and the date on which payment will be made, which date shall be not less than 30 days after the date of mailing notice. On the date so fixed interest on the Bonds or portions thereof so redeemed shall cease.

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

2.08. Execution, Registration and Delivery. The Bonds shall be prepared under the direction of the City Finance Director and shall be executed on behalf of the City by the signatures of the Mayor, the City Finance Director and the City Clerk and sealed with the official seal of the City; provided that the seal and all signatures may be printed, engraved or lithographed facsimiles of the originals. In case any officer whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of any Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until a certificate of authentication on such Bond has been duly executed by the manual signature of an authorized representative of the Registrar. The certificate of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution. When the Bonds have been so executed, authenticated and registered, they shall be delivered by the Registrar to the Purchaser upon payment of the purchase price in accordance with the contract of sale heretofore made and executed.

2.09. Application of Proceeds. From the proceeds of the Bonds the City Finance Director shall credit forthwith (i) \$2,540,000.00 to the escrow account as set forth in Section 6.01, together with \$72,620.00 of funds in the debt service account for the Series 2003 Bonds, to be used solely for the purposes described in Section 6.02, (ii) \$50,250.00 to pay costs of issuance of the Bonds and costs of the refunding and (iii) \$1,738.40 to the Interest Account to pay interest on the Bonds on July 1, 2012. The Purchaser shall not be obligated to see to the application of the purchase price.

2.10. Securities Depository for the Bonds.

(a) For purposes of this Section 2.10, the following terms shall have the following meanings:

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

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

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

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

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

(b) The Bonds shall be initially issued as separately authenticated fully registered Bonds, and one Bond shall be issued in the principal amount of each stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered on the bond register in the name of Cede & Co., as nominee of DTC. The Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Bonds under this Resolution, registering the transfer of Bonds, and for all other purposes whatsoever; and neither the Registrar nor the City shall be affected by any notice to the contrary. Neither the Registrar nor the City shall have any responsibility or obligation to any Participant, any Person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other Person which is not shown on the bond register as being a registered owner of any Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Bonds, with respect to any notice which is permitted or required to be given to owners of Bonds under this Resolution, with respect to the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Bonds. So long as any Bond is registered in the name of Cede & Co., as nominee of DTC, the Registrar shall pay all principal of and interest on such Bond, and shall give all notices with respect to such Bond, only to Cede & Co. in accordance with the Representation Letter, and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the City to make payments of principal and interest. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Bonds will be transferable to such new nominee in accordance with paragraph (e) hereof.

(c) In the event the City determines to discontinue the book entry only registration system, the City may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Bonds in the form of certificates. In such event, the Bonds will be transferable in accordance with paragraph (e) hereof. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and the Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Bonds will be transferable in accordance with paragraph (e) hereof.

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

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

Section 3. Sinking Fund; Assessments.

3.01. **Sinking Fund.** There is hereby created and established the Sinking Fund designated as the “2011 Special Improvement District No. 1360 Refunding Sinking Fund,” which shall be maintained by the City Finance Director on the books and records of the City separate and apart from all other funds of the City. Within the Sinking Fund there shall be maintained separate accounts, designated as the “Principal Account” and “Interest Account,” respectively.

3.02. **Principal Account and Interest Account.** Money in the Principal Account and the Interest Account shall be used only for payment of the principal of and interest on the Bonds as such payments become due or to redeem Bonds or portions thereof.

Upon collection of the installment of principal and interest due on November 30 and May 31 of each year on the special assessments to be levied with respect to the Improvements in the District, the City Finance Director shall credit to the Interest Account in the Sinking Fund so much of said special assessments as is collected as interest payment and the balance thereof to the Principal Account. Any installment of any special assessment paid prior to its due date with interest accrued thereon to the next succeeding interest payment date shall be credited with respect to principal and interest payments in the same manner as other assessments are credited to the Sinking Fund. All money in the Interest Account and the Principal Account shall be used first to pay interest due, and any remaining money shall be used to pay Bonds then due and, if money is available, to redeem Bonds or portions thereof in accordance with Section 2.06. Redemption of Bonds or portions thereof shall be in the order of their stated maturities as provided in Section 2.06, and interest shall be paid from the Interest Account as accrued on such principal amounts to the date of redemption, in accordance with the provisions of Section 7-12-4206 of the Act.

3.03. **Loans from Revolving Fund.** The Council shall annually or more often if necessary issue an order authorizing a loan or advance from the Revolving Fund to the Sinking Fund in an amount sufficient to make good any deficiency then existing in the Interest Account and issue an order authorizing a loan or advance from the Revolving Fund to the Sinking Fund in an amount sufficient to make good any deficiency then existing in the Principal Account, each case to the extent that money is available in the Revolving Fund. A deficiency shall be deemed to exist in the Principal Account or the Interest Account if the money on deposit therein on any December 15 or June 15 (excluding amounts in the Principal Account representing prepaid

special assessments) is less than the amount necessary to pay Bonds due (other than upon redemption), and interest on all Bonds payable, on the next succeeding interest payment date.

Pursuant to Ordinance No. 1096, the City has undertaken and agreed to provide funds for the Revolving Fund by annually levying such tax or making such loan from the general fund of the City, subject to the limitation that no such tax levy or loan may in any year cause the balance in the Revolving Fund to exceed five percent of the principal amount of the City's then outstanding special improvement and sidewalk, curb, gutter and alley approach bonds and warrants secured thereby and subject to the durational limitations specified in the Act. In the event that the balance on hand in the Revolving Fund fifteen days prior to any date when interest is due on special improvement and sidewalk, curb, gutter and alley approach bonds and warrants of the City is not sufficient to make good all deficiencies then existing in the funds for which the City covenants to make loans from the Revolving Fund, the balance on hand in the Revolving Fund shall be allocated to the funds in which such deficiencies then exist in proportion to the amounts of the deficiencies on the respective dates of receipt of such money, until all interest accrued on such special improvement and sidewalk, curb, gutter and alley approach bonds and warrants of the City has been paid and to the extent of amounts available in the Revolving Fund. On any date when all accrued interest on special improvement and sidewalk, curb, gutter and alley approach bonds and warrants of the City payable from funds for which the City has covenanted to make loans from the Revolving Fund has been paid, any balance remaining in the Revolving Fund shall be loaned or advanced to the funds for payment and redemption of bonds and warrants to the extent such funds are deficient for such purpose and, if money in the Revolving Fund is insufficient therefor, pro rata, in an amount proportionate to the amount of such deficiency.

The City hereby determines, covenants and agrees to levy the property tax described in the immediately preceding paragraph to provide funds for the Revolving Fund so long as any Bonds are outstanding to the extent required under the provisions of this Resolution and the Act, even though such property tax levy may, under applicable law or provisions of the home rule charter of the City, require that property tax levies of the City for other purposes be reduced correspondingly.

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

4.01. Compliance with Resolution. The City will hold the Sinking Fund and the Revolving Fund as trust funds, separate and apart from all of its other funds, and the City, its officers and agents, will comply with all covenants and agreements contained in this Resolution. The provisions hereinabove made with respect to the Sinking Fund and the Revolving Fund are in accordance with the undertaking and agreement of the City made in connection with the public offering of the Bonds and the sale of the Bonds as set forth in Section 1.06.

4.02. Levy of Assessments. The City has validly levied special assessments, on the basis prescribed in Resolution No. 02-17933 for the District (the "Resolution of Intention"), upon all assessable property within the boundaries of the District in accordance with the Constitution and laws of the State of Montana and the Constitution of the United States in the aggregate principal amount of \$8,053,000 (the original aggregate principal amount of the Series 2003 Bonds) (the

“Original Assessments”). As of July 31, 2011, Original Assessments are outstanding (including installments that are delinquent) in the aggregate principal amount of \$2,689,957, as set forth in Exhibit C hereto. In addition, owners of certain properties within the District have prepaid Original Assessments on such properties.

In connection with the refunding of the Outstanding Bonds and the issuance of the Bonds, the City will do all acts and things necessary for the valid re-levy of special assessments upon all assessable real property within the boundaries of the District that have not had Original Assessments prepaid, in accordance with the Constitution and laws of the State of Montana and the Constitution of the United States, in an aggregate principal amount not less than \$2,625,000, as set forth in Exhibit C hereto. Such special assessments shall be levied on the basis or bases prescribed in the Resolution of Intention, and shall be payable in substantially equal semiannual installments of principal and interest over a period of 7 years, at an annual rate equal to the sum of: (i) the average annual interest rate borne by the then outstanding Bonds, plus (ii) one-half of one percent (0.50%) per annum. The assessments to be levied will be payable on the 30th day of November in each of the years 2011 through 2017, and on the 31st day of May in the years 2012 through 2018, inclusive, if not theretofore paid, and shall become delinquent on such date unless paid in full. The first partial payment of each assessment shall include interest on the entire assessment from the date of original registration of the Bonds to July 1, 2012. The assessments shall constitute a lien upon and against the property against which they are made and levied, which lien may be extinguished only by payment of the assessment with all penalties, cost and interest as provided in Section 7-12-4191 of the Act. No tax deed issued with respect to any lot or parcel of land shall operate as payment of any installment of the assessment thereon which is payable after the execution of such deed, and any tax deed so issued shall convey title subject only to the lien of said future installments, as provided in Montana Code Annotated, Section 15-18-214.

4.03. Reassessment. If at any time and for whatever reason any special assessment or tax herein agreed to be levied is held invalid, the City and this Council, its officers and employees, will take all steps necessary to correct the same and to reassess and re-levy the same, including the ordering of work, with the same force and effect as if made at the time provided by law, ordinance or resolution relating thereto, and will reassess and re-levy the same with the same force and effect as an original levy thereof, as authorized in Section 7-12-4186 of the Act. Any special assessment, or reassessment or re-levy shall, so far as is practicable, be levied and collected as it would have been if the first levy had been enforced including the levy and collection of any interest accrued on the first levy.

If proceeds of the Bonds, including investment income thereon, are applied to the redemption of such Bonds, as provided in Sections 7-12-4205 and 7-12-4206 of the Act, or if refunding bonds are issued and the principal amount of the outstanding Bonds of the District is decreased or increased, the City will reduce or increase, respectively, the assessments levied in the District and then outstanding pro rata by the principal amount of such prepayment or the increment above or below the outstanding principal amount of bonds represented by the refunding bonds. The City and this Council, its officers and employees will reassess and re-levy such assessments, with the same effect as an original levy, in such reduced or increased amounts in accordance with the provisions of Sections 7-12-4176 through 7-12-4178 of the Act.

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

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

Section 5. Tax Matters.

5.01. Use of Improvements. The Improvements will be owned and operated by the City and available for use by members of the general public on a substantially equal basis. The City shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the Improvements or security for the payment of the Bonds which might cause the Bonds to be considered "private activity bonds" or "private loan bonds" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code").

5.02. General Covenant. The City covenants and agrees with the owners from time to time of the Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Bonds to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations (the "Regulations"), and covenants to take any and all actions within its powers to ensure that the interest on the Bonds will not become includable in gross income for federal income tax purposes under the Code and the 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 Bonds pursuant to this Resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with the provisions of Section 148 of the Code, and 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 Bonds, it is reasonably expected that the proceeds of the Bonds will be used in a manner that would not cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the Regulations.

5.04. Arbitrage Rebate. The City acknowledges that the Bonds are subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Treasury Regulations to preserve the exclusion of interest on the Bonds from gross income for federal income tax

purposes, unless the Bonds qualify for the exception from the rebate requirement under Section 148(f)(4)(B) of the Code and no “gross proceeds” of the 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 Mayor, the City Finance Director and the City Clerk are 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.

5.06. Information Reporting. The City shall file with the Secretary of the Treasury, not later than February 15, 2012, a statement concerning the Bonds containing the information required by Section 149(e) of the Code.

5.06. Qualified Tax-Exempt Obligations. Pursuant to Section 265(b)(3)(B)(ii) of the Code, the City hereby designates the Bonds as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code. The City has not designated any obligations in 2011 under Section 265(b)(3) other than the Bonds, the Pooled Special Improvement District Bonds, Series 2011 (Special Improvement Districts Nos. 1369 and 1391), the Higher Education Revenue Note (Rocky Mountain College Energy Performance Project), Series 2011, and the Special Improvement District No. 1392 Bond Anticipation Note, Series 2011. The City hereby represents that it does not anticipate that obligations bearing interest not includable in gross income for purposes of federal income taxation under Section 103 of the Code (including refunding obligations as provided in Section 265(b)(3) of the Code and including “qualified 501(c)(3) bonds” but excluding other “private activity bonds,” as defined in Sections 141(a) and 145(a) of the Code) will be issued by or on behalf of the City and all “subordinate entities” of the City in 2011 in an amount greater than \$10,000,000.

Section 6. Escrow; Redemption of Outstanding Bonds.

6.01. Escrow. Simultaneously with the delivery of the Bonds, the City Finance Director shall cause to be deposited in escrow with U.S. Bank National Association, of Seattle, Washington, a sum equal to the amount on hand in the City’s debt service fund for the Outstanding Bonds and proceeds of the Bonds necessary to pay, without regard to investment earnings thereon, the redemption price of the Outstanding Bonds to be redeemed on January 1, 2012, which redemption price is equal to the principal amount of the Outstanding Bonds plus interest accrued thereon through January 1, 2012, all as set forth in the Escrow Agreement between the City and U.S. Bank National Association (the “Escrow Agreement”), the draft form of which has been submitted to this Council and is hereby approved, subject to necessary or appropriate additions or deletions. The City Finance Director shall cause the amount so deposited to be invested in securities of the type described in Section 7-12-4194 of the Act. Amounts in the escrow account shall be transferred to the City on or before January 1, 2012 to pay the redemption price of the Outstanding Bonds and amounts in excess thereof will be deposited in the Sinking Fund to pay interest on the Bonds due on July 1, 2012. The escrow account and all investments thereof shall be held in safekeeping by said escrow agent, and said account and all income therefrom are irrevocably appropriated for the purposes stated in this Section 6.01. At or before the time of making said deposit and investment the Mayor, the City Finance Director, and the City Clerk shall execute on the part of the City the Escrow Agreement

with said escrow agent, in the form of such agreement which has been presented to this Council at the meeting at which this Resolution was adopted, with such additions thereto or deletions therefrom as are necessary or appropriate. In accordance with the provisions of Section 7-12-4194 of the Act, upon the establishment and funding of the escrow account pursuant to this Section 6.01, the Outstanding Bonds shall no longer be considered outstanding for purposes of Section 7-12-4194 of the Act or any other debt limitation.

6.02. Redemption of Outstanding Bonds. As provided in the Escrow Agreement, the Outstanding Bonds shall be called for redemption on January 1, 2012, at a redemption price equal to the principal amount thereof with interest accrued to the date of redemption, without premium, payable from the proceeds of the Bonds deposited into the escrow account and investment earnings thereon. U.S. Bank, National Association is directed to mail notice to registered owners thereof following receipt of proceeds of the Bonds and not less than 30 days prior to the date fixed for redemption in accordance with this Resolution.

Section 7. Authentication of Transcript. The officers of the City are hereby authorized and directed to furnish to the Purchaser and to Bond Counsel certified copies of all proceedings relating to the issuance of the Bonds and such other certificates and affidavits as may be required to show the right, power and authority of the City to issue the Bonds, 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. Discharge.

8.01. General. When the liability of the City on all Bonds issued under and secured by this Resolution has been discharged as provided in this Section 8, all pledges, covenants and other rights granted by this Resolution to the owners of such obligations shall cease.

8.02. Payment. The City may discharge its liability with reference to any Bond or installment of interest thereon which is due on any date by depositing with the Registrar on or before that date funds sufficient, or, if a City officer is the Registrar, mailing to the registered owner of such Bond a check or draft in a sum sufficient and providing proceeds available, for the payment thereof in full; or if any Bond or installment of interest thereon shall not be paid when due, the City may nevertheless discharge its liability with reference thereto by depositing with the Registrar funds sufficient, or, if a City officer is the Registrar, by mailing to the registered owner thereof a check or draft in a sum sufficient and providing proceeds available, for the payment thereof in full with interest accrued to the date of such deposit or mailing.

8.03. Prepayment. The City may also discharge its obligations with respect to any Bonds called for redemption on any date when they are prepayable according to their terms, by on or before that date depositing with the Registrar funds sufficient, or, if a City officer is the Registrar, mailing to the registered owner of such Bond a check or a draft in a sum sufficient and providing proceeds available, for the payment of the principal, interest and redemption premium, if any, which are then due; provided that notice of such redemption has been duly given as provided herein or irrevocably provided for.

8.04. Escrow. The City may also at any time discharge its liability in its entirety with reference to the Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a bank qualified by law as an escrow agent for this purpose, cash or securities which are authorized by law to be so deposited, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without reinvestment, to provide funds sufficient to pay all principal and interest to become due on all Bonds on or before maturity or, if any Bond has been duly called for redemption or notice of such redemption has been irrevocably provided for, on or before the designated redemption date.

8.05. Irrevocable Deposits. If an officer of the City is the Registrar, any deposit made under this Section 8 with the Registrar shall be irrevocable and held for the benefit of the owners of Bonds in respect of which such deposits have been made.

Section 9. Continuing Disclosure.

(a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit participating underwriters in the primary offering of the 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 Owners (as hereinafter defined) from time to time of the outstanding 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”). The City is the only “obligated person” in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made.

The City has complied in all material respects with any undertaking previously entered into by it under the Rule.

If the City fails to comply with any provisions of this Section 9, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this Section 9, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Section 9 constitute a default under the Bonds or under any other provision of this Resolution.

As used in this Section 9, “Owner” means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used in this Section 9, “Beneficial Owner” means, in respect of a Bond, any person or entity that (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through

nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

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

(1) on or before 270 days after the end of each fiscal year of the City, commencing with the fiscal year ending June 30, 2011, the following financial information and operating data in respect of the City (the "Disclosure Information"):

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

(B) To the extent not included in the financial statements referred to in paragraph (A) hereof, the information of the type set forth below, which information may be unaudited, but is to be certified as to accuracy and completeness in all material respects by the City Finance Director to the best of his or her knowledge, which certification may be based on the reliability of information obtained from third party sources:

(1) information, for such fiscal year, relating to Special Improvement District assessments, collections, investment earnings and debt service payments, amounts on hand in the Revolving Fund and transfers in and out contained in the tables under the captions "The Revolving Fund—The Revolving Fund and Outstanding Special Improvement Districts and Sidewalk, Curb, Gutter, and Alley Approach Bonds," "The Revolving Fund—Statement of Changes in Fund Balance of the Revolving Fund" and "The Revolving Fund—Special Assessment Billings and Collections" in the Official Statement and the information under "Future Financings" in the Official Statement;

(2) information, as of January 1 for the current tax year, relating to the appraised value and taxable value of taxable property in the District;

(3) information, as of the most recent date available, regarding employment in the Billings MSA, the State of Montana and the United States of the type contained in the table under the caption "City Demographic Information—Yellowstone County Annual Average Labor Force and Employment" in Appendix II to the Official Statement; and

(4) Information, as of the most recent date available, regarding the larger employers in the Billings MSA, identifying the employer and estimated number of employees of the type contained in the table under the caption "City Demographic Information—Major Employers within the Billings MSA" in Appendix II to the Official Statement; and

(5) Information, as of the end of the most recent fiscal year, regarding the direct debt of the City, including debt evidenced by special improvement district bonds, overlapping general obligation debt and debt ratios of the type contained under the captions "City Indebtedness" in Appendix II to the Official Statement.

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

Any or all of the Disclosure Information may be incorporated, 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 subsection (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 this Section 9 is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation

of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner not in excess of ten business days, 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 Bonds or other material events affecting the tax status of the Bonds;
- (G) modifications to rights of holders of the Bonds, if material;
- (H) bond calls, if material, and tender offers;
- (I) defeasances;
- (J) release, substitution or sale of property securing repayment of the 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 Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, 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 Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

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

- (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
- (B) the amendment or supplementing of this Section 9 pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
- (C) the termination of the obligations of the City under this Section 9 pursuant to subsection (d); and
- (D) any change in the fiscal year of the City.

(c) Manner of Disclosure. The City agrees to make available the information described in subsection (b) hereof to the MSRB via 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.

(1) The covenants of the City in this Section 9 shall remain in effect so long as any Bonds are outstanding.

(2) This Section 9 (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City 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 such amendment or supplement (A) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City, the District or the Sinking Fund and the Revolving Fund of the City or the type of operations conducted by the City or the District, or (B) is required by, or better complies with, the provisions of 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.

(3) This Section 9 is entered into as a continuing disclosure undertaking to provide continuing disclosure identical to that required by 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, assuming it was otherwise applicable to the Bonds.

(e) Further Limitation of Liability of City. In and to the extent the limitations of liability contained in subsection (a) are not effective, anything contained in this Section 9 to the contrary notwithstanding, in making the agreements, provisions and covenants set forth in this Section 9, the City has not obligated itself except with respect to the assessments and the Revolving Fund. None of the agreements or obligations of the City contained herein shall be construed to constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions whatsoever or constitute a pledge of the general credit or taxing powers of the City.

Section 9. Repeals and Effective Date.

9.01. 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 Resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this Resolution.

9.02. Effective Date. This 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 12th day of September, 2011.

CITY OF BILLINGS

Thomas W. Hanel
Thomas W. Hanel, Mayor

Attest:

Cari Martin
Cari Martin, City Clerk

(SEAL)



EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MONTANA
YELLOWSTONE COUNTY

CITY OF BILLINGS

SPECIAL IMPROVEMENT DISTRICT NO. 1360 REFUNDING BONDS, SERIES 2011

Interest at the rate per annum specified below,
payable on the 1st day of January and the 1st day of July
in each year, commencing July 1, 2012.

No. _____ \$ _____.00

<u>Rate</u> %	<u>Maturity</u> July 1,	Date of <u>Original Issue</u> October 4, 2011	<u>CUSIP</u> 090135
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REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: AND NO/100 DOLLARS

FOR VALUE RECEIVED, the City of Billings, Montana (the "City"), will pay to the registered owner identified above, or registered assigns, on the maturity date specified above the principal amount specified above, solely from the revenues hereinafter specified, as authorized by Resolution No. adopted September 12, 2011 (the "Resolution"), all subject to the provisions hereinafter described relating to the redemption of this Bond before maturity. This Bond bears interest at the rate per annum specified above from the date of original issue specified above, or from such later date to which interest hereon has been paid or duly provided for, until the maturity date specified above or an earlier date on which this Bond shall have been duly called for redemption by the City Finance Director. Interest on this Bond is payable semiannually on the 1st day of January and the 1st day of July in each year, commencing July 1, 2012, to the owner of record of this Bond appearing as such in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the immediately preceding month. Interest on and, upon presentation and surrender hereof at the operations center of the bond registrar and paying agent hereinafter named, the principal of this Bond are payable by check or draft of U.S. Bank National Association, as Registrar, Transfer Agent and Paying Agent, at its operations center in St. Paul, Minnesota, or its successor designated under the Resolution (the "Registrar"). 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 composed of twelve 30 day months.

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 in the aggregate principal amount of \$2,625,000 (the "Bonds"), all of like date of original issue and tenor, except as to serial number, denomination, date, interest rate and maturity date. The 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 12, Parts 41 and 42, as amended (the "Act"), and ordinances and resolutions duly adopted by the governing body of the City, including the Resolution, for the purpose of providing funds to refund in advance of their maturities certain valid outstanding special improvement district bonds of the City. The Bonds are issuable only as fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof.

This Bond has been designated by the City as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

This Bond is payable from the collection of a special tax or assessment levied upon all assessable real property within the boundaries of the District that have not had Original Assessments prepaid, in an aggregate principal amount not less than \$2,625,000, except as such amount may be reduced or increased in accordance with provisions of Montana law. Such assessments constitute a lien against the property against which they are made and levied and are to be deposited into the Special Improvement District No. 1360 Sinking Fund of the City (the "Sinking Fund"). The Bonds are not general obligations of the City.

The City has validly established the Special Improvement District Revolving Fund (the "Revolving Fund") to secure the payment of certain of its special improvement and sidewalk, curb, gutter and alley approach bonds and warrants, including the Bonds. The City has also agreed, to the extent permitted by the Act, to issue orders annually, or more often as necessary, authorizing loans or advances from the Revolving Fund to the Sinking Fund, in amounts sufficient to make good any deficiency in the Sinking Fund to pay principal of or interest on the Bonds, to the extent money is available in the Revolving Fund, and to provide funds for the Revolving Fund by annually levying such tax or making such loan from its general fund, subject to the limitation that no such tax levy or loan may in any year cause the balance in the Revolving Fund to exceed five percent of the principal amount of the City's then outstanding special improvement and sidewalk, curb, gutter and alley approach bonds and warrants secured thereby and subject to the durational limitations specified in the Act. While any property tax levy to be made by the City to provide funds for the Revolving Fund is subject to levy limits under current law, the City has agreed in the Resolution to levy property taxes to provide funds for the Revolving Fund to the extent described in this paragraph and, if necessary, to reduce other property tax levies correspondingly to meet applicable levy limits.

The Bonds are subject to mandatory redemption in order of stated maturities and within a stated maturity in \$5,000 principal amounts selected by lot or other manner deemed fair by the

Registrar, on any interest payment date if, after paying all principal and interest then due on the Bonds, there are funds to the credit of the Sinking Fund, from the prepayment of assessments levied in the District, for the redemption thereof, and in the manner provided for the redemption of the same. The Bonds are not subject to optional redemption on any interest payment date. The redemption price is equal to the principal amount of the Bonds to be redeemed plus interest accrued thereon to the date of redemption. The date of redemption and principal amount of Bonds to be redeemed shall be fixed by the City Finance Director, who shall give notice thereof to the Registrar 45 days prior to the date set for redemption in order for the Registrar to give notice, by first class mail, postage prepaid, or by other means required by the securities depository, to the owner or owners of such Bonds at their addresses appearing on the bond register, of the numbers of the Bonds or portions thereof to be redeemed and the date on which payment will be made, which date shall not be less than 30 days after the date of mailing of notice. On the date so fixed interest on the Bonds or portions thereof so redeemed shall cease to accrue. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

As provided in the Resolution and subject to certain limitations set forth therein, this 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 Bonds of other authorized denominations. Upon such transfer or exchange, the City will cause a new Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date, subject to reimbursement for any tax, fee or governmental charge required to be paid with respect to such transfer or exchange.

The City and the Registrar 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 neither the City nor the Registrar shall be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all things required to be done precedent to the issuance of this Bond 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 hereof.

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

IN WITNESS WHEREOF, the City of Billings, Montana, by its City Council, has caused this Bond to be executed by the facsimile signatures of the Mayor, the City Finance Director and the City Clerk, and by a printed facsimile of the official seal of the City.

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 Transfers to Minors

JT TEN — as joint tenants
with right of
survivorship and
not as tenants in
common

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.

EXHIBIT B
FORM OF DTC LETTER

EXHIBIT C

Tax Code	Current Principal	% of Total Balance	New Principal
A29203	2,338.34	0.087%	2,281.87
A29204	2,335.78	0.087%	2,279.38
A29205	5,388.43	0.200%	5,258.31
A29206	6,062.06	0.225%	5,915.67
A29207	6,003.40	0.223%	5,858.43
A29208	6,284.30	0.234%	6,132.55
A29211	4,880.64	0.181%	4,762.78
A29212	3,198.44	0.119%	3,121.20
A29213	468.14	0.017%	456.84
A29215	522.37	0.019%	509.76
A29216	884.27	0.033%	862.92
A29217	407.41	0.015%	397.57
A29218	837.93	0.031%	817.70
A29219	755.62	0.028%	737.37
A29220	484.02	0.018%	472.33
A30059A	10,861.80	0.404%	10,599.51
A30059B	15,215.53	0.566%	14,848.11
A30059D	29,559.85	1.099%	28,846.04
A30059F	14,880.02	0.553%	14,520.70
A30059G	4,065.78	0.151%	3,967.60
A30059H	18,231.93	0.678%	17,791.67
A30059I	18,821.82	0.700%	18,367.31
A30059J	10,016.86	0.372%	9,774.97
A30059K	25,428.01	0.945%	24,813.97
A30059L	14,596.87	0.543%	14,244.38
A30059N	23,354.64	0.868%	22,790.67
A30059O	11,264.26	0.419%	10,992.25
A30059P	5,871.03	0.218%	5,729.26
A30059Q	23,390.92	0.870%	22,826.08
A30059S	8,508.30	0.316%	8,302.84
A30059T	8,481.30	0.315%	8,276.49
A30254	70,131.27	2.607%	68,437.74
A30255	49,427.46	1.837%	48,233.88
A30256	49,666.07	1.846%	48,466.73
A30257	28,494.66	1.059%	27,806.57
A30258	17,205.82	0.640%	16,790.33
A30259	40,361.76	1.500%	39,387.10
A30260	34,912.92	1.298%	34,069.84
A30261	32,520.66	1.209%	31,735.35
A30262	33,401.62	1.242%	32,595.04
A30263	234,493.20	8.717%	228,830.65
A30264	38,363.94	1.426%	37,437.53

A30265	31,671.41	1.177%	30,906.61
A30678	6,271.59	0.233%	6,120.14
A30679	2,304.50	0.086%	2,248.85
A30680	3,107.19	0.116%	3,032.16
A30681	4,565.96	0.170%	4,455.70
A30682	14,385.88	0.535%	14,038.49
A30683	29,286.01	1.089%	28,578.81
A30697	7,086.56	0.263%	6,915.43
A30700	43,531.00	1.618%	42,479.81
A30701	35,697.66	1.327%	34,835.63
A30702	27,344.78	1.017%	26,684.46
A30703	27,980.39	1.040%	27,304.72
A30704	32,311.33	1.201%	31,531.08
A30705	32,282.02	1.200%	31,502.47
A30706	38,912.94	1.447%	37,973.27
A30707	32,126.49	1.194%	31,350.70
A30708	30,656.05	1.140%	29,915.77
A30709	26,878.38	0.999%	26,229.32
A30710	28,766.73	1.069%	28,072.07
A30713	29,161.77	1.084%	28,457.57
A30714	3,156.85	0.117%	3,080.62
A30715	2,288.71	0.085%	2,233.44
A30716	2,444.01	0.091%	2,384.99
A30717	2,458.35	0.091%	2,398.99
A30718	27,524.86	1.023%	26,860.19
A30719	28,918.59	1.075%	28,220.26
A30723	47,734.85	1.775%	46,582.15
A30726	44,998.72	1.673%	43,912.09
A30727	6,492.69	0.241%	6,335.90
A30728	6,267.83	0.233%	6,116.47
A30729	6,029.37	0.224%	5,883.77
A30730	5,694.74	0.212%	5,557.22
A33295	21,646.08	0.805%	21,123.37
A33296	21,579.92	0.802%	21,058.81
A33297	18,468.68	0.687%	18,022.70
C10466	10,364.90	0.385%	10,114.61
C10467	29,490.01	1.096%	28,777.88
C10468	34,995.42	1.301%	34,150.35
C10468A	17,933.08	0.667%	17,500.03
C11007	31,859.34	1.184%	31,090.00
C11008	29,453.85	1.095%	28,742.60
C11009	40,523.91	1.506%	39,545.34
C11804	45,246.58	1.682%	44,153.96
C11805	45,281.87	1.683%	44,188.40
C11806	41,640.50	1.548%	40,634.96
C11807	51,791.68	1.925%	50,541.01
C11813	4,501.36	0.167%	4,392.66
C11821	26,819.44	0.997%	26,171.80

C11826	45,657.97	1.697%	44,555.42
C11827	27,410.59	1.019%	26,748.68
C11828	38,858.74	1.445%	37,920.38
C12199	39,589.95	1.472%	38,633.93
C12201	26,882.57	0.999%	26,233.41
C13064	18,114.36	0.673%	17,676.93
C13065	69,978.40	2.601%	68,288.56
C13068	13,830.99	0.514%	13,497.07
C13069	46,371.12	1.724%	45,251.35
D00556	110,842.23	4.121%	108,165.61
D00556C	80,813.75	3.004%	78,862.26
D00597	36,409.48	1.354%	35,530.26
D00598	36,409.48	1.354%	35,530.26
D00599	46,473.22	1.728%	45,350.96
	2,689,957.13	100.00%	2,625,000.00