

CERTIFICATE AS TO RESOLUTION

I, the undersigned, being the duly qualified and acting Clerk of the Commission of the City of Helena, Montana (the "City"), hereby certify that the attached resolution is a true copy of a Resolution entitled: "RESOLUTION RELATING TO \$1,325,000 WATER SYSTEM REVENUE BOND (DNRC DRINKING WATER REVOLVING LOAN PROGRAM), SERIES 2012; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Commission of the City at a regular meeting on February 13, 2012, and that the meeting was duly held by the City Commission 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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 City Commission members voted in favor thereof: **Mayor Smith and Commissioners Elsaesser, Ellison, Thweatt and Haque-Hausrath.**

voted against the same:

abstained from voting thereon:

or were absent:

WITNESS my hand and seal officially this 13th day of February, 2012.

/S/ Debbie Havens
Clerk of the Commission

SUPPLEMENTAL BOND RESOLUTION

CITY OF HELENA, MONTANA

Relating to

\$1,325,000
WATER SYSTEM REVENUE BOND
(DNRC DRINKING WATER REVOLVING LOAN PROGRAM)
SERIES 2012

Adopted: February 13, 2012

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(For convenience only, not a part of this Supplemental Resolution)

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RESOLUTION NO. **19897**

RESOLUTION RELATING TO \$1,325,000 WATER SYSTEM REVENUE BOND (DNRC DRINKING WATER REVOLVING LOAN PROGRAM), SERIES 2012; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF

WHEREAS, pursuant to the Drinking Water State Revolving Fund Act, Montana Code Annotated, Title 75, Chapter 6, Part 2, as amended (the "State Act"), the State of Montana (the "State") has established a revolving loan program (the "Program") to be administered by the Department of Natural Resources and Conservation of the State of Montana, an agency of the State (the "DNRC"), and by the Department of Environmental Quality of the State of Montana, an agency of the State (the "DEQ"), and has provided that a drinking water state revolving fund (the "Revolving Fund") be created within the State treasury and all federal, state and other funds for use in the Program be deposited into the Revolving Fund, including, but not limited to, all federal grants for capitalization of a state drinking water revolving fund under the federal Safe Drinking Water Act, as amended (the "Safe Drinking Water Act"), all repayments of assistance awarded from the Revolving Fund, interest on investments made on money in the Revolving Fund and payments of principal of and interest on loans made from the Revolving Fund; and

WHEREAS, the State Act provides that funds from the Program will be disbursed and administered (i) for the purposes set forth in the Safe Drinking Water Act, and (ii) according to procedures and rules adopted by the DEQ and the DNRC; and

WHEREAS, the City of Helena, Montana (the "City") has applied to the DNRC for a loan (the "Loan") from the Revolving Fund to enable the City to finance, refinance or reimburse itself for the costs of the 2012 Projects (as hereinafter defined) which will carry out the purposes of the Safe Drinking Water Act (as hereinafter defined); and

WHEREAS, the City is authorized under applicable laws, ordinances and regulations to adopt this Resolution and to issue its Water System Revenue Bond (DNRC Drinking Water Revolving Loan Program), Series 2012 (the "Series 2012 Bond"), in the aggregate principal amount not to exceed \$1,325,000, to evidence the Loan for the purposes set forth herein; and

WHEREAS, the DNRC will fund the Loan in part, directly or indirectly, with proceeds of Recycled Money (as hereinafter defined).

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF HELENA, MONTANA, AS FOLLOWS:

ARTICLE I

DEFINITIONS, RULES OF CONSTRUCTION AND APPENDICES

Section 1.1. Definitions. Unless a different meaning clearly appears from the context, terms used with initial capital letters but undefined in this Supplemental Resolution shall have the meanings given them in the Resolution or as follows:

“Accountant” or “Accountants” means an independent certified public accountant or a firm of independent certified public accountants selected by the City in accordance with Montana Code Annotated, Section 2-7-506, as amended.

“Act” means Montana Code Annotated, Title 7, Part 7, Chapters 44 and 45, as amended.

“Additional Bonds” means any Bonds in addition to the Outstanding Bonds issued pursuant to Section 7 of the Resolution.

“Administrative Expense Surcharge” means a surcharge on the Loan charged by the DNRC to the City equal to seventy-five hundredths of one percent (0.75%) per annum on the outstanding principal amount of the Loan, payable by the City to DNRC on the same dates that payments of interest on the Loan are due.

“Authorized DNRC Officer” means the Director of the DNRC or his or her designee.

“Bond Counsel” means any Counsel nationally recognized as experienced in matters relating to the issuance by states or political subdivisions of tax-exempt obligations selected by the City and reasonably acceptable to the DNRC.

“Bonds” means the Series 2002 Bonds, the Series 2005 Bond, the Series 2007 Bond, the Series 2012 Bond, and any Additional Bonds.

“Business Day” means any day which is not a Saturday or Sunday, a legal holiday in the State or a day on which banks in Montana are authorized or required by law to close.

“Closing” means, March 1, 2012, the date of delivery of the Series 2012 Bond to the DNRC and the date of the initial disbursement of the Loan.

“Code” means the Internal Revenue Code of 1986, as amended.

“Collateral Documents” means any security agreement, guaranty or other document or agreement delivered to the DNRC securing the obligations of the City under this Supplemental Resolution and the Series 2012 Bond. If no Collateral Documents secure such obligations, any reference to Collateral Documents in this Supplemental Resolution shall be without effect.

“Committed Amount” means the amount of the Loan committed to be lent by the DNRC to the City pursuant to Section 4.1 of this Supplemental Resolution, as such amount may be reduced pursuant to Sections 3.2 and 3.4 of this Supplemental Resolution.

“Construction Account” means the account created in the Water System Fund pursuant to Section 10.1 of Resolution No. 11644.

“Consultant” means a nationally recognized consultant or firm of consultants, or an independent engineer or firm of independent engineers, or an Accountant, which in any case is qualified and has skill and experience in the preparation of financial feasibility studies or projections for facilities similar to the System or the Project, selected by the City and satisfactory to the DNRC.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state.

“Credit Facility” has the meaning given such term in Section 6.03 of Resolution No. 10386 and in Resolution No. 10391.

“Debt” means, without duplication, (1) indebtedness of the City for borrowed money or for the deferred purchase price of property or services; (2) the obligation of the City as lessee under leases which should be recorded as capital leases under generally accepted accounting principles; and (3) obligations of the City under direct or indirect guarantees in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clause (1) or (2) above.

“DEQ” means the Department of Environmental Quality of the State of Montana, an agency of the State, or any successor to its powers, duties and obligations under the State Act or the EPA Agreements.

“DNRC” means the Department of Natural Resources and Conservation of the State of Montana, an agency of the State, and any successor to its powers, duties and obligations under the State Act.

“EPA” means the Environmental Protection Agency, an agency of the United States of America, and any successor to its functions under the Safe Drinking Water Act.

“EPA Agreements” means all capitalization grant agreements and other written agreements between the DEQ, DNRC and the EPA concerning the Program.

“EPA Capitalization Grant” means a grant of funds to the State by the EPA under Section 1452 of the Safe Drinking Water Act.

“Fiscal Year” means the fiscal year of the City. Currently, the Fiscal Year of the City ends on June 30.

“Fund” means the Water System Fund established pursuant to Section 6.01 of the Resolution.

“Governmental Unit” means governmental unit as such term is used in Section 145(a) of the Code.

“Indenture” means the Indenture of Trust, dated as of May 1, 1998, between the Board of Examiners of the State and the Trustee, as such may be supplemented or amended from time to time in accordance with the provisions thereof, pursuant to which, among other things, the State Bonds are to be or have been issued.

“Loan” means the Loan made to the City by the DNRC pursuant to the Program in the maximum amount of the Committed Amount to provide funds to pay (i) all or a portion of the costs of the 2012 Projects, (ii) costs of issuance of the Series 2012 Bond, and (iii) a deposit to the Reserve Account.

“Loan Loss Reserve Surcharge” means a fee equal to one percent (1.00%) per annum on the outstanding principal amount of the Loan, payable on the same dates that payments of interest on the Loan are due.

“Net Revenues” means the gross revenues of the System remaining after the payment of operating expenses of the System as more fully described in Section 1.07 of Resolution No. 10386 of the City adopted on March 30, 1992 and Section 8.1 of this Supplemental Resolution.

“Operating Account” means the account created in the Water System Fund pursuant to Section 6.02 of the Resolution.

“Outstanding Bonds” means the Series 2002 Bonds, the Series 2005 Bond, the Series 2007 Bonds, and the Series 2012 Bond.

“Person” means any natural person or any entity including, without limitation, individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, unincorporated organization, government, agency, or political subdivision.

“Program” means the Drinking Water State Revolving Fund Program established by the State Act.

“Project” means an improvement, betterment reconstruction, or extension of the System, including the 2002 Project, the 2005 Project, the 2007 Project, and the 2012 Projects.

“Public Entity” means a State agency, town, municipality (including the City), irrigation district, county water and sewer district, a soil conservation district or other public body established by State law or an Indian tribe that has a federally recognized governing body carrying out substantial governmental duties and powers over any area.

“Recycled Money” means payments and prepayments of principal of any loan, and any other amounts transferred to the Principal Subaccount in the Revenue Subaccount in the State Allocation Account.

“Regulations” means the Treasury Department, Income Tax Regulations, as amended or any successor regulation thereto, promulgated under the Code or otherwise applicable to the Series 2012 Bond.

“Replacement and Depreciation Account” means the Account created in the Water System Fund pursuant to Section 6.04 of the Resolution.

“Reserve” means the Bond Reserve created within the Revenue Bond Account of the Water System Fund pursuant to Section 6.03 of the Resolution.

“Reserve Requirement” means, as of the date of calculation, an amount equal to the maximum principal of and interest payable on Outstanding Bonds in the current or any future Fiscal Year (giving effect to mandatory sinking fund redemption, if any); provided that all or a portion of the Reserve Requirement may be satisfied by a Credit Facility.

“Reserved Amounts” means any undisbursed Committed Amount which will or may be required to pay any remaining costs of the 2012 Projects upon completion thereof as provided in Section 3.4(a) of this Supplemental Resolution.

“Resolution” means Resolution No. 10386 of the City adopted on March 30, 1992, as amended and supplemented by Resolution Nos. 10391, 11644, 11822, 19146, 19261, 19468 and 19697, adopted by the City Commission on April 13, 1992, June 18, 2001, October 7, 2002, July 26, 2004, July 25, 2005, May 21, 2007 and October 5, 2009, respectively, and by this Supplemental Resolution and any other future supplemental resolutions.

“Revenue Bond Account” means the account created in the Water System Fund pursuant to Section 6.03 of the Resolution.

“Safe Drinking Water Act” means Title XIV of the Public Health Service Act, commonly known as the Safe Drinking Water Act, 42 U.S.C. §§300f et seq., as amended, and all regulations, rules and interpretations issued by the EPA thereunder.

“Series 2002 Bonds” means the Water System Revenue Refunding Bonds, Series 2002, issued by the City pursuant to the Resolution.

“Series 2005 Bond” means the Water System Revenue Bond, Series 2005, issued by the City pursuant to the Resolution.

“Series 2007 Bond” means the Water System Revenue Bond (DNRC Drinking Water Revolving Loan Program), Series 2007, issued by the City pursuant to the Resolution.

“Series 2012 Bond” means the Water System Revenue Bond (DNRC Drinking Water Revolving Loan Program), Series 2012, in the original aggregate principal amount of \$1,325,000, issued by the City to the DNRC to evidence the Loan.

“State” means the State of Montana.

“State Bonds” means the State’s General Obligation Bonds (Drinking Water State Revolving Fund Program), previously issued or to be issued pursuant to the Indenture.

“State Act” means Montana Code Annotated, Title 75, Part 6, Chapter 2, as amended.

“Supplemental Resolution” means this Resolution No. 19897, of the City adopted on February 13, 2012.

“Surplus Account” means the account created in the Water System Fund pursuant to Section 6.05 of the Resolution.

“System” means the water system of the City and all extensions, improvements and betterments thereof heretofore or hereafter constructed and acquired.

“Trustee” means U.S. Bank National Association, Seattle, Washington, or any successor trustee pursuant to the Indenture.

“2012 Projects” means the facilities, improvements and activities financed or the cost of which is being reimbursed to the City with proceeds of the Loan, described in Appendix A hereto.

“Water System Fund” means the fund created by Section 6.01 of the Resolution.

Section 1.2. Other Rules of Construction. For all purposes of this Supplemental Resolution, except where the context clearly indicates otherwise:

- (a) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted government accounting standards.
- (b) Terms in the singular include the plural and vice versa.
- (c) All references to time shall refer to Helena, Montana time, unless otherwise provided herein.
- (d) All references to mail shall refer to first-class mail postage prepaid.
- (e) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.
- (f) “Or” is not exclusive, but is intended to permit or encompass one, more or all of the alternatives conjoined.

Section 1.3. Appendices. Attached to this Resolution and hereby made a part hereof are the following Appendices:

Appendix A: a description of the 2012 Projects;

Appendix B: the form of the Series 2012 Bond; and

Appendix C: additional agreements and representations of the City.

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ARTICLE II

AUTHORIZATION, FINDINGS, REPRESENTATIONS AND COVENANTS

Section 2.1. Authorization and Findings.

(a) Authorization. Under the provisions of the Act, the City is authorized to issue and sell its revenue bonds payable during a term not exceeding forty (40) years from their date of issue, to provide funds for the reconstruction, improvement, betterment and extension of a water system, such as the System, or to refund its revenue bonds previously issued for such purpose; provided, however, that the revenue bonds and the interest thereon are to be payable solely out of the net income and revenues to be derived from rates, fees and charges for the services, facilities and commodities furnished by the undertaking, and are not to create any general obligation for the payment of which taxes may be levied except to pay for services provided by the undertaking to the City.

(b) The System. The City, pursuant to the Act and other laws of the State has established and presently owns and operates the System.

(c) The 2012 Projects. This Commission has determined it to be necessary and desirable and in the best interests of the City to acquire and construct the 2012 Projects.

(d) Outstanding Bonds. Pursuant to the Act and the Resolution, the City has issued, and there are outstanding Series 2002 Bonds, Series 2005 Bond, and Series 2007 Bond. The Series 2002 Bonds, Series 2005 Bond, and Series 2007 Bond are payable from the Net Revenues, and no other bonds or indebtedness are outstanding that are payable from or secured by the Net Revenues.

(e) Additional Bonds. The City reserved the right under Section 7.03 of the Resolution to issue Additional Bonds to finance the cost or estimated cost of providing any further improvement, extension or rehabilitation of the System; provided that if the Additional Bonds are issued to finance a Project, the Net Revenues in the Fiscal Year immediately preceding the issuance of such Additional Bonds were at least equal to 125% of the maximum principal and interest payable from the Revenue Bond Account during any future Fiscal Year (during the term of the then Outstanding Bonds) with respect to the Outstanding Bonds and the Additional Bonds proposed to be issued. For purposes of the preceding sentence, the Net Revenues for the Fiscal Year preceding the issuance of Additional Bonds shall be those shown by the financial reports caused to be prepared by the City pursuant to Section 8.06 of the Resolution, except that if the City has increased the rates and charges for services provided by the System since the beginning of such preceding Fiscal Year, then the rates and charges in effect at the time of issuance of the Additional Bonds shall be applied to the quantities of service actually rendered and made available during such preceding Fiscal Year to ascertain the gross revenues, from which there shall be deducted to determine the Net Revenues, the actual operation and maintenance costs plus any additional annual costs of operation and maintenance which the engineer for the City estimates will be incurred because of the improvement or extension of the System to be constructed from the proceeds of the Additional Bonds proposed to be issued. In no event shall any Additional Bonds be issued and made payable from the Revenue Bond Account if the City is then in default in any payment of principal or interest on any outstanding Bonds, or if there then exists any deficiency in the balances required by the Resolution to be maintained in any of the accounts of the Fund. It is hereby determined that the City is authorized to issue \$1,325,000 in aggregate principal amount of Additional Bonds pursuant to Section 7.03 of the Resolution payable from and secured by the Net Revenues on a parity with the Outstanding Bonds.

Section 2.2. Representations. The City represents as follows:

(a) Organization and Authority. The City:

(i) is duly organized and validly existing as a municipal corporation of the State;

(ii) has all requisite power and authority and all necessary licenses and permits required as of the date hereof to own and operate the System and to carry on its current activities with respect to the System, to adopt this Supplemental Resolution and to enter into the Collateral Documents and to issue the Series 2012 Bond and to carry out and consummate all transactions contemplated by the Resolution, the Series 2012 Bond and the Collateral Documents;

(iii) is a Governmental Unit and a Public Entity; and

(iv) has taken all proper action to authorize the execution, delivery and performance of its obligations under this Supplemental Resolution, the Series 2012 Bond and the Collateral Documents and the incurrence of the Debt evidenced by the Series 2012 Bond in the maximum amount of the Committed Amount.

(b) Litigation. There is no litigation or proceeding pending or, to the knowledge of the City, threatened against or affecting the City in any court or before or by any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the existence, corporate or otherwise, of the City, or the ability of the City to make all payments and otherwise perform its obligations under the Resolution, the Series 2012 Bond and the Collateral Documents, or the financial condition of the City, or the transactions contemplated by the Resolution, the Series 2012 Bond and the Collateral Documents or the validity and enforceability of the Resolution, the Series 2012 Bond and the Collateral Documents. If any litigation should be initiated or threatened with respect to the items referenced in the preceding sentence, the City will forthwith notify DNRC, and will furnish the DNRC a copy of all documents, including pleadings, in connection with such litigation. As of the date of this Supplemental Resolution, no referendum petition has been filed with respect to any resolution or other action of the City relating to the 2012 Projects, the Series 2012 Bond or any Collateral Documents and the period, if any, for filing any such petition will have expired before issuance of the Series 2012 Bond.

(c) Borrowing Legal and Authorized. The adoption of this Supplemental Resolution, the execution and delivery of the Series 2012 Bond and the Collateral Documents, and the consummation of the transactions provided for in this Supplemental Resolution, the Series 2012 Bond and the Collateral Documents and compliance by the City with the provisions of the Resolution, the Series 2012 Bond and the Collateral Documents:

(i) are within the powers of the City and have been duly authorized by all necessary action on the part of the City; and

(ii) do not and will not result in any material breach of any of the terms, conditions or provisions of, or constitute a material default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the City pursuant to any resolution, indenture, loan agreement or other agreement or instrument (other than the Resolution and any Collateral Documents) to which the City is a party or by which the City or its property may be bound, nor will such action result in any violation of the provisions of the charter of the City or any laws, ordinances, governmental rules or regulations or court or other governmental orders to which the City, its properties or operations are subject.

(d) No Defaults. No event has occurred and no condition exists that, upon execution and delivery of the Series 2012 Bond and the Collateral Documents, would constitute a default under the Resolution or the Collateral Documents. The City is not in violation of any term of any agreement, bond resolution, trust indenture, charter or other instrument to which it is a party or by which it or its property may be bound which violation would materially and adversely affect the transactions contemplated hereby or the compliance by the City with the terms hereof or of the Series 2012 Bond and the Collateral Documents.

(e) Governmental Consent. The City has obtained or made all permits, findings and approvals required to the date of adoption of this Supplemental Resolution by any governmental body or officer for the making and performance by the City of its obligations under this Supplemental Resolution, the Series 2012 Bond and the Collateral Documents (including any necessary water rate increase) or for the 2012 Projects, the financing or refinancing thereof or the reimbursement of the City for the costs thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental authority (other than those, if any, already obtained) is required on the part of the City as a condition to adopting this Supplemental Resolution, issuing the Series 2012 Bond or entering into the Collateral Documents and the performance of the City's obligations hereunder and thereunder.

(f) Binding Obligation. The Resolution, the Series 2012 Bond and any Collateral Document to which the City is a party are the valid and binding special, limited obligations and agreements of the City, enforceable against the City in accordance with their terms, except to the extent that the enforceability thereof may be limited by laws relating to bankruptcy, moratorium, reorganization, insolvency or similar laws affecting creditors' rights and general principles of equity.

(g) The 2012 Projects. The 2012 Projects consists and will consist of the facilities, improvements and activities described in Appendix A, as such Appendix A may be amended from time to time in accordance with the provision of Article III of this Supplemental Resolution. The 2012 Projects comprises facilities of a type that, as determined by the EPA, will facilitate compliance with the national primary drinking water regulations applicable to the System or will otherwise significantly further the health protection objectives of the Safe Drinking Water Act.

(h) The System. The System is a "community water system" within the meaning of the Act and the Safe Drinking Water Act in that it is a public water system, comprising collection, treatment, storage and distribution facilities for the provision to the public of water for human consumption, that serves not less than 15 service connections used by year-round residents of the area served by the System or regularly serves not less than 25 year-round residents.

(i) Full Disclosure. There is no fact that the City has not specifically disclosed in writing to the DNRC that materially and adversely affects or (so far as the City can now foresee), except for pending or proposed legislation or regulations that are a matter of general public information, that will materially and adversely affect the properties, operations and finances of the System, the City's status as a Public Entity and Governmental Unit, the City's ability to own and operate the System in the manner the System is currently operated or the City's ability to perform its obligations under the Resolution, the Series 2012 Bond and the Collateral Documents and to pledge the Net Revenues to the payment of the Series 2012 Bond.

(j) Compliance With Law. The City:

(1) is in compliance with all laws, ordinances, governmental rules and regulations and court or other governmental orders, judgments and decrees to which it is subject and which are material to the properties, operations and finances of the System or the City's status as a Public Entity and Governmental Unit; and

(2) has obtained all licenses, permits, franchises or other governmental authorizations necessary to the ownership of the System and the operation thereof and agrees to obtain all such licenses, permits, franchises or other governmental authorizations as may be required in the future for the System and the operation thereof, which failure to obtain might materially and adversely affect the ability of the City to conduct the operation of the System as presently conducted or the condition (financial or otherwise) of the System or the City's ability to perform its obligations under the Resolution, the Series 2012 Bond and the Collateral Documents.

Section 2.3. Covenants.

(a) Insurance. In addition to the requirements of Sections 8.03 and 8.04 of the Resolution, the City at all times shall keep and maintain with respect to the System risk coverage with the Montana Municipal Insurance Authority ("MMIA") or property and casualty insurance and liability insurance with financially sound and reputable insurers, or self-insurance as authorized by State law, against such risks and in such amounts, and with such deductible provisions, as are customary in the State in the case of entities of the same size and type as the City and similarly situated and shall carry and maintain, or cause to be carried and maintained, and pay or cause to be paid timely the premiums for all such risk coverage or insurance. The City will not cause its risk coverage with MMIA or insurance policy with another provider to be terminated without giving the DNRC thirty (30) days prior written notice. The City shall give the DNRC prompt notice of each risk coverage policy with MMIA or insurance policy it obtains or maintains to comply with this Section 2.3(a) and of each renewal, replacement, change in coverage or deductible under or amount of or cancellation of each such risk coverage or insurance policy and the amount and coverage and deductibles and carrier of each new or replacement policy. Such notice shall specifically note any adverse change as being an adverse change. The City shall deliver to the DNRC at Closing a certificate providing the information required by this Section 2.3(a). Nothing herein shall be construed to prohibit or preclude the City from self-insuring or participating in a self-insurance program in compliance with the provisions of Montana law.

(b) Right of Inspection and Notice of Change of Location. The DNRC, the DEQ and the EPA and their designated agents shall have the right at all reasonable times during normal business hours and upon reasonable notice to enter into and upon the property of the City for the purpose of inspecting the System or any or all books and records of the City relating to the System.

(c) Further Assurance. The City shall execute and deliver to the DNRC all such documents and instruments and do all such other acts and things as may be necessary or required by the DNRC to enable the DNRC to exercise and enforce its rights under the Resolution, the Series 2012 Bond and the Collateral Documents and to realize thereon, and record and file and re-record and refile all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the DNRC to validate, preserve and protect the position of the DNRC under the Resolution, the Series 2012 Bond and the Collateral Documents.

(d) Maintenance of Security, if Any; Recordation of Interest.

(i) The City shall, at its expense, take all necessary action to maintain and preserve the lien and security interest of the Resolution and the Collateral Documents so long as any amount is owing under the Resolution or the Series 2012 Bond;

(ii) The City shall forthwith, after the execution and delivery of the Series 2012 Bond and thereafter from time to time, cause the Resolution and any Collateral Documents granting a security interest in Net Revenues or real or personal property and any financing statements or other notices or documents relating thereto to be filed, registered and recorded in such manner and in such places as may be required by law in order to perfect and protect fully the lien and security interest hereof and thereof and the security interest in them granted by the Resolution and, from time to time, shall perform or cause to be performed any other act required by law, including executing or causing to be executed any and all required continuation statements and shall execute or cause to be executed any further instruments that may be requested by the DNRC for such perfection and protection; and

(iii) Except to the extent it is exempt therefrom, the City shall pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of the documents described in subparagraph (ii), and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Series 2012 Bond and the Collateral Documents and the documents described in subparagraph (ii) above.

(e) Financial Information. This subsection (e) supplements, and is not intended to limit, the requirements in Section 8.06 of the Resolution. The City agrees that for each Fiscal Year it shall furnish to the DNRC and the DEQ, promptly when available:

(1) the preliminary budget for the System, with items for the 2012 Projects shown separately; and

(2) when adopted, the final budget for the System, with items for the 2012 Projects shown separately.

The City will cause proper and adequate books of record and account to be kept showing complete and correct entries of all receipts, disbursements and other transactions relating to the System, the monthly gross revenues derived from its operation, and the segregation and application of the gross revenues in accordance with the Resolution, in such reasonable detail as may be determined by the City in accordance with generally accepted governmental accounting practice and principles. It will cause such books to be maintained on the basis of the same Fiscal Year as that utilized by the City. The City shall, within 180 days after the close of each Fiscal Year, cause to be prepared and supply to the DNRC a financial report with respect to the System for such Fiscal Year. The report shall be prepared at the direction of the financial officer of the City in accordance with applicable generally accepted governmental accounting principles and, in addition to whatever matters may be thought proper by the financial officer to be included therein, shall include the following:

(A) A statement in detail of the income and expenditures of the System for the Fiscal Year, identifying capital expenditures and separating them from operating expenditures;

(B) A balance sheet as of the end of the Fiscal Year;

- (C) The number of premises connected to the System at the end of the Fiscal Year;
- (D) The amount on hand in each account of the Fund at the end of the Fiscal Year;
- (E) A list of the insurance policies and fidelity bonds in force at the end of the Fiscal Year, setting out as to each the amount thereof, the risks covered thereby, the name of the insurer or surety and the expiration date of the policy or bond; and
- (F) A determination that the report shows full compliance by the City with the provisions of the Resolution during the Fiscal Year covered thereby, including proper segregation of the capital expenditures from operating expenses, maintenance of the required balance in the Reserve Bond Account, and receipt of Net Revenues during the Fiscal Year at least equal to 125% of the maximum amount of principal and interest payable on outstanding Bonds and, if applicable, any contemplated Additional Bonds, in any subsequent Fiscal Year, or, if the report should reveal that the Net Revenues have been insufficient for compliance with the Resolution, or that the methods used in accounting for such Net Revenues were contrary to any provision of the Resolution, the report shall include a full explanation thereof, together with recommendations for such change in rates or accounting practices or in the operation of the System as may be required.

The City shall also have prepared and supplied to the DNRC and the DEQ, within 180 days of the close of every other Fiscal Year, an audit report prepared by an independent Accountant or an agency of the state in accordance with generally accepted governmental accounting principles and practice with respect to the financial statements and records of the System. The audit report shall include an analysis of the City's compliance with the provisions of the Resolution.

(g) 2012 Projects Accounts. The City shall maintain 2012 Projects accounts in accordance with generally accepted government accounting standards.

(h) Records. After reasonable notice from the EPA or the DNRC, the City shall make available to the EPA or the DNRC such records as the EPA or the DNRC reasonably requires to review and determine compliance with the Safe Drinking Water Act, as provided in Section 756-224(1)(d) of the State Act.

(i) Compliance with Safe Drinking Water Act. The City has complied and shall comply with all conditions and requirements of the Safe Drinking Water Act pertaining to the Loan and the 2012 Projects, and shall maintain sufficient financial, managerial and technical capability to continue to effect such compliance.

(j) Compliance with DEQ Requirements. The City shall comply with plan, specification and other requirements for public water systems established by the DEQ, as required by Section 756-224(1)(h).

Section 2.4. Covenants Relating to the Tax-Exempt Status of the State Bonds.

(a) The City covenants and agrees that it will not use or permit to be used any of the proceeds of the Series 2012 Bond or any other funds of the City in respect of the 2012 Projects or the Series 2012 Bond, directly or indirectly, in a manner that would cause, or take any other action that would cause, any State Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or would otherwise cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation.

(b) The City agrees that it will not enter into, or allow any “related person” (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the State Bonds or any other obligations of the DNRC in an amount related to the amount of the Loan or the portion of the Loan derived directly or indirectly from proceeds of the State Bonds or that would otherwise cause any State Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code.

(c) The City shall not use or permit the use of the 2012 Projects directly or indirectly in any trade or business carried on by any Person who is not a Governmental Unit. For the purpose of this subparagraph, use as a member of the general public (within the meaning of the Regulations) shall not be taken into account and any activity carried on by a Person other than a natural person shall be treated as a trade or business.

(d) Any portion of the 2012 Projects the cost of which is being reimbursed was acquired by and is now and shall, during the term of the Loan, be owned by the City and not by any other Person. Any portion of the 2012 Projects being financed shall be acquired by and shall, during the term of the Loan, be owned by the City and not by any other Person. Notwithstanding the previous two sentences, the City may transfer the 2012 Projects or a portion thereof to another Governmental Unit which is also a Public Entity if such transfer is otherwise permitted under the Resolution and if such organization agrees with the DNRC to comply with Sections 2.2(h), 2.2(i) and 2.4 of this Supplemental Resolution and if the DNRC receives an Opinion of Bond Counsel that such transfer will not violate the State Act or the Safe Drinking Water Act or adversely affect the exclusion of interest on the State Bonds from gross income or purposes of federal income taxation. In addition, except as otherwise provided in the Resolution or in any Collateral Documents, the City may sell or otherwise dispose of any portion of the 2012 Projects which has become obsolete or outmoded or is being replaced or for other reasons is not needed by the City or beneficial to the general public or necessary to carry out the purposes of the Safe Drinking Water Act.

(e) At the Closing of the Loan, the DNRC will, if necessary to obtain the Opinion of Bond Counsel described in Section 7.05(a) of the Indenture, deliver to the City instructions concerning compliance by the City with the arbitrage rebate requirements of Section 148 of the Code (the “Arbitrage Rebate Instructions”). The City shall comply with the Arbitrage Rebate Instructions, if any, delivered to it by the DNRC at Closing, as such Instructions may be amended or replaced by the DNRC from time to time. The Arbitrage Rebate Instructions may be amended or replaced by new Arbitrage Rebate Instructions delivered by the DNRC and accompanied by an Opinion of Bond Counsel to the effect that the use of said amended or new Arbitrage Rebate Instructions will not adversely affect the excludability of interest on the State Bonds or any Additional State Bonds (except State Bonds the interest on which the State did not intend to be excluded from gross income for federal income tax purposes) from gross income of the recipients thereof for federal income tax purposes.

(f) The City agrees that during the Loan Term it will not contract with or permit any Private Person to manage the 2012 Projects or any portion thereof except according to a written management contract and upon delivery to the DNRC of an opinion of Bond Counsel to the effect that the execution and delivery of such management contract will not violate the State Act or the Safe Drinking Water Act or adversely affect the exclusion of interest on State Bonds from gross income or purposes of federal income taxation.

(g) The City may not lease the 2012 Projects or any portion thereof to any Person other than a nonexempt person which agrees in writing with the City and the State not to cause any default to occur under the Resolution; provided the City may lease all or any portion of the 2012 Projects to a nonexempt person pursuant to a lease which in the Opinion of Bond Counsel delivered to the DNRC will not cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation.

(h) The City shall not change the use or nature of the 2012 Projects if (i) such change will violate the Safe Drinking Water Act, or (ii) so long as the State Bonds are outstanding unless, in the Opinion of Bond Counsel, delivered to the DNRC, such change will not result in the inclusion in gross income of interest on the State Bonds for federal income tax purposes.

Section 2.5. Maintenance of System; Liens. The City shall maintain the System, including the 2012 Projects, in good condition and make all necessary renewals, replacements, additions, betterments and improvements thereto. The City shall not grant or permit to exist any lien on the 2012 Projects or any other property making up part of the System, other than liens securing Debt where a parity or senior lien secures the Series 2012 Bond; provided that this Section 2.5 shall not be deemed to be violated if a mechanic's or contractor's lien is filed against any such property so long as the City uses its best efforts to obtain the discharge of such lien and promptly reports to the DNRC the filing of such lien and the steps it plans to take and does take to discharge of such lien.

Section 2.6. Maintenance of Existence; Merger, Consolidation, Etc.; Disposition of Assets. The City shall maintain its corporate existence, except that it may consolidate with or merge into another Governmental Unit or permit one or more Governmental Units to consolidate with or merge into it or may transfer all or substantially all of its assets to another Governmental Unit and then dissolve if the surviving, resulting or transferee entity (if other than the City) (i) is a Public Entity and (ii) assumes in writing all of the obligations of the City under the Resolution, the Series 2012 Bond and the Collateral Documents, and (a) such action does not result in any default in the performance or observance of any of the terms, covenants or agreements of the City under the Resolution, the Series 2012 Bond and the Collateral Documents, (b) such action does not violate the State Act or the Safe Drinking Water Act and does not adversely affect the exclusion of interest on the Series 2012 Bond or the State Bonds from gross income for federal income tax purposes and (c) the City delivers to the DNRC on the date of such action an Opinion of Bond Counsel that such action complies with this Section 2.6.

Other than pursuant to the preceding paragraph, the City shall not transfer the System or any portion thereof to any other Person, except for property which is obsolete, outmoded, worn out, is being replaced or otherwise is not needed for the operation of the System, unless the provisions of (a) and (b) of the preceding paragraph are satisfied and the City delivers to the DNRC an Opinion of Bond Counsel to that effect and, in addition, the DNRC consents to such transfer.

Section 2.7. Billing. In the event of any conflict between this Section and Section 8.10 of Resolution No. 10386 of the City or Section 13.4 of Resolution No. 11644 of the City, this Section shall control. The charges for water services shall be billed at least monthly, and if the bill is not paid within 30 days of the date of billing, or if the customer fails to comply with all rules and regulations established for the System within 30 days after notice of violation thereof (which notice shall be given promptly upon discovery of any such violation), the City shall take all lawful measures available to collect the past due amounts, including, but without limitation, discontinuing water service to the premises involved until payment of all past-due bills for water service and compliance with all such rules and regulations, appropriate legal action, requiring reasonable payment and collection plans, and other reasonable and fiscally responsible measures.

ARTICLE III

USE OF PROCEEDS; THE 2012 Projects

Section 3.1. Use of Proceeds. The City shall apply the proceeds of the Loan from the DNRC solely as follows:

(a) The City shall apply the proceeds of the Loan solely to the financing or reimbursement of the costs of the 2012 Projects as set forth in Appendix A hereto and this Section 3.1. The Loan will be disbursed in accordance with Article IV hereof and Article VII of the Indenture. If the 2012 Projects have not been completed prior to Closing, the City shall, as quickly as reasonably possible, complete the 2012 Projects and expend proceeds of the Series 2012 Bond to pay the costs of completing the 2012 Projects.

(b) No portion of the proceeds of the Loan shall be used to reimburse the City for costs paid prior to the date of adoption of this Supplemental Resolution of a Project the construction or acquisition of which occurred or began earlier than June 1, 1993. In addition, if any proceeds of the Loan are to be used to reimburse the City for 2012 Projects costs paid prior to the date of adoption of this Supplemental Resolution, the City shall have complied with Section 1.150-2 of the Regulations in respect of such costs.

Section 3.2. The 2012 Projects. Set forth in Appendix A to this Supplemental Resolution is a description of the 2012 Projects, which describes the property which has been or is to be acquired, installed, constructed or improved and the other activities, if any to be funded from the Loan (the 2012 Projects may consist of more than one facility or activity). The City may choose to fund any portion of the 2012 Projects described in Appendix A without complying with the provisions of the following paragraph.

The City may add supplemental uses for the proceeds of the Series 2012 Bond from those 2012 Project described in Appendix A but only after delivery to the DNRC of the following:

(a) A certificate of the City setting forth the amendment to Appendix A and stating the reason therefor, including statements whether the amendment would cause an increase or decrease in the cost of the 2012 Projects, an increase or decrease in the amount of Loan proceeds which will be required to complete the 2012 Projects and whether the change will materially accelerate or delay the construction schedule for the 2012 Projects;

(b) A written consent to such change in the 2012 Projects by an Authorized DNRC Officer;

(c) An Opinion or Opinions of Bond Counsel stating that the 2012 Projects, as constituted after such amendment, is, and was at the time the applicable series of State Bonds were issued, eligible for financing under the State Act and is, and was at the time the Series 2012 Bond was issued, eligible for financing under the Act, such amendment will not violate the State Act or the Act and such amendment will not adversely affect the exclusion of interest on the applicable series of State Bonds or the Series 2012 Bond from gross income for purposes of federal income taxation. Such an Opinion of Bond Counsel shall not be required for amendments which do not affect the type of facility to be constructed or activity to be financed.

The City acknowledges and agrees that an increase in the principal amount of the Loan may be made only upon an application to the DEQ and the DNRC, in such form as the DEQ shall specify, which

is approved by the DEQ and the DNRC, in their sole and absolute discretion, and adoption by the City Commission of the City of a resolution amendatory of or supplementary to the Resolution authorizing the additional loan and delivery of written certifications by officers of the City to the DEQ, the DNRC and the Trustee to the effect that all representations and covenants contained in the resolution as it may be so amended or supplemented are true as of the date of closing of the additional loan and compliance with applicable tests for the incurrence of such Debt. No assurance can be given that any additional loan funds will be available under the Program at the time of any such application or thereafter. The City acknowledges and agrees that neither the DEQ, the DNRC, the Trustee nor any of their agents, employees or representatives shall have any liability to the City and have made no representations to the City as to the sufficiency of the Loan to pay costs of the 2012 Projects or as to the availability of additional funds under the Program to increase the principal amount of the Loan.

Section 3.3. 2012 Projects Representations and Covenants. The City hereby represents to and covenants with the DNRC that:

- (a) all construction of the 2012 Projects has complied and will comply with all federal and State standards, including, without limitation, EPA regulations and standards;
- (b) all future construction of the 2012 Projects will be done only pursuant to fixed price construction contracts. The City shall obtain a performance and payment bond from the contractor for each construction contract in the amount of 100% of the construction price and ensure that such bond is maintained until construction is completed to the City's, the DNRC's and the DEQ's satisfaction;
- (c) all future construction will be done in accordance with plans and specifications on file with the DNRC and the DEQ, provided that changes may be made in such plans and specifications with the written consent of an Authorized DNRC Officer and the DEQ; and
- (d) the 2012 Projects are one or more projects of the type permitted to be financed under the Act, the State Act and the Program and Section 1452 of the Safe Drinking Water Act.

Section 3.4. Completion or Cancellation or Reduction of Costs of the 2012 Projects.

- (a) Upon completion of the 2012 Projects, the City shall deliver to the DNRC a certificate stating that the 2012 Projects are complete, stating the amount, if any, of the Reserved Amounts, and releasing the remaining amount, if any, of the Committed Amount. If any Reserved Amount is not later needed, the City shall so inform the DNRC and release such amount. If Appendix A describes two or more separate projects as making up the 2012 Projects, a separate completion certificate shall be delivered for each.
- (b) If all or any portion of the 2012 Projects are cancelled or cut back or costs are reduced or for any other reason the City will not require the full Committed Amount, the City shall promptly notify the DNRC in writing of such fact and release the portion of the Committed Amount which will not be needed.

ARTICLE IV

THE LOAN

Section 4.1. The Loan; Disbursement of Loan. The DNRC has agreed to lend to the City, from time to time as the requirements of this Section 4.1 are met, an amount up to \$1,325,000 (the “Committed Amount”) for the purposes of financing, refinancing or reimbursing the City for the costs of the 2012 Projects; provided the DNRC shall not be required to loan any proceeds of the State Bonds to the City after July 31, 2013. The Committed Amount may be reduced as provided in Sections 3.2 and 3.4 of this Supplemental Resolution. The Loan shall be disbursed as provided in this Section 4.1. The DNRC intends to disburse the Loan through the Trustee.

(a) In consideration of the issuance of the Series 2012 Bond by the City, the DNRC shall make, or cause the Trustee to make, a disbursement of all or a portion of the Loan upon receipt of the following documents:

(1) an Opinion of Bond Counsel as to the validity and enforceability of the Series 2012 Bond and the security therefor and stating in effect that interest on the Series 2012 Bond is not includable in gross income for purposes of federal income taxation, in form and substance satisfactory to the DNRC;

(2) the Series 2012 Bond, fully executed and authenticated;

(3) a certified copy of the Resolution and this Supplemental Resolution;

(4) any other security instruments or documents required by the DNRC or DEQ as a condition to their approval of the Loan;

(5) if all or part of a Loan is being made to reimburse the City for the costs of a Project paid prior to the Closing, evidence, satisfactory to the DNRC and the Bond Counsel referred to in (1) above, (A) that the acquisition or construction of the Project was begun no earlier than June 1, 1993 or the debt was incurred no earlier than June 1, 1993, (B) of the City’s title to the Project, (C) of the costs of such Project and that such costs have been paid by the City and (D) if such costs were paid before adoption of this Supplemental Resolution that the City has complied with Section 1.150-2 of the Regulations;

(6) the items required by the Indenture for the portion of the Loan to be disbursed at Closing; and

(7) such other certificates, documents and other information as the DNRC, the DEQ or the Bond Counsel giving the opinion referred to in subparagraph (1) may require (including any necessary arbitrage rebate instructions).

(b) In order to obtain a disbursement of a portion of the Loan to pay costs of the 2012 Projects, the City shall submit to the DNRC and the Trustee a signed request for disbursement on the form prescribed by the DNRC, with all attachments required by such form. The City may obtain disbursements only for costs which have been legally incurred and are due and payable. All Loan disbursements will be made to the City only upon proof that cost was incurred.

(c) If all or a portion of a Loan is made to reimburse a City for 2012 Projects costs paid by it prior to Closing, the City shall present at Closing the items required by Section 4.1(b) relating to such

costs. The Trustee shall disburse such amounts to the City pursuant to a disbursement schedule complying with the requirements of the Safe Drinking Water Act established by the DNRC and the City at the Closing.

(d) Notwithstanding anything else provided herein, the Trustee shall not be obligated to disburse the Loan any faster or to any greater extent than it has available EPA Capitalization Grants, Bond proceeds and other amounts available therefor in the Revolving Fund. The DNRC shall not be required to do “overmatching” pursuant to Section 5.04(b) of the Indenture, but may do so in its discretion. The City acknowledges that if costs of the 2012 Projects are incurred faster than the City projected at Closing, there may be delays in making Loan disbursements for such costs because of the schedule under which EPA makes EPA Capitalization Grant money available to the DNRC. The DNRC will use its best efforts to obtain an acceleration of such schedule if necessary.

(e) Upon making each Loan disbursement, the Trustee is to note such disbursement on Schedule A to the Series 2012 Bond.

(f) The City agrees that it will deposit in the Bond Reserve upon receipt any proceeds of the Loan borrowed for the purpose of causing the balance in the Bond Reserve equal the Reserve Requirement, either on the Closing Date of the Loan or upon any disbursement date. The City further acknowledges and agrees that any portions of the Loan representing capitalized interest shall be advanced only on Payment Dates and shall be transferred by the Trustee on the Payment Date directly to the Revenue Bond Account. The amount of any such transfer shall be a credit against the interest payments due on the Series 2012 Bond and interest thereon shall accrue only from the date of transfer.

(g) Compliance by the City with its representations, covenants and agreements contained in the Resolution, this Supplemental Resolution and the Collateral Documents shall be a further condition precedent to the disbursement of the Loan in whole or in part. The DNRC and the Trustee, in their sole and absolute discretion, may make one or more disbursements, in whole or in part, notwithstanding such noncompliance, and without liability to make any subsequent disbursement of the Loan.

Section 4.2. Commencement of Loan Term. The City’s obligations under this Supplemental Resolution and the Collateral Documents shall commence on the date hereof unless otherwise provided in this Supplemental Resolution. However, the obligation to make payments under Article V hereof shall commence only upon the first disbursement by the Trustee of Loan proceeds.

Section 4.3. Termination of Loan Term. The City’s obligations under the Resolution and the Collateral Documents in respect of the Series 2012 Bond shall terminate upon payment in full of all amounts due under the Series 2012 Bond and the Resolution in respect thereof; provided, however, that the covenants and obligations provided in Article VI and Section 10.4 of this Supplemental Resolution shall survive the termination of the Resolution.

Section 4.4. Loan Closing Submissions. On or prior to the Closing, the City will have delivered to the DNRC and the Trustee the closing submissions required by Section 7.05 of the Indenture.

ARTICLE V

REPAYMENT OF LOAN

Section 5.1. Repayment of Loan. The City shall repay the amounts lent to it pursuant to Section 4.1 hereof, plus interest on the unpaid amounts lent at the rate of two percent (2.00%) per annum, in semiannual Loan Repayments. In addition, the City shall pay an Administrative Expense Surcharge on the outstanding principal amount of the Loan at the rate of seventy-five hundredths of one percent (0.75%) per annum and a Loan Loss Reserve Surcharge equal to one percent (1.00%) per annum on the outstanding principal amount of the Loan. For purposes of this Resolution and the Program, the term “Interest on the Loan” shall include the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge. The City shall pay all Loan Repayments and Administrative Expense Surcharge and Loan Loss Reserve Surcharge in lawful money of the United States of America to the DNRC. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a year of 360 days comprising 12 months of 30 days each.

The Loan Repayments required by this Section 5.1, and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge, shall be due on each January 1 and July 1 (the “Payment Dates”), as follows:

(1) interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the outstanding principal balance of the Loan shall be payable on each January 1 and July 1, beginning on the first Payment Date after the closing of the Loan (unless the Loan is closed within 30 days of the first Payment Date in which case payments shall begin on the next succeeding payment date), such Payment Date being July 1, 2012; and

(2) the principal of the Loan shall be repayable on each Payment Date, beginning on January 1, 2014 and concluding on January 1, 2027, and the amount of each principal payment shall be calculated on the basis of substantially level debt service at an interest rate of three and seventy-five hundredths percent (3.75%) per annum, provided that semiannual payments may be modulated to level off cumulative debt service of the Bonds.

The payments of principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the Loan shall be due on the dates and in the amounts shown in Schedule B to the Series 2012 Bond, as such Schedule B shall be modified from time to time as provided below. The portion of each such Loan Repayment consisting of principal and the portion consisting of interest and the amount of each Administrative Expense Surcharge and the amount of each Loan Loss Reserve Surcharge shall be set forth in Schedule B to the Series 2012 Bond. Upon each disbursement of Loan amounts to the City pursuant to Section 4.1 hereof, the Trustee shall enter or cause to be entered the amount advanced on Schedule A to the Series 2012 Bond under “Advances” and the total amount advanced under Section 4.1, including such disbursement, under “Total Amount Advanced.”

If the advance was made to pay costs of the 2012 Projects pursuant to Section 4.1(b), interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on such advance shall accrue from the date the advance is made and shall be payable on each Payment Date thereafter. Once the completion certificate for the 2012 Projects has been delivered to the DNRC, the Trustee shall revise Schedule B to the Series 2012 Bond in accordance with this Section 5.1 and the Trustee shall send a copy of such Schedule B to the City within one month after delivery of the completion certificate.

Past-due payments of principal and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid.

Any payment of principal, interest or Administrative Expense Surcharge and Loan Loss Reserve Surcharge under this Section 5.1 shall also be credited against the same payment obligation under the Series 2012 Bond.

Section 5.2. Additional Payments. The City shall also pay, within thirty (30) days after receipt of a bill therefor, from any legally available funds therefor, including proceeds of the Loan, if the City so chooses, all reasonable expenses of the Trustee in connection with the Loan, the Collateral Documents and the Series 2012 Bond, including, but not limited to:

(1) the fees and disbursements of Bond Counsel and the Trustee in connection with the Loan, the Resolution, the Collateral Documents and the Series 2012 Bond and the enforcement thereof; and

(2) all taxes and other governmental charges in connection with the execution and delivery of the Collateral Documents or the Series 2012 Bond, whether or not the Series 2012 Bond is then outstanding, including all recording and filing fees relating to the Collateral Documents and the pledge of the State's right, title and interest in and to the Series 2012 Bond, the Collateral Documents and the Resolution under the Board Resolution (and with the exceptions noted therein) and, after the Closing, all expenses, including reasonable attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof or thereof.

Section 5.3. Prepayments. The City may not prepay all or any part of the outstanding principal amount of the Series 2012 Bond unless (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2012 Bond is prepaid in part pursuant to this Section 5.3, such prepayments shall be applied to principal payments in inverse order of maturity.

Section 5.4. Obligations of City Unconditional. The obligations of the City to make the payments required by the Resolution and the Series 2012 Bond and to perform its other agreements contained in the Resolution, the Series 2012 Bond and Collateral Documents shall be absolute and unconditional, except as otherwise provided herein or in such documents. The City (a) shall not suspend or discontinue any payments provided for in the Resolution and the Series 2012 Bond, (b) shall perform all its other agreements in the Resolution, the Series 2012 Bond and the Collateral Documents and (c) shall not terminate the Resolution, the Series 2012 Bond or the Collateral Documents for any cause, including any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2012 Projects or the System, commercial frustration of purpose, any dispute with the DNRC or the EPA, any change in the laws of the United States or of the State or any political subdivision of either or any failure of the DNRC to perform any of its agreements, whether express or implied, or any duty, liability or obligation arising from or connected with the Resolution.

Section 5.5. Limited Liability. All payments of principal of and interest on the Loan and other payment obligations of the City hereunder and under the Series 2012 Bond shall be special, limited obligations of the City payable solely out of the Net Revenues and shall not, except at the option of the City and as permitted by law, be payable out of any other revenues of the City. The obligations of the City under the Resolution and the Series 2012 Bond shall never constitute an indebtedness of the City within the meaning of any state constitutional provision or statutory or charter limitation and shall never constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing

power. The Series 2012 Bond is not a general obligation of the City and the taxing powers of the City may not be used to pay principal of or interest on the Series 2012 Bond, and no funds or property of the City other than the Net Revenues may be required to be used to pay principal of or interest on the Series 2012 Bond.

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ARTICLE VI

INDEMNIFICATION OF DNRC AND DEQ

To the extent permitted by law, the City shall indemnify and save harmless the DNRC, DEQ, and their officers, employees and agents (each an “Indemnified Party” or collectively, the “Indemnified Parties”) against and from any and all claims, damages, demands, expenses, liabilities and losses of every kind asserted by or on behalf of any Person arising out of the acts or omissions of the City or its employees, officers, agents, contractors, subcontractors, or consultants in connection with or with regard or in any way relating to the condition, use, possession, conduct, management, planning, design, acquisition, construction, installation or financing of the 2012 Projects. To the extent permitted by law, the City shall also indemnify and save harmless the Indemnified Parties against and from all costs, reasonable attorneys’ fees, expenses and liabilities incurred in any action or proceeding brought by reason of any such claim or demand. If any proceeding is brought against an Indemnified Party by reason of such claim or demand, the City shall, upon notice from the Indemnified Party, defend such proceeding on behalf of the Indemnified Party.

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ARTICLE VII

ASSIGNMENT

Section 7.1. Assignment by City. The City may not assign its rights and obligations under the Resolution or the Series 2012 Bond.

Section 7.2. Assignment by DNRC. The DNRC will pledge its rights under and interest in the Resolution, the Series 2012 Bond and the Collateral Documents (except to the extent otherwise provided in the Indenture) as security for the payment of the State Bonds and may further assign such interests to the extent permitted by the Indenture, without the consent of the City.

Section 7.3. State Refunding Bonds. In the event the State Bonds and Additional State Bonds are refunded by bonds which are not Additional State Bonds, all references in the Resolution to State Bonds and Additional State Bonds shall be deemed to refer to the refunding bonds and any bonds of the State on a parity with such refunding bonds (together, the "Refunding Bonds") or, in the case of a crossover refunding, to the State Bonds and Additional State Bonds and the Refunding Bonds. In the event the State Bonds are refunded by an issue of Additional State Bonds, all references in the Resolution to the State Bonds shall be deemed to refer to such Additional State Bonds or, in the case of a crossover refunding, both the State Bonds and such Additional State Bonds.

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ARTICLE VIII

THE SERIES 2012 BOND

Section 8.1. Net Revenues Available. The City is authorized to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the System, and to pledge and appropriate to the Outstanding Bonds and the Series 2012 Bond, the Net Revenues to be derived from the operation of the System, including improvements, betterments or extensions thereof hereafter constructed or acquired. The Net Revenues to be produced by such rates, charges and rentals during the term of the Series 2012 Bond will be more than sufficient to pay the principal and interest when due on the Series 2012 Bond, and to create and maintain reasonable reserves therefor and to provide an adequate allowance for replacement and depreciation, as herein prescribed.

Section 8.2. Issuance and Sale of the Series 2012 Bond. The City Commission has investigated the facts necessary and hereby finds, determines and declares it to be necessary and desirable for the City to issue the Series 2012 Bond to evidence the Loan. The Series 2012 Bond is issued to the DNRC without public sale pursuant to Section 7-7-4433(2)(a) of the Act.

Section 8.3. Terms. The Series 2012 Bond shall be in the maximum principal amount equal to the original Committed Amount of the Loan, shall be issued as a single, fully registered bond numbered R-1, shall be dated as of the date of delivery to the DNRC, and shall bear interest at the rate charged by the DNRC on the Loan. The principal of and interest on the Series 2012 Bond shall be payable on the same dates and in the same amounts as principal and interest of the Loan Repayments are payable. Advances of principal of the Series 2012 Bond shall be deemed made when advances of the Loan are made under Section 4.1, and such advances shall be payable in accordance with Schedule B to the Series 2012 Bond, as it may be revised by the DNRC from time to time in accordance with Section 5.1.

The City may prepay the Series 2012 Bond, in whole or in part, only upon the terms and conditions under which it can prepay the Loan under Section 5.3.

Section 8.4. Negotiability, Transfer and Registration. The Series 2012 Bond shall be fully registered as to both principal and interest, and shall be initially registered in the name of and payable to the DNRC. While so registered, principal of and interest on the Series 2012 Bond shall be payable to the DNRC at the Office of the Department of Natural Resources and Conservation, 1625 Eleventh Avenue, Helena, Montana 59620-1601 or such other place as may be designated by the DNRC in writing and delivered to the City. The Series 2012 Bond shall be negotiable, subject to the provisions for registration and transfer contained in this Section. No transfer of the Series 2012 Bond shall be valid unless and until (1) the holder, or his duly authorized attorney or legal representative, has executed the form of assignment appearing on the Series 2012 Bond, and (2) the Director of Administrative Services of the City (or successors, the "Registrar"), as Bond Registrar, has duly noted the transfer on the Series 2012 Bond and recorded the transfer on the registration books of the Registrar. The Registrar may, prior to noting and recording the transfer, require appropriate proof of the transferor's authority and the genuineness of the transferor's signature. The City shall be entitled to deem and treat the Person in whose name the Series 2012 Bond is registered as the absolute owner of the Series 2012 Bond for all purposes, notwithstanding any notice to the contrary, and all payments to the registered holder shall be valid and effectual to satisfy and discharge the City's liability upon such Bond to the extent of the sum or sums so paid.

Section 8.5. Execution and Delivery. The Series 2012 Bond shall be executed on behalf of the City by the manual or facsimile signatures of the Mayor, City Manager and the Clerk of the City Commission. Any or all of such signatures may be affixed at or prior to the date of delivery of the Series 2012 Bond. The Series 2012 Bond shall be sealed with the corporate seal of the City. In the event that

any of the officers who shall have signed the Series 2012 Bond shall cease to be officers of the City before the Series 2012 Bond is issued or delivered, their signatures shall remain binding upon the City. Conversely, the Series 2012 Bond may be signed by an authorized official who did not hold such office on the date of adoption of this Supplemental Resolution. The Series 2012 Bond shall be delivered to the DNRC, or its attorney or legal representative.

Section 8.6. Form. The Series 2012 Bond shall be prepared in substantially the form attached to this Supplemental Resolution as Appendix B.

Section 8.7. Authorization. Under the provisions of the Act, the City is authorized to issue and sell its revenue bonds payable during a term not exceeding forty years from their date of issue, to provide funds for the reconstruction, improvement, betterment and extension of the System or to refund its revenue bonds issued for such purpose; provided that the bonds and the interest thereon are to be payable solely out of the net income and revenues to be derived from rates, fees and charges for the services, facilities and commodities furnished by the undertaking, and are not to create any obligation for the payment of which taxes may be levied except to pay for services provided by the undertaking to the City.

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ARTICLE IX

SECURITY FOR THE SERIES 2012 BOND

The Series 2012 Bond is issued as an Additional Bond under Section 7.03 of the Resolution and shall, with the Series 2002 Bonds, the Series 2005 Bond, the Series 2007 Bond and any other Additional Bonds issued under the provisions of Section 7 of the Resolution, be equally and ratably secured by the provisions of the Resolution and payable out of the Net Revenues appropriated to the Revenue Bond Account of the Water System Fund, without preference or priority, all as provided in the Resolution, and equally and ratably secured by the Reserve therein, as further provided in Section 6.03 of the Resolution. Upon advancement of principal of the Series 2012 Bond, the Director of Administrative Services shall transfer from Net Revenues or proceeds of the Series 2012 Bond such amount or amounts to the Bond Reserve to cause the balance therein to equal the Reserve Requirement, treating such principal amount as Outstanding. Upon the first advance of proceeds of the Series 2012 Bond, the deposit to the Bond Reserve shall be sufficient to cause the balance in the Bond Reserve to equal the Reserve Requirement in respect of the Series 2002 Bonds, the Series 2005 Bond, the Series 2007 Bond, and the principal of the Series 2012 Bond so advanced. The City shall keep, perform and observe each and every one of its covenants and undertakings set forth in the Resolution for the benefit of the registered owners from time to time of the Series 2012 Bond.

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ARTICLE X

TAX MATTERS

Section 10.1. Use of 2012 Projects. The 2012 Projects will be owned and operated by the City and available for use by members of the general public on a substantially equal basis. The City shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the 2012 Projects or the System or security for the payment of the Series 2012 Bond which might cause the Series 2012 Bond to be considered a “private activity bond” or “private loan bond” within the meaning of Section 141 of the Code.

Section 10.2. General Covenant. The City covenants and agrees with the owners from time to time of the Series 2012 Bond 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 2012 Bond to become includable in gross income for federal income tax purposes under the Code and the Regulations, and covenants to take any and all actions within its powers to ensure that the interest on the Series 2012 Bond will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

Section 10.3. Arbitrage Certification. The Mayor, City Manager and Director of Administrative Services being the officers of the City charged with the responsibility for issuing the Series 2012 Bond pursuant to the Resolution, are authorized and directed to execute and deliver to the DNRC 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 2012 Bond, it is reasonably expected that the proceeds of the Series 2012 Bond will be used in a manner that would not cause the Series 2012 Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

Section 10.4. Rebate. The City hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f).

Section 10.5. Information Reporting. The City shall file with the Secretary of the Treasury, not later than May 15, 2012, a statement concerning the Series 2012 Bond containing the information required by Section 149(e) of the Code.

Section 10.6. “Qualified Tax-Exempt Obligations.” Pursuant to Section 265(b)(3)(B)(ii) of the Code, the City hereby designates the Series 2012 Bond as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code. The City has not designated any obligations in 2012 under Section 265(b)(3) other than the Series 2012 Bond. 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 2012 in an amount greater than \$10,000,000.

ARTICLE XI

CONTINUING DISCLOSURE

The City understands and acknowledges that the DNRC is acquiring the Series 2012 Bond under the Program pursuant to which the State issues from time to time State Bonds to provide funds therefor. The City covenants and agrees that, upon written request of the DNRC from time to time, the City will promptly provide to the DNRC all information that the DNRC reasonably determines to be necessary or appropriate to offer and sell State Bonds or to provide continuing disclosure in respect of State Bonds, whether under Rule 15c2-12 (17 C.F.R. § 240.15c2-12) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or otherwise. Such information shall include, among other things and if so requested, financial statements of the City 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 (such financial statements to relate to a Fiscal Year or any period therein for which they are customarily prepared by the City, and, if for a Fiscal Year and so requested by the DNRC, subject to an audit report and opinion of an accountant or government auditor, as permitted or required by the laws of the State). The City will also provide, with any information so furnished to the DNRC, a certificate of the City Manager and the Clerk of the Commission of the City to the effect that, to the best of their knowledge, such information does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein to make the statements made, in light of the circumstances under which they are made, not misleading.

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ARTICLE XII

MISCELLANEOUS

Section 12.1. Notices. All notices or other communications hereunder shall be sufficiently sent or given and shall be deemed sent or given when delivered or mailed by certified mail, postage prepaid, to the parties at the following addresses:

DNRC: Department of Natural Resources and Conservation
1625 Eleventh Avenue
P. O. Box 201601
Helena, Montana 59620-1601
Attn: Conservation and Resource Development Division

Trustee: U.S. Bank National Association
c/o Corporate Trust Services
Two Union Square
601 Union Street, Suite 2120
Seattle, Washington 98101
Attn: Corporate Trust Services

City: City of Helena
316 North Park Avenue
Helena, Montana 59623
Attn: Controller

Any of the above parties may, by notice in writing given to the others, designate any further or different addresses to which subsequent notices or other communications shall be sent.

Section 12.2. Binding Effect. This Supplemental Resolution shall inure to the benefit of and shall be binding upon the DNRC, the City and their respective successors and assigns.

Section 12.3. Severability. If any provision of this Supplemental Resolution shall be determined to be unenforceable at any time, it shall not affect any other provision of the Resolution or the enforceability of that provision at any other time.

Section 12.4. Amendments. This Supplemental Resolution may not be effectively amended without the written consent of the DNRC.

Section 12.5. Applicable Law. This Supplemental Resolution shall be governed by and construed in accordance with the internal laws of the State.

Section 12.6. Captions; References to Sections. The captions in this Supplemental Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Supplemental Resolution.

Section 12.7. No Liability of Individual Officers, Directors or Trustees. No recourse under or upon any obligation, covenant or agreement contained in this Supplemental Resolution shall be had against any director, officer or employee, as such, past, present or future, of the DNRC or DEQ or the Trustee, either directly or through the DNRC or DEQ or the Trustee, or against any officer, or member of the governing body or employee of the City, past, present or future, as an individual so long as such

individual was acting in good faith. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such officer or member of the governing body or employee of the DNRC, DEQ, the Trustee, or the City is hereby expressly waived and released by the City and by the DNRC as a condition of and in consideration for the adoption of this Resolution and the making of the Loan.

Section 12.8. Payments Due on Holidays. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Supplemental Resolution or the Series 2012 Bond, shall not be Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Supplemental Resolution or the Series 2012 Bond.

Section 12.9. Right of Others to Perform City's Covenants. In the event the City shall fail to make any payment or perform any act required to be performed hereunder, then and in each such case the DNRC or the provider of any Collateral Document may (but shall not be obligated to) remedy such default for the account of the City and make advances for that purpose. No such performance or advance shall operate to release the City from any such default and any sums so advanced by the DNRC or the provider of any Collateral Document shall be paid immediately to the party making such advance and shall bear interest at the rate of ten percent (10.00%) per annum from the date of the advance until repaid. The DNRC and the provider of any Collateral Document shall have the right to enter the 2012 Projects or the facility or facilities of which the 2012 Projects is a part or any other facility which is a part of the System in order to effectuate the purposes of this Section.

Section 12.10. Authentication of Transcript. The officers of the City are hereby authorized and directed to furnish to the DNRC and to Bond Counsel certified copies of all proceedings relating to the issuance of the Series 2012 Bond and such other certificates and affidavits as may be required to show the right, power and authority of the City to issue the Series 2012 Bond, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the City as to the truth of the statements of fact purported to be shown thereby.

Section 12.11. No Owner Consent Required; Construction. The City in Section 10 of the Resolution reserved the right to amend or supplement the Resolution from time to time and at any time for purposes stated therein, subject to the limitations set forth therein. In furtherance thereof, this Supplemental Resolution shall be construed liberally to supplement the Resolution and not to impair or adversely affect the security of the Registered Owners of the Outstanding Bonds.

Section 12.12. Effective Date. This Supplemental Resolution shall take effect immediately.

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Adopted by the City Commission of the City of Helena, Montana, on this 13th day of February, 2012.

CITY OF HELENA, MONTANA

/S/ James E. Smith

Its: Mayor

Attest:

/S/ Debbie Havens

Its: Clerk of the Commission

(SEAL)

APPENDIX A

DESCRIPTION OF THE 2012 Projects

The Construction and installation of certain projects at the Missouri River Treatment Plant (MRTP), which projects are generally described as follows:

1. MR1904 - Backwash/Recycle;
2. MR1902 – Pretreatment Improvements (Headworks, Flocculation and Sedimentation Building)

APPENDIX B

FORM OF THE SERIES 2012 BOND

**UNITED STATES OF AMERICA
STATE OF MONTANA
LEWIS AND CLARK COUNTY**

CITY OF HELENA

**WATER SYSTEM REVENUE BOND
(DNRC DRINKING WATER REVOLVING LOAN PROGRAM)
SERIES 2012**

R-1

\$1,325,000

FOR VALUE RECEIVED, THE CITY OF HELENA, MONTANA (the "City"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely from the Revenue Bond Account of its Water System Fund, the principal sum equal to the sum of the amounts entered on Schedule A hereto under "Total Amount Advanced," with interest on each such amount from the date such amount is advanced hereunder at the rate of two percent (2.0%) per annum on the unpaid balance until paid. In addition, the City shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Series 2012 Bond at the rates of seventy-five hundredths of one percent (0.75%) and one percent (1.00%), respectively, per annum. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a "Loan Repayment Date") commencing July 1, 2012. Principal shall be payable on the dates set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest and the portion consisting of Administrative Expense Surcharge and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule B hereto. Upon each disbursement of Loan amounts to the City pursuant to the Resolution described below, the DNRC shall enter (or cause to be entered) the amount advanced on Schedule A under "Advances" and the total amount advanced under the Resolution (as hereinafter defined), including such disbursement, under "Total Amount Advanced." The DNRC shall prepare Schedule B and revised Schedules B, or cause Schedule B and revised Schedules B to be prepared, as provided in Section 5.1 of the Supplemental Resolution. Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of three and three-quarters percent (3.75%) per annum. Past-due payments of principal and interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Series 2012 Bond shall be made to the registered holder of this Series 2012 Bond, at its address as it appears on the Bond register, in lawful money of the United States of America. All capitalized terms used in this Series 2012 Bond and not defined herein shall have the meanings granted to them in the Resolution (as defined below).

This is a single Water System Revenue Bond (DNRC Drinking Water Revolving Loan Program), Series 2012 (the "Series 2012 Bond"), in the aggregate principal amount not to exceed \$1,325,000, issued

pursuant to the Resolution to finance (i) the cost of the construction of a back wash and recycle system, (ii) pretreatment improvements (headworks, flocculation and sedimentation building, (iii) deposit to the Bond Reserve, and (iv) to pay the costs of issuance of the Series 2012 Bond. The Series 2012 Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Part 44 and 45, as amended, and ordinances and resolutions duly adopted by the City Commission of the City, including Resolution No. 10386, adopted by the City Commission on March 30, 1992, as amended and supplemented by Resolution Nos. 10391, 11644, 11822, 19146 and 19261,19468 and 19697 adopted by the City Commission on April 13, 1992, June 18, 2001, October 7, 2002, July 26, 2004, July 25, 2005, May 21, 2007 and October 5, 2009, respectively, and Resolution No. 19897, adopted February 13, 2012 (as so amended and supplemented, the "Resolution"). This Series 2012 Bond is issuable only as a single, fully registered bond. The Series 2012 Bond is issued on a parity and is equally and ratably secured by the Net Revenues with the Outstanding Bonds.

Reference is made to the Resolution for a more complete statement of (i) the terms and conditions upon which this Series 2012 Bond has been issued, (ii) the Net Revenues pledged and appropriated for the payment and security of this Series 2012 Bond, (iii) the conditions upon which Additional Bonds may be issued under the Resolution and made payable from such Net Revenues on a parity with the Outstanding Bonds, and any other bonds issued on a parity therewith under the terms and conditions of the Resolution (collectively, the "Bonds") or otherwise, (iv) the conditions upon which the Resolution may be amended, (v) the rights, duties and obligations of the City, and (vi) the rights of the owner of the Series 2012 Bond.

The City may prepay the principal of the Series 2012 Bond only if (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment of this Series 2012 Bond permitted by the DNRC must be accompanied by payment of accrued interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal of this Series 2012 Bond prepaid on such date. If the Series 2012 Bond is prepaid in part, such prepayments of this Series 2012 Bond shall be applied to principal payments in inverse order of maturity.

This Series 2012 Bond, including interest and any premium for the redemption hereof, is payable solely from the Net Revenues pledged for the payment hereof and does not constitute a debt of the City within the meaning of any constitutional, statutory or charter limitation or provision. This Series 2012 Bond is not a general obligation of the City and is not payable from any property taxes levied by the City.

The City may deem and treat the person in whose name this Series 2012 Bond is registered as the absolute owner hereof, whether this Series 2012 Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the City shall not be affected by any notice to the contrary.

This Series 2012 Bond has been designated by the City as a "qualified tax-exempt obligation" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the City has (i) duly authorized and will forthwith undertake the 2012 Projects, (ii) fixed and established and will collect reasonable rates and charges for the services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and (iii) created a special Water System Fund into which the gross revenues of the System will be paid, and a separate and special Revenue Bond Account in the Water System Fund, into which will be paid each month, Net Revenues then on hand, an amount equal to not less than the sum of one-sixth of the interest due on the next Payment Date and one-sixth of the principal due on the next Payment Date with respect to all Outstanding Bonds payable from the Revenue Bond Account, and the Bond Reserve in the Revenue Bond Account into which shall be paid

additional Net Revenues sufficient to establish and maintain the Reserve Requirement therein with respect to all Outstanding Bonds in the current or any future Fiscal Year (giving effect to any mandatory sinking fund redemption). The Revenue Bond Account will be used only to pay the principal of, premium, if any, and interest on the Bonds issued pursuant to the authority herein recited. The rates and charges for the System will from time to time be made and kept sufficient to provide Net Revenues in each Fiscal Year at least equal to 125% of the maximum amount of principal and interest payable on Bonds from the Revenue Bond Account in any subsequent Fiscal Year. Additional Bonds and Refunding Bonds may be issued and made payable from the Revenue Bond Account on a parity with the Outstanding Bonds and any Additional Bonds, upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues, unless the lien thereof is expressly made subordinate and junior by the City to the lien of the Outstanding Bonds and other Additional Bonds on such Net Revenues. All provisions for the security of this Series 2012 Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated by the City and all acts, conditions and things required by the Constitution and laws of the State of Montana and the home rule charter and the ordinances and resolutions of the City to be done, to exist, to happen and to be performed in order to make this Series 2012 Bond a valid and binding special, limited obligation of the City according to its terms have been done, do exist, have happened and have been performed as so required; and that this Series 2012 Bond and the premium, if any, and interest hereon are payable solely from the Net Revenues pledged and appropriated to the Revenue Bond Account. This Series 2012 Bond does not constitute a debt of the City within the meaning of any constitutional, statutory or charter limitation or provision and the issuance of this Series 2012 Bond does not cause either the general or the special indebtedness of the City to exceed any constitutional, statutory or charter limitation. This Series 2012 Bond is not a general obligation of the City and the taxing power of the City is not pledged to the payment of this Series 2012 Bond.

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IN WITNESS WHEREOF, the City of Helena, Montana, by its governing body, has caused this Series 2012 Bond to be executed by the signatures of its Mayor, City Manager and countersigned by the signature of the Clerk of the Commission, and has caused the official seal of the City to be affixed hereto, and has caused this Series 2012 Bond to be dated as of the 1st day of March, 2012.

CITY OF HELENA, MONTANA

(Facsimile)
Its: Mayor

(Facsimile)
Its: City Manager

ATTEST:

(Facsimile)
Its: Clerk of the Commission

(SEAL)

REGISTRATION AND TRANSFER

This Series 2012 Bond shall be fully registered as to both principal and interest. No transfer of this Series 2012 Bond shall be valid unless and until (1) the registered holder of this Series 2012 Bond, or his or her duly authorized attorney or legal representative, executes the form of assignment appearing on this Series 2012 Bond, and (2) the Director of Administrative Services of the City, acting as bond registrar (the "Registrar"), has duly noted the transfer on this Series 2012 Bond and recorded the transfer on the Registrar's registration books. The City shall be entitled to deem and treat the person in whose name this Series 2012 Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of this Series 2012 Bond shall be made only to the order of the registered holder thereof, and all such payments shall be valid and effectual to satisfy and discharge the City's liability upon this Series 2012 Bond to the extent of the sum or sums so paid.

REGISTER

The ownership of the unpaid Principal Balance of this Series 2012 Bond and the interest accruing thereon is registered on the books of the City the name of the registered holder appearing on the first page hereof and named immediately below or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of Director of Administrative Services</u>
March 1, 2012	Department of Natural Resources and Conservation 1625 Eleventh Avenue Helena, MT 59620	_____

THE FOLLOWING ENTRIES ARE TO BE MADE ONLY BY THE BOND REGISTRAR UPON REGISTRATION OF EACH TRANSFER

The Director of Administrative Services of the City, acting as Registrar, has transferred, on the books of the City, on the date last noted below, ownership of the principal amount of and the accrued interest on this Series 2012 Bond to the new registered holder noted next to such date, except for amounts of principal and interest theretofore paid.

<u>Date of Transfer</u>	<u>Name of New Registered Holder</u>	<u>Signature of Bond Registrar</u>
_____	_____	_____
_____	_____	_____

FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____
_____ the within Bond and does hereby irrevocably
constitute and appoint _____
attorney to transfer the Bond on the books kept for the registration thereof, with full power of substitution
in the premises.

Dated: _____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

SCHEDULE A
SCHEDULE OF AMOUNTS ADVANCED

SCHEDULE B

ADMINISTRATIVE EXPENSE SURCHARGE AND LOAN LOSS RESERVE SURCHARGE

APPENDIX C
ADDITIONAL REPRESENTATIONS AND COVENANTS

None.