

CITY OF BILLINGS, MONTANA

Policies Regarding Municipal Securities Disclosure

As an issuer of municipal securities (bonds and/or notes, referred to herein as “Bonds”), the City of Billings, Montana (the “City”) has adopted the policies set forth herein, including all attachments hereto (the “Disclosure Policies”) to guide the City’s actions with respect to (1) the disclosure document (often referred to as the “official statement”) for publicly-offered Bonds and (2) ongoing disclosures associated with outstanding Bonds (also known as “continuing disclosure”).

These Disclosure Policies include the following elements: (1) disclosure training for officials responsible for producing, reviewing and approving disclosure; (2) establishment of policies for review of relevant disclosure, and (3) ensuring that any policies established are followed.

Background

When Bonds are issued and publicly offered, certain professionals working on the bond transaction will assist the City with the preparation of an official statement. The official statement is the disclosure document that sets forth the terms associated with the bond issue, and this document will be used to market and sell the City’s Bonds. In addition, for transactions larger than \$1 million in size that include an official statement, the City enters into a continuing disclosure undertaking (the “CDU”). The CDU is a contractual obligation of the City, pursuant to which the City agrees to provide certain financial information filings (at least annually) and material event notices to the public. The CDU is required for underwriters to comply with SEC Rule 15c2-12. As noted below, filings under the CDU must be made electronically on the Electronic Municipal Market Access (“EMMA”) website (www.emma.msrb.org).

Accordingly, these Disclosure Policies address the following three aspects of disclosure: (1) preparation and approval of official statements in connection with new Bond issues; (2) on-going continuing disclosure requirements under a CDU; and (3) education of staff and elected officials with respect to disclosure matters.

1. Primary (New) Offerings of Bonds – Official Statements of the City

In connection with issuance of its publicly-offered Bonds (Bonds sold to an underwriter for resale to the public market), the City will prepare (or cause its hired professionals to assist in the preparation of) a disclosure document commonly known as an “official statement.” This official statement is the document that describes the issuance of the Bonds to the marketplace and as such, *to avoid the application of the antifraud provisions of federal securities laws, the official statement cannot contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.*

To ensure the City’s official statements are properly prepared and reviewed, the City has approved the policies set forth in Appendix I hereto.

2. Continuing Disclosure Compliance (CDU Compliance)

The City has entered into, and will likely in the future enter into, CDUs in connection with its Bond issues. Under these contractual agreements, the City has agreed to provide to the marketplace certain financial information and notices of material events. The City will file, or cause to be filed, necessary items under the CDUs in a searchable electronic format on the EMMA website (www.emma.msrb.org).

To ensure compliance with its contractual continuing disclosure obligations, the City adopts the policies set forth in Appendix II hereto.

3. Systematic Training of Staff and Governing Body Members

In addition to the specific policies adopted under these Disclosure Policies, the City understands that on-going training of both staff and members of the governing body is essential to successful compliance with the City's disclosure obligations. Accordingly, the City has implemented and will continue to implement the following training policies (which may be implemented with the assistance of counsel to or other professionals retained by the City):

A. *Annual Training.* The City Finance Director (the "City Finance Director") is responsible for scheduling annual training of appropriate City employees regarding disclosure and financial reporting requirements of the federal securities laws. Such training shall include a complete review of these Disclosure Policies, Rule 15c2-12 and the material events required to be reported pursuant to such Rule, and a complete overview of the City's obligations under the federal securities laws.

B. *Specific Training.* When appropriate, including but not limited to when there is turnover in staff, the City Finance Director shall conduct (or cause to be conducted) training with appropriate individuals on those persons' specific roles and responsibilities in the disclosure and financial reporting process.

C. *Governing Body Information.* Not less than once every two years, the City Finance Director shall provide to the City Council of the City for review copies of (i) these Disclosure Policies as then in effect, (ii) CDUs of the City in respect of its bonds or notes then outstanding, (iii) snapshots of summary pages of filings made by the City on EMMA over the five previous fiscal years of the City (but not the underlying documents), and (iv) such other continuing disclosure information as the City Finance Director shall deem relevant or that the City Council may request.

4. Amending or Supplementing Disclosure Policies

These Disclosure Policies may be amended, supplemented, or updated from time to time by the City Finance Director, with, if necessary or appropriate, advice from bond counsel or other appropriate professionals.

DATED: November 24, 2014

Appendix I

Written Policies for Preparing Official Statements

1. At the early stages of a bond issuance scheduled to be publicly sold, the City Finance Director shall develop, or cause its finance team to develop, a plan for preparation of the official statement and a schedule that allows sufficient time for all required work, including appropriate review and participation by members of the financing team and knowledgeable City staff.

2. The City Finance Director shall be responsible for managing the preparation process for the official statement, and shall obtain the assistance of other participants within the City and legal and financial professionals, as necessary and appropriate.

3. The City Finance Director shall be responsible for developing a program for coordinating staff review of the disclosure information and obtaining formal sign-off from staff on the disclosure documents.

4. The City Finance Director shall ensure that any previous failure to comply fully with continuing disclosure obligations during the prior five-year period is disclosed in the official statement.

Appendix II

Written Policies Regarding Continuing Disclosure

1. The City Finance Director shall be responsible for compliance with the City's obligations under continuing disclosure agreements, undertakings or certificates (the "CDU"), including without limitation annual filings, material event notice filings, voluntary filings and other filings required by the CDU.

2. Prior to execution of a CDU in connection with a bond issue, the CDU shall be discussed with bond counsel, the underwriter and financial advisor, if any, to ensure a full understanding of the City's continuing disclosure obligations.

3. The City Finance Director shall have primary responsibility for ensuring that statements or releases of information relating to the City's finances to the public that are reasonably expected to reach investors and the financial markets, including website updates, press releases and market notices, are accurate and not misleading in any material respect. The City Finance Director shall ensure that all public statements and information released by the City relating to the City's finances are accurate and not misleading in all material respects.

4. The City Finance Director shall be responsible for compiling and maintaining a list of all outstanding bond issues subject to continuing disclosure, noting the applicable filing dates [see attached table format, Part I, for tracking this information (the "Disclosure Table")].

5. The City Finance Director shall be responsible for assembling and maintaining copies of the final CDU and final Official Statements for each applicable bond issue, together with any third-party Dissemination Agent Agreements, if applicable.

6. The City Finance Director shall document and track the required continuing disclosure information to be filed, including dates such information is filed [see attached Disclosure Table, Part II].

7. The City Finance Director shall be responsible for registering for continuing disclosure filing email reminders from the EMMA website (<http://emma.msrb.org>).

8. At least 30 days prior to the earliest filing deadline listed on the Disclosure Table, the City Finance Director, with appropriate assistance, shall begin the process of compiling necessary information required by the CDUs (and coordinate with outside professionals hired to compile this information, if applicable).

9. At least 10 days prior to each filing deadline, the City Finance Director shall determine whether all necessary items have been compiled for filing pursuant to the CDU requirements (including review with outside professionals if applicable).

10. At least 3 days prior to each filing deadline, the City Finance Director shall file (or cause any Dissemination Agent to file) the necessary items on the EMMA website. After filing, the City Finance Director shall confirm that all items have, in fact, been filed on EMMA as required, and shall note the filing date on the Disclosure Table.

11. If the audited financial statements of the City are not available by the filing deadline, the City Finance Director will file the unaudited financial statements of the City in a format required by the

CDU by the filing deadline and subsequently file the audited financial statements of the City as soon as they are available.

12. Within 10 days following each filing of information on the EMMA website, the City Finance Director shall notify the City Administrator that such information has been filed, along with a statement regarding whether the information was filed in a timely manner.

13. In addition to the regularly scheduled continuing disclosure filings, the City Finance Director shall be responsible for determining whether any of the following “material events” under the CDU has taken place and if so, discuss the same with its external legal and financial professionals and cause the filing of notice to be made on EMMA within ten business days 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 security, or other material events affecting the tax status of the security;
- g. Modifications to rights of security holders, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, 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 an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

In addition to the material events listed above, the City Finance Director shall, in consultation with bond counsel and other applicable professionals, consider and determine whether any “material event” has or is threatened to occur in connection with any of the City’s outstanding bonds or notes. For purposes of the foregoing consideration and determination, an event other than the listed events should be deemed “material” if it is an event as to which a substantial likelihood exists that reasonably prudent investor would attach importance thereto in deciding to buy or sell a bond or note, or if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed under the CDU 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 or note within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

14. The City Finance Director shall be responsible for coordinating and filing any voluntary information with EMMA, after consultation with the City’s legal and financial professionals.

Form of Disclosure Table

Part I – Master Tracking Table (list of deadlines for all bond issues)

Name of Bond Issue	Date of Issue	Final Maturity Date	Dissemination Agent?	CUSIP for Final Maturity	Deadline for Annual Report

Part II – Separate Table for Each Bond Issue (tracks details of filings for each issue)

[Name of Bonds][date of issue]	Reporting Periods [inset date info was filed on EMMA]			
Description of Financial Information / Operating Data to file on EMMA	FY2013	FY2014	FY2015	FY2016
[audit]				
[list applicable tables in Official Statement]				
[unaudited financials, if audit not available by deadline]				
[other information]				