

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Billings, Montana (the "City"), hereby certify that the attached resolution is a true copy of Resolution No. \_\_\_\_\_, entitled: "RESOLUTION AMENDING AND RESTATING RESOLUTION NOS. 05-18326, 08-18738, 09-18851, 10-18939, 12-19228 and 13-19250 RELATED TO THE CITY'S SEWER SYSTEM REVENUE BONDS" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Council of the City at a regular meeting on February 13, 2017, and that the meeting was duly held by the City Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: \_\_\_\_\_  
\_\_\_\_\_ ; voted against the same: \_\_\_\_\_  
\_\_\_\_\_ ; abstained from voting thereon: \_\_\_\_\_  
\_\_\_\_\_ ; or were absent: \_\_\_\_\_.

WITNESS my hand officially this 13th day of February, 2017.

\_\_\_\_\_  
City Clerk

AMENDED AND RESTATED SEWER SYSTEM REVENUE BOND RESOLUTION

RESOLUTION AMENDING AND RESTATING  
RESOLUTION NOS. 05-18326, 08-18738, 09-18851, 10-18939, 12-19228 and 13-19250  
RELATED TO THE CITY'S SEWER SYSTEM REVENUE BONDS

CITY OF BILLINGS, MONTANA

Adopted: February 13, 2017

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS, RULES OF CONSTRUCTION AND APPENDICES .....	2
Section 1.1.    Definitions.....	2
Section 1.2.    Other Rules of Construction .....	8
Section 1.3.    Appendices.....	9
ARTICLE II THE BONDS.....	9
Section 2.1.    General Title .....	9
Section 2.2.    General Limitations; Issuable in Series .....	9
Section 2.3.    Terms of Particular Series.....	10
Section 2.4.    Form and Denominations of Particular Series .....	10
Section 2.5.    Execution and Authentication.....	11
Section 2.6.    Temporary Bonds.....	11
Section 2.7.    Priority of Payments .....	11
ARTICLE III OUTSTANDING SRF BONDS .....	12
Section 3.1.    Issuance and Sale of the Outstanding SRF Bonds.....	12
Section 3.2.    Terms.....	12
Section 3.3.    Negotiability, Transfer and Registration.....	12
Section 3.4.    Execution and Delivery.....	12
ARTICLE IV REPAYMENT OF PRIOR LOANS.....	13
Section 4.1.    Repayment of Prior Loans .....	13
Section 4.2.    Additional Payments .....	13
Section 4.3.    Prepayments.....	13
Section 4.4.    Obligations of City Unconditional.....	14
Section 4.5.    Limited Liability .....	14
ARTICLE V REPRESENTATIONS AND COVENANTS OF CITY WITH RESPECT TO OUTSTANDING SRF BONDS AND PRIOR LOANS .....	14
Section 5.1.    Representations .....	14
Section 5.2.    Covenants With Respect to Outstanding SRF Bonds .....	17
Section 5.3.    Tax-Exempt Status of State Bonds .....	20
Section 5.4.    Indemnification of DNRC and DEQ.....	21
Section 5.5.    Tax Matters .....	22
Section 5.6.    Continuing Disclosure .....	23
ARTICLE VI ADDITIONAL BONDS AND SUBORDINATE OBLIGATIONS .....	23

Section 6.1.	General Provisions .....	23
Section 6.2.	Additional Bonds to Pay Costs of Projects .....	24
Section 6.3.	Additional Bonds for Refunding Purposes .....	25
Section 6.4.	Subordinate Obligations.....	25
ARTICLE VII SEWER SYSTEM FUND .....		26
Section 7.1.	Bond Proceeds and Revenues Pledged and Appropriated .....	26
Section 7.2.	Acquisition and Construction Account .....	26
Section 7.3.	Operating Account .....	26
Section 7.4.	Revenue Bond Account .....	27
Section 7.5.	Reserve Account .....	27
Section 7.6.	Replacement and Depreciation Account.....	28
Section 7.8.	Subordinate Obligations Account .....	29
Section 7.9.	Rebate Account.....	29
Section 7.10.	Deposit and Investment of Funds .....	30
ARTICLE VIII .....		30
AGREEMENTS OF CITY .....		30
Section 8.1.	Maintenance of System; Liens.....	30
Section 8.2.	Maintenance of Existence; Merger, Consolidation, Etc.; Disposition of Assets .....	30
Section 8.3.	Competing Service .....	31
Section 8.4.	Property Insurance .....	31
Section 8.5.	Books and Records.....	31
Section 8.6.	The Handling of Funds .....	31
Section 8.7.	Billing.....	32
Section 8.8.	Rate Covenant.....	32
ARTICLE IX SUPPLEMENTAL RESOLUTIONS .....		32
Section 9.1.	General.....	32
Section 9.2.	Consent of Holders.....	33
Section 9.3.	Notice .....	33
Section 9.4.	Manner of Consent.....	33
ARTICLE X REMEDIES .....		34
Section 10.1.	34	
Section 10.1.	Remedies.....	34
ARTICLE XI DEFEASANCE .....		34
Section 11.1.	General.....	34
Section 11.2.	Maturity.....	34
Section 11.3.	Prepayment.....	35

Section 11.4. Escrow.....	35
ARTICLE XII MISCELLANEOUS .....	35
Section 12.1. Notices .....	35
Section 12.2. Binding Effect.....	36
Section 12.3. Assignment.....	36
Section 12.4. Severability .....	36
Section 12.5. Amendments .....	36
Section 12.6. Applicable Law .....	36
Section 12.7. Captions; References to Sections .....	36
Section 12.8. No Liability of Individual Officers, Directors or Council Members .....	36
Section 12.9. Payments Due on Holidays .....	36
Section 12.10. Right of Others to Perform City’s Covenants .....	37
Section 12.11. Authentication of Transcript .....	37
Section 12.12. Repeals and Effective Date .....	37
APPENDIX A—Description of the Prior Projects	
APPENDIX B-1—Form of Series 2005 Bond	
APPENDIX B-2—Form of Series 2008 Bond	
APPENDIX B-3—Form of Series 2009B Bond	
APPENDIX B-4—Form of Series 2009C Bond	
APPENDIX B-5—Form of Series 2010B Bond	
APPENDIX B-6—Form of Series 2010C Bond	
APPENDIX B-7—Form of Series 2013 Bond	

RESOLUTION NO. \_\_\_\_\_

RESOLUTION AMENDING AND RESTATING RESOLUTION  
NOS. 05-18326, 08-18738, 09-18851, 10-18939, 12-19228 and 13-  
19250 RELATED TO THE CITY'S SEWER SYSTEM  
REVENUE BONDS

WHEREAS, the City of Billings, Montana (the "City"), pursuant to authority conferred by Montana Code Annotated, Title 7, Chapter 13, Parts 42 and 43 and Title 7, Chapter 7, Part 44, as amended, has established and presently owns and operates a municipal sewer system; and

WHEREAS, under provisions of Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended (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 a municipal sewer system and to issue refunding bonds to refund bonds issued for such purposes, provided that the bonds and the interest thereon are to be payable solely out of the income and revenues to be derived from rates, fees and charges for the services, facilities and commodities furnished by such sewer system, and are not to create any obligation for the payment of which taxes may be levied, except to pay for services provided by the sewer system to the City; and

WHEREAS, pursuant to such authority and Resolution No. 05-18326, adopted by the City Council of the City on August 22, 2005, as amended and supplemented by Resolution Nos. 08-18738, 09-18851, 10-18939, 12-19228 and 13-19250, adopted July 28, 2008, July 27, 2009, May 24, 2010, October 22, 2012 and March 11, 2013, respectively (collectively, the "Prior Resolution"), the City has issued from time to time its Sewer System Revenue Bonds, of which its Series 2005 Bond, Series 2008 Bond, Series 2009B Bond, Series 2009C Bond, Series 2010B Bond, Series 2010C Bond and Series 2013 Bond (each, as hereinafter defined), are currently outstanding and held by the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"); and

WHEREAS, the City desires to amend the Prior Resolution to, among other things, provide that the City may use a Surety Bond (as hereinafter defined) in substitution for or to fund all or a portion of the Reserve Requirement on deposit in the Reserve Account, and the City has determined that it is more convenient and efficient for the City to amend and restate the Prior Resolution in its entirety; and

WHEREAS, the City reserved the right to amend the Prior Resolution with the written consent of the DNRC, and the DNRC has consented in writing to the amendment and restatement of the Prior Resolution as set forth herein; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BILLINGS, MONTANA THAT THIS RESOLUTION SHALL AMEND, RESTATE AND SUPERSEDE THE PRIOR RESOLUTION IN ITS ENTIRETY AS FOLLOWS:

## ARTICLE I

### DEFINITIONS, RULES OF CONSTRUCTION AND APPENDICES

Section 1.1. Definitions. In this Resolution, unless a different meaning clearly appears from the context:

“Accountant” or “Accountants” means an independent certified public accountant or a firm of independent certified public accountants selected by the City and, so long as any SRF Bonds are Outstanding, reasonably satisfactory to the DNRC.

“Acquisition and Construction Account” means the account within the Sewer System Fund established pursuant to Sections 7.1 and 7.2.

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

“Additional Bonds” means any Bonds issued pursuant to Article VI of this Resolution, excluding Subordinate Obligations.

“Administrative Expense Surcharge” means, with respect to each Outstanding SRF Bond, the surcharge by that name charged by the DNRC to the City, if any, at the rate per annum set forth in the Outstanding SRF Bond and payable by the City on the same dates that payments of interest on such Outstanding SRF Bond are due.

“Bond Counsel” shall mean any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing, selected by the City; provided that so long as any SRF Bonds are Outstanding, such Bond Counsel shall be reasonably acceptable to the DNRC.

“Bond Register” means, with respect to any Outstanding SRF Bond, the registration books maintained by the Registrar pursuant to Section 3.3 or, with respect to a series of Additional Bonds, the registration books to be maintained by the Registrar pursuant to the Supplemental Resolution authorizing the issuance of such Additional Bonds.

“Bonds” means the Outstanding SRF Bonds 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.

“City” means the City of Billings, Montana, or any permitted successor or assign.

“Clean Water Act” means the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251-1387, as amended, and all regulations, rules and interpretations issued by the EPA thereunder.

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

“Collateral Documents” means, with respect to any Outstanding SRF Bonds, any security agreement, guaranty or other document or agreement delivered to the DNRC securing the obligations of the City under this Resolution and the Outstanding SRF Bonds. If no Collateral

Documents secure such obligations, any reference to Collateral Documents in this Resolution shall be without effect.

“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 any Project, selected by the City and, so long as any SRF Bonds are Outstanding, reasonably satisfactory to the DNRC.

“Council” means the City Council of the City.

“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 Clean Water Act.

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

“Fiscal Year” shall mean the period commencing on the first day of July of any year and ending on the last day of June of the next calendar year, or any other twelve-month period authorized by law and specified by this Council as the City’s Fiscal Year.

“Government Obligations” means direct obligations of, or obligations the principal of and the interest on which are fully and unconditionally guaranteed as to payment by, the United States of America.

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

“Gross Revenues” means all revenues and receipts from rates, fees, charges and rentals imposed for connections with and for the availability, benefit and use of the System and from any sales of property which is a part of the System and all income received from the investment of such revenues and receipts, including interest earnings on the Operating Account, the Reserve Account, the Replacement and Depreciation Account and the Surplus Account, but excluding any special assessments or taxes levied for construction of any part of the System and the proceeds of any grant or loan from the State or the United States, and any investment income thereon, to the extent such exclusion is a condition to such grant or loan.

“Holder” means the Person in whose name a Bond is registered in the Bond Register.

“Indenture” means, with respect to any Outstanding SRF Bond, the Indenture of Trust, dated as of June 1, 1991, 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 any loan made to the City by the DNRC pursuant to an Outstanding SRF Bond to provide funds to pay all or a portion of the costs of a Prior Project under the Program.

“Loan Loss Reserve Surcharge” means, with respect to each Outstanding SRF Bond, the surcharge by that name charged by the DNRC to the City, if any, at the rate per annum set forth in the Outstanding SRF Bond and payable by the City on the same dates that payments of interest on such Outstanding SRF Bond are due.

“Net Revenues” means the entire amount of the Gross Revenues of the System remaining upon each such monthly apportionment, after crediting to the Operating Account the amount required hereby, including sums required to maintain the Operating Reserve in the minimum amount herein stated.

“Operating Account” means the account within the Sewer System Fund established pursuant to Sections 7.1 and 7.3.

“Operating Expenses” means the current expenses, paid or accrued, of operation, maintenance and current repair of the System and its facilities, as calculated in accordance with sound accounting practices, and shall include, without limitation, administrative expenses of the City relating solely to the System, premiums for insurance on the properties thereof, labor and the cost of materials and supplies used for current operation and for maintenance, and charges for the accumulation of appropriate reserves for current expenses which are not recurrent monthly but may reasonably be expected to be incurred in accordance with sound accounting practices. Operating Expenses shall not include interest expense or depreciation, renewals or replacements of capital assets of the System and shall not include any portion of the salaries or wages paid to any officer or employee of the City, except such portion as shall represent reasonable compensation for the performance of duties necessary to the operation of the System.

“Operating Reserve” means the reserve to be maintained in the Operating Account as required by Section 7.3.

“Outstanding” means, with reference to Bonds, as of the date of determination, all Bonds theretofore issued and delivered under this Resolution except:

(a) Bonds theretofore cancelled by the City or delivered to the City cancelled or for cancellation;

(b) Bonds and portions of Bonds for whose payment or redemption money or Government Obligations (as provided in Section 11.04) shall have been theretofore deposited in trust for the Holders of such Bonds; provided, however, that if such Bonds are to be redeemed, notice of such redemption shall have been duly given pursuant to this Resolution or irrevocable instructions to call such Bonds for redemption at a stated Redemption Date shall have been given by the City; and

(c) Bonds in exchange for or in lieu of which other Bonds shall have been issued and delivered pursuant to this Resolution;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the City shall be disregarded and deemed not to be Outstanding.

“Outstanding SRF Bonds” means the outstanding Series 2005 Bond, Series 2008 Bond, Series 2009B Bond, Series 2009C Bond, Series 2010B Bond, Series 2010C Bond and Series 2013 Bond issued to the DNRC under the Program.

“Person” means any Private Person or Public Entity.

“Prior Loans” means the 2005 Loan, the 2008 Loan, the 2009B Loan, the 2009C Loan, the 2010B Loan, the 2010C Loan and the 2013 Loan.

“Prior Projects” means the 2005 Project, the 2008 Project, the 2009 Project, the 2010 Project and the 2013 Project, each as described in Appendix A hereto.

“Prior Resolution” means Resolution No. 05-18326, adopted by the Council on August 22, 2005, as amended and supplemented by Resolution Nos. 08-18738, 09-18851, 10-18939, 12-19228 and 13-19250, adopted July 28, 2008, July 27, 2009, May 24, 2010, October 22, 2012 and March 11, 2013, respectively.

“Private Person” means an individual, corporation, partnership, association, joint venture, limited liability company, limited liability partnership, joint stock company, trust or unincorporated organization, except a Public Entity.

“Program” means the Water Pollution Control State Revolving Loan Program established by the State Act.

“Project” means the designing, engineering, acquiring, constructing, installing, improving, or enlarging the System, or any part thereof, including the Prior Projects.

“Public Entity” means a State agency, municipality, city, county, school district, political or administrative subdivision of State government, irrigation district, county water and sewer district or other public body established by State law.

“Rebate Account” means the account within in the Sewer System Fund established pursuant to Sections 7.1 and 7.9.

“Redemption Date” means, with respect to any Obligation to be redeemed, the date on which it is to be redeemed pursuant hereto.

“Registrar” means, with respect to any Outstanding SRF Bond, the Registrar appointed pursuant to Section 3.3 or, with respect to a series of Additional Bonds, the Registrar appointed pursuant to the Supplemental Resolution authorizing the issuance of such Additional Bonds.

“Regulations” shall mean the Treasury Regulations promulgated under the Code.

“Replacement and Depreciation Account” means the account within the Sewer System Fund established pursuant to Sections 7.1 and 7.6.

“Reserve Account” means the account within the Sewer System Fund established pursuant to Sections 7.1 and 7.5.

“Reserve Requirement” means, as of the date of calculation, an amount equal to the maximum amount of principal and interest payable on the Bonds in the current or any future Fiscal Year (giving effect to any Sinking Fund Payment Dates with respect to any series of Bonds).

“Resolution” means this Resolution as it may from time to time be amended or supplemented in accordance with its terms.

“Revenue Bond Account” means the account within the Sewer System Fund established pursuant to Section 7.1 and 7.4.

“Series 2005 Bond” means the First Amended and Restated Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2005, which is Outstanding as of January 15, 2017 in the principal amount of \$2,264,000.

“Series 2008 Bond” means the First Amended and Restated Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2008, which is Outstanding as of January 15, 2017 in the principal amount of \$4,217,000.

“Series 2009B Bond” means the Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009B, which is Outstanding as of January 15, 2017 in the principal amount of \$239,000.

“Series 2009C Bond” means the First Amended and Restated Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009C, which is Outstanding as of January 15, 2017 in the principal amount of \$2,875,000.

“Series 2010B Bond” means the First Amended and Restated Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010B, which is Outstanding as of January 15, 2017 in the principal amount of \$605,000.

“Series 2010C Bond” means the First Amended and Restated Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010C, which is Outstanding as of January 15, 2017 in the principal amount of \$1,753,000.

“Series 2013 Bond” means the Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2013, which is Outstanding as of January 15, 2017 in the principal amount of \$2,548,000.

“Sewer System Fund” means the Sewer System Fund established pursuant to Section 7.1.

“Sinking Fund Payment Date” means a date set forth in any applicable provision of this Resolution or a Supplemental Resolution for the making of a mandatory principal payment for the redemption of a Term Bond.

“SRF Bonds” means the Bonds issued by the City to the DNRC under the Program.

“State” means the State of Montana.

“State Act” means Montana Code Annotated, Title 75, Part 5, Chapter 11, as amended from time to time.

“State Bonds” means the State’s General Obligation Bonds (Water Pollution Control State Revolving Fund Program), issued pursuant to the Indenture. In the event the State Bonds are refunded, all references in this Resolution to 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 such Refunding Bonds. In the event the State Bonds are refunded by an issue of bonds other than State Bonds, all references in this Resolution to the State Bonds shall be deemed to refer to such other bonds or, in the case of a crossover refunding, both the State Bonds and such other bonds.

“Stated Maturity” means, with respect to any Obligation, the date specified in such Obligation as the fixed date on which the principal of such Obligation is due and payable.

“Subordinate Obligations” means any bonds, notes or obligations of the City issued on a subordinate basis to the Bonds as to Net Revenues pursuant to Section 6.4.

“Subordinate Obligations Account” means the account within the Sewer System Fund established pursuant to Sections 7.1 and 7.8.

“Supplemental Resolution” means any resolution supplemental to or amendatory of this Resolution adopted in accordance with the requirements of Article IX.

“Surety Bond” means a surety bond issued for the Reserve Account by an insurance company initially rated in one of the two highest rating categories by Fitch, Inc., Moody’s Investors Service, Inc., or Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., or any successors thereto.

“Surplus Account” means the account within the Sewer System Fund established pursuant to Sections 7.1 and 7.7.

“Surplus Net Revenues” shall mean that portion of the Net Revenues in excess of the current requirements of the Revenue Bond Account and the Reserve Account.

“System” means the existing municipal sewer system of the City and all extensions, improvements and betterments thereof hereafter constructed and acquired, including, without limitation, each Project.

“Term Bond” shall mean any Bond for the payment of the principal of which mandatory payments are required by this Resolution or Supplemental Resolution to be made at times and in amounts sufficient to redeem all or a portion of such Bond prior to its Stated Maturity.

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

“2005 Loan” means the loan from the DNRC to the City evidenced by the Series 2005 Bond.

“2005 Project” means the facilities, improvements and activities financed with proceeds of the Series 2005 Bond, as more particularly described in Appendix A hereto.

“2008 Loan” means the loan from the DNRC to the City evidenced by the Series 2008 Bond.

“2008 Project” means the facilities, improvements and activities financed with proceeds of the Series 2008 Bond, as more particularly described in Appendix A hereto.

“2009 Project” means the facilities, improvements and activities financed with proceeds of the Series 2009B Bond and the Series 2009C Bond, as more particularly described in Appendix A hereto.

“2009B Loan” means the loan from the DNRC to the City evidenced by the Series 2009B Bond.

“2009C Loan” means the loan from the DNRC to the City evidenced by the Series 2009C Bond.

“2010 Project” means the facilities, improvements and activities financed with proceeds of the Series 2010B Bond and the Series 2010C Bond, as more particularly described in Appendix A hereto.

“2010B Loan” means the loan from the DNRC to the City evidenced by the Series 2010B Bond.

“2010C Loan” means the loan from the DNRC to the City evidenced by the Series 2010C Bond.

“2013 Loan” means the loan from the DNRC to the City evidenced by the Series 2013 Bond.

“2013 Project” means the facilities, improvements and activities financed with proceeds of the Series 2013 Bond, as more particularly described in Appendix A hereto.

Section 1.2. Other Rules of Construction. For all purposes of this 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:

(a) Appendix A: Description of the Prior Projects

(b) Appendix B-1: Form of Series 2005 Bond

(c) Appendix B-2: Form of Series 2008 Bond

(d) Appendix B-3: Form of Series 2009B Bond

(e) Appendix B-4: Form of Series 2009C Bond

(f) Appendix B-5: Form of Series 2010B Bond

(g) Appendix B-6: Form of Series 2010C Bond

(h) Appendix B-7: Form of Series 2013 Bond

## ARTICLE II

### THE BONDS

Section 2.1. General Title. The general title of the Bonds of all series shall be "Sewer System Revenue Bonds." Bonds of each series shall be titled so as to distinguish them from Bonds of all other series.

Section 2.2. General Limitations; Issuable in Series. The aggregate principal amount of Bonds that may be authenticated and delivered and Outstanding under this Resolution is not limited, except as provided in Article VI or any Supplemental Resolution under which any series of Bonds is issued and except as may be limited by law.

The Bonds may be issued in series as from time to time authorized by the Council. With respect to the Bonds of any particular series, the City may incorporate in or add to the general title of such Bonds any words, letters or fixtures designed to distinguish that series.

The Bonds shall be special, limited obligations of the City. Principal of, premium, if any, and interest on the Bonds shall be payable solely from Net Revenues (other than to the extent payable out of proceeds of the Bonds). The Bonds shall not be or constitute a pledge of the general credit or taxing powers of the City of any kind whatsoever. Neither the Bonds nor any of the agreements or obligations of the City contained herein shall be construed to constitute an indebtedness of the State or the City within the meaning of any constitutional or statutory provisions whatsoever.

If the Stated Maturity for the payment of any interest on or principal of any Bond or if any Redemption Date or Sinking Fund Payment Date shall be a day which is not a Business Day, then such payment may be made on the next succeeding Business Day, with the same force and effect as if made on such Stated Maturity, Redemption Date or Sinking Fund Payment Date (whether or not such next succeeding Business Day occurs in a succeeding month).

Section 2.3. Terms of Particular Series. Each series of Bonds (except the Outstanding SRF Bonds, which were created under the Prior Resolution and which exist and are confirmed and ratified pursuant to this Resolution) shall be created by a Supplemental Resolution. The Bonds of each series (except the Outstanding SRF Bonds, which were created under the Prior Resolution and which exist and are confirmed and ratified pursuant to this Resolution) shall bear such date or dates, shall be payable at such place or places, shall have such Stated Maturities and Redemption Dates, shall bear interest at such rate or rates, from such date or dates, shall be payable in such installments and on such dates and at such place or places, and may be redeemable at such price or prices and upon such terms (in addition to the prices and terms herein specified for redemption of all Bonds) as shall be provided in the Supplemental Resolution creating that series, all upon such terms as the City may determine. The City may, at the time of the creation of any series of Bonds or at any time thereafter, make, and the Bonds of that series may contain provision for:

- (a) a sinking, amortization, improvement or other analogous fund;
- (b) limiting the aggregate principal amount of the Bonds of that series and of additional Bonds thereafter to be issued;
- (c) exchanging Bonds of that series, at the option of the Holders thereof, for other Bonds of the same series of the same aggregate principal amount of a different authorized kind or authorized denomination or denominations; or
- (d) registration, transfer and delivery.

Section 2.4. Form and Denominations of Particular Series. The form of the Bonds of each series (except the Outstanding SRF Bonds, which were created under the Prior Resolution and which exist and are confirmed and ratified pursuant to this Resolution) shall be established by the provisions of the Supplemental Resolution creating such series. The Bonds of each series shall be distinguished from the Bonds of other series in such manner as the City may determine.

The Bonds of each series shall be in such denominations as shall be provided in the Supplemental Resolution creating such series (except the Outstanding SRF Bonds, which were created under the Prior Resolution and which exist and are confirmed and ratified pursuant to this Resolution). In the absence of any such provision with respect to the Bonds of any particular series, the Bonds of such series shall be in the denomination of \$5,000 or any integral multiple thereof of single maturities.

Section 2.5. Execution and Authentication. The Bonds shall be executed on behalf of the City by the manual or facsimile signature of the Mayor, and attested by the signature of the City Clerk (or other officers of the City authorized by Supplemental Resolution). The signature of any official may be facsimile, if permitted by applicable law. Any Bond bearing the manual or facsimile signature of an individual who was at any time an appropriate officer of the City shall be valid and sufficient for all purposes, regardless whether such individual held such office as of the date of sale, issue or delivery of such Bond. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution unless and until a certificate of authentication on such Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on each Bond need not be signed by the same representative. The executed certificate of authentication on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution and in accordance with the provisions hereof. The seal of the City need not be affixed to or imprinted on any Bond.

Section 2.6. Temporary Bonds. Pending the preparation of Bonds, the City, if authorized by law, may execute and deliver temporary Bonds which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the Bonds in lieu of which they are issued, with such appropriate insertions, omissions, substitutions and other variations as the officers of the City executing such Bonds may determine, as evidenced by their signing of such Bonds.

If temporary Bonds are issued, the City will cause Bonds to be prepared without unreasonable delay. After the preparation of Bonds, the temporary Bonds shall be exchangeable for Bonds upon surrender of the temporary Bonds, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Bonds, the City shall execute and deliver in exchange therefor a like principal amount of Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same security and benefits under this Resolution as Bonds.

Section 2.7. Priority of Payments. All Bonds shall be secured, equally and ratably, by a first lien upon the Net Revenues of the System (the Gross Revenues being subject to the prior appropriation thereof to the Operating Account for the payment of Operating Expenses) and secured by the Reserve Account, without preference or priority of any one Bond over any other by reason of serial number, date of issue, series designation or otherwise; provided that if at any time the Net Revenues on hand in the Sewer System Fund are insufficient to pay principal and interest then due on all such Bonds, any and all Net Revenues and taxes then on hand shall be first used to pay the interest accrued on all Outstanding Bonds, and the balance shall be applied *pro rata* toward payment of the maturing principal of such Bonds.

## ARTICLE III

### OUTSTANDING SRF BONDS

Section 3.1. Issuance and Sale of the Outstanding SRF Bonds. Each Outstanding SRF Bond was issued pursuant to the Act and the Prior Resolution as then in effect. Each Outstanding SRF Bond was issued and sold to the DNRC without public sale pursuant to Section 7-7-4433 of the Act. Each Outstanding SRF Bond and its terms are herein set forth and shall be governed pursuant to this Resolution.

Section 3.2. Terms. Each Outstanding SRF Bond was issued as a single, fully registered bond, in the maximum principal amount, with the dated date and bearing interest at the rate set forth in such Bond, the forms of which are attached as Appendices B-1 through B-7 hereto. The principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge, if any, on each Outstanding SRF Bond are payable on the same dates and in the same amounts as the principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge, if any, on the corresponding Loan are payable, as shown on Schedule B to each Outstanding SRF Bond. The City may prepay each Outstanding SRF Bond, in whole or in part, only upon the terms and conditions under which it can prepay the corresponding Loan.

Section 3.3. Negotiability, Transfer and Registration. Each Outstanding SRF Bond was issued fully registered as to both principal and interest, and was initially registered in the name of and payable to the DNRC. While so registered, principal of and interest on each Outstanding SRF Bond shall continue to be payable to the DNRC at the Office of the Department of Natural Resources and Conservation, 1625 Eleventh Avenue, P.O. Box 201601, Helena, Montana 59620-1601, Attention: Conservation and Resource Development Division, or such other place as may be designated by the DNRC in writing and delivered to the City. Each Outstanding SRF Bond was issued as a negotiable Bond, subject to the provisions for registration and transfer contained in this Section 3.3. No transfer of any Outstanding SRF Bond shall be valid unless and until (1) the holder of such Outstanding SRF Bond, or his duly authorized attorney or legal representative, has executed the form of assignment appearing on such Outstanding SRF Bond, and (2) the City Finance Director, as registrar, transfer agent and paying agent (the "Registrar"), has duly noted the transfer on such Outstanding SRF Bond and recorded the transfer in the Bond Register. 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 an Outstanding SRF Bond is registered as the absolute owner of such Outstanding SRF 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 Outstanding SRF Bond to the extent of the sum or sums so paid.

Section 3.4. Execution and Delivery. Each Outstanding SRF Bond was executed on behalf of the City by the manual or facsimile signatures of the Mayor and the City Clerk. Each Outstanding SRF Bond was delivered to the DNRC, or its attorney or legal representative.

## ARTICLE IV

### REPAYMENT OF PRIOR LOANS

Section 4.1. Repayment of Prior Loans. The payments of principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge, if any, on the Prior Loans shall be due on the dates and in the amounts shown in Schedule B to the corresponding Outstanding SRF Bond. The portion of each such loan repayment consisting of principal, the portion consisting of interest and the amount of each Administrative Expense Surcharge and Loan Loss Reserve Surcharge, if any, shall be as set forth in Schedule B to the respective Outstanding SRF Bond.

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

Any payment of principal, interest, Administrative Expense Surcharge or Loan Loss Reserve Surcharge under this Section 4.1 shall also be credited against the same payment obligation under the corresponding Outstanding SRF Bond.

Section 4.2. Additional Payments. The City shall also pay, within 30 days after receipt of a bill therefor, from any legally available funds therefor, all reasonable expenses of the DNRC and the Trustee in connection with the Outstanding SRF Bonds, including, but not limited to:

- (i) the cost of reproducing this Resolution, the Collateral Documents and the Outstanding SRF Bonds;
- (ii) the fees and disbursements of Bond Counsel and other counsel utilized by the DNRC and the Trustee in connection with the Outstanding SRF Bonds and the enforcement thereof; and
- (iii) all taxes and other governmental charges in connection with the execution and delivery of the Outstanding SRF Bonds or the Collateral Documents, whether or not the Outstanding SRF Bonds are 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 Outstanding SRF Bonds, the Collateral Documents and this Resolution (and with the exceptions noted therein) and all expenses, including attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof or thereof.

Section 4.3. Prepayments. The City may not prepay all or any part of the outstanding principal amount of the Outstanding SRF Bonds unless (i) it obtains the prior written consent of the DNRC thereto, and (ii) no principal, interest or Administrative Expense Surcharge or Loan Loss Reserve Surcharge, if any, relating to such Bond 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 Outstanding SRF Bonds are prepaid in part pursuant to

this Section 4.3, such prepayments shall be applied to principal payments in inverse order of maturity.

Section 4.4. Obligations of City Unconditional. The obligations of the City to make the payments required by this Resolution and the Outstanding SRF Bonds and to perform its other agreements contained in this Resolution, the Outstanding SRF Bonds 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 this Resolution and the Outstanding SRF Bonds, (b) shall perform all its other agreements in this Resolution, the Outstanding SRF Bonds and the Collateral Documents and (c) shall not terminate this Resolution, the Outstanding SRF Bonds or the Collateral Documents for any cause, including any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Prior 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 this Resolution.

Section 4.5. Limited Liability. All payments of principal of and interest on the Prior Loans and other payment obligations of the City hereunder and under the Outstanding SRF Bonds shall be special, limited obligations of the City payable solely out of the Net Revenues and shall not be payable out of any other revenues of the City. The obligations of the City under this Resolution and the Outstanding SRF Bonds shall never constitute an indebtedness of the City within the meaning of any state constitutional provision or statutory 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 taxing powers of the City are not pledged to pay principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge, if any, on the Outstanding SRF Bonds, and no funds or property of the City other than the Net Revenues are pledged to pay the principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge, if any, on the Outstanding SRF Bonds.

## ARTICLE V

### REPRESENTATIONS AND COVENANTS OF CITY WITH RESPECT TO OUTSTANDING SRF BONDS AND PRIOR LOANS

Section 5.1. Representations and Warranties. The City represents and warrants to the DNRC as of the date issuance of each Outstanding SRF Bond and as of the date hereof as follows:

- (a) Organization and Authority. The City:
  - (i) is duly organized and validly existing as a municipal corporation and political subdivision 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 Resolution, to issue the Outstanding SRF Bonds and to enter into the Collateral Documents and to carry out and consummate all transactions contemplated by this Resolution, the Outstanding SRF Bonds 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 Resolution, the Outstanding SRF Bonds and the Collateral Documents and the incurrence of the debt evidenced by the Outstanding SRF Bonds.

(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 this Resolution, the Outstanding SRF Bonds and the Collateral Documents, or the financial condition of the City, or the transactions contemplated by this Resolution, the Outstanding SRF Bonds and the Collateral Documents or the validity and enforceability of this Resolution, the Outstanding SRF Bonds and the Collateral Documents. No referendum petition has been filed with respect to any resolution or other action of the City relating to the Prior Projects, the Outstanding SRF Bonds or any Collateral Documents and the period for filing any such petition will have expired before issuance of the Outstanding SRF Bonds.

(c) Borrowing Legal and Authorized. The adoption of this Resolution, the execution and delivery of the Outstanding SRF Bonds and the Collateral Documents and the consummation of the transactions provided for in this Resolution, the Outstanding SRF Bonds and the Collateral Documents and compliance by the City with the provisions of this Resolution, the Outstanding SRF Bonds 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 breach of any of the terms, conditions or provisions of, or constitute a 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 this 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 or similar document, if applicable, 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 constitutes a default under this 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 Outstanding SRF Bonds 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 Resolution by any governmental body or officer for the making and performance by the City of its obligations under this Resolution, the Outstanding SRF Bonds and the Collateral Documents or with respect to the Prior 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 Resolution, issuing the Outstanding SRF Bonds or entering into the Collateral Documents and the performance of the City's obligations hereunder and thereunder.

(f) Binding Obligation. This Resolution, the Outstanding SRF Bonds and the Collateral Documents are the valid and binding special, limited obligations 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 Prior Projects. The Prior Projects consist of the facilities, improvements and activities described in Appendix A hereto. The City has complied with all covenants and agreements contained in the Prior Resolution as then in effect with respect to each Prior Project. The Prior Projects comprised facilities of a type that, as determined by the EPA, facilitate compliance with the national water pollution control regulations applicable to the System or will otherwise significantly further the health protection objectives of the Clean Water Act. Construction of the Prior Projects complied with applicable federal and State standards, including, without limitation, EPA regulations and standards. The Prior Projects were projects of the type permitted to be financed under the Act, the State Act, the Program and Title VI of the Clean Water Act.

(h) 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, its ability to own and operate the System in the manner it is currently operated or the City's ability to perform its obligations under this Resolution, the Outstanding SRF Bonds and the Collateral Documents and to pledge any revenues or other property pledged to the payment of the Outstanding SRF Bonds.

(i) Compliance With Law. The City:

(i) 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 its status as a Public Entity and Governmental Unit; and

(ii) 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 this Resolution, the Outstanding SRF Bonds and the Collateral Documents.

Section 5.2. Covenants With Respect to Outstanding SRF Bonds. During the time that any of the Outstanding SRF Bonds remain Outstanding, the City covenants and agrees with the DNRC as follows:

(a) Insurance. The City at all times shall keep and maintain with respect to the System 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 insurance. 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 State law. All such insurance policies shall name the DNRC as an additional insured to the extent permissible under such policies. Each policy must provide that it cannot be cancelled by the insurer without giving the City and the DNRC 30 days' prior written notice. The City shall give the DNRC prompt notice of each insurance policy it obtains or maintains to comply with this paragraph (b) and of each renewal, replacement, change in coverage or deductible under or amount of or cancellation of each such 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.

(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 this Resolution, the Outstanding SRF Bonds 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 this Resolution, the Outstanding SRF Bonds 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 this Resolution and the Collateral Documents so long as any amount is owing under this Resolution or the Outstanding SRF Bonds.

(ii) The City shall forthwith, after the execution and delivery of the Outstanding SRF Bonds and thereafter from time to time, cause this Resolution and any Collateral Documents granting a security interest in 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 this 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.

(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) above, 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 Outstanding SRF Bonds and the Collateral Documents and the documents described in subparagraph (ii) above.

(e) Financial Information. The City agrees that for each Fiscal Year it shall furnish to the DNRC and the DEQ, promptly when available:

(i) the preliminary budget for the System, with items for the Prior Projects shown separately; and

(ii) when adopted, the final budget for the System, with items for the Prior 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 this 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 365 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 City Finance Director in accordance with applicable generally accepted governmental accounting principles and, in addition to whatever matters may be thought proper by the City Finance Director to be included therein, shall include the following:

- (i) A statement or statements showing in detail of the income and expenditures of the System for the Fiscal Year, identifying capital expenditures and separating them from operating expenditures;
- (ii) A balance sheet as of the end of the Fiscal Year; and
- (iii) The number of premises connected to the System at the end of the Fiscal Year;
- (iv) The amount on hand in the Sewer System Fund at the end of the Fiscal Year;
- (v) 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
- (vi) A determination that the report shows full compliance by the City with the provisions of this Resolution during the Fiscal Year covered thereby, including proper segregation of the capital expenditures from operating expenses, maintenance of the required balance in the Revenue Bond Account and receipt of Net Revenues during each Fiscal Year at least equal to 125% of the maximum amount of principal and interest payable on outstanding Bonds in any subsequent Fiscal Year, or, if the report should reveal that the revenues have been insufficient for compliance with this Resolution, or that the methods used in accounting for such revenues were contrary to any provision of this 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 365 days of the close of each Fiscal Year, an audit report prepared by an independent certified public 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 this Resolution.

(f) Project Accounts. The City shall maintain Prior Project accounts in accordance with generally accepted government accounting standards, and as separate accounts, as required by Section 602(b)(9) of the Clean Water Act.

(g) 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 Title VI of the Clean Water Act, as provided in Section 606(e) of the Clean Water Act.

(h) Compliance with Clean Water Act. The City has complied and shall comply with all conditions and requirements of the Clean Water Act pertaining to the Prior Loans and the Prior Projects.

(i) Program Covenant. The City agrees that neither it nor any “related person” to the City (within the meaning of Section 147(a)(2) of the Code) shall, whether pursuant to a formal or informal arrangement, acquire bonds issued by the State under the Indenture in an amount related to the amount of the Outstanding SRF Bonds.

Section 5.3. Tax-Exempt Status of State Bonds. During the time that any of the Outstanding SRF Bonds remain Outstanding, the City covenants and agrees with the DNRC as follows:

(a) The City will not use or permit to be used any of the proceeds of the Outstanding SRF Bonds or any other funds of the City, 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 Prior Loans or the portion of the Prior Loans derived directly or indirectly from proceeds of the State Bonds.

(c) The City shall not use or permit the use of the Prior 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 paragraph (c), use as a member of the general public 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 a Prior Project financed with proceeds of a Prior Loan was acquired by and is now and shall, during the term of the Outstanding SRF Bond in respect of such Prior Project, be owned by the City and not by any other Person. Notwithstanding the previous sentence, the City may transfer such Prior Project or a portion thereof to another Governmental Unit which is also a Public Entity if such transfer is otherwise permitted hereunder and if such organization agrees with the DNRC to comply with Sections 5.2(g), 5.2(h) and 8.2 hereof and if the DNRC receives an

opinion of Bond Counsel to the effect that such transfer will not violate the State Act or the Clean Water Act or adversely affect the exclusion of interest on the State Bonds from gross income for purposes of federal income taxation. In addition, except as otherwise provided in this Resolution or in any Collateral Documents, the City may sell or otherwise dispose of any portion of a Prior Project 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 Clean Water Act.

(e) The City shall comply with the arbitrage rebate requirements of Section 148 of the Code (the "Arbitrage Rebate Instructions"), if any, delivered to it by the DNRC at the time of delivery to the DNRC of such Outstanding SRF Bonds. 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 (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 term of the Prior Loans it will not contract with or permit any Private Person to manage the Prior 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 Clean Water Act or adversely affect the exclusion of interest on the State Bonds from gross income or purposes of federal income taxation.

(g) The City shall not lease all or any portion of a Prior Project 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 this Resolution, provided the City may lease all or any portion of a Prior Project 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 all or any portion of a Prior Project (i) if such change will violate the Clean 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 5.4. Indemnification of DNRC and DEQ. The City shall, to the extent permitted by law, indemnify and save harmless the DNRC and the 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 Prior Projects. The City shall, to the extent permitted by law, 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 an Indemnified Party, defend such proceeding on behalf of the Indemnified Party. Notwithstanding the foregoing, the City shall not be obligated to indemnify an Indemnified Party or any of its officers, employees or agents or hold any of them harmless against or from or in respect of any claim, damage, demand, expense, liability or loss arising from the intentional or willful misconduct or gross negligence of the Indemnified Parties.

Section 5.5. Tax Matters. During the time that any of the Outstanding SRF Bonds remain Outstanding, the City covenants and agrees with the DNRC as follows:

(a) Use of Prior Projects. The Prior Projects have been and will continue to 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 Prior Projects or security for the payment of the Outstanding SRF Bonds which might cause the Outstanding SRF Bonds to be considered "private activity bonds" or "private loan bonds" within the meaning of Section 141 of the Code.

(b) General Covenant. The City covenants and agrees with the owners from time to time of the Outstanding SRF Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Outstanding SRF Bonds 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 Outstanding SRF Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

(c) Arbitrage Certification. The Mayor, the City Finance Director and the City Clerk, being the officers of the City charged with the responsibility for issuing the Outstanding SRF Bonds pursuant to this Resolution, executed and delivered to the DNRC, as authorized and directed under the Prior Resolution, certificates 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 Outstanding SRF Bonds, it was reasonably expected that the proceeds of the Outstanding SRF Bonds will not be used in a manner that would cause the Outstanding SRF Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the Regulations.

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

Outstanding SRF Bonds from gross income for federal income tax purposes, unless the Outstanding SRF Bonds qualify for the exception from the rebate requirement under Section 148(f)(4)(B) of the Code and no “gross proceeds” of the Outstanding SRF Bonds (other than amounts constituting a “bona fide debt service fund”) arise during or after the expenditure of the original proceeds thereof. In furtherance of the foregoing, the City Finance Director executed Rebate Certificates at the time of issuance of each Outstanding SRF Bond, and the City hereby covenants and agrees to observe and perform the covenants and agreements contained therein, unless amended or terminated in accordance with the provisions thereof.

Section 5.6. Continuing Disclosure. The City understands and acknowledges that the DNRC acquired the Outstanding SRF Bonds 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, so long as any Outstanding SRF Bonds are Outstanding, 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 State 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 Mayor and the City Finance Director 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.

## ARTICLE VI ADDITIONAL BONDS AND SUBORDINATE OBLIGATIONS

Section 6.1. General Provisions. Additional Bonds may at any time and from time to time be issued, sold and delivered by the City but only upon compliance with the conditions of Sections 6.2 and 6.3, whichever may be applicable, and upon filing with the City Finance Director the following:

- (i) A Supplemental Resolution authorizing the issuance of such series of Additional Bonds and fixing the amount and the details thereof and the sale thereof to the purchaser or purchasers named therein for the purchase price set forth therein.
- (ii) A certificate executed by the Mayor and the City Finance Director stating that upon the issuance of such series of Additional Bonds, no default hereunder has

occurred and is continuing which would not be cured upon the issuance of such series of Additional Bonds and application of the proceeds thereof.

(iii) An opinion of Bond Counsel (who may rely on factual representations of the City and which opinion may be qualified by customary qualifications and exceptions) stating that:

(i) all conditions precedent provided for in this Resolution relating to the issuance and delivery of such series of Additional Bonds have been complied with, including any conditions precedent specified in this Section 6.1; and

(ii) the series of Additional Bonds when issued and delivered by the City will be valid and binding special, limited obligations of the City in accordance with their terms and entitled to the benefits of and secured by this Resolution.

Any Additional Bonds shall be dated, shall bear interest at a rate or rates not exceeding the maximum rate, if any, permitted by law, shall have Stated Maturities and may be subject to redemption at such times and prices and on such terms and conditions, all as may be provided by the Supplemental Resolution authorizing their issuance. All Additional Bonds issued pursuant to Sections 6.2 and 6.3 shall be payable and secured ratably and equally and on a parity as to both principal and interest with the Outstanding SRF Bonds and any Additional Bonds theretofore issued, entitled to the same benefits and security of this Resolution.

Section 6.2. Additional Bonds to Pay Costs of Projects. Additional Bonds may be issued under this Section 6.2, at one time or from time to time, subject to the conditions provided in Section 6.1 and this Section 6.2, for the purpose of providing funds, with any other funds available and committed therefor, for paying the cost of one or more Projects and any expenses in connection with such financing.

Prior to the execution and delivery of any series of Additional Bonds under this Section 6.2, there shall be filed with the City Clerk a certificate executed by the Mayor and the City Finance Director stating that the Net Revenues of the System for the last complete Fiscal Year preceding the date of issuance of such Additional Bonds equaled at least 125% of the maximum amount of principal and interest payable from the Revenue Bond Account in any subsequent Fiscal Year during the term of the Outstanding Bonds, on all Bonds then Outstanding and on the Additional Bonds proposed to be issued. For the purpose of the foregoing computation, 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 substantially as provided in Section 5.2(e), except that if the rates and charges for services provided by the System have been changed since the beginning of such preceding Fiscal Year, then the rates and charges in effect at the time of issuance of the Additional Bonds or finally authorized to go into effect within 60 days thereafter 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 cost plus any additional annual costs of operation and maintenance which Consultant 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 of or interest on any Outstanding Bonds payable therefrom or if there then exists any deficiency in the balances required by this Resolution to be maintained in any of the accounts of the Sewer System Fund, which will not be cured or restored upon the issuance of the Additional Bonds. In connection with the issuance of a series of Additional Bonds, the City shall cause amounts in the Reserve Account to be increased, from the proceeds of the Additional Bonds, from Surplus Net Revenues and/or from Surety Bonds, to an amount equal to the Reserve Requirement during the term of the Outstanding Bonds.

Section 6.3. Additional Bonds for Refunding Purposes. Additional Bonds may be issued under this Section 6.3, at one time or from time to time, subject to the conditions provided in Section 6.1 and this Section 6.3, for the purpose of providing funds, with any other funds available and committed therefor, for paying at, or redeeming prior to, their Stated Maturities any Outstanding Bonds, including the payment of any redemption premium thereon and interest which will accrue on such Bonds to any Redemption Date or the Stated Maturities thereof, and any expenses in connection with such financing. Such Additional Bonds shall be designated substantially as the Bonds to be refunded, with the addition of the term “refunding”.

Prior to the execution and delivery of any series of Additional Bonds under this Section 6.3, there shall be filed with the City Clerk:

(i) such documents as shall be required to show that provisions have been duly made in accordance with this Resolution for the redemption of all of the Outstanding Bonds to be refunded; and

(ii) a certificate executed by the Mayor and the City Finance Director or a report of an Accountant to the effect that (a) the proceeds (excluding accrued interest but including any premium) of the Additional Bonds plus any moneys to be withdrawn from the Revenue Bond Account and Reserve Account for such purpose, together with any other funds deposited for such purpose, will be not less than an amount sufficient to pay the redemption price on the Outstanding Bonds to be refunded, or (b) from such proceeds there shall be deposited in trust, Government Obligations which do not permit the redemption thereof at the option of the issuer, the principal of and the interest on which when due and payable (or redeemable at the option of the holder thereof) will provide, together with any other moneys which shall have been deposited in trust irrevocably for such purpose, but without reinvestment, sufficient moneys to pay such principal, redemption premium and interest.

If Additional Bonds are issued to refund Subordinate Obligations issued pursuant to Section 6.4, the conditions for the issuance of Additional Bonds pursuant to Section 6.2 must be satisfied in lieu of this Section 6.3.

Section 6.4. Subordinate Obligations. Nothing in this Resolution shall preclude the City from issuing additional Obligations which are expressly made a charge on only the Surplus Net Revenues of the System subordinate to the pledge of Net Revenues to the Revenue Bond and the Reserve Account (such additional obligations, the “Subordinate Obligations”).

## ARTICLE VII

### SEWER SYSTEM FUND

Section 7.1. Bond Proceeds and Revenues Pledged and Appropriated. A special Sewer System Fund is hereby created and shall be maintained as a separate and special bookkeeping account on the official books of the City until all Bonds and interest and redemption premiums due thereon have been fully paid, or the City's obligations with reference to such Bonds have been discharged as provided in this Resolution. All proceeds of Bonds issued hereunder and all other funds presently on hand derived from the operation of the System are irrevocably pledged and appropriated to the Sewer System Fund. In addition, there is hereby irrevocably pledged and appropriated to the Sewer System Fund all Gross Revenues. The Sewer System Fund shall be subdivided into separate accounts as designated and described in Sections 7.2 through 7.9, to segregate income and expenses received, paid and accrued for the respective purposes described in those sections. The Gross Revenues received in the Sewer System Fund shall be apportioned monthly, commencing as of the first day of the calendar month immediately following adoption of this Resolution.

Section 7.2. Acquisition and Construction Account. The City shall maintain an Acquisition and Construction Account in the Sewer System Fund. The Acquisition and Construction Account shall be used only to pay as incurred and allowed costs which under generally accepted accounting principles are capital costs of a Project and of such future constructions, improvements, betterments or extensions of the System as may be authorized in accordance with law, including but not limited to payments due for work and materials performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, reimbursement of any advances made from other City funds, and all other expenses incurred in connection with the acquisition, construction and financing of any such undertaking. To the Acquisition and Construction Account shall be credited as received all proceeds of Bonds issued hereunder (except proceeds of refunding Bonds appropriated to the payment of Outstanding Bonds and amounts required to be credited to the Revenue Bond Account or the Reserve Account), all other funds appropriated by the City for the System and any other funds appropriated by the City to the Acquisition and Construction Account for improvements to the System. Upon completion of a capital improvement or program of capital improvements for the System, the balance remaining in the Acquisition and Construction Account shall be credited to the Revenue Bond Account to the extent required to establish the required balance therein and, to the extent not so required, to the Replacement and Depreciation Account.

Section 7.3. Operating Account. The City shall maintain an Operating Account in the Sewer System Fund. On each monthly apportionment there shall first be set aside and credited to the Operating Account, as a first charge on the Gross Revenues, such amount as may be required over and above the balance then held in the account to pay the reasonable and necessary Operating Expenses of the System which are then due and payable, or are to be paid prior to the next monthly apportionment. There shall also be credited to this account a sum equal to the estimated average monthly Operating Expenses of the System to establish an Operating Reserve, which sum shall be maintained by additional transfers upon each monthly apportionment whenever necessary, or may be augmented by transfers of additional amounts from the

Replacement and Depreciation Account and the Surplus Account if determined by the governing body of the City to be necessary to meet contingencies arising in the operation and maintenance of the System. Money in the Operating Account shall be used solely for the payment of current Operating Expenses of the System.

Section 7.4. Revenue Bond Account. The City shall maintain a Revenue Bond Account in the Sewer System Fund. Upon each monthly apportionment there shall be set aside and credited to the Revenue Bond Account out of the Net Revenues an amount equal to not less than one-twelfth of the interest and principal to become due within the next twelve months with respect to Outstanding Bonds payable from the Revenue Bond Account; provided that the City shall be entitled to reduce any monthly credit by the amount of any surplus previously credited and then on deposit in the Revenue Bond Account. Money from time to time held in the Revenue Bond Account shall be disbursed only to meet payments of principal of, premium, if any, and interest on the Bonds payable therefrom as such payments become due. If any payment of principal or interest becomes due when moneys in the Revenue Bond Account are temporarily insufficient therefor, such payment shall be advanced out of any Net Revenues theretofore segregated and then on hand in the Reserve Account, the Replacement and Depreciation Account and the Surplus Account.

Section 7.5. Reserve Account. The City shall maintain a Reserve Account in the Sewer System Fund.

(a) Upon each monthly apportionment, from the Net Revenues remaining after the apportionment to the Revenue Bond Account, the City shall credit to the Reserve Account such Net Revenues as may be required to establish and thereafter maintain the balance in an amount equal, as of the date of calculation, to the Reserve Requirement. Money in the Reserve Account shall be used only to pay maturing principal and interest on Outstanding Bonds when money within the Revenue Bond Account is insufficient therefor; provided that on any date when the balance then on hand in the Revenue Bond Account allocable to a series of Bonds, plus the balance then on hand in the Reserve Account allocable to the series of Bonds (exclusive of any Surety Bond), is sufficient with other money available to pay or discharge all Outstanding Bonds of that series and the interest accrued thereon in full, and the balance thereafter on hand in the Reserve Account will be at least equal to the Reserve Requirement for all Outstanding Bonds and not to be discharged, it may be used for that purpose. If the balance in the Reserve Account is more than required, the excess shall be transferred to the Revenue Bond Account.

(b) The City may elect to satisfy in whole or in part the Reserve Requirement with a Surety Bond. Any Surety Bond shall be valued at the amount available to be drawn thereon. At any time the Reserve Account contains both cash and a Surety Bond, the cash shall be used first to pay principal and interest due on the Bonds, to the extent money in the Revenue Bond Account is insufficient therefor, before any demand is made on the Surety Bond. In the event the Reserve Account contains more than one Surety Bond, any draw on the Surety Bonds to pay principal and interest on the Bonds shall be made on a *pro rata* basis.

If the balance in the Reserve Account is less than the Reserve Requirement, Net Revenues transferred to the Reserve Account shall be used first to reimburse the issuer of a Surety Bond *pro rata* based on the amounts drawn thereon (thereby remarketing the Surety Bond), second to replenish the cash in the Reserve Account such that the cash plus the amounts available to be drawn on any Surety Bond are equal to the Reserve Requirement, and third to pay the issuer of a Surety Bond for interest due on any amounts advanced under a Surety Bond. In the event the Reserve Account contains more than one Surety Bond, any reimbursement to the issuer of a Surety Bond shall be *pro rata* based on the amounts drawn thereon.

If funds are required to be drawn on a Surety Bond to pay principal or interest due on Bonds, the City shall deliver to the issuer of the Surety Bond a demand for payment under the terms of the applicable Surety Bond at least three days prior to the date on which funds are required to make such payment, and the City shall maintain adequate records, verified with the issuer of the Surety Bond, as to the amount available to be drawn at any given time under the Surety Bond and as to amounts paid and owing to the issuer thereof under the terms of the Surety Bond.

Section 7.6. Replacement and Depreciation Account. The City shall maintain a Replacement and Depreciation Account in the Sewer System Fund. Upon each monthly apportionment, there shall next be set aside and credited to the Replacement and Depreciation Account, Surplus Net Revenues required for the accumulation of a reasonable allowance as the governing body of the City shall determine for depreciation of the System and for replacement or renewal of worn out, obsolete or damaged properties and equipment. Money in the Replacement and Depreciation Account shall be used only for the purposes above stated or, if so directed by the governing body of the City, to redeem Bonds which are prepayable according to their terms, to pay maturing principal, premium and interest when money within the Revenue Bond Account is insufficient therefor, to fund any deficiency in the Reserve Account, or to pay the cost of improvements to the System; provided that Surplus Net Revenues in the Replacement and Depreciation Account may be used to pay Subordinate Obligations as they come due in advance of payments required to be made into the Replacement and Depreciation Account subject to the prior lien on Net Revenues to pay any deficiency of the Revenue Bond Account and the Reserve Account, and provided that no default under this Resolution is then in effect.

Section 7.7. Surplus Account. The City shall maintain a Surplus Account in the Sewer System Fund. Any amount of the Surplus Net Revenues from time to time remaining after the above required applications thereof shall be credited to the Surplus Account (or such other account in the Sewer System Fund as the City may establish for bookkeeping purposes to account for Surplus Net Revenues in accordance with the purposes of this Resolution), and the money from time to time in that account, when not required to restore a current deficiency in the Operating Account, the Revenue Bond Account, the Reserve Account, the Replacement and Depreciation Account or the Subordinate Obligations Account, may be used for any of the following purposes and not otherwise:

- (a) To redeem Bonds when and as such Bonds become prepayable according to their terms; or

(b) To purchase Bonds on the open market, whether or not the Bonds may then be prepayable according to their terms; or

(c) To be held as a reserve for redemption of Bonds which are not then but will later be prepayable according to their terms; or

(d) To be transferred to the Acquisition and Construction Account to pay costs authorized to be paid therefrom;

(e) To pay for repairs of or for the construction and installation of improvements or additions to the System; or

(f) To pay Operating Expenses or to restore the Operating Reserve or increase the same when determined to be necessary by the governing body of the City; or

(g) To pay Subordinate Obligations issued under Section 6.4; or

(h) To make payments of arbitrage rebate to the United States of America pursuant to Section 148(f) of the Code in respect of any series of Bonds.

No money shall at any time be transferred from the Surplus Account or any other account of the Sewer System Fund to any other fund of the City, nor shall such moneys at any time be loaned to other municipal funds or invested in warrants, special improvement bonds or other obligations payable from other funds, except as provided in Section 7.10.

Section 7.8. Subordinate Obligations Account. The City shall maintain a Subordinate Obligations Account in the Sewer System Fund. If a Subordinate Obligation is outstanding, all Surplus Net Revenues remaining after the required credits to the Replacement and Depreciation Account shall be credited to the Subordinate Obligations Account. The City irrevocably appropriates to the Subordinate Obligations Account: (a) the proceeds of any Bonds issued to refund one or more Subordinate Obligations, as received and to the extent necessary for the payment of such Subordinate Obligations, and (b) such other money as shall be appropriated to the Subordinate Obligations Account from time to time.

Amounts on deposit in the Subordinate Obligations Account shall be used solely to pay the principal of and interest on Subordinate Obligations made payable therefrom; provided that if on any date the balance in the Revenue Bond Account or the Reserve Account is less than then required, an amount equal to such deficiency will be transferred from the Subordinate Obligations Account. Upon payment or discharge of a Subordinate Obligation and upon the making of the credits to the Subordinate Obligations Account required in connection with any other Subordinate Obligations made payable therefrom, all surplus funds therein shall be transferred to the Surplus Account.

Section 7.9. Rebate Account. The City shall maintain a Rebate Account in the Sewer System Fund. The City shall make deposits to and disbursements from the Rebate Account pursuant to one or more rebate certificates executed and delivered by the City in connection with the issuance of Bonds, and for such purposes may make transfers, in the following order of priority, from the Surplus Account and the Replacement and Depreciation Account, as necessary,

to meet the requirements of the Rebate Account. The City shall invest the Rebate Account in accordance with the provisions of the rebate certificates and shall deposit income from such investments immediately upon receipt thereof in the Rebate Account.

Section 7.10. Deposit and Investment of Funds. The City Finance Director shall cause all money appropriated to the Sewer System Fund to be deposited as received with one or more depository banks duly qualified in accordance with the provisions of Montana Code Annotated, Section 7-6-201, in a deposit account or accounts. The balance in such accounts, except such portion thereof as shall be guaranteed by federal deposit insurance, shall at all times be secured to its full amount by bonds or securities of the types set forth in said Section 7-6-201. Any of such moneys not necessary for immediate use may be deposited with such depository banks in savings or time deposits. No money shall at any time be withdrawn from such deposit accounts except for the purposes of the Sewer System Fund as defined and authorized in this Resolution; except that money from time to time on hand in the Sewer System Fund may at any time, in the discretion of the governing body of the City, be invested in securities which are direct, general obligations of, or obligations the prompt payment of the principal of and the interest on which is fully and unconditionally guaranteed by, the United States of America, bank repurchase agreements with respect to such obligations, certificates of deposits of national banks having a combined capital and surplus of at least \$1,000,000 or in the State short-term investment program administered by the Board of Investments, which investments mature and bear interest at the times and in the amounts estimated to be required to provide cash when needed for the purposes of the respective accounts; provided that funds on hand in the Reserve Account, the Replacement and Depreciation Account and the Surplus Account may be invested in said securities maturing not later than five years from the date of the investment; and provided, further, that money on hand in the Surplus Account may, in the discretion of the governing body of the City, be invested in any securities which are direct, general obligations of the City. Income received from the deposit or investment of moneys in said accounts shall be credited to the account from whose moneys the deposit was made or the investment was purchased, and handled and accounted for in the same manner as other moneys in that account.

## ARTICLE VIII

### AGREEMENTS OF CITY

Section 8.1. Maintenance of System; Liens. The City shall maintain the System 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 Projects or any other property making up part of the System, other than liens herein provided for; provided that this Section 8.1 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 such lien.

Section 8.2. 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 this Resolution, the Outstanding Bonds 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 this Resolution, the Outstanding Bonds and the Collateral Documents, (b) such action does not violate the State Act or the Clean Water Act and does not adversely affect the exclusion of interest on Bonds from gross income for federal income tax purposes, and (c) the City delivers to the Holders on the date of such action an opinion of Bond Counsel that such action complies with this Section 8.2. Other than pursuant to the preceding sentence, 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.

Section 8.3. Competing Service. The City will not establish or authorize the establishment of any other system for the public supply of service or services in competition with any or all of the services supplied by the facilities of the System.

Section 8.4. Property Insurance. The City will cause all buildings, properties, fixtures and equipment constituting a part of the System to be kept insured with a reputable insurance carrier or carriers, qualified under the laws of the State, in such amounts as are ordinarily carried, and against loss or damage by such hazards and risks as are ordinarily insured against, by public bodies owning and operating properties of a similar character and size; provided that if at any time the City is unable to obtain insurance, it will obtain insurance in such amounts and against risks as are reasonably obtainable. The proceeds of all such insurance shall be available for the repair, replacement or reconstruction of damaged or destroyed property, and until paid out in making good such loss or damage, are pledged as security for the Outstanding Bonds. All insurance proceeds received in excess of the amount required for restoration of the loss or damage compensated thereby shall be and become part of the revenues appropriated to the Sewer System Fund. If for any reason insurance proceeds are insufficient for the repair, replacement and reconstruction of the insured property, the City shall supply the deficiency from revenues on hand in the Replacement and Depreciation Account and the Surplus Account.

Section 8.5. Books and Records. 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 Net Revenues derived from its operation, and the segregation and application of the Net Revenues in accordance with this Resolution, in such reasonable detail as may be determined by the City in accordance with generally accepted accounting practice and principles. It will cause such books to be maintained on the basis of a Fiscal Year.

Section 8.6. The Handling of Funds. The employees of the City, under the direction and control of the City Finance Director, shall keep books of accounts and collect the rates, charges and rentals for the services and facilities provided by the System and for other money currently receivable on account thereof. All money collected with respect to the System shall be deposited as received with the Finance Director. The Finance Director shall be bonded at all times with a surety company authorized to do business in the State, in the amount of at least

\$100,000, to assure the faithful carrying out of such duties, which requirement may be satisfied by a blanket bond covering other City employees as well as the Finance Director.

Section 8.7. Billing and Collections. The charges for sewer services shall be billed at least monthly, and if the bill is not paid within 60 days of the date of billing, or if the customer fails to comply with all rules and regulations established for the System within 60 days after notice of violation thereof (which notice shall be given promptly upon discovery of any such violation), the sewer service to the premises involved shall be discontinued (provided that the City is not obligated to physically disconnect the premises from the System) and the City shall take appropriate legal action to collect the unpaid charges.

Section 8.8. Rate Covenant. While any Bonds are Outstanding and unpaid, the rates, charges and rentals for all services and facilities furnished and made available by the System to the City and its inhabitants, and to all customers within or without the boundaries of the City, shall be reasonable and just, taking into consideration the cost and value of the System and the cost of maintaining and operating it, and the amounts necessary for the payment of all Outstanding Bonds and the interest accruing thereon and all Subordinate Obligations and the interest accruing thereon, and the proper and necessary allowances for the depreciation of the System. No free service shall be provided to any third parties. It is covenanted and agreed that the rates, charges and rentals to be charged to all recipients of sewer services shall be maintained and shall be revised whenever and as often as may be necessary, according to schedules such that the Gross Revenues for each Fiscal Year shall be sufficient to pay the Operating Expenses and to maintain the Operating Reserve, to produce Net Revenues during each Fiscal Year commencing with the Fiscal Year ending June 30, 2017 not less than 125% of the maximum annual principal and interest payable on the Outstanding Bonds in the current or any future Fiscal Year and to maintain the balance in the Reserve Account equal to the Reserve Requirement (including all amounts then owing to the issuer of a Surety Bond), and to produce Surplus Net Revenues during each Fiscal Year sufficient to pay principal and interest on any Subordinate Obligations and to provide reserves for the replacement and depreciation of the System.

If at the close of any Fiscal Year the Gross Revenues and Net Revenues actually received during such year have been less than required hereby, the City will forthwith prepare a schedule of altered rates, charges and rentals which are just and equitable and sufficient to produce Gross Revenues and Net Revenues in such amounts, and place such schedule in operation at the earliest possible date.

## ARTICLE IX

### SUPPLEMENTAL RESOLUTIONS

Section 9.1. General. Notwithstanding Section 9.2, the City reserves the right to adopt Supplemental Resolutions from time to time and at any time, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein, or of making such provisions with regard to matters or questions arising hereunder as the City may deem necessary or desirable and not inconsistent with this Resolution, and which shall not adversely affect the interests of the Holders of Outstanding Bonds, or for the purpose of adding to the covenants and agreements herein contained, or to the revenues herein pledged, other

covenants and agreements thereafter to be observed and additional revenues or income thereafter appropriated to the Sewer System Fund, or for the purpose of surrendering any right or power herein reserved to or conferred upon the City, or for the purpose of authorizing the creation and issuance of a series of Additional Bonds (including with the consent of the DNRC a series of Additional Bonds not secured by the Reserve Account) or Subordinate Obligations, as provided in and subject to the conditions and requirements of Article VI. Any such Supplemental Resolution may be adopted pursuant to this Section 9.1 without notice to or the consent of the Holder of any of the Bonds issued hereunder.

Section 9.2. Consent of Holders. With the consent of the Holders of at least two-thirds in principal amount of the Outstanding Bonds affected thereby, the City may from time to time and at any time adopt a Supplemental Resolution for the purpose of amending this Resolution by adding any provisions hereto or changing in any manner or eliminating any of the provisions hereof or of any Supplemental Resolution, except that no Supplemental Resolution shall be adopted at any time without the consent of the Holders of all Outstanding Bonds affected thereby, if it would extend the time of payment of interest thereon or principal thereof, would reduce the interest rate thereon or the amount of the principal or the redemption price thereof, would give to any Bond or Bonds any privileges over any other Bond or Bonds, would reduce the sources of revenues or income appropriated to the Sewer System Fund, or would reduce the percentage in principal amount of such Bonds required to authorize or consent to any such Supplemental Resolution.

Section 9.3. Notice. Notice of the Supplemental Resolution to be adopted pursuant to Section 9.2 shall be mailed by first-class mail to the Holders of all outstanding Bonds at their addresses appearing in the Bond Register, and shall become effective only upon the filing of written consents with the City Finance Director, signed by the Holders of the requisite principal amount of the Outstanding Bonds affected thereby. Any written consent to the Supplemental Resolution may be embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by Holders in person or by agent duly appointed in writing, and shall become effective when delivered to the City Finance Director. Any consent by the Holder of any Bond shall bind him and every future Holder of the same Bond with respect to any Supplemental Resolution adopted by the City pursuant to such consent; provided that any Holder may revoke his consent with reference to any Bond by written notice received by the City Finance Director before the Supplemental Resolution has become effective. In the event that unrevoked consents of the Holders of the required amount of Bonds have not been received by the City Finance Director within one year after the mailing of notice of the Supplemental Resolution, the Supplemental Resolution and all consents theretofore received shall be of no further force and effect.

Section 9.4. Manner of Consent. Proof of the execution of any consent, or of a writing appointing any agent to execute the same, or of the ownership by any Person of Bonds shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the City if made in the manner provided in this Section 9.4. The fact and date of the execution by any Person of any such consent or appointment may be proved by the affidavit of a witness of such execution or by the certification of any notary public or other officer authorized by law to take acknowledgment of deeds, certifying that the Person signing it acknowledged to him the execution thereof. The fact and date of execution of any such consent may also be proved in any

other manner which the City may deem sufficient; but the City may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable. The ownership of Bonds shall be proved by the Bond Register.

## ARTICLE X

### REMEDIES

Section 10.1. Remedies. No Holder of any Bond shall have the right to institute any proceeding, judicial or otherwise, for the enforcement of the covenants herein contained, without the written concurrence of the Holders of not less than 25% in aggregate principal amount of all such Bonds which are at the time Outstanding; but the Holders of such amount of Bonds may, either at law or in equity, by suit, action or other proceedings, protect and enforce the rights of all Holders of Bonds and compel the performance of any and all of the covenants required herein to be performed by the City and its officers and employees, including but not limited to the fixing and maintaining of rates, fees and charges and the collection and proper segregation of the Gross Revenues and the application and use thereof. The Holders of a majority in principal amount of Outstanding Bonds shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Holders or the exercise of any power conferred on them and the right to waive a default in the performance of any such covenant, and its consequences, except a default in the payment of the principal of or interest on any Bond when due. Nothing herein, however, shall impair the absolute and unconditional right of the Holder of each Bond to receive payment of the principal of, premium, if any, and interest on such Bond as such principal, premium and interest respectively become due, and to institute suit for any such payment. Any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the City with power to charge and collect rates, fees and charges sufficient to provide for the payment of any Bonds, and to apply the Net Revenues in conformity with this Resolution and the laws of the State.

## ARTICLE XI

### DEFEASANCE

Section 11.1. General. When the liability of the City on all Bonds issued under and secured by this Resolution and all interest thereon has been discharged as provided in this Article XI, all pledges, covenants and other rights granted by this Resolution to the Holders of such Bonds shall cease, other than to the payment of such Bonds from money segregated for such purpose. The City may also discharge its liability with respect to one or more Bonds in accordance with this Article XI.

Section 11.2. Maturity. The City may discharge its liability with reference to any Bonds and interest thereon which are due on any date by depositing with the Registrar for such Bonds on or before the date a sum sufficient for the payment thereof in full; or if any Obligation or interest thereon shall not be paid when due, the City may nevertheless discharge its liability with reference thereto by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit.

Section 11.3. Prepayment. The City may also discharge its obligations with respect to any prepayable Bonds called for redemption on any date when they are prepayable according to their terms, by depositing with the Registrar therefor on or before the Redemption Date a sum sufficient for the payment thereof in full; provided that notice of the redemption thereof has been duly given as provided in this Resolution or any Supplemental Resolution relating thereto.

Section 11.4. Escrow. The City may at any time discharge its liability with reference to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action and this Section 11.4, by depositing irrevocably in escrow, with a bank qualified by law as an escrow agent for this purpose, cash or Government Obligations authorized by law to be so deposited, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without reinvestment, to provide funds sufficient to pay all principal, interest and redemption premiums, if any, to become due on such Bonds at their Stated Maturities or, if such Bonds are prepayable and notice of redemption thereof has been duly given or irrevocably provided for, to such earlier Redemption Date. No defeasance achieved in whole or in part by proceeds of a refunding bond that is an "advance refunding bond" under the Code and Regulations shall be made pursuant to this Section 11.4 unless there has first been presented to the escrow agent a written opinion of Bond Counsel to the effect that such defeasance shall not cause the interest on any Outstanding Bonds to be included in the gross income of the holders thereof for federal income tax purposes.

## 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  
Helena, Montana 59620  
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 Department

City: City of Billings  
P.O. Box 1178  
Billings, Montana 59103  
Attn: City Clerk

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 Resolution shall inure to the benefit of and shall be binding upon the DNRC with respect to the Outstanding SRF Bonds, the City and their respective permitted successors and assigns.

Section 12.3. Assignment. During the time that any of the Outstanding SRF Bonds remain Outstanding, the City may not assign its rights and obligations under this Resolution or the Outstanding SRF Bonds. During the time that any of the Outstanding SRF Bonds remain Outstanding, the DNRC will pledge its rights under and interest in this Resolution, the Outstanding SRF Bonds and the Collateral Documents (except to the extent otherwise provided in the Indenture) as security for the payment of the State Bonds.

Section 12.4. Severability. If any provision of this Resolution shall be determined to be unenforceable at any time, it shall not affect any other provision of this Resolution or the enforceability of that provision at any other time.

Section 12.5. Amendments. So long any Outstanding SRF Bonds are Outstanding, this Resolution may not be effectively amended pursuant to Section 9.2 without the written consent of the DNRC.

Section 12.6. Applicable Law. This Resolution shall be governed by and construed in accordance with the laws of the State without giving effect to the conflicts-of-laws principles thereof.

Section 12.7. Captions; References to Sections. The captions in this Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Resolution. References to Articles and Sections are to the Articles and Sections of this Resolution, unless the context otherwise requires.

Section 12.8. No Liability of Individual Officers, Directors or Council Members. No recourse under or upon any obligation, covenant or agreement contained in this Resolution shall be had against any director, officer or employee, as such, past, present or future, of the DNRC, the DEQ or the Trustee, either directly or through the DNRC, the 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, 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 Prior Loans.

Section 12.9. 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 Resolution or the Outstanding SRF Bonds, 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 Resolution or the Outstanding SRF Bonds.

Section 12.10. 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 with respect to any Outstanding SRF Bond, 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 Prior Project or the facility or facilities of which the Prior Project is a part or any other facility which is a part of the System in order to effectuate the purposes of this Section 12.10.

Section 12.11. 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 Outstanding SRF Bonds and such other certificates and affidavits as may be required to show the right, power and authority of the City to issue the Outstanding SRF Bonds, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the City as to the truth of the statements purported to be shown thereby.

Section 12.12. Repeals and Effective Date.

(a) Repeal. All provisions of other resolutions and other actions and proceedings of the City and this Council that are in any way inconsistent with the terms and provisions of this Resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this Resolution.

(b) Effective Date. This Resolution shall take effect immediately.

PASSED AND ADOPTED by the City Council of the City of Billings, Montana on this 13th day of February, 2017.

\_\_\_\_\_  
Mayor

Attest: \_\_\_\_\_  
City Clerk

(SEAL)

## APPENDIX A

### Description of the 2005 Project

The 2005 Project consisted of improvements to the System, including upgrading the wastewater treatment plant and improvements to the headworks.

### Description of the 2008 Project

The 2008 Project consisted of integrating the existing Briarwood wastewater treatment facility into the System by extending sewer main from the existing sewer infrastructure in South Billings Boulevard to connect to the Briarwood wastewater treatment facility.

### Description of the 2009 Project

The 2009 Project consisted of replacing existing sewer mains and replacing approximately 41 manholes.

### Description of the 2010 Project

The 2010 Project consisted of construction of an ultraviolet disinfection system and related improvements.

### Description of the 2013 Project

The 2013 Project consisted of the design and construction of improvements to an existing lift station or construction of a new lift station and related improvements.

APPENDIX B-1

[Form of Series 2005 Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF YELLOWSTONE

**CITY OF BILLINGS**

FIRST AMENDED AND RESTATED  
SEWER SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM)  
SERIES 2005

No. R-2

\$3,299,000

FOR VALUE RECEIVED, THE CITY OF BILLINGS, MONTANA (the "Borrower"), 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 Sewer System Fund, the principal amount of THREE MILLION TWO HUNDRED NINETY NINE THOUSAND DOLLARS (\$3,299,000), with interest thereon from the date hereof at the rate of one and twenty-five hundredths percent (1.25%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) per annum and twenty-five hundredths of one percent (0.25%) per annum, respectively. Principal, interest, 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 January 1, 2013. Each installment shall be in the amount set forth opposite its due date in Schedule A hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule A hereto. Past-due payments of principal, 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, 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 Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond is one of an issue of Sewer System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$4,515,000 (the "First Amended and Restated Series 2005 Bond"). The First Amended and Restated Series 2005 Bond is issued to refinance costs of construction of certain improvements to the sewer system of the Borrower (the "System"). The

First Amended and Restated Series 2005 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, Parts 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 05-18326 (the "Original Resolution"), adopted by the City Council on August 22, 2005, as amended and supplemented by Resolution Nos. 08-18738, 09-18851, 10-18939 and 12-19228, adopted July 28, 2008, July 27, 2009, May 24, 2010 and October 22, 2012, respectively (as so amended and supplemented and as hereafter amended and supplemented in accordance with its terms, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The First Amended and Restated Series 2005 Bond is issuable only as a single, fully registered bond. The First Amended and Restated Series 2005 Bond is issued on a parity and is equally and ratably secured by Net Revenues of the System with the Borrower's outstanding Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2008 (the "First Amended and Restated Series 2008 Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009B (the "Series 2009B Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009C (the "First Amended and Restated Series 2009C Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010B (the "First Amended and Restated Series 2010B Bond"), and Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010C (the "First Amended and Restated 2010C Bond") (all such Bonds, collectively, the "Outstanding Bonds").

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the First Amended and Restated Series 2005 Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, 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 (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the First Amended and Restated Series 2005 Bond.

The Borrower may prepay the principal of the First Amended and Restated Series 2005 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 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 First Amended and Restated Series 2005 Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The First Amended and Restated Series 2005 Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this First Amended and Restated Series 2005 Bond is registered as the absolute owner hereof, whether this First Amended and Restated Series 2005 Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The First Amended and Restated Series 2005 Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Sewer System Fund into which the gross revenues of the System will be paid, and a separate and special Revenue Bond Account in the Sewer System Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than one-twelfth of the interest and principal to become due within the next twelve months with respect to all Bonds payable from the Revenue Bond Account; that the Borrower has created a Reserve Account in the Sewer System Fund into which shall be paid additional Net Revenues, after required credits to the Revenue Bond Account sufficient to maintain a reserve therein equal to the maximum amount of principal and interest payable on the Bonds in the current or any future fiscal year; that the Revenue Bond Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce during each fiscal year Net Revenues not less than 125% of the maximum annual principal and interest payable on the outstanding Bonds in the current or any future fiscal year; that additional bonds may be issued and made payable from the Revenue Bond Account on a parity with the outstanding Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the outstanding Bonds on such Net Revenues; that all provisions for the security of the holder of this First Amended and Restated Series 2005 Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this First Amended and Restated Series 2005 Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this First Amended and Restated Series 2005 Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the First Amended and Restated Series 2005 Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Billings, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor, the City Finance Director, and City Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the 2nd day of November, 2012.

(SEAL)

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Finance Director

\_\_\_\_\_  
City Clerk

REGISTRATION AND TRANSFER

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

REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the City of Billings, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of City Finance Director</u>
<u>November 2, 2012</u>	<u>Department of Natural Resources and Conservation 1625 Eleventh Avenue Helena, MT 59620</u>	_____

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

The City Finance Director of the City of Billings, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this 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

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Expense Surcharge</u>	<u>Loan Loss Reserve Surcharge</u>	<u>Total Loan Payment</u>
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APPENDIX B-2

[Form of Series 2008 Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF YELLOWSTONE

**CITY OF BILLINGS**

FIRST AMENDED AND RESTATED  
SEWER SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM)  
SERIES 2008

No. R-2

\$5,551,000

FOR VALUE RECEIVED, THE CITY OF BILLINGS, MONTANA (the "Borrower"), 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 Sewer System Fund, the principal amount of FIVE MILLION FIVE HUNDRED FIFTY ONE THOUSAND DOLLARS (\$5,551,000), with interest thereon from the date hereof at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) per annum and twenty-five hundredths of one percent (0.25%) per annum, respectively. Principal, interest, 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 January 1, 2013. Each installment shall be in the amount set forth opposite its due date in Schedule A hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule A hereto. Past-due payments of principal, 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, 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 Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond is one of an issue of Sewer System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$7,400,000 (the "First Amended and Restated Series 2008 Bond"). The First Amended and Restated Series 2008 Bond is issued to refinance costs of construction of certain improvements to the sewer system of the Borrower (the "System"). The

First Amended and Restated Series 2008 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, Parts 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 05-18326 (the "Original Resolution"), adopted by the City Council on August 22, 2005, as amended and supplemented by Resolution Nos. 08-18738, 09-18851, 10-18939 and 12-19228, adopted July 28, 2008, July 27, 2009, May 24, 2010 and October 22, 2012 (as so amended and supplemented and as hereafter amended and supplemented in accordance with its terms, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The First Amended and Restated Series 2008 Bond is issuable only as a single, fully registered bond. The First Amended and Restated Series 2008 Bond is issued on a parity and is equally and ratably secured by Net Revenues of the System with the Borrower's outstanding Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2005 (the "First Amended and Restated Series 2005 Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009B (the "Series 2009B Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009C (the "First Amended and Restated Series 2009C Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010B (the "First Amended and Restated Series 2010B Bond"), and Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010C (the "First Amended and Restated 2010C Bond") (all such Bonds, collectively, the "Outstanding Bonds").

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the First Amended and Restated Series 2008 Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, 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 (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the First Amended and Restated Series 2008 Bond.

The Borrower may prepay the principal of the First Amended and Restated Series 2008 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 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 First Amended and Restated Series 2008 Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The First Amended and Restated Series 2008 Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this First Amended and Restated Series 2008 Bond is registered as the absolute owner hereof, whether this First Amended and Restated Series 2008 Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The First Amended and Restated Series 2008 Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Sewer System Fund into which the gross revenues of the System will be paid, and a separate and special Revenue Bond Account in the Sewer System Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than one-twelfth of the interest and principal to become due within the next twelve months with respect to all Bonds payable from the Revenue Bond Account; that the Borrower has created a Reserve Account in the Sewer System Fund into which shall be paid additional Net Revenues, after required credits to the Revenue Bond Account sufficient to maintain a reserve therein equal to the maximum amount of principal and interest payable on the Bonds in the current or any future fiscal year; that the Revenue Bond Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce during each fiscal year Net Revenues not less than 125% of the maximum annual principal and interest payable on the outstanding Bonds in the current or any future fiscal year; that additional bonds may be issued and made payable from the Revenue Bond Account on a parity with the outstanding Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the outstanding Bonds on such Net Revenues; that all provisions for the security of the holder of this First Amended and Restated Series 2008 Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this First Amended and Restated Series 2008 Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this First Amended and Restated Series 2008 Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the First Amended and Restated Series 2008 Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Billings, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor, the City Finance Director, and City Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the 2nd day of November, 2012.

(SEAL)

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Finance Director

\_\_\_\_\_  
City Clerk

REGISTRATION AND TRANSFER

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

REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the City of Billings, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of City Finance Director</u>
<u>November 2, 2012</u>	<u>Department of Natural Resources and Conservation 1625 Eleventh Avenue Helena, MT 59620</u>	_____

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

The City Finance Director of the City of Billings, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this 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

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Expense Surcharge</u>	<u>Loan Loss Reserve Surcharge</u>	<u>Total Loan Payment</u>
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APPENDIX B-3

[Form of Series 2009B Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF YELLOWSTONE

**CITY OF BILLINGS**

SEWER SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM)  
SERIES 2009B

R-1

\$359,300

FOR VALUE RECEIVED, THE CITY OF BILLINGS, MONTANA (the "Borrower"), 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 Sewer System Fund, the principal sum equal to the sum of the amounts entered on Schedule A attached 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 (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond from the date of each advance of principal at the rate of seventy-five hundredths of one percent (0.75%) and one percent (1.00%) per annum, respectively. Interest and Administrative 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 with the Loan Repayment Date that is the first to occur following delivery by the DNRC of a DNRC Noncompliance Statement (as defined in the Resolution described below) and taking into account payments, if any, made on each Loan Repayment Date prior to the delivery of such statement, all as described in the Resolution. 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 attached hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, 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 2009B Loan amounts to the Borrower pursuant to the Resolution, 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 any revised Schedule B, or cause Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the Resolution. Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of three and seventy-five hundredths percent (3.75%) per annum. Past-due payments of principal, 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, 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 Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

NOTWITHSTANDING ANY PROVISION TO THE CONTRARY HEREIN, IN THE EVENT THE BORROWER TIMELY DELIVERS AN ARRA CERTIFICATE AND REQUEST (AS DEFINED IN THE RESOLUTION) IN FORM AND SUBSTANCE SATISFACTORY TO THE DNRC AND THE DNRC IN RESPONSE THERETO SUPPLIES TO THE BORROWER A DNRC FORGIVENESS STATEMENT AS SET FORTH IN THE RESOLUTION, THEN AMOUNTS ADVANCED HEREUNDER FROM AND AFTER THE 2009B FIRST ADVANCE (AS DEFINED IN THE RESOLUTION) SHALL BEAR INTEREST AT A RATE OF ONE AND SEVENTY-FIVE HUNDREDTHS PERCENT (1.75%), AND THE BORROWER SHALL HAVE NO OBLIGATION TO PAY ANY ADMINISTRATIVE EXPENSE SURCHARGE OR ANY LOAN LOSS RESERVE SURCHARGE. If the DNRC delivers a DNRC Forgiveness Statement, the Trustee shall revise Schedule B to the Series 2009B Bond reflecting a debt service schedule with payments at 1.75% per annum in accordance with the Resolution, and the Trustee shall send a copy of such revised Schedule B to the Borrower within one month after the delivery of such statement.

In the event any Loan Repayment Date occurs prior to the delivery by the DNRC of a DNRC Statement (as defined in the Resolution), the amount of interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge payable on each such Loan Repayment Date will be calculated as if the DNRC has previously delivered to the Borrower DNRC Forgiveness Statement.

This Bond is one of an issue of Sewer System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$359,300 (the "Series 2009B Bond"), issued to finance a portion of the costs of construction of certain improvements to the sewer system of the Borrower (the "System") and to pay costs of issuance of the Series 2009B Bond. The Series 2009B 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, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 05-18326 of the City adopted on August 22, 2005, as amended and supplemented by Resolution No. 08-18738, adopted on July 28, 2008, as further amended and supplemented by Resolution No. 09-18851, adopted July 27, 2009 (as so amended and supplemented, the "Resolution"). The Series 2009B Bond is issuable only as a single, fully registered bond. The Series 2009B Bond is issued on a parity and is equally and ratably secured by the Net Revenues of the System with the Borrower's outstanding Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2005 (the "Series 2005 Bond"), its Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2008 (the "Series 2008 Bond"), and its Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009C (the "Series 2009C Bond"), which is being issued simultaneously herewith. The Borrower is also issuing

simultaneously herewith its Subordinate Lien Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Taxable Series 2009A (the "Series 2009A Bond"). The 2009B First Advance has been advanced at Closing. Following the 2009B First Advance, the remaining principal amounts of this Series 2009B Bond are advanced immediately after the full advance of the principal amount of the Series 2009A Bond. Terms used with initial capital letters but not defined herein have the meanings given to them in the Resolution.

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2009B Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which additional bonds may be issued under the Resolution and made payable from such Net Revenues on a parity with the Series 2005 Bond, the Series 2008 Bond, the Series 2009B Bond, and the Series 2009C Bond (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the Series 2009B Bond.

The Borrower may prepay the principal of the Series 2009B Bond only if (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment 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, if any, to the date of prepayment on the amount of principal prepaid. If the Series 2009B Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The Bonds, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not constitute a debt of the Borrower within the meaning of any constitutional, statutory or charter limitation or provision.

The Borrower may deem and treat the person in whose name this Series 2009B Bond is registered as the absolute owner hereof, whether this Series 2009B Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The Series 2009B Bond may be transferred as hereinafter provided.

This Series 2009B Bond has been designated by the Borrower as a "qualified tax-exempt obligation" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended.

The Borrower understands that the principal amounts of the 2009A Loan and the 2009B Loan have been sized based on the understanding and expectation that the 2009 Project costs at least \$6,137,000 and that the Borrower will request disbursement of the full amount of the 2009A Loan and 2009B Loan. Notwithstanding any provision to the contrary herein, the Borrower acknowledges and agrees that in the event there is any Undisbursed Committed Amount, then the DNRC reserves the right in its sole and complete discretion to reallocate loan amounts as between the 2009A Loan and 2009B Loan on the basis of the amounts of the 2009A Loan and the 2009B Loan that the Borrower would have been entitled to had the 2009 Loans initially equaled the Committed Amount less the Undisbursed Committed Amount. The reallocation between the 2009A Loan and 2009B Loan will reflect the same percentage of the total amount of the 2009 Loans as initially used. Upon making such reallocation, the DNRC

shall deliver to the Borrower a replacement Series 2009A Bond and a replacement Series 2009B Bond reflecting adjusted principal amounts, which bonds shall supersede and render of no effect the original bonds and be payable on the same dates as described in the original bonds, but in an adjusted amount owing on each Payment Date because of the reallocation of principal amounts. The Borrower shall execute and deliver the replacement Series 2009A Bond and the replacement Series 2009B Bond to the DNRC within thirty (30) days after delivery of such bonds to the Borrower by the DNRC. Contemporaneous with the delivery of the replacement Series 2009A Bond and the replacement Series 2009B Bond to the DNRC by the Borrower, the Borrower shall determine whether the Net Revenues of the System total at least 125% of the maximum principal of and interest payable on the Bonds outstanding in any fiscal year, and, if they do not, the Borrower shall increase its rates and charges to satisfy the rate covenant set forth in Section 6.7 of the Resolution within three (3) months after the date of delivery of the replacement Series 2009A Bond and the replacement Series 2009B Bond to the DNRC by the Borrower.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower has duly authorized and will forthwith undertake the improvements to the System hereinabove described, has fixed and established and will collect reasonable rates and charges for the services and facilities afforded by the System, and has created a special Sewer System Fund into which the revenues of the System as defined in the Original Resolution (the "Revenues"), including all additions thereto and replacements and improvements thereof, will be paid, and a separate and special Revenue Bond Account in that fund, into which will be paid each month, Net Revenues of the System then on hand (the Revenues remaining after the payment of Operating Expenses (as defined in the Original Resolution) of the System), an amount equal to not less than the sum of one-sixth of the interest due within the next six months and one-twelfth of the principal due within the next twelve months with respect to all outstanding Bonds payable from that account, and a Reserve Account in that fund into which shall be paid additional Net Revenues sufficient to establish and maintain a reserve therein equal to, as of the date of calculation, the Reserve Requirement (as defined in the Resolution); that the Revenue Bond Account and the Reserve 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; that the rates and charges for the System will from time to time be made and kept sufficient to provide Net Revenues for each fiscal year at least equal to 125% of the maximum principal and interest payable from the Revenue Bond Account in any subsequent fiscal year (calculated assuming the DNRC has delivered a DNRC Forgiveness Statement), to maintain the balance in the Reserve Account at the Reserve Requirement, to pay promptly the reasonable and current expenses of operating and maintaining the System, and to provide reserves for the repair and replacement of the System; that additional Bonds and refunding Bonds may be issued and made payable from the Revenue Bond Account on a parity with the Series 2005 Bond, the Series 2008 Bond, the Series 2009B Bond, and the Series 2009C Bond 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 shall be expressly made subordinate to the lien of the Series 2005 Bond, the Series 2008 Bond, the Series 2009B Bond, and the Series 2009C Bond, and other parity Bonds on such Net Revenues and such obligations are payable only from Surplus Net Revenues (as is the case with the Series 2009A Bond); that all provisions for the security of this Series 2009B Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the

ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this Series 2009B Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed as so required; and that this Series 2009B Bond and the premium, if any, and interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the Borrower within the meaning of any constitutional, statutory or charter limitation or provision and the issuance of the Series 2009B Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional, statutory or charter limitation.

IN WITNESS WHEREOF, the City of Billings, Montana, by its governing body, has caused this Bond to be executed by the signatures of its City Administrator, Mayor and City Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the 12th day of August, 2009.

\_\_\_\_\_  
City Administrator

\_\_\_\_\_  
Mayor

(SEAL)

\_\_\_\_\_  
City Clerk

REGISTRATION AND TRANSFER

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

REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the City of Billings, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of Financial Services Manager</u>
<u>August 12, 2009</u>	<u>Department of Natural Resources and Conservation 1625 Eleventh Avenue Helena, MT 59620</u>	_____

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

The City Clerk of the City of Billings, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this 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 B

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Expense Surcharge</u>	<u>Loan Loss Reserve Surcharge</u>	<u>Total Loan Payment</u>
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APPENDIX B-4

[Form of Series 2009C Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF YELLOWSTONE

**CITY OF BILLINGS**

FIRST AMENDED AND RESTATED  
SEWER SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM)  
SERIES 2009C

R-2

\$3,674,000

FOR VALUE RECEIVED, THE CITY OF BILLINGS, MONTANA (the "Borrower"), 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 Sewer System Fund, the principal amount of THREE MILLION SIX HUNDRED SEVENTY FOUR THOUSAND DOLLARS (\$3,674,000), with interest thereon from the date hereof at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) per annum and twenty-five hundredths of one percent (0.25%) per annum, respectively. Principal, interest, 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 January 1, 2013. Each installment shall be in the amount set forth opposite its due date in Schedule A hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule A hereto. Past-due payments of principal, 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, 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 Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond is one of an issue of Sewer System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$5,387,000 (the "First Amended and Restated Series 2009C Bond"). The First Amended and Restated Series 2009C Bond is issued to refinance costs

of construction of certain improvements to the sewer system of the Borrower (the "System"). The First Amended and Restated Series 2009C 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, Parts 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 05-18326 (the "Original Resolution"), adopted by the City Council on August 22, 2005, as amended and supplemented by Resolution Nos. 08-18738, 09-18851, 10-18939 and 12-19228, adopted July 28, 2008, July 27, 2009, May 24, 2010 and October 22, 2012 (as so amended and supplemented and as hereafter amended and supplemented in accordance with its terms, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The First Amended and Restated Series 2009C Bond is issuable only as a single, fully registered bond. The First Amended and Restated Series 2009C Bond is issued on a parity and is equally and ratably secured by Net Revenues of the System with the Borrower's outstanding Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2005 (the "First Amended and Restated Series 2005 Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2008 (the "First Amended and Restated Series 2008 Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009B (the "Series 2009B Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010B (the "First Amended and Restated Series 2010B Bond"), and Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010C (the "First Amended and Restated 2010C Bond") (all such Bonds, collectively, the "Outstanding Bonds").

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the First Amended and Restated Series 2009C Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, 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 (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the First Amended and Restated Series 2009C Bond.

The Borrower may prepay the principal of the First Amended and Restated Series 2009C 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 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 First Amended and Restated Series 2009C Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The First Amended and Restated Series 2009C Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this First Amended and Restated Series 2009C Bond is registered as the absolute owner hereof, whether this First Amended and Restated Series 2009C Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The First Amended and Restated Series 2009C Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Sewer System Fund into which the gross revenues of the System will be paid, and a separate and special Revenue Bond Account in the Sewer System Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than one-twelfth of the interest and principal to become due within the next twelve months with respect to all Bonds payable from the Revenue Bond Account; that the Borrower has created a Reserve Account in the Sewer System Fund into which shall be paid additional Net Revenues, after required credits to the Revenue Bond Account sufficient to maintain a reserve therein equal to the maximum amount of principal and interest payable on the Bonds in the current or any future fiscal year; that the Revenue Bond Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce during each fiscal year Net Revenues not less than 125% of the maximum annual principal and interest payable on the outstanding Bonds in the current or any future fiscal year; that additional bonds may be issued and made payable from the Revenue Bond Account on a parity with the outstanding Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the outstanding Bonds on such Net Revenues; that all provisions for the security of the holder of this First Amended and Restated Series 2009C Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this First Amended and Restated Series 2009C Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this First Amended and Restated Series 2009C Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the First Amended and Restated Series 2009C Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Billings, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor, the City Finance Director, and City Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the 2nd day of November, 2012.

(SEAL)

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Finance Director

\_\_\_\_\_  
City Clerk

REGISTRATION AND TRANSFER

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

REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the City of Billings, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of City Finance Director</u>
<u>November 2, 2012</u>	<u>Department of Natural Resources and Conservation 1625 Eleventh Avenue Helena, MT 59620</u>	_____

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

The City Finance Director of the City of Billings, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this 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

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Expense Surcharge</u>	<u>Loan Loss Reserve Surcharge</u>	<u>Total Loan Payment</u>
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APPENDIX B-5

[Form of Series 2010B Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF YELLOWSTONE

**CITY OF BILLINGS**

FIRST AMENDED AND RESTATED  
SEWER SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM)  
SERIES 2010B

R-2

\$759,000

FOR VALUE RECEIVED, THE CITY OF BILLINGS, MONTANA (the "Borrower"), 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 Sewer System Fund, the principal amount of SEVEN HUNDRED FIFTY NINE THOUSAND DOLLARS (\$759,000), with interest thereon from the date hereof at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) per annum and twenty-five hundredths of one percent (0.25%) per annum, respectively. Principal, interest, 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 January 1, 2013. Each installment shall be in the amount set forth opposite its due date in Schedule A hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule A hereto. Past-due payments of principal, 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, 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 Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond is one of an issue of Sewer System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$816,000 (the "First Amended and Restated Series 2010B Bond"). The First Amended and Restated Series 2010B Bond is issued to refinance costs of construction of certain improvements to the sewer system of the Borrower (the "System").

The First Amended and Restated Series 2010B 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, Parts 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 05-18326 (the "Original Resolution"), adopted by the City Council on August 22, 2005, as amended and supplemented by Resolution Nos. 08-18738, 09-18851, 10-18939 and 12-19228, adopted July 28, 2008, July 27, 2009, May 24, 2010 and October 22, 2012 (as so amended and supplemented and as hereafter amended and supplemented in accordance with its terms, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The First Amended and Restated Series 2010B Bond is issuable only as a single, fully registered bond. The First Amended and Restated Series 2010B Bond is issued on a parity and is equally and ratably secured by Net Revenues of the System with the Borrower's outstanding Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2005 (the "First Amended and Restated Series 2005 Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2008 (the "First Amended and Restated Series 2008 Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009B (the "Series 2009B Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009C (the "First Amended and Restated Series 2009C Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010B (the "First Amended and Restated Series 2010B Bond") and Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010C (the "First Amended and Restated 2010C Bond") (all such Bonds, collectively, the "Outstanding Bonds").

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the First Amended and Restated Series 2010B Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, 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 (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the First Amended and Restated Series 2010B Bond.

The Borrower may prepay the principal of the First Amended and Restated Series 2010B Bond only if (i) a Determination Statement has been delivered, (ii) it obtains the prior written consent of the DNRC thereto, and (iii) 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 First Amended and Restated Series 2010B Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The First Amended and Restated Series 2010B Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this First Amended and Restated Series 2010B Bond is registered as the absolute owner hereof, whether this First Amended and Restated Series 2010B Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The First Amended and Restated Series 2010B Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Sewer System Fund into which the gross revenues of the System will be paid, and a separate and special Revenue Bond Account in the Sewer System Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than one-twelfth of the interest and principal to become due within the next twelve months with respect to all Bonds payable from the Revenue Bond Account; that the Borrower has created a Reserve Account in the Sewer System Fund into which shall be paid additional Net Revenues, after required credits to the Revenue Bond Account sufficient to maintain a reserve therein equal to the maximum amount of principal and interest payable on the Bonds in the current or any future fiscal year; that the Revenue Bond Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce during each fiscal year Net Revenues not less than 125% of the maximum annual principal and interest payable on the outstanding Bonds in the current or any future fiscal year; that additional bonds may be issued and made payable from the Revenue Bond Account on a parity with the outstanding Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the outstanding Bonds on such Net Revenues; that all provisions for the security of the holder of this First Amended and Restated Series 2010B Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this First Amended and Restated Series 2010B Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this First Amended and Restated Series 2010B Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the First Amended and Restated Series 2010B Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Billings, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor, the City Finance Director, and City Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the 2nd day of November, 2012.

(SEAL)

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Finance Director

\_\_\_\_\_  
City Clerk

REGISTRATION AND TRANSFER

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

REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the City of Billings, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of City Finance Director</u>
<u>November 2, 2012</u>	<u>Department of Natural Resources and Conservation 1625 Eleventh Avenue Helena, MT 59620</u>	_____

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

The City Finance Director of the City of Billings, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this 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

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Expense Surcharge</u>	<u>Loan Loss Reserve Surcharge</u>	<u>Total Loan Payment</u>
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APPENDIX B-6

[Form of Series 2010C Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF YELLOWSTONE

**CITY OF BILLINGS**

FIRST AMENDED AND RESTATED  
SEWER SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM)  
SERIES 2010C

R-2

\$2,197,822

FOR VALUE RECEIVED, THE CITY OF BILLINGS, MONTANA (the "Borrower"), 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 Sewer System Fund, the principal amount of TWO MILLION ONE HUNDRED NINETY SEVEN THOUSAND EIGHT HUNDRED TWENTY TWO (\$2,197,822), with interest thereon from the date hereof at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) per annum and twenty-five hundredths of one percent (0.25%) per annum, respectively. Principal, interest, 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 January 1, 2013. Each installment shall be in the amount set forth opposite its due date in Schedule A hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule A hereto. Past-due payments of principal, 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, 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 Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond is one of an issue of Sewer System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$2,900,000 (the "First Amended and Restated Series 2010C Bond"). The First Amended and Restated Series 2010C Bond is issued to refinance costs

of construction of certain improvements to the sewer system of the Borrower (the "System"). The First Amended and Restated Series 2010C 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, Parts 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 05-18326 (the "Original Resolution"), adopted by the City Council on August 22, 2005, as amended and supplemented by Resolution Nos. 08-18738, 09-18851, 10-18939 and 12-19228, adopted July 28, 2008, July 27, 2009, May 24, 2010 and October 22, 2012 (as so amended and supplemented and as hereafter amended and supplemented in accordance with its terms, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The First Amended and Restated Series 2010C Bond is issuable only as a single, fully registered bond. The First Amended and Restated Series 2010C Bond is issued on a parity and is equally and ratably secured by Net Revenues of the System with the Borrower's outstanding Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2005 (the "First Amended and Restated Series 2005 Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2008 (the "First Amended and Restated Series 2008 Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009B (the "Series 2009B Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009C (the "First Amended and Restated Series 2009C Bond"), and Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010B (the "First Amended and Restated Series 2010B Bond") (all such Bonds, collectively, the "Outstanding Bonds").

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the First Amended and Restated Series 2010C Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, 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 (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the First Amended and Restated Series 2010C Bond.

The Borrower may prepay the principal of the First Amended and Restated Series 2010C Bond only if (i) a Determination Statement has been delivered, (ii) it obtains the prior written consent of the DNRC thereto, and (iii) 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 First Amended and Restated Series 2010C Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The First Amended and Restated Series 2010C Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this First Amended and Restated Series 2010C Bond is registered as the absolute owner hereof, whether this First Amended and Restated Series 2010C Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The First Amended and Restated Series 2010C Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Sewer System Fund into which the gross revenues of the System will be paid, and a separate and special Revenue Bond Account in the Sewer System Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than one-twelfth of the interest and principal to become due within the next twelve months with respect to all Bonds payable from the Revenue Bond Account; that the Borrower has created a Reserve Account in the Sewer System Fund into which shall be paid additional Net Revenues, after required credits to the Revenue Bond Account sufficient to maintain a reserve therein equal to the maximum amount of principal and interest payable on the Bonds in the current or any future fiscal year; that the Revenue Bond Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce during each fiscal year Net Revenues not less than 125% of the maximum annual principal and interest payable on the outstanding Bonds in the current or any future fiscal year; that additional bonds may be issued and made payable from the Revenue Bond Account on a parity with the outstanding Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the outstanding Bonds on such Net Revenues; that all provisions for the security of the holder of this First Amended and Restated Series 2010C Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this First Amended and Restated Series 2010C Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this First Amended and Restated Series 2010C Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the First Amended and Restated Series 2010C Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Billings, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor, the City Finance Director, and City Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the 2nd day of November, 2012.

(SEAL)

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Finance Director

\_\_\_\_\_  
City Clerk

REGISTRATION AND TRANSFER

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

REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the City of Billings, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of City Finance Director</u>
<u>November 2, 2012</u>	<u>Department of Natural Resources and Conservation 1625 Eleventh Avenue Helena, MT 59620</u>	_____

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

The City Finance Director of the City of Billings, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this 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

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Expense Surcharge</u>	<u>Loan Loss Reserve Surcharge</u>	<u>Total Loan Payment</u>
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APPENDIX B-7

[Form of Series 2013 Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF YELLOWSTONE

**CITY OF BILLINGS**

SEWER SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM)  
SERIES 2013

R-1

\$3,100,000

FOR VALUE RECEIVED, THE CITY OF BILLINGS, MONTANA (the "Borrower"), 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 Sewer System Fund, the principal sum equal to the amounts entered on Schedule A hereto under "Total Amount Advanced," with interest thereon from the date such amount is advanced at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rate of seventy-five hundredths of one percent (0.75%) per annum and twenty-five hundredths of one percent (0.25%) per annum, respectively. Principal, interest, 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 January 1, 2014. 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, 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 2013 Loan amounts to the Borrower pursuant to the Supplemental 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, including such disbursement, under "Total Amount Advanced." The DNRC shall prepare Schedule B and any revised Schedule B, or cause Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the Supplemental Resolution. Schedule B shall be calculated and recalculated on a substantially level debt service basis assuming an interest rate of 3.00% per annum. Past-due payments of principal, 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, 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 Bond shall be made to the registered holder

of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond is one of an issue of Sewer System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$3,100,000 (the "Series 2013 Bond"). The Series 2013 Bond is issued to refinance costs of construction of certain improvements to the sewer system of the Borrower (the "System") and to pay costs of issuance of the Series 2013 Bond. The Series 2013 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, Parts 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 05-18326 (the "Original Resolution"), adopted by the City Council on August 22, 2005, as amended and supplemented by Resolution Nos. 08-18738, 09-18851, 10-18939 and 12-19228 and 13-19250 adopted July 28, 2008, July 27, 2009, May 24, 2010, October 22, 2012 and March 11, 2013 (as so amended and supplemented and as hereafter amended and supplemented in accordance with its terms, the "Resolution"). Resolution No. 13-19250 is referred to herein as the "Supplemental Resolution." Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The Series 2013 Bond is issuable only as a single, fully registered bond. The Series 2013 Bond is issued on a parity and is equally and ratably secured by Net Revenues of the System with the Borrower's outstanding Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2005, Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2008, Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009B, Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009C, Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010B, and Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2010C (all such Bonds, collectively, the "Outstanding Bonds").

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2013 Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, 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 the Series 2013 Bond (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the Series 2013 Bond.

The Borrower may prepay the principal of the Series 2013 Bond only if it obtains the prior written consent of the DNRC thereto and 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 2013 Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The Series 2013 Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not

constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this Series 2013 Bond is registered as the absolute owner hereof, whether this Series 2013 Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The Series 2013 Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will forthwith construct and complete the improvements to the System hereinabove described; that the Borrower will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Sewer System Fund into which the gross revenues of the System will be paid, and a separate and special Revenue Bond Account in the Sewer System Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than one-twelfth of the interest and principal to become due within the next twelve months with respect to all Bonds payable from the Revenue Bond Account; that the Borrower has created a Reserve Account in the Sewer System Fund into which shall be paid additional Net Revenues, after required credits to the Revenue Bond Account sufficient to maintain a reserve therein equal to the maximum amount of principal and interest payable on the Bonds in the current or any future fiscal year; that the Revenue Bond Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce during each fiscal year Net Revenues not less than 125% of the maximum annual principal and interest payable on the outstanding Bonds in the current or any future fiscal year; that additional bonds may be issued and made payable from the Revenue Bond Account on a parity with the outstanding Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the outstanding Bonds on such Net Revenues; that all provisions for the security of the holder of this Series 2013 Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this Series 2013 Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this Series 2013 Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the Series 2013 Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Billings, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor, the City Finance Director, and City Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the 18th day of March, 2013.

(SEAL)

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Finance Director

\_\_\_\_\_  
City Clerk

REGISTRATION AND TRANSFER

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

REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the City of Billings, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

Date of Registration	Name and Address of Registered Holder	Signature of City Finance Director
March 18, 2013	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 City Finance Director of the City of Billings, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this Bond to the new registered holder noted next to such date, except for amounts of principal and interest theretofore paid.

Date of Transfer	Name of New Registered Holder	Signature of Bond Registrar

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 B

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Expense Surcharge</u>	<u>Loan Loss Reserve Surcharge</u>	<u>Total Loan Payment</u>
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