

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Billings, Montana (the "City"), hereby certify that the attached resolution is a true copy of Resolution No. _____, entitled: "RESOLUTION RELATING TO \$3,465,000 TAX INCREMENT URBAN RENEWAL REVENUE BONDS (EAST BILLINGS URBAN RENEWAL DISTRICT), SERIES 2018; AUTHORIZING THE SALE AND PRESCRIBING THE FORMS AND TERMS THEREOF AND THE SECURITY THEREFOR" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Council of the City at a regular meeting on August 27, 2018, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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 _____; voted against the same: _____; abstained from voting thereon: _____; or were absent: _____.

WITNESS my hand officially this 27th day of August, 2018.

(SEAL)

City Clerk

RESOLUTION NO. _____

RESOLUTION RELATING TO \$3,465,000 TAX INCREMENT
URBAN RENEWAL REVENUE BONDS (EAST BILLINGS
URBAN RENEWAL DISTRICT), SERIES 2018;
AUTHORIZING THE SALE AND PRESCRIBING THE FORMS
AND TERMS THEREOF AND THE SECURITY THEREFOR

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

Section 1. Authorizations and Findings.

1.01. Recitals; Prior City Actions. Under Montana Code Annotated, Title 7, Chapter 15, Parts 42 and 43, as amended (the “Act”), the City is authorized to create urban renewal areas, prepare and adopt an urban renewal plan therefor and amendments thereto, undertake urban renewal projects therein, provide for the segregation and collection of tax increment with respect to property taxes collected in such areas, issue its bonds to pay the costs of such projects and to refund bonds previously issued under the Act and pledge to the repayment of the bonds the tax increment and other revenues derived from projects undertaken within the urban renewal area.

Pursuant to the Act and Ordinance No. 06-5395 adopted on October 23, 2006, as amended by Ordinance No. 15-5652 adopted on April 27, 2015 (as so amended, the “Ordinance”), the Council created the East Billings Urban Renewal District (the “District”) and approved the East Billings Urban Renewal Plan (the “Plan”) containing a tax increment financing provision.

Pursuant to the Act and Resolution No. 15-10475 adopted by the Council on June 22, 2015 (the “Original Resolution”), the City issued its Tax Increment Urban Renewal Revenue Bonds (East Billings Urban Renewal District), Series 2015, in the aggregate principal amount of \$3,165,000 (the “Series 2015 Bonds”). The Series 2015 Bonds are payable from Tax Increment. Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Original Resolution. The Original Resolution, as amended and supplemented by this Resolution, are together referred to herein as the “Resolution.”

The City proposes to undertake the reconstruction of North 11th Street and North 12th Street (from 1st Avenue North to 4th Avenue North) and 2nd Avenue North and 3rd Avenue North (from North 10th Street to North 13th Street), including design, construction and installation of storm sewer system improvements; curb, gutter and sidewalk improvements; street reconstruction, including installation of back-in diagonal parking and bike lanes; lighting improvements; landscaping; and related improvements (collectively, the “Infrastructure Improvements”). Pursuant to the Act and the Ordinance, the Council approved the Infrastructure Improvements as an urban renewal project and declared its intention to use tax increment revenue from the District to finance the Infrastructure Improvements, all as set forth in the Plan.

1.02. Authorization and Sale of Series 2018 Bonds. Pursuant to Resolution No. 18-10748 adopted July 9, 2018 (the “Parameters Resolution”), this Council determined that it is in the best interests of the City to issue its Tax Increment Urban Renewal Revenue Bonds (East

Billings Urban Renewal District), Series 2018 (the “Series 2018 Bonds”), as authorized by Section 7-15-4301(1)(a) of the Act and the Resolution, for the purpose of financing a portion of the costs of the Series 2018 Project, funding a deposit to the Reserve Account and paying costs of issuance of the Series 2018 Bonds. The City has reserved the right under Sections 4.01 and 4.02 of the Original Resolution to issue Additional Bonds for the purpose of providing funds to pay the costs of one or more Projects, which Additional Bonds shall be payable and secured ratably and equally and on a parity with Outstanding Bonds, upon compliance with the provisions of Section 4.01 and 4.02 of the Original Resolution.

Pursuant to the Parameters Resolution, this Council authorized the negotiated sale of the Series 2018 Bonds to D.A. Davidson & Co., Great Falls, Montana (the “Original Purchaser”) and authorized the Mayor, City Administrator, Deputy City Administrator and City Finance Director to enter into the Bond Purchase Agreement, dated as of August 8, 2018, with the Original Purchaser (the “Bond Purchase Agreement”), pursuant to which the Original Purchaser agreed to purchase the Series 2018 Bonds at the aggregate purchase price of \$3,529,181.85 (representing the par amount of the Series 2018 Bonds, less underwriter’s compensation of \$31,185.00 and plus a net original issue premium of \$95,366.85), in each case, subject to the terms and conditions of the Bond Purchase Agreement and the Resolution. The true interest cost of the Series 2018 Bonds is 3.797923%. The sale of the Series 2018 Bonds to the Original Purchaser is hereby ratified and confirmed. In the event of any discrepancy between the Bond Purchase Agreement and this Resolution, this Resolution shall control.

1.03. Application of Series 2018 Bond Proceeds. Proceeds of the Series 2018 Bonds will be applied as follows:

| | |
|----------------------------|-----------------------|
| Construction Costs | \$3,200,000.00 |
| Deposit to Reserve Account | 255,028.76 |
| Costs of Issuance | 74,153.09 |
| Underwriter’s Discount | 31,185.00 |
| <u>Total:</u> | <u>\$3,560,366.85</u> |

1.04. Estimate of Tax Increment. Other than the Series 2015 Bonds, there are no other bonds or other obligations of the City payable from Tax Increment except the following reimbursement obligations which constitute Subordinate Obligations:

(i) Pursuant to the Development Agreement (the “**FIB Development Agreement**”) between the City and First Interstate Bank of Billings, N.A. (“**FIB**”), the City has agreed to reimburse FIB for the costs of certain public improvements in connection with the construction of an operations center in the District (the “**FIB Project**”). The maximum aggregate amount of the reimbursement obligation is \$1,193,154.09, to be reimbursed in annual installments commencing with tax year 2009 in an amount equal to the *lesser* of (i) 45% of the tax increment received by the City from the FIB Project and (ii) 45% of the tax increment received by the City from the District. Based on tax increment of \$241,847 received by the City from the FIB Project in 2018, the City estimates that the tax increment from the FIB Project will be at least \$241,847 per year. The annual reimbursement to FIB is estimated to be \$108,831 (\$241,847 x 45%). The outstanding principal amount of the reimbursement obligation is \$329,735. The City and FIB have entered into a Subordination Agreement dated as of April 27,

2015, as amended and supplemented by a First Amendment to Subordination Agreement dated as of July 12, 2018. The First Amendment to Subordination Agreement is hereby approved, ratified and confirmed.

(ii) Pursuant to the Development Agreement (the “**GSA Development Agreement**”) between the City and GSA Billings, L.C. (“**GSA**”), the City has agreed to reimburse GSA for the costs of certain public improvements in connection with the construction of an office facility in the District (the “**GSA Project**”). The maximum aggregate amount of the reimbursement obligation is \$613,741.60, to be reimbursed in annual installments commencing with tax year 2013 in an amount equal to the *lesser* of (i) 45% of the tax increment received by the City from the GSA Project and (ii) \$76,717. Based on tax increment of \$243,756 received by the City from the GSA Project in 2018, the City estimates that the tax increment from the GSA Project will be at least \$243,756 per year. As stated above, the annual reimbursement to GSA under the Development Agreement is estimated to be \$76,717 (the maximum amount payable as set forth above). The outstanding principal amount of the reimbursement obligation is \$99,491. The City and GSA have entered into a Subordination Agreement dated as of April 27, 2015, as amended and supplemented by a First Amendment to Subordination Agreement dated as of July 17, 2018. The First Amendment to Subordination Agreement is hereby approved, ratified and confirmed.

The base taxable value of the District was not adjusted at the time of the District’s 2015 expansion. The City expects that the base taxable value will be increased accordingly moving forward. The City estimates that the assessed value, as of January 1, 2015, of the parcels added to the District in the 2015 expansion was approximately \$93,636. Therefore, the City expects that the base taxable value of the District will be increased by \$93,636, resulting in an increased base taxable value of \$1,894,430. Applying such increase in the base taxable value of the District to Fiscal Year 2018, the incremental value of the District would be reduced to \$1,108,666, and Tax Increment revenues would be reduced by approximately \$62,050.

The City estimates that Tax Increment will be at least \$861,305 per year (based on Tax Increment of \$923,300 received by the City in Fiscal Year 2018, reduced to take into account the expected increase in the base taxable value of the District resulting from the 2015 expansion and the corresponding decrease in Tax Increment, estimated to be \$62,050). The maximum Principal and Interest Requirements on the Series 2015 Bonds and the Series 2018 Bonds is \$473,666.26. Taking into account the annual reimbursement to FIB of \$108,831 and the annual reimbursement to GSA of \$76,717, there will be adequate tax increment from the District to pay principal and interest on the Series 2015 Bonds, the Series 2018 Bonds and such Subordinate Obligations. Exhibit A hereto reflects the debt service payments on the Series 2015 Bonds, Series 2018 Bonds and such Subordinate Obligations.

In addition, the Tax Increment received by the City in Fiscal Year 2018 (\$923,300) was equal to at least 130% of the maximum Principal and Interest Requirements for any future calendar year (\$473,666.26) with respect to the Series 2015 Bonds and the Series 2018 Bonds. The Tax Increment received by the City in Fiscal Year 2018 (\$923,300) and the Tax Increment estimated to be received in the next succeeding three Fiscal Years (\$861,305) (adjusted as provided in Section 4.02 of the Original Resolution) is estimated to be equal to at least 140% of

the maximum Principal and Interest Requirements for any future calendar year (\$473,666.26) with respect to the Series 2015 Bonds and the Series 2018 Bonds.

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

- (a) no persons will be displaced from their housing by the Infrastructure Improvements;
- (b) the Plan and the Infrastructure Improvements conform to the comprehensive plan or parts thereof of the City as a whole;
- (c) the Plan and the Infrastructure Improvements will afford maximum opportunity, consistent with the needs of the City as a whole, for the rehabilitation or redevelopment in the District by private enterprise;
- (d) a sound and adequate financial program exists for the financing of the Infrastructure Improvements, which program includes the City's use of the proceeds of the Series 2018 Bonds;
- (e) the Infrastructure Improvements are in the best interests of the City;
- (f) the Infrastructure Improvements are authorized under the Plan and constitute an urban renewal project within the meaning of the Act;
- (g) the estimated Tax Increment to be received by the City, as set forth in Section 1.04, and pledged to the payment of the Series 2018 Bonds will be sufficient to pay the Principal and Interest Requirements thereon when due;
- (h) it is in the best interests of the City to issue and sell the Series 2018 Bonds to finance the costs of the Infrastructure Improvements as provided in the Resolution; and
- (i) the findings and determinations made by this Council in the Ordinance are hereby ratified and confirmed.

All acts, conditions and things required by the Constitution and laws of the State, including the Act, in order to pledge the Tax Increment to the payment of the Series 2018 Bonds, to make the Series 2018 Bonds valid and binding special, limited obligations of the City in accordance with their terms and in accordance with the terms of the 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. Bond Terms, Execution and Delivery.

2.01. Term of Series 2018 Bonds. The Series 2018 Bonds shall be designated "Tax Increment Urban Renewal Revenue Bonds (East Billings Urban Renewal District), Series 2018." The Series 2018 Bonds shall be in denominations of \$5,000 or any integral multiple thereof of single maturities. The Series 2018 Bonds shall mature, subject to redemption as hereinafter provided, on July 1 in the years and amounts listed below, and the Series 2018 Bonds maturing

in such years and amounts shall bear interest from date of original issue until paid or duly called for redemption at the rates shown opposite such years and amounts, as follows:

| <u>Year</u> | <u>Amount</u> | <u>Interest Rate</u> |
|-------------|---------------|----------------------|
| 2019 | \$105,000 | 3.000% |
| 2020 | 130,000 | 3.000 |
| 2021 | 130,000 | 3.000 |
| 2022 | 135,000 | 3.000 |
| 2023 | 140,000 | 3.000 |
| 2024 | 145,000 | 3.000 |
| 2025 | 150,000 | 3.000 |
| 2026 | 150,000 | 3.150 |
| 2027 | 155,000 | 3.250 |
| 2028 | 160,000 | 3.350 |
| 2032* | 720,000 | 5.000 |
| 2035* | 635,000 | 3.875 |
| 2038* | 710,000 | 4.000 |

*Term Bonds subject to mandatory sinking fund redemption as set forth in Section 2.07 below.

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

2.02. Registered Form, Interest Payment Dates. The Series 2018 Bonds shall be issuable only in fully registered form, and the ownership of the Series 2018 Bonds shall be transferred only upon the Bond Register. The interest on the Series 2018 Bonds shall be payable on January 1 and July 1 in each year, commencing January 1, 2019. Interest on the Series 2018 Bonds shall be payable to the Owners thereof as of the close of business on the 15th day of the month immediately preceding each Interest Payment Date, whether or not such day is a Business Day. Interest on and, upon presentation and surrender thereof, principal of each Series 2018 Bond shall be payable by check or draft issued by the Registrar described herein.

2.03. Dated Date. Each Series 2018 Bond shall be dated, as originally issued, as of September 5, 2018, and upon authentication of any Series 2018 Bond the Registrar shall indicate thereon the date of such authentication.

2.04. Registration. The City shall appoint, and shall maintain, a bond registrar, transfer agent and paying agent (the “Registrar”). This Section 2.04 shall establish a system of registration for the Series 2018 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 Series 2018 Bonds and the registration of transfers and exchanges of Series 2018 Bonds entitled to be registered, transferred or exchanged.

(b) Transfer of Series 2018 Bonds. Upon surrender to the Registrar for transfer of any Series 2018 Bond duly endorsed by the Owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the Owner thereof or by an attorney duly authorized by the Owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Series 2018 Bonds of the same series and a like aggregate principal amount, interest rate and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of transfer of any Series 2018 Bond or portion thereof selected or called for redemption.

(c) Exchange of Series 2018 Bonds. Whenever any Series 2018 Bond is surrendered by the Owner for exchange, the Registrar shall authenticate and deliver one or more new Series 2018 Bonds of the same series and a like aggregate principal amount, interest rate and maturity, as requested by the Owner or the Owner's attorney in writing.

(d) Cancellation. All Series 2018 Bonds surrendered upon any transfer or exchange shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When any Series 2018 Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Series 2018 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 Series 2018 Bond is at any time registered in the Bond Register as the absolute owner of such Series 2018 Bond, whether such Series 2018 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest on such Series 2018 Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the City upon such Series 2018 Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer or exchange of Series 2018 Bonds (except for an exchange upon a partial redemption of a Series 2018 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 Series 2018 Bonds. In case any Series 2018 Bond shall become mutilated or be lost, stolen or destroyed, the Registrar shall deliver a new Series 2018 Bond of the same series and a like aggregate principal amount, interest rate and maturity in exchange and substitution for and upon cancellation of any such mutilated Series 2018 Bond or in lieu of and in substitution for any such Series 2018 Bond lost, stolen or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Series 2018 Bond lost, stolen or destroyed, upon filing with the Registrar of evidence satisfactory to it that such Series 2018 Bond was lost, stolen or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. All Series 2018 Bonds so surrendered to the Registrar

shall be cancelled by it and evidence of such cancellation shall be given to the City. If the mutilated, lost, stolen or destroyed Series 2018 Bond has already matured or such Series 2018 Bond has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Series 2018 Bond prior to payment.

2.05. Appointment of Initial Registrar. The City hereby appoints U.S. Bank National Association, of Salt Lake City, Utah, to act as the Registrar. The City reserves the right to appoint a successor Registrar, but the City agrees to pay the reasonable and customary charges of the Registrar for the services performed. Upon merger or consolidation of a bank or trust company that is acting as the Registrar, if the resulting corporation is a bank or trust company authorized by law to conduct such business, such corporation shall be authorized to act as successor Registrar. The City reserves the right to remove any Registrar upon 30 days' notice and upon the appointment of a successor Registrar, in which event the predecessor Registrar shall deliver all cash and Series 2018 Bonds in its possession as Registrar to the successor Registrar and shall deliver the Bond Register to the successor Registrar.

2.06. Optional Redemption. The Series 2018 Bonds with Stated Maturities in the years 2019 through 2028 are not subject to redemption prior to their Stated Maturities. The Series 2018 Bonds with Stated Maturities on July 1, 2032, July 1, 2035 and July 1, 2038 are subject to redemption on July 1, 2028 and any date thereafter, at the option of the City, in whole or in part, and if in part from such Stated Maturities and in such principal amounts as the City may designate in writing to the Registrar (or, if no designation is made, in inverse order of maturities and within a maturity in \$5,000 principal amounts selected by the Registrar by lot or other manner it deems fair), at a Redemption Price equal to the principal amount thereof and interest accrued to the Redemption Date, without premium.

The Redemption Date and the principal amount of the Series 2018 Bonds to be redeemed shall be fixed by the City Finance Director who shall give notice thereof to the Registrar at least 35 days prior to the Redemption Date or such lesser period as the Registrar accepts. The Registrar, at least 30 days prior to the designated Redemption Date, shall cause notice of redemption to be mailed, by first class mail, or by other means required by the securities depository, to the Owners of each Series 2018 Bond to be redeemed at their addresses as they appear on the Bond Register, but no defect in or failure to give such mailed notice shall affect the validity of proceedings for the redemption of any Series 2018 Bond not affected by such defect or failure. The notice of redemption shall specify the Redemption Date, Redemption Price, the numbers, interest rates and CUSIP numbers of the Series 2018 Bonds to be redeemed and the place at which the Series 2018 Bonds are to be surrendered for payment, which is the principal office of the Registrar. Official notice of redemption having been given as aforesaid, the Series 2018 Bonds or portions thereof so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified and from and after such date (unless the City shall default in the payment of the Redemption Price) such Series 2018 Bonds or portions thereof shall cease to bear interest.

2.07. Mandatory Sinking Fund Redemption. The Series 2018 Bonds having Stated Maturities in 2032, 2035 and 2038 are subject to mandatory sinking fund redemption on July 1 in the respective years and the respective principal amounts set forth below in \$5,000 principal amounts selected by the Registrar, by lot or other manner it deems fair, at a Redemption Price

equal to the principal amount thereof to be redeemed plus interest accrued to the Redemption Date:

| 2032 Term Bond | | 2035 Term Bond | | 2038 Term Bond | |
|----------------------|-----------|----------------------|-----------|----------------------|-----------|
| Sinking Fund Payment | | Sinking Fund Payment | | Sinking Fund Payment | |
| July 1 | Amount | July 1 | Amount | July 1 | Amount |
| 2029 | \$165,000 | 2033 | \$205,000 | 2036 | \$230,000 |
| 2030 | 175,000 | 2034 | 210,000 | 2037 | 235,000 |
| 2031 | 185,000 | 2035* | 220,000 | 2038* | 245,000 |
| 2032* | 195,000 | | | | |

*Stated Maturity.

If the Term Bonds having Stated Maturities in 2032, 2035 and 2038 are not previously purchased by the City in the open market or prepaid, \$195,000, \$220,000 and \$245,000, respectively, in principal amount of such Term Bonds would remain to mature in 2032, 2035 and 2038, respectively. The principal amount of such Term Bonds required to be redeemed on the above Sinking Fund Payment Dates shall be reduced by the principal amount of such Term Bonds theretofore redeemed at the option of the City and as to which the City has not previously applied amounts to reduce the principal amount of such Term Bonds on a Sinking Fund Payment Date.

2.08. Execution and Delivery. The Series 2018 Bonds shall be forthwith prepared for execution under the direction of the City Clerk and shall be executed on behalf of the City by the signatures of the Mayor, the City Finance Director and the City Clerk, provided that said signatures may be printed, engraved or lithographed facsimiles thereof. The seal of the City need not be imprinted on or affixed to any Series 2018 Bond. In case any officer whose signature or a facsimile of whose signature shall appear on the Series 2018 Bonds shall cease to be such officer before the delivery thereof, 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. When the Series 2018 Bonds have been so executed by said City officers, they shall be registered by the City Finance Director in accordance with Montana Code Annotated, Section 7-15-4322, as amended. Notwithstanding such execution, no Series 2018 Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under the Resolution unless and until a certificate of authentication on such Series 2018 Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Series 2018 Bonds need not be signed by the same representative. The executed certificate of authentication on each Series 2018 Bond shall be conclusive evidence that it has been authenticated and delivered under the Resolution. When the Series 2018 Bonds have been fully executed and authenticated, they shall be delivered by the Registrar to the Original Purchaser upon payment of the purchase price in accordance with the contract of sale heretofore made and executed, and the Original Purchaser shall not be obligated to see to the application of the purchase price.

2.09. Securities Depository for the Series 2018 Bonds.

(a) For purposes of this Section 2.09, the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Series 2018 Bond of which DTC (as hereinafter defined) or its nominee is the Owner, the Person (or subrogee of the Person) recorded as the beneficial owner of such Series 2018 Bond on the records of the Participant (as hereinafter defined) in whose name DTC holds such Series 2018 Bond.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2018 Bonds.

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

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Series 2018 Bonds as securities depository.

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

(b) The Series 2018 Bonds shall be initially issued as separately authenticated fully registered Series 2018 Bonds, and one Series 2018 Bond shall be issued in the principal amount of each Stated Maturity of the Series 2018 Bonds. Upon initial issuance, the ownership of all Series 2018 Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC. The Registrar and the City may treat DTC (or its nominee) as the sole and exclusive Owner of the Series 2018 Bonds registered in its name for the purposes of payment of the principal of or interest on the Series 2018 Bonds, selecting the Series 2018 Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to Owners of Series 2018 Bonds under the Resolution, registering the transfer of Series 2018 Bonds, and for all other purposes whatsoever; and neither the Registrar nor the City shall be affected by any notice to the contrary. Neither the Registrar nor the City shall have any responsibility or obligation to any Participant, any Person claiming a beneficial ownership interest in the Series 2018 Bonds under or through DTC or any Participant, or any other Person which is not shown on the Bond Register as being an Owner, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Series 2018 Bonds, with respect to any notice which is permitted or required to be given to Owners under the Resolution, with respect to the selection by DTC or any Participant of any Person to receive payment in the event of a partial redemption of the Series 2018 Bonds, or with respect to any consent given or other action taken by DTC as Owner of the Series 2018 Bonds. So long as any Series 2018 Bond is registered in the name of Cede & Co., as nominee of DTC, the Registrar shall pay all principal of and interest on such Series 2018 Bond, and shall give all notices with respect to such Series 2018 Bond, only to Cede & Co. in accordance with the Representation Letter, and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligations with respect to the principal of and interest on the Series 2018 Bonds to the extent of the sum or sums so paid. Unless the services of DTC as securities depository with respect to the Series 2018 Bonds are terminated as provided in subsection (c) hereof, no Person other than DTC shall receive an authenticated Series 2018 Bond for each separate stated maturity evidencing the obligation of the City to make

payments of principal and interest. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series 2018 Bonds will be transferable to such new nominee in accordance with subsection (e) hereof.

(c) In the event the City determines to discontinue the book-entry-only system for the Series 2018 Bonds, the City may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Series 2018 Bonds in the form of certificates. In such event, the Series 2018 Bonds will be transferable in accordance with subsection (e) hereof. DTC may determine to discontinue providing its services with respect to the Series 2018 Bonds at any time by giving notice to the City and the Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Series 2018 Bonds will be transferable in accordance with subsection (e) hereof.

(d) The Representation Letter sets forth certain matters with respect to, among other things, notices, consents and approvals by Owners and Beneficial Owners and payments on the Series 2018 Bonds. The Registrar shall have the same rights with respect to its actions thereunder as it has with respect to its actions under the Resolution.

(e) In the event that any transfer or exchange of Series 2018 Bonds is permitted under subsection (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Series 2018 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Resolution. In the event Series 2018 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 Series 2018 Bonds, or another securities depository as Owner of all the Series 2018 Bonds, the provisions of the Resolution shall also apply to all matters relating thereto, including, without limitation, the preparation of such Series 2018 Bonds in the form of Series 2018 Bond certificates and the method of payment of principal of and interest on such Series 2018 Bonds in the form of Series 2018 Bond certificates.

2.10. Form of Series 2018 Bonds. The Series 2018 Bonds shall be prepared in substantially the form set forth in Exhibit B hereto and by this reference is made a part hereof.

2.11. Application of Proceeds of Series 2018 Bonds. Simultaneously with the delivery of the Series 2018 Bonds, the City Finance Director shall cause the proceeds of the Series 2018 Bonds to be deposited as follows:

- (i) Deposit \$255,028.76 in the Reserve Account in order to cause the balance therein to equal the Reserve Requirement giving effect to the issuance of the Series 2018 Bonds; and
- (ii) Deposit \$3,274,153.09 in the Construction Account to be used to pay costs of the Infrastructure Improvements and costs of issuance of the Series 2018 Bonds.

Section 3. Continuing Disclosure.

(a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Series 2018 Bonds and the security therefor and to permit the Original

Purchaser and other participating underwriters in the primary offering of the Series 2018 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 Series 2018 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 Series 2018 Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made.

If the City fails to comply with the Disclosure Covenants, any Person aggrieved thereby, including the Owners of the outstanding Series 2018 Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of the Disclosure Covenants, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained in the Disclosure Covenants, in no event shall a default under this Section 3 constitute a default under the Series 2018 Bonds or under any other provision of the Resolution.

As used in this Section 3, "Owner" means, in respect of a Series 2018 Bond, the registered owner or owners thereof appearing in the Bond Register or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used in this Section 3, "Beneficial Owner" means, in respect of a Series 2018 Bond, any Person that (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series 2018 Bond (including Persons holding Series 2018 Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Series 2018 Bond for federal income tax purposes.

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

(i) The Official Statement relating to the Series 2018 Bonds (the "Official Statement") contains all of the Disclosure Information (as hereinafter defined) described in paragraph (b)(i)(B) below for the fiscal year ended June 30, 2018. Therefore, the City will only provide the audited financial statements described in paragraph (b)(i)(A) below for the fiscal year ended June 30, 2018, on or before 365 days after the end of the fiscal year ended June 30, 2018 or within 10 business days of the receipt thereof. In addition, on or before 365 days after the end of each fiscal year of the City, commencing with the fiscal year ending June 30, 2019, 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, containing a balance sheet as of the end of such fiscal year, a statement of

operations, changes in fund balances and cash flows for the fiscal year then ended, and information similar to that presented in the table in the Official Statement under “THE DISTRICT—District Financial Statements” 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 (b)(i)(A) above, the information for such fiscal year of the type set forth below, which information may be unaudited:

(1) the value of property in the District in a format similar to the table in the Official Statement under “THE DISTRICT—Value of Property and Tax Increment of the District;”

(2) Tax Increment available for debt service and debt service coverage in a format similar to that shown in the Official Statement under “ESTIMATED REVENUE AVAILABLE TO PAY DEBT SERVICE AND COVERAGE—Revenue Available and Debt Service Coverage;”

(3) mill levy rates for the then current fiscal year in format similar to that shown in the Official Statement under “THE DISTRICT—Mill Levies in the District;” and

(4) a list of the major taxpayers in the District for the then current fiscal year in a format similar to the table in the Official Statement under “THE DISTRICT—Top Ten Taxpayers in the District.”

Notwithstanding anything in this Section 3 to the contrary, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within ten (10) business days after the receipt thereof, the City shall provide the audited financial statements.

Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, by reference from other documents, including official statements, which have been submitted to the MSRB in the manner set forth in paragraph (c) hereof. The City shall clearly identify in the Disclosure Information in each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be material (as hereinafter defined), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or the Disclosure Covenants are amended as permitted by paragraph (d) hereof, then the City shall include in the next Disclosure Information to be delivered pursuant to this Section 3, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (ii) In a timely manner not in excess of ten (10) business days, the City will provide notice of the occurrence of any of the following events:
- (A) principal and interest payment delinquencies;
 - (B) non-payment related defaults, if material;
 - (C) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (E) substitution of credit or liquidity providers, or their failure to perform;
 - (F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Series 2018 Bonds or other material events affecting the tax status of the Series 2018 Bonds;
 - (G) modifications to rights of holders of the Series 2018 Bonds, if material;
 - (H) bond calls, if material, and tender offers;
 - (I) defeasances;
 - (J) release, substitution or sale of property securing repayment of the Series 2018 Bonds, if material;
 - (K) rating changes;
 - (L) bankruptcy, insolvency, receivership, or similar event of the City;
 - (M) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (N) appointment of a successor or additional trustee or the change of name of a trustee, if material.

An event is “material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a

Series 2018 Bond or, if not disclosed, would materially alter the total mix of information otherwise available to an investor from the Official Statement or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Series 2018 Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

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

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

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

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

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

(d) Term; Amendments; Interpretation.

(i) The Disclosure Covenants shall remain in effect so long as any Series 2018 Bonds are outstanding.

(ii) Notwithstanding paragraph (d)(i) hereof, the Disclosure Covenants (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided under paragraph (b)(iii) hereof), or the consent of the Owners of any Series 2018 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 the Disclosure Covenants (and the form and requirements of the Disclosure Information), as so amended or supplemented, will comply with paragraph (b)(5) of the Rule. If the Disclosure Covenants (and the form and requirements of the Disclosure Information) are so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

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

(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 3 to the contrary notwithstanding, in making the agreements, provisions and covenants set forth in this Section 3, the City has not obligated itself except with respect to the Tax Increment and the Tax Increment Funds. 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 4. Tax Covenants and Certifications.

4.01. Use of Infrastructure Improvements. The Infrastructure Improvements are and will be owned and operated by the City. No user of the Infrastructure Improvements is granted any concession, license or special arrangement with respect to the Infrastructure Improvements. The City shall not enter into any lease, use or other agreement or arrangement with any non-governmental Person relating to the use of the Infrastructure Improvements or security for the payment of the Series 2018 Bonds which might cause the Series 2018 Bonds to be considered “private activity bonds” or “private loan bonds” within the meaning of Section 141 the Code. No “impermissible agreement” as defined in Section 1.141-4(e)(4)(ii) of the Regulations, has been or will be entered into by the City in respect of the Tax Increment or otherwise to secure the Series 2018 Bonds.

4.02. General Covenant. The City covenants and agrees with the Owners from time to time of the Series 2018 Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Series 2018 Bonds to become includable in gross income for federal income tax purposes under the Code and applicable Regulations, and covenants to take any and all actions within its powers to ensure that the interest on the Series 2018 Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

4.03. Arbitrage Certification. The Mayor, the City Finance Director and the City Clerk being the officers of the City charged with the responsibility for issuing the Series 2018 Bonds pursuant to the Resolution, are authorized and directed to execute and deliver to the Original 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 Series 2018 Bonds, it is reasonably expected that the proceeds of the Series 2018 Bonds will not be used in a manner that would cause the Series 2018 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and the Regulations.

4.04. Arbitrage Rebate. The City acknowledges that the Series 2018 Bonds are subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Regulations to preserve the exclusion of interest on the Series 2018 Bonds from gross income for federal income tax purposes, unless the Series 2018 Bonds qualify for the exception from the rebate requirement under Section 148(f)(4)(B) of the Code and no “gross proceeds” of the Series 2018 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.

4.05. Information Reporting. The City shall file with the Secretary of the Treasury, not later than November 15, 2018, a statement concerning the Series 2018 Bonds containing the information required by Section 149(e) of the Code.

Section 5. Repeals and Effective Date.

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

5.02. 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 27th day of August, 2018.

Mayor

Attest: _____
City Clerk

(SEAL)

EXHIBIT A

Aggregate Debt Service Table

| Period Ending | 2018 Bonds Principal | 2018 Bonds Interest | 2015 Bonds Principal | 2015 Bonds Interest | Aggregate Principal | Aggregate Interest |
|---------------|----------------------|---------------------|----------------------|---------------------|---------------------|--------------------|
| 07/01/2019 | 105,000 | 108,680.31 | 100,000 | 116,637.50 | 205,000 | 225,317.81 |
| 07/01/2020 | 130,000 | 129,028.76 | 100,000 | 114,637.50 | 230,000 | 243,666.26 |
| 07/01/2021 | 130,000 | 125,128.76 | 100,000 | 111,637.50 | 230,000 | 236,766.26 |
| 07/01/2022 | 135,000 | 121,228.76 | 105,000 | 108,637.50 | 240,000 | 229,866.26 |
| 07/01/2023 | 140,000 | 117,178.76 | 105,000 | 105,487.50 | 245,000 | 222,666.26 |
| 07/01/2024 | 145,000 | 112,978.76 | 110,000 | 102,206.26 | 255,000 | 215,185.02 |
| 07/01/2025 | 150,000 | 108,628.76 | 115,000 | 98,576.26 | 265,000 | 207,205.02 |
| 07/01/2026 | 150,000 | 104,128.76 | 115,000 | 94,551.26 | 265,000 | 198,680.02 |
| 07/01/2027 | 155,000 | 99,403.76 | 120,000 | 90,382.50 | 275,000 | 189,786.26 |
| 07/01/2028 | 160,000 | 94,366.26 | 125,000 | 85,582.50 | 285,000 | 179,948.76 |
| 07/01/2029 | 165,000 | 89,006.26 | 130,000 | 80,582.50 | 295,000 | 169,588.76 |
| 07/01/2030 | 175,000 | 80,756.26 | 135,000 | 75,382.50 | 310,000 | 156,138.76 |
| 07/01/2031 | 185,000 | 72,006.26 | 140,000 | 69,982.50 | 325,000 | 141,988.76 |
| 07/01/2032 | 195,000 | 62,756.26 | 150,000 | 63,682.50 | 345,000 | 126,438.76 |
| 07/01/2033 | 205,000 | 53,006.26 | 155,000 | 56,932.50 | 360,000 | 109,938.76 |
| 07/01/2034 | 210,000 | 45,062.50 | 160,000 | 49,957.50 | 370,000 | 95,020.00 |
| 07/01/2035 | 220,000 | 36,925.00 | 170,000 | 42,757.50 | 390,000 | 79,682.50 |
| 07/01/2036 | 230,000 | 28,400.00 | 175,000 | 35,107.50 | 405,000 | 63,507.50 |
| 07/01/2037 | 235,000 | 19,200.00 | 185,000 | 26,970.00 | 420,000 | 46,170.00 |
| 07/01/2038 | 245,000 | 9,800.00 | 195,000 | 18,367.50 | 440,000 | 28,167.50 |
| 07/01/2039 | | | 200,000 | 9,300.00 | 200,000 | 9,300.00 |
| | 3,465,000 | 1,617,670.45 | 2,890,000 | 1,557,358.78 | 6,355,000 | 3,175,029.23 |

EXHIBIT B

[Form of Series 2018 Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF YELLOWSTONE

CITY OF BILLINGS, MONTANA

**TAX INCREMENT URBAN RENEWAL REVENUE BONDS
(EAST BILLINGS URBAN RENEWAL DISTRICT), SERIES 2018**

No. _____ \$ _____

| <u>Rate</u> | <u>Maturity Date</u> | <u>Date of Original Issue</u> | <u>CUSIP</u> |
|-------------|----------------------|-------------------------------|--------------|
| % | July 1, | September 5, 2018 | 090141 [] |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS AND NO/100

FOR VALUE RECEIVED, THE CITY OF BILLINGS, YELLOWSTONE COUNTY, STATE OF MONTANA (the "City"), acknowledges itself to be specially indebted and hereby promises to pay to the registered owner named above or registered assigns the principal amount specified above on the maturity date specified above or, if this Bond is prepayable as stated below, on an earlier date on which this Bond shall have been duly called for redemption, with interest hereon from the date of original issue hereof, or such later date to which interest hereon has been paid or duly provided for, until the principal amount is paid or until this Bond, if redeemable, has been duly called for redemption, at the annual rate specified above. Principal of this Bond is payable upon presentation and surrender hereof to U.S. Bank National Association, Seattle, Washington, as registrar, transfer agent and paying agent, or its successor designated under the Resolution described herein (the "Registrar") at its operations center in St. Paul, Minnesota. The interest on this Bond shall be payable on January 1 and July 1 in each year, commencing January 1, 2019. Interest on the Series 2018 Bonds shall be payable to the owners of record thereof as such appear on the Bond Register as of the close of business on the 15th day of the month immediately preceding each interest payment date, whether or not such day is a Business Day. Interest on, and upon presentation and surrender thereof, the principal of each Bond shall be payable by check or draft issued by the Registrar described herein.

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 a duly authorized issue of Bonds of the City designated as “Tax Increment Urban Renewal Revenue Bonds (East Billings Urban Renewal District), Series 2018” (collectively, the “Bonds”), issued and to be issued in one or more series under, and all equally and ratably secured by Resolution No. 15-10475, adopted by the City Council on June 22, 2015 (the “Original Resolution”), as amended by Resolution No. [___], adopted by the City Council on August 27, 2018 (as amended or supplemented in accordance with the provisions thereof, the “Resolution”), to which Resolution, copies of which are on file with the City, reference is hereby made for a description of the nature and extent of the security, the respective rights thereunder of the Owners of the Bonds and the City and the terms upon which the Bonds are to be issued and delivered. This Bond is one of the series specified in its title, issued in the aggregate principal amount of \$3,465,000 (the “Series 2018 Bonds”), all of like date of original issue and tenor except as to serial number, denomination, date, interest rate, maturity date and redemption privilege. The Series 2018 Bonds are issued by the City for the purpose of financing a portion of the costs of an urban renewal project (as defined in the Act) within the City’s East Billings Urban Renewal District (the “District”). The Series 2018 Bonds are payable and secured ratably and equally and on a parity with the City’s Tax Increment Urban Renewal Revenue Bonds (East Billings Urban Renewal District), Series 2015 (the “Series 2015 Bonds”) and any additional parity Bonds hereafter issued pursuant to the Resolution. Capitalized terms used herein but not otherwise defined shall have the respective meanings given such terms in the Resolution.

The Series 2018 Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Montana, particularly Montana Code Annotated, Title 7, Chapter 15, Parts 42 and 43, as amended (the “Act”), and pursuant to the Resolution. The Bonds are payable solely and ratably from Tax Increment received by the City and resulting from the extension of ad valorem taxes levied by certain Taxing Bodies against the incremental taxable value of taxable property within the District pursuant to the Act, except that under certain conditions as described in the Resolution, the Bonds may be payable from replacement revenues, if any, provided in the event of the abolition or substantial elimination of property taxation in Montana.

The Bonds are not general obligations of the City and the City’s general credit and taxing powers are not pledged to the payment of the Bonds or the interest thereon. The Bonds shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitations.

The Series 2018 Bonds with Stated Maturities in the years 2019 through 2028 are not subject to redemption prior to their Stated Maturities. The Series 2018 Bonds with Stated Maturities on July 1, 2032, July 1, 2035 and July 1, 2038 are subject to redemption on July 1, 2028 and any date thereafter, at the option of the City, in whole or in part, and if in part from such Stated Maturities and in such principal amounts as the City may designate in writing to the

Registrar (or, if no designation is made, in inverse order of maturities and within a maturity in \$5,000 principal amounts selected by the Registrar by lot or other manner it deems fair), at a Redemption Price equal to the principal amount thereof and interest accrued to the Redemption Date, without premium.

The Series 2018 Bonds having Stated Maturities in 2032, 2035 and 2038 are subject to mandatory sinking fund redemption on July 1 in the respective years and the respective principal amounts set forth below in \$5,000 principal amounts selected by the Registrar, by lot or other manner it deems fair, at a Redemption Price equal to the principal amount thereof to be redeemed plus interest accrued to the Redemption Date:

| 2032 Term Bond | | 2035 Term Bond | | 2038 Term Bond | |
|----------------------|-----------|----------------------|-----------|----------------------|-----------|
| Sinking Fund Payment | | Sinking Fund Payment | | Sinking Fund Payment | |
| July 1 | Amount | July 1 | Amount | July 1 | Amount |
| 2029 | \$165,000 | 2033 | \$205,000 | 2036 | \$230,000 |
| 2030 | 175,000 | 2034 | 210,000 | 2037 | 235,000 |
| 2031 | 185,000 | 2035* | 220,000 | 2038* | 245,000 |
| 2032* | 195,000 | | | | |

*Stated Maturity.

If the Term Bonds having Stated Maturities in 2032, 2035 and 2038 are not previously purchased by the City in the open market or prepaid, \$195,000, \$220,000 and \$245,000, respectively, in principal amount of such Term Bonds would remain to mature in 2032, 2035 and 2038, respectively. The principal amount of such Term Bonds required to be redeemed on the above Sinking Fund Payment Dates shall be reduced by the principal amount of such Term Bonds theretofore redeemed at the option of the City and as to which the City has not previously applied amounts to reduce the principal amount of such Term Bonds on a Sinking Fund Payment Date.

As provided in the Resolution and subject to certain limitations set forth therein, this Series 2018 Bond is transferable upon the books of the City at the principal office of the Registrar, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his attorney; and may also be surrendered in exchange for Series 2018 Bonds of other authorized denominations. Upon any such transfer or exchange, the City will cause a new Series 2018 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 AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Montana and ordinances and resolutions of the City to be done, to exist, to happen and to be performed in order to make this Series 2018 Bond a valid and binding special, limited obligation of the City in accordance with its terms have been done, do exist, have happened and have been performed as so required; that this Series 2018 Bond has been issued by the City in connection with an urban renewal project (as defined in the Act); that the City, in and by the Resolution, has validly made and entered into covenants and agreements with and for the benefit of the Owners from time to time of all Bonds issued thereunder, including covenants that it will pledge, appropriate and credit the Tax Increment to the Tax Increment Debt Service Account of the City; that Additional Bonds may be issued and made payable from the Tax Increment Debt Service Account on a parity with the Series 2015 Bonds and the Series 2018 Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Tax Increment, unless the lien thereof shall be expressly made subordinate to the lien of the Series 2015 Bonds and the Series 2018 Bonds on the Tax Increment; that all provisions for the security of the Owners of the Bonds as set forth in the Resolution will be punctually and faithfully performed as therein stipulated; and that the issuance of the Series 2018 Bonds does not cause the obligations of the City to exceed any constitutional or statutory limitation of indebtedness.

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 Gifts to

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

Minor Act.....
(State)

_____ 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.