

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Billings, Yellowstone County, Montana (the "City"), hereby certify that the attached resolution is a true copy of a Resolution entitled: "RESOLUTION RELATING TO \$815,000 POOLED SPECIAL SIDEWALK, CURB, GUTTER AND ALLEY APPROACH BONDS, SERIES 2001D; CREATING SPECIAL SIDEWALK, CURB, GUTTER AND ALLEY APPROACH FUND AND PRESCRIBING COVENANTS OF THE CITY FOR THE SECURITY OF THE HOLDERS OF THE BONDS" (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 October 22, 2001, and that the meeting was duly held by the City Council Members 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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 Members voted in favor thereof: UNANIMOUS _____;
voted against the same: NONE _____;
abstained from voting thereon: NONE _____; or
were absent: Mc Danel, Larson _____.

WITNESS my hand and seal officially this _____ day of October, 2001.

Marita Herald
City Clerk

RESOLUTION NO. 01- 1777 2

RESOLUTION RELATING TO \$815,000 POOLED SPECIAL
SIDEWALK, CURB, GUTTER AND ALLEY APPROACH
BONDS, SERIES 2001D; CREATING SPECIAL SIDEWALK,
CURB, GUTTER AND ALLEY APPROACH FUND AND
PRESCRIBING COVENANTS OF THE CITY FOR THE
SECURITY OF THE HOLDERS OF THE BONDS

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. Sale of Pooled Special Sidewalk, Curb, Gutter and Alley Approach Bonds.

This Council, by Resolution No. 01-17745, adopted September 10, 2001, authorized the issuance and public sale of pooled special sidewalk, curb, gutter and alley approach bonds of the City in the aggregate principal amount of \$815,000 (the "Bonds") for the purpose of financing the construction of certain sidewalks, curbs, gutter and alley approach projects (the "Projects") heretofore ordered by this Council pursuant to Resolution Nos. 01-17651 and 01-17680, adopted January 8, 2001 and March 12, 2001, respectively, and as set forth on Exhibit A hereto, as the 2001 Miscellaneous/Developer Related Improvements (the "Developer-Related Improvements") and the Broadwater Subdivision Improvements, Phase III (the "Broadwater Improvements") (collectively, the "Improvements"). Advertisements for bids for the purchase of the Bonds were published in accordance with the provisions of Montana Code Annotated, Sections 7-12-4204, 7-7-4252 and 17-5-106. After a public sale conducted in accordance with applicable statutory provisions and pursuant to the minutes of its October 9, 2001 meeting, this Council authorized the City to enter into a contract with Dain Rauscher Incorporated, of Chicago, Illinois (the "Original Purchaser"), as the lowest responsible bidder pursuant to which the Original Purchaser agreed to purchase from the City the Bonds at a purchase price of \$802,775, plus accrued interest thereon from the date of original issue of the Bonds, at the rates of interest set forth in Section 2.01 hereof and upon the further terms set forth in this resolution resulting at a net interest cost of 4.1784% per annum and a total dollar interest cost of \$301,237.14.

In Resolution Nos. 01-17669 and 01-17690, adopted February 12, 2001 and April 9, 2001, respectively, this Council found that it is in the public interest, and in the best interest of the City and the properties, to secure payment of principal of and interest on the Bonds by the Special Improvement District Revolving Fund of the City, on the basis of the factors required to be considered under Section 7-12-4225 of the Act. Those findings are hereby ratified and confirmed.

1.02. Costs. Costs of the Improvements in excess of the costs to be assessed against the Improvements for the Broadwater Improvements will be paid from available City contributions in the amount of \$840,000 and for the Developer-Related Improvements will be paid from available City contributions in the amount of \$212,150. It is currently estimated that the costs and expenses to be assessed against properties benefitted by the Improvements, including costs of preparation of plans, specifications, maps, profiles, engineering superintendence and inspection, preparation of assessment rolls, expenses of making the

assessments, the cost of work and materials under the construction contract and all other costs and expenses, including the deposit of proceeds in the Revolving Fund, is not less than \$815,000 (\$470,000 for the Broadwater Improvements and \$345,000 for the Developer-Related Improvements). Such amount will be levied and assessed upon the assessable real property benefitted by the Improvements. This Council has jurisdiction and is required by law to levy and assess such amount, to collect such special assessments and credit the same to the pooled special sidewalk, curb, gutter and alley approach sinking fund created for the Improvements, which fund is to be maintained on the official books and records of the City separate from all other City funds, for the payment of principal and interest when due on the bonds herein authorized.

1.03. Compliance with Constitution and Statutes. All acts, conditions and things required by the Constitution and laws of the State of Montana, including Montana Code Annotated, Title 7, Chapter 14, Part 41, and Title 7, Chapter 12, Parts 41 and 42, as amended, 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 required.

Section 2. \$815,000 Pooled Special Sidewalk, Curb, Gutter and Alley Approach Bonds, Series 2001D.

2.01. Principal Amount, Maturities, Date, Denominations and Interest Rate. For the purpose of paying the costs and expenses incurred in the construction of the Improvements and in anticipation of the collection of special assessments to be levied therefor, and in accordance with the public offering and contract of sale described in Section 1.01, the City shall forthwith issue and deliver to the Purchaser its Pooled Special Sidewalk, Curb, Gutter and Alley Approach Bonds, Series 2001D, in the aggregate principal amount of \$815,000, payable solely from the 2001D Pooled Special Sidewalk, Curb, Gutter and Alley Approach Sinking Fund of the City (the "2001D Sidewalk Sinking Fund"). The Bonds shall bear an original issue date and be registered as of November 1, 2001, and shall be issued in the form of fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof, except that the bond maturing in 2003 shall be in the principal amount of \$3,000 and one bond maturing in 2004 shall be in the amount of \$2,000.

The Bonds shall mature on July 1 in the years and amounts set forth below, subject to prior redemption, and shall bear interest from the date of original registration to their respective maturities or prior dates upon which they have been duly called for redemption at the rates per annum set forth opposite such years and amounts, respectively:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2003	\$ 3,000	2.40%	2009	\$85,000	3.85%
2004	12,000	2.75	2010	85,000	3.95
2005	40,000	3.00	2011	85,000	4.05
2006	75,000	3.25	2012	90,000	4.15
2007	75,000	3.45	2013	90,000	4.30
2008	85,000	3.70	2014	90,000	4.45

Each of the Bonds shall represent one or more principal installments of the issue of the same maturity. Principal installments of the issue are numbered from 1 through 164, each in the amount of \$5,000, except that the bond maturing in 2003 shall be in the principal amount of \$3,000 and one bond maturing in 2004 shall be in the amount of \$2,000. Principal of and interest on the Bonds are payable in lawful money of the United States of America. Upon the original delivery of the Bonds or upon transfer or exchange of Bonds, the Registrar (as hereinafter defined) shall date each Bond so delivered as of the date of its authentication.

2.02. Method of Payment. The Bonds shall be issuable only in fully registered form, and the ownership of the Bonds shall be transferred only upon the bond register of the City hereinafter described. The interest on, and upon presentation and surrender thereof at the principal office of the Registrar described herein, the principal amount of each Bond at the principal office of the Registrar described herein, the amount payable with respect thereto, shall be payable by check or draft issued by the Registrar.

2.03. Interest Payment Dates. Interest on the Bonds shall be payable semiannually on each January 1 and July 1, commencing January 1, 2003, to the owners of record thereof as such appear in the bond register as of the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day.

2.04. Registration. The City hereby appoints the Director of Finance of the City to act as bond registrar, transfer agent and paying agent (the "Registrar"). The City reserves the right to appoint a bank, trust company or fiscal company as successor bond registrar, transfer agent or paying agent, as authorized by the Model Public Obligations Registration Act of Montana (the "Act"), but the City agrees to pay the reasonable and customary charges of the Registrar for the services performed. This Section 2.04 shall establish a system of registration for the Bonds as defined by the Act. 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 Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged.

(b) Transfer. Upon surrender 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, 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 the transfer of any Bond or principal installment thereof to be selected or called for redemption. No transfer or exchange of a Bond shall affect its order of registration for purposes of redemption pursuant to Section 2.05.

(c) Exchange of Bonds. 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 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 in 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 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 any Bond pursuant to Section 2.06), 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. Redemption. Whenever there will be any balance in the 2001D Sidewalk Sinking Fund after payment of the principal and interest due on all Bonds drawn against it, either from the prepayment of special assessments levied with respect to the Improvements or from the

transfer of surplus moneys from the Construction Subaccount to the Principal Subaccount created for each Project as provided in Section 3.02, the Director of Finance shall call for redemption on any interest payment date outstanding Bonds or principal installments thereof in an amount which, together with the interest thereon to the date of redemption, will equal (as closely as the amount of the principal installment will permit) the amount of the 2001D Sidewalk Sinking Fund on the interest payment date. The Bonds are subject to redemption at the option of the City from other sources of funds available therefor on any interest payment date; provided, however, that the Bonds shall not be called for redemption from the proceeds of refunding bonds before July 1, 2006. For purposes of redemption, the order of registration of the Bonds shall correspond to the order of the numbers of the principal installments represented by the Bonds. Bonds representing more than one principal installment may be redeemed in part, in one or more whole principal installments, and upon such partial redemption, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal installments outstanding. Bonds shall be redeemed in the order of the principal installments they represent, at a redemption price equal to the principal installment or installments of the Bonds to be redeemed plus interest accrued thereon to the date of redemption. The date of redemption shall be fixed by the Director of Finance, who shall give notice, by first class mail, postage prepaid, to the owner or owners of such Bonds at their addresses appearing in the bond register, of the numbers of the principal installments and Bonds to be redeemed and the date on which payment will be made, which date shall be not less than thirty days after the date of mailing notice. The Director of Finance shall at the same time mail notice of the redemption to the Original Purchaser. On the date so fixed interest on the Bonds or principal installments thereof to be redeemed shall cease to occur.

2.06. Execution, Registration and Delivery of Bonds. The Bonds shall be prepared under the direction of the City Clerk and shall be executed on behalf of the City by the signatures of the Mayor, the Director of Finance 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 he 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. 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. The Bonds shall be registered in order of their serial numbers by the Director of Finance as of November 1, 2001, and the Bonds shall be delivered by the Registrar to the Original Purchaser upon payment of \$802,775, which represents a discount of \$12,225, for the principal of the Bonds plus accrued interest from the registration date to the date of such delivery and payment. The Original Purchaser shall not be obligated to see to the application of the purchase price, but from the proceeds of the Bonds the Director of Finance shall credit forthwith the balance of such proceeds to the Construction Subaccounts in the respective Project Accounts in the 2001D Sidewalk Sinking Fund to be used solely for the payment of the cost and expenses necessarily incurred in the construction of the Improvements, except that the accrued interest received shall be deposited in the Interest Subaccounts in the

respective Project Accounts in the 2001D Sidewalk Sinking Fund and applied in payment of interest on the Bonds when due.

2.07. Form of Bonds. The Bonds shall be prepared in substantially the form set forth in Montana Code Annotated, Section 7-12-4202, as more fully set forth in Exhibit B hereto and by this reference made a part hereof.

2.08. Application of Proceeds. The Original Purchaser shall not be obligated to see to the application of the purchase price. The Director of Finance shall credit forthwith the proceeds of the Bonds as follows:

(a) Deposit to the credit of the Interest Subaccounts in the respective Project Accounts in the 2001D Sidewalk Sinking Fund the amount of accrued interest, if any, paid by the Original Purchaser thereof to the date of delivery of the Bonds, in proportion to the principal amounts of the Bonds allocable to each of the Projects, as set forth in Section 1.02, which will be applied to payment of interest on the Bonds when due;

(b) Deposit \$40,750.00 to the Revolving Fund (\$17,250 for the Developer-Related Improvements and \$23,500 for the Broadwater Improvements); and

(c) Deposit the balance of the proceeds to the Construction Subaccounts in the respective Project Accounts, in proportion to the principal amounts of the Bonds allocable to each of the Projects, to be used for the purposes described in Section 3.02.

Section 3. 2001D Pooled Special Sidewalk, Curb, Gutter and Alley Approach Sinking Fund.

3.01. 2001D Sidewalk Sinking Fund. The 2001D Sidewalk Sinking Fund is hereby created and designated as the "2001D Pooled Special Sidewalk, Curb, Gutter and Alley Approach Sinking Fund." The 2001D Sidewalk Sinking Fund shall be maintained as a separate bookkeeping account by the Director of Finance on the books and records of the City. Within the 2001D Sidewalk Sinking Fund there shall be maintained separate accounts for the Developer-Related Improvements and the Broadwater Improvements shown on Exhibit A hereto, designated accordingly (collectively, the "Project Accounts"). Within each Project Account there shall be maintained three separate subaccounts, designated as the "Construction Subaccount," the "Principal Subaccount" and the "Interest Subaccount," respectively.

3.02. Construction Subaccounts. There shall be credited to the Construction Subaccount in the Project Accounts the proceeds of the sale of the Bonds, less any interest accrued thereon to the date of delivery to the Purchaser. All costs and expenses of constructing the Improvements to be paid from proceeds of the Bonds shall be paid from time to time as incurred and allowed from the Construction Subaccount in the respective Project Accounts in accordance with the provisions of applicable law, and moneys in such Construction Subaccount shall be used for no other purpose; provided that after all claims and expenses with respect to the Improvements have been fully paid and satisfied, any moneys remaining in the Construction Subaccount shall be transferred to the Principal Subaccount in the Project Account for the Project and applied to the redemption of Bonds.

3.03. Principal Subaccounts and Interest Subaccounts. Moneys in the Principal Subaccounts and the Interest Subaccounts shall be used only for payment of the principal of and interest on the Bonds as such payments become due, or to prepay and redeem Bonds. Upon the 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, the Director of Finance shall credit to the Interest Subaccounts in the respective Project Accounts so much of said special assessments as is collected as interest payment, and credit the balance of such assessments to the Principal Subaccounts. Any installment of any special assessment paid prior to its due date with interest accrued thereon to the nearest bond call date shall be credited with respect to principal and interest payments in the same manner as other assessments are credited to the 2001D Sidewalk Sinking Fund. All moneys in the Interest Subaccounts and the Principal Subaccounts shall be used first to pay interest due, and any remaining moneys shall be used to pay Bonds then due and, if moneys are available, to redeem Bonds or principal installments thereof in accordance with Section 2.05; provided that any money transferred to the Principal Subaccount from the Construction Subaccount pursuant to Section 3.02 or any prepaid special assessments shall be applied to redeem Bonds or principal installments thereof to the extent possible on the next interest payment date for which notice of redemption may properly be given pursuant to Section 2.05. Redemption of Bonds from the Principal Subaccount shall be in order of the principal installments they represent as provided in Section 2.05, and interest shall be paid from the Interest Subaccount as accrued thereon to the date of redemption, in accordance with the provisions of Montana Code Annotated, Sections 7-12-4206.

3.04. Loans From Revolving Fund. The Council shall annually or more often if necessary issue an order authorizing a loan or advance from the Special Improvement District Revolving Fund to each of the Project Accounts in an amount sufficient to make good any deficiency then existing in the Interest Subaccount in the Project Account, and shall issue an order authorizing a loan or advance from the Revolving Fund to the Project Account in an amount sufficient to make good any deficiency then existing in the Principal Subaccount of the Project Account, to the extent that moneys are available in the Revolving Fund. Pursuant to Ordinance No. 1096 and in connection with the public offering of the Bonds, the City has undertaken and agreed to provide funds for the Revolving Fund by levying such tax or making such loan from the General Fund as authorized by Montana Code Annotated, Section 7-12-4222. 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 district bonds and sidewalk, curb, gutter and alley approach warrants of the City is not sufficient to make good all deficiencies then existing in the improvement district fund or sidewalk, curb, gutter and alley approach fund for which the City has promised 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 district bonds and sidewalk, curb, gutter and alley approach warrants of the City has been paid. On any date when all accrued interest on special improvement district bonds and sidewalk, curb, gutter and alley approach warrants of the City payable from funds for which the City has promised to make loans from the Revolving Fund has been paid, any balance remaining in the Revolving Fund shall be loaned or advanced to the improvement district fund or sidewalk, curb, gutter and alley approach fund for payment and redemption of bonds or warrants to the extent the improvement district fund or sidewalk, curb,

gutter and alley approach fund is deficient for such purpose, 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. City Covenants. The City covenants and agrees with the holders from time to time of each of the Bonds that until all of the Bonds and interest thereon are fully paid.

4.01. Compliance with Covenants. The City will hold the 2001D Sidewalk Sinking Fund and the Special Improvement District Revolving Fund of the City created by Ordinance No. 1096, adopted June 3, 1930 (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 covenants hereinabove made with respect to the 2001D Sidewalk 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 1.01.

4.02. Construction of Improvements. The City will do all acts and things necessary to enforce the provisions of the construction contracts entered into or to be entered into for the Improvements and to ensure the completion of the Improvements in accordance with the plans and specifications therefor and within the time therein provided, and will pay all costs thereof promptly as incurred and allowed, out of the Project Accounts in the Construction Subaccount and within the amount of the bond proceeds appropriated thereto.

4.03. Assessments. The City will do all acts and things necessary for the final and valid levy of special assessments upon all assessable property benefitted by the Improvements, 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 \$815,000. Such special assessments shall be levied on each lot or parcel of land in front of which sidewalks, curbs and gutters are to be constructed and each lot or parcel of land having an access via the alley approach and, unless prepaid in full, shall be payable in equal semiannual installments over a period of twelve years, each installment being due in an amount equal to one twenty-fourth (1/24th) of the principal amount of each assessment with interest on the whole amount remaining unpaid at an annual rate equal to the sum of: (i) the average annual interest rate borne by the Bonds, plus (ii) one-half of one percent per annum (0.50%), interest being payable with principal installments. The assessments to be levied will be payable on the 30th day of November in each of the years 2002 through 2013, and on the 31st day of May in the years 2003 through 2014. The first partial payment of each such assessment shall include interest on the entire assessment from November 1, 2001, the date of original registration of the Bonds, to January 1, 2003, and each subsequent partial payment shall include interest for six months on the unpaid balance of such special assessment. All installments of special assessments not paid in full on or before the date due shall become delinquent on that date. 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 Montana Code Annotated, Section 7-12-4191. No tax deed issued with respect to any lot or parcel of land shall operate as payment of any installment of 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 15-18-309.

4.04. Re-assess and Re-levy. 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 re-assess 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 re-assess and re-levy the same with the same force and effect as an original levy thereof, as authorized in Montana Code Annotated, Section 7-12-4186. Any special assessment, or re-assessment or re-levy shall, so far as 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 the Bonds, as provided in Montana Code Annotated, Sections 7-12-4205 and 7-12-4206, or if refunding bonds are issued and the principal amount of the outstanding bonds is decreased or increased, the City will reduce or increase, respectively, the assessments levied in the project area 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 re-assess 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 Montana Code Annotated, Sections 7-12-4176 through 7-12-4178.

4.05. Litigation. There is now no litigation pending or, to the best knowledge of the City, threatened, questioning the validity or regularity of the ordering of the Improvements, any contract for construction of the Improvements, the levy and collection of special assessments as described herein or the undertaking and agreement of the City to make up any deficiency in the collection of special assessments through the levy of taxes and the making of advances from the Revolving Fund, or the right and powers 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 Original Purchaser, and will furnish the Original Purchaser a copy of all documents, including pleadings, in connection with such litigation.

Section 5. Tax Matters.

5.01. 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.

5.02. Arbitrage Certification. The Mayor, the City Clerk and the Director of Finance, 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.

5.03. 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, City Clerk and Director of Finance 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.

5.04. Information Reporting. The City shall file with the Secretary of the Treasury, not later than February 15, 2002, a statement concerning the Bonds containing the information required by Section 149(e) of the Code.

5.05. "Qualified Tax-Exempt Obligations." Pursuant to Section 265(b)(3)(B)(ii) of the Code, the City hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. The City has not designated any obligations in 2001 other than the Bonds under Section 265(b)(3), \$2,471,000 Special Improvement District No. 1347 Bonds, \$220,000 Special Sidewalk, Curb, Gutter and Alley Approach Bonds, Series 2001A, \$841,000 Pooled Special Improvement District Bonds, Series 2001B, and \$280,000 Pooled Special Improvement District Bonds, Series 2001C (Special Improvement District Nos. 1351 and 1355). 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 2001 in an amount greater than \$10,000,000.

Section 6. Authentication of Transcript. The officers of the City are hereby authorized and directed to furnish to the Original Purchaser and to the attorneys approving the legality of the Bonds 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 statements contained therein.

Section 7. Defeasance.

7.01. 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 7, all pledges, covenants and other rights granted by this Resolution to the owners of the Bonds shall cease.

7.02. Payment. The City may discharge its liability with reference to any Bond, principal installment thereof or installment of interest thereon which is due on any date by depositing with the Registrar on or before that date 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 a sum sufficient and providing proceeds available for the payment thereof in full with interest accrued to the date of such deposit.

7.03. Redemption. The City may also discharge its liability with reference to any prepayable Bonds which are called for redemption on any date in accordance with their terms by depositing with the Registrar on or before that date an amount equal to the principal and interest which are then due thereon; provided that notice of such redemption has been duly given as provided in this Resolution.

7.04. Defeasance by 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 provision irrevocably made therefor, on or before the designated redemption date.

7.05. Irrevocable Deposits. If an officer of the City is the Registrar, any deposit made under this Section 7 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 8. Continuing Disclosure.

(a) Purpose and Beneficiaries. Although the original purchaser and other participating underwriters in the primary offering of the Bonds need not comply with amendments to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the "Rule"), in respect of the primary offering of the Bonds, because the aggregate principal amount of the Bonds and any other securities required to be integrated with the Bonds is less than \$1,000,000, to enhance the

marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The 2001D Sidewalk Sinking Fund and the Revolving Fund of the City are the only "obligated persons" 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.

If the City fails to comply with any provisions of this Section 8, 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 8, 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 8 constitute a default under the Bonds or under any other provision of this resolution.

As used in this Section 8, "Owner" or "Bondowner" 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 herein, "Beneficial Owner" means, in respect of a Bond, any person or entity which (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 (b) 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, 2001, the following financial information and operating data in respect of the City (the "Disclosure Information"):

(A) An extract from the financial statements of the City for such fiscal year, including the complete audit report and opinion of an independent certified public accountant or state legislative auditor thereon, containing the financial statements of the 2001D Sidewalk Sinking Fund and the Revolving Fund of the City including balance sheets as of the end of such fiscal year and a statement of operations and changes in fund balances 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 Director of Finance of the City, to the best of his or her knowledge;

(B) To the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or the period most recently available of the type identified below, which information may be unaudited, but shall be certified as to accuracy and completeness in all material respects by the Director of Finance of the City to the best of his or her knowledge, which certification may be based on the reliability of information obtained from governmental or other third-party sources:

1. Information, for such fiscal year, relating to the Project assessments, collections, investment earnings and debt service payments, amounts on hand in the Revolving Fund and transfers in and out contained in the table under the captions "Revolving Fund," "Other Outstanding Special Sidewalk Bonds and Special Improvement District Bonds and The Revolving Fund," "Statement of Changes in Fund Balance of the Revolving Fund," "Special Assessment Billings and Collections" and "Future Financing" in the Official Statement, dated as of October 15, 2001 (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 Project.

3. Identification of the ten property owners in the Project with the largest assessments by name, type of property and taxable value.

4. 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 "The City—Employment by Industry and"—Labor Force and Unemployment" in the Official Statement.

5. 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 "The City—Major Employers in the Billings MSA" in the Official Statement.

6. 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 "The City—Direct Debt of the City," "—Overlapping General Obligation Debt," "—Debt Ratios for General Obligation Debt" in the Official Statement.

7. Information relating to the State of Montana's property tax system contained under the caption "Budgeting Process" in the Official Statement.

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

Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to each of the repositories hereinafter referred to under subsection (c) or the SEC. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the Project or 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 a Material Fact (as defined in paragraph (2) hereof), 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 8 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. Such explanation shall include any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared.

(2) In a timely manner, notice of the occurrence of any of the following events which is a Material Fact (as hereinafter defined):

- (A) Principal and interest payment delinquencies;
- (B) Non-payment related defaults;
- (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 or events affecting the tax-exempt status of the security;
- (G) Modifications to rights of security holders;
- (H) Bond calls;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities;
- and
- (K) Rating changes.

As used herein, a "Material Fact" is a fact 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, a "Material Fact" is also 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 8 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 8 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) to the following entities by telecopy, overnight delivery, mail or other means, as appropriate:

(1) the information described in paragraph (1) of subsection (b), to each then nationally recognized municipal securities information repository under the Rule and to any state information depository then designated or operated by the State of Montana as contemplated by the Rule (the "State Depository"), if any; and

(2) the information described in paragraphs (2) and (3) of subsection (b), to the Municipal Securities Rulemaking Board and to the State Depository, if any.

(d) Term; Amendments; Interpretation.

(1) The covenants of the City in this Section 8 shall remain in effect so long as any Bonds are Outstanding.

(2) This Section 8 (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 City Clerk 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 Project or the 2001D Sidewalk Sinking Fund and the Revolving Fund or the type of operations conducted by the City or the Project, or (B) is

required by, or better complies with, the provisions of paragraph (b)(5) of the Rule, such provisions apply to the Bonds.

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 8 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.

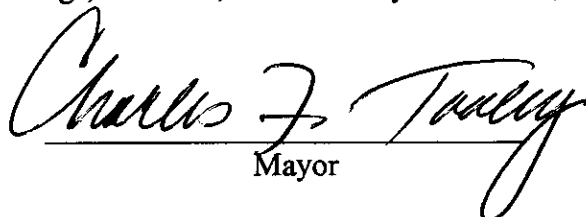
(e) Further Limitation of Liability of City. In and to the extent the limitations of liability contained in subsection (a) are not effective, anything contained in this Section 8 to the contrary notwithstanding, in making the agreements, provisions and covenants set forth in this Section 8, the City has not obligated itself except with respect to the assessments pledged to pay the Bonds and the covenant to utilize the Revolving Fund as permitted by law and described herein. 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 by the City Council of Billings, Montana, this 22nd day of October, 2001.


Mayor

Attest: Marita Herold
City Clerk

(SEAL)



EXHIBIT A

THE IMPROVEMENTS

Description

The Bonds are being issued to pay a portion of the costs of engineering, reconstructing and installing certain local improvements to benefit certain properties in the City described below consisting of various sidewalk, curb, gutter and alley approach improvements all as a part of the Miscellaneous/Developer Related Improvements Program (the "Developer-Related Improvements") and as part of the Broadwater Subdivision Improvements, Phase III (the "Broadwater Improvements") (collectively, the "Improvements") as shown below.

Developer-Related Improvements

The Improvements described below constituting the Developer-Related Improvements will be constructed adjacent to the properties shown under each category of Improvements.

Replacement of Sidewalk, Curb, Gutter Drive and Alley Approaches:

- North side of 3rd Avenue South, between South 30th Street and South 31st Street
- South side of 2nd Avenue South, between South 30th Street and South 31st Street
- West side of South 30th Street, between 2nd Avenue South and 3rd Avenue South
- North side of 2nd Avenue South, between South 37th Street and South 38th Street
- North and South sides of Roosevelt Avenue, between Jefferson Street and Washington Street

Replacement of Sidewalk, Drive and Alley Approaches:

- East and West sides of Adams Street, between State Avenue and Madison Avenue
- East and West sides of Jefferson Street, between State Avenue and Madison Avenue
- East side of South 31st Street, between 2nd Avenue South and 3rd Avenue South
- 109 South 38th Street

ADA Ramps and Curb and Gutter Repair:

- North and South sides of Rimrock Road, between Racquet Drive and Stanford Drive
- North and South sides of Poly Drive, between Treasure Drive and Rehberg Lane
- East and West sides of 13th Street West, between Grand Avenue and Avenue East

Street Reconstruction:

- Highwood Circle

Broadwater Improvements

The Improvements described below constituting the Broadwater Improvements will be constructed adjacent to the properties shown under each category of Improvements.

Replacement of Sidewalk, Curb, Gutter and Approaches and Total Street Reconstruction:

- Howard Avenue – 12th Street West to 15th Street West*
- Cook Avenue – 13th Street West to 15th Street West**
- St. Johns Avenue – 13th Street West to 15th Street West**
- Lynn Avenue – 13th Street West to 15th Street West**
- Russell Drive – Howard Avenue to Alley South of Miles Avenue
- 14th Street West – Alley South of Miles Avenue to Central Avenue
- Normandy Drive – Alley South of Miles Avenue to Cook Avenue
- 13th Street West – Alley South of Miles Avenue to Central Avenue
- 12th Street West – Alley South of Miles Avenue to Alley North of Cook Avenue

Replacement of Sidewalk, Curb, Gutter and Approaches:

- 15th Street West – Miles Avenue to Central Avenue – East Side

EXHIBIT B

[Face of the Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
YELLOWSTONE COUNTY

CITY OF BILLINGS

POOLED SPECIAL SIDEWALK, CURB, GUTTER AND
ALLEY APPROACH BOND, SERIES 2001D

Interest at the rate per annum specified below
payable on January 1, 2003 and
semiannually thereafter on the 1st day of January
and the 1st day of July in each year.

No. _____

\$ _____

Representing Principal Installment

Nos. _____

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
	July 1,	November 1, 2001	

REGISTERED OWNER:

SEE REVERSE
FOR CERTAIN
DEFINITIONS

PRINCIPAL AMOUNT: DOLLARS

The Director of Finance of the City of Billings, Montana (the "City"), will pay to the registered owner specified above or registered assigns, the principal amount specified above on the maturity date specified above, as authorized by Resolution No. 01-_____, adopted on October 22, 2001 (the "Bond 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 registration of this Bond, as expressed herein, or from the most recent date to which interest 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 Director of Finance. Interest on this Bond is payable semiannually, commencing January 1, 2003, on the 1st day of January and the

1st day of July in each year, to the owner of this Bond as such appears of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest on and, upon presentation and surrender hereof at the principal office of the bond registrar and paying agent hereinafter named, the principal of this Bond are payable by check or draft of the Director of Finance of the City, of Billings, Montana, as bond registrar and paying agent, or its successor designated under the Bond Resolution described herein (the "Registrar"). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Additional provisions of this Bond are contained on the reverse hereof and such provisions shall for all purposes have the same effect as though fully set forth hereon.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond 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 Director of Finance and the City Clerk and by a facsimile of the official seal of the City.

CITY OF BILLINGS, MONTANA

(Facsimile signature)
Mayor

(Facsimile signature)
Director of Finance

(Facsimile Seal)

(Facsimile signature)
City Clerk

Date:

CERTIFICATE OF AUTHENTICATION

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

DIRECTOR OF FINANCE, CITY OF
BILLINGS, as Registrar

By _____
Authorized Representative

[Reverse of the Bonds]

This Bond is one of an issue in the aggregate principal amount of \$815,000 (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 14, Part 41 and Title 7, Chapter 12, Parts 41 and 42, as amended, for the purpose of financing the construction of sidewalk, curb, gutter and alley approach improvements in the City (the "Improvements"). The Bonds are issuable only as fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof, except that the bond maturing in 2003 shall be in the principal amount of \$3,000 and one bond maturing in 2004 shall be in the amount of \$2,000. This Bond represents one or more principal installments of the Bonds numbered as set forth on the face hereof. The principal installments for the Bonds are numbered from 1 through 164, each in the amount of \$5,000, except that the bond maturing in 2003 shall be in the principal amount of \$3,000 and one bond maturing in 2004 shall be in the amount of \$2,000.

This Bond is payable from the collection of a special tax or assessment levied upon all assessable property benefitted by the Improvements. This Bond is not a general obligation of the City.

The City has also validly established a Special Improvement District Revolving Fund (the "Revolving Fund") to secure the payment of certain of its special improvement district bonds and sidewalk, curb, gutter and alley approach bonds or warrants, including the Bonds. The City has also agreed, to the extent permitted by the Act, to issue orders annually authorizing loans or advances from the Revolving Fund to the 2001D Pooled Special Sidewalk, Curb, Gutter and Alley Approach Sinking Fund (the "2001D Sidewalk Sinking Fund"), in amounts sufficient to make good any deficiency in the 2001D Sidewalk Sinking Fund to pay principal of or interest on the Bonds, to the extent that funds are available in the Revolving Fund, and to provide funds for the Revolving Fund by annually making a tax levy or loan from its general fund in an amount sufficient for that purpose, 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 district bonds and sidewalk, curb, gutter and alley approach bonds and warrants secured thereby and 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 Bond 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 principal installments represented by this Bond are subject to mandatory redemption in order of registration 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 2001D Sidewalk Sinking Fund, from surplus funds not required to pay costs of the Improvements or from the prepayment of special assessments to be levied on the benefitted property, for the redemption thereof, and in the manner provided for the redemption of the same. The Bonds are subject to redemption at the option of the City from other sources of funds available therefor on any interest payment date; provided, however, that the Bonds shall not be called for redemption from the proceeds of refunding bonds before July 1, 2006. The redemption price is equal to the amount of the principal installment or installments of the Bonds to be redeemed plus interest accrued thereon to the date of redemption. The date of redemption shall be fixed by the Director of Finance, who shall give notice by mail to the owners of such Bonds at their addresses shown on the bond register, of the numbers of the principal installments and Bonds to be redeemed and the date on which payment will be made, which date shall not be less than thirty days after the date of mailing of notice, on which date so fixed interest shall cease. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal installments outstanding.

As provided in the Bond 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, representing the same principal installments, 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 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.

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 entirities	under Uniform Transfers to Minors Act.....
JT TEN --	as joint tenant with right of survivorship and not as tenants in common	(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 Bond Registrar, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Bond Registrar in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Certificate as to Legal Opinion

The following certificate shall be printed on the reverse side of each Bond, following a full, true and correct copy of the text of the legal opinion given at the time of delivery of the Bonds:

We certify that the above is a full, true and correct copy of the legal opinion on the issue of Bonds of the City of Billings, Montana, which includes the within Bond, dated as of the date of delivery of and payment for the Bonds.

(Facsimile Signature)
Mayor

(Facsimile Signature)
Director of Finance

(Facsimile Signature)
City Clerk