

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. 09-18852 entitled: "RESOLUTION RELATING TO \$3,500,000 WATER SYSTEM REVENUE BONDS (DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM), CONSISTING OF \$416,300 SUBORDINATE LIEN TAXABLE SERIES 2009A BOND, \$333,700 SERIES 2009B BOND, AND \$2,750,000 SERIES 2009C BOND; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Council of the City at a regular meeting on July 27, 2009, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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: Ronquillo, Pitman, Veis, Ruegamer, McCall, Ulledalen, Astle; voted against the same: _____; abstained from voting thereon: _____; or were absent: Gaghen, Brewster, Clark.

WITNESS my hand officially this 27th day of July, 2009.



Cari Martin
City Clerk

SUPPLEMENTAL RESOLUTION

Relating to

\$3,500,000

WATER SYSTEM REVENUE BONDS
(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)
CONSISTING OF

\$416,300 SUBORDINATE LIEN TAXABLE SERIES 2009A BOND,
\$333,700 SERIES 2009B BOND,
AND
\$2,750,000 SERIES 2009C BOND

CITY OF BILLINGS, MONTANA

Adopted: July 27, 2009

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

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RESOLUTION NO. 09-18852

RESOLUTION RELATING TO \$3,500,000 WATER SYSTEM REVENUE BONDS (DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM), CONSISTING OF \$416,300 SUBORDINATE LIEN TAXABLE SERIES 2009A BOND, \$333,700 SERIES 2009B BOND, AND \$2,750,000 SERIES 2009C BOND; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF

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

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

WHEREAS, one-time funding has been made available to the Program under the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009) ("ARRA"), a portion of which funding may be disbursed to eligible borrowers for eligible projects, upon satisfaction of certain terms and conditions specified in ARRA, Program documents, and herein; and

WHEREAS, the City of Billings, Yellowstone County, Montana (the "Borrower") has applied to the DNRC for the 2009 Loans (as hereinafter defined) from the Revolving Fund to enable the Borrower to finance, refinance or reimburse itself for the costs of the 2009 Project (as hereinafter defined) which will carry out the purposes of the Safe Drinking Water Act and be implemented in accordance with ARRA; and

WHEREAS, the Borrower is authorized under applicable laws, ordinances and regulations to adopt this Resolution and to issue the Series 2009 Bonds (as hereinafter defined) to evidence the 2009 Loans (as hereinafter defined) for the purposes set forth herein; and

WHEREAS, the DNRC will fund the 2009A Loan (as hereinafter defined) and the 2009B Loan (as hereinafter defined) with funds provided by the United States Environmental Protection Agency under ARRA, [and will fund the 2009C Loan in part, directly or indirectly, with proceeds of State Bonds (as hereinafter defined) and in part, directly or indirectly, with funds provided by the EPA under the Clean Water Act.]

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BILLINGS, MONTANA, AS FOLLOWS:

DEFINITIONS, RULES OF CONSTRUCTION AND APPENDICES

Definitions. Unless a different meaning clearly appears from the context, terms used with initial capital letters but undefined in this Supplemental Resolution shall have the meanings given them in the Original Resolution (as amended by Article XII below), the Indenture, in Article XII below, or as follows:

"Accountant" or "Accountants" means an independent certified public accountant or a firm of independent certified public accountants satisfactory to the DNRC.

“Acquisition and Construction Account” means the Series 2009 Acquisition and Construction Account created in the Water System Fund pursuant to Section 8.7 of this Supplemental Resolution.

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

“Additional Bonds” means any Bonds issued pursuant to Section 10.3 of the Original Resolution.

“Administrative Expense Surcharge” means, when applicable as provided by this Resolution, a surcharge equal to seventy-five hundredths of one percent (0.75%) per annum on the outstanding principal amount of the 2009 Loans, payable by the Borrower on a Payment Date.

“ARRA” means the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009), and all regulations, rules, and interpretations issued by the EPA thereunder.

“ARRA Bonds” means, collectively, the Series 2009A Bond and the Series 2009B Bond.

“ARRA Certificate and Request” means the certificate and request attached hereto in the form of the attached Appendix D to be completed, executed and delivered by the Borrower to the DNRC pursuant to Section 5.12.

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

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

“Bonds” means the Series 2005 Bond, the Series 2009B Bond, the Series 2009C Bond, and any Additional Bonds; “Bonds” does not include the Series 2009A Bond.

“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 and its permitted successors or assigns hereunder.

“Closing” means the date of delivery of the Series 2009 Bonds to the DNRC.

“Collateral Documents” means any security agreement, guaranty or other document or agreement delivered to the DNRC securing the obligations of the Borrower under this Supplemental Resolution and the Series 2009 Bonds. If no Collateral Documents secure such obligations, any reference to Collateral Documents in this Supplemental Resolution shall be without effect.

“Committed Amount” means the amount of the 2009 Loans committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Supplemental Resolution, as such amount may be reduced pursuant to Sections 3.2 and 3.4 of this Supplemental Resolution.

“Construction Contract” means the binding contract for construction of the 2009 Project entered into between the Borrower and the construction contractor in compliance with all laws of the State, including those regarding the construction of public projects.

“Consultant” means a nationally recognized consultant or firm of consultants, or an independent engineer or firm of independent engineers, or an Accountant, which in any case is qualified and has skill and experience in the preparation of financial feasibility studies or projections for facilities similar to the System or the 2009 Project, selected by the Borrower and satisfactory to the DNRC.

“Council” means the City Council of the City of Billings, Montana.

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

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

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

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

"DNRC Forgiveness Statement" means a written statement delivered to the Borrower by the DNRC that the Borrower's obligation to repay the principal of the Series 2009A Bond is forgiven.

"DNRC Noncompliance Statement" means a written statement delivered to the Borrower by the DNRC that the Borrower's obligation to repay the principal of the Series 2009A Bond is not forgiven.

"DNRC Statement" means a DNRC Forgiveness Statement or a DNRC Noncompliance Statement.

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

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

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

"Estimated Completion Date" means June 30, 2010, the date by which it is estimated by the Borrower that the 2009 Project will be substantially completed.

"Fund" means the Water System Fund established pursuant to Section 11.1 of the Original Resolution.

"Green Infrastructure" means the portion of the 2009 Project that addresses green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities, as described more particularly in ARRA and EPA policies or guidelines.

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

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

"Loan Loss Reserve Surcharge" means, when applicable as provided by this Resolution, a surcharge equal to seventy-five hundredths of one percent (1.00%) per annum on the outstanding principal amount of the 2009 Loans, payable by the Borrower on a Payment Date.

"Loan Repayments" means periodic installments of principal and interest (including any applicable Administrative Expense Surcharge and Loan Loss Reserve Surcharge as provided in this Resolution) by Borrower in repayment of the Series 2009B Bond and Series 2009C Bond, and if the DNRC delivers a DNRC Noncompliance Statement, of the Series 2009A Bond, at the rates and times specified in Article V.

"Operating Account" means the account created in the Water System Fund pursuant to Section 11.3 of the Original Resolution.

"Original Resolution" means Resolution No. 05-18329 of the Borrower adopted on September 12, 2005.

"Payment Date" means the date on which a payment of interest or principal and interest on the Bonds or the Series 2009A Bond is due.

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

"Project" means an improvement, betterment, reconstruction or extension of the System, including the 2005 Project and the 2009 Project.

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

"Regulations" means the Treasury Department, Income Tax Regulations, as amended or any successor regulation thereto, promulgated under the Code or otherwise applicable to the Series 2009 Bonds.

"Replacement and Depreciation Account" means the Account created in the Water System Fund pursuant to Section 11.6 of the Original Resolution.

"Reserve Account" means the account created in the Water System Fund pursuant to Section 11.5 of the Original Resolution.

"Reserve Requirement" means, as of the date of calculation, an amount equal to the maximum principal of and interest payable on outstanding Bonds in the current or any future fiscal year (giving effect to mandatory sinking fund redemption, if any).

"Resolution" means the Original Resolution, as amended and supplemented by this Supplemental Resolution and other supplemental resolutions.

"Revenue Bond Account" means the account created in the Water System Fund pursuant to Section 11.4 of the Original Resolution.

"Series 2005 Bond" means the Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2005, issued by the Borrower, in the original principal amount of \$17,300,000 pursuant to the Resolution as then in effect.

"Series 2009 Bonds" means, collectively, the Series 2009A Bond, the Series 2009B Bond, and the Series 2009C Bond.

"Series 2009A Bond" means the \$416,300 Subordinate Lien Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Taxable Series 2009A, issued to the DNRC to evidence the 2009A Loan.

"Series 2009B Bond" means the \$333,700 Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009B, issued to the DNRC to evidence the 2009B Loan.

"Series 2009C Bond" means the \$2,750,000 Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009C, issued to the DNRC to evidence the 2009C Loan.

"State" means the State of Montana.

"State Bonds" means the State's General Obligation Bonds (Drinking Water State Revolving Fund Program), issued or to be issued pursuant to the Indenture.

"State Act" means Montana Code Annotated, Title 75, Part 6, Chapter 2, as amended from time to time.

"Supplemental Resolution" means this Resolution No. 09-18852 of the Borrower adopted on July 27, 2009.

"Surplus Account" means the account created in the Water System Fund pursuant to Section 11.7 of the Original Resolution.

"Surplus Net Revenues" shall mean that portion of the Net Revenues in excess of the current requirements of the Operating Account, the Revenue Bond Account and the Reserve Account.

"System" means the water system of the Borrower and all extensions, improvements and betterments thereof heretofore or hereafter constructed and acquired.

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

"2005 Project" means the costs of the facilities, improvements and activities financed in part with proceeds of the Series 2005 Bond.

"2009A Committed Amount" means the amount of the 2009A Loan committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Supplemental Resolution, as such amount may be reduced pursuant to Section 3.2 and Section 3.4 of this Supplemental Resolution.

"2009B Committed Amount" means the amount of the 2009B Loan committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Supplemental Resolution, as such amount may be reduced pursuant to Section 3.2 and Section 3.4 of this Supplemental Resolution.

"2009C Committed Amount" means the amount of the 2009C Loan committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Supplemental Resolution, as such amount may be reduced pursuant to Section 3.2 and Section 3.4 of this Supplemental Resolution.

"2009B First Advance" means the first advance of funds of the Loan from the proceeds of the 2009B Loan by the DNRC to the Borrower in the amount of \$ _____.

"2009C First Advance" means the first advance of funds of the 2009C Loan by the DNRC to the Borrower.

"2009 Loans" or "Loan" means, collectively, the 2009A Loan, 2009B Loan, and the 2009C Loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the Committed Amount to provide funds to pay all or a portion of the costs of the 2009 Project and to pay costs of issuance of the Series 2009 Bonds.

"2009A Loan" means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2009A Committed Amount to provide funds to pay a portion of the costs of the 2009 Project payable under the Program and to pay costs of issuance.

"2009B Loan" means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2009B Committed Amount to provide funds to pay a portion of the costs of the 2009 Project payable under the Program and to pay costs of issuance.

"2009C Loan" means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2009C Committed Amount to provide funds to pay a portion of the costs of the 2009 Project payable under the Program and to pay costs of issuance.

"2009 Project" means the designing and engineering of the facilities, improvements and activities financed, refinanced or the cost of which is being reimbursed to the Borrower with proceeds of the 2009 Loans, described in Appendix A hereto.

"2009 Project Readiness Date" means a date that is no later than November 1, 2009.

"Undisbursed Committed Amount" means any undisbursed Committed Amount which is not required to pay costs of the 2009 Project upon completion thereof as provided in Section 3 of this Supplemental Resolution.

“Water System Fund” means the fund created by Section 11.1 of the Original Resolution.

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

All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted government accounting standards.

Terms in the singular include the plural and vice versa.

All references to time shall refer to Helena, Montana time, unless otherwise provided herein.

All references to mail shall refer to first-class mail postage prepaid.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

“Or” is not exclusive, but is intended to permit or encompass one, more or all of the alternatives conjoined.

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

Appendix A: a description of the 2009 Project;

Appendix B-1: the form of the Series 2009A Bond;

Appendix B-2: the form of the Series 2009B Bond;

Appendix B-3: the form of the Series 2009C Bond;

Appendix C: additional agreements and representations of the Borrower; and

Appendix D: ARRA Certificate and Request.

AUTHORIZATION, FINDINGS, REPRESENTATIONS AND COVENANTS

Authorization and Findings.

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

The System. The Borrower, pursuant to the Act and other laws of the State has established and presently owns and operates the System.

The 2009 Project. After investigation of the facts and as authorized by the Act, this Council has determined it to be necessary and desirable and in the best interests of the Borrower to acquire and construct the 2009 Project.

Outstanding Bonds. Pursuant to the Act and the Original Resolution, the Borrower has issued, and has outstanding, its Series 2005 Bond. The Series 2005 Bond is payable from Net Revenues of the System, and no other bonds or indebtedness are outstanding that are payable from or secured by revenues of the System.

Additional Bonds. The Borrower reserved the right under Section 10.3 of the Original Resolution to issue Additional Bonds to finance the cost or estimated cost of providing any improvement, extension or rehabilitation of the System; provided that if the Additional Bonds are issued to complete a project, a certificate is to be signed by the Mayor and City Clerk or either of them stating that on the date of issuance of such Additional Bonds Net Revenues of the System meet the requirements set forth in Section 10.3 of the Original Resolution. Based on a certificate executed or to be executed by the Mayor and City Clerk or either of them, it is hereby determined that the Borrower is authorized to issue the Series 2009A Bond in the maximum principal amount of \$416,300, the Series 2009B Bond in the maximum principal amount of \$333,700 and the Series 2009C Bond in the maximum principal amount of \$2,750,000 pursuant to Section 10.3 of the Original Resolution, as amended hereby, with the Series 2009B Bond and the Series 2009C Bond payable from and secured by the Net Revenues on a parity with the outstanding Series 2005 Bond. For purposes of the foregoing certificate, principal of and interest on the 2009A Loan are disregarded and interest on the Series 2009B Bonds is assumed to be 1.75%. The Borrower acknowledges and agrees that if it fails to deliver timely an acceptable ARRA Certificate and Request as provided in Section 5.1 of this Supplemental Resolution as determined in the sole and complete discretion of the DNRC, then principal and interest and surcharges will become due and owing on the Series 2009A Bond and the Series 2009B Bond as provided in Section 5.1 of this Supplemental Resolution, and the Borrower shall thereupon, to the extent required by Section 6.7 of the Original Resolution, as amended hereby, adjust its schedule of fees, rates, and charges applicable to the System to cause Net Revenues and Surplus Net Revenues to be produced in an amount at least equal to that required by this Resolution.

The total cost of the 2009 Project and costs of issuance and funding the reserve is estimated to be \$5,634,934, which will be paid from proceeds of the Series 2009 Bonds and funds in the amount of \$2,134,934 the Borrower has on hand and available therefor. The Borrower covenants with the DNRC that from and after the 2009B First Advance it will spend the Committed Amount on costs of the 2009 Project before applying its own funds to costs of the 2009 Project.

Representations. The Borrower represents as follows:

Organization and Authority. The Borrower:

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

has all requisite power and authority and all necessary licenses and permits required as of the date hereof to own and operate the System and to carry on its current activities with respect to the System, to adopt this Supplemental Resolution and to enter into the Collateral Documents and to issue the Series 2009 Bonds and to carry out and consummate all transactions contemplated by the Supplemental Resolution, the Series 2009 Bonds and the Collateral Documents;

is a Governmental Unit and a Public Entity; and

has taken all proper action to authorize the execution, delivery and performance of its obligations under this Supplemental Resolution, the Series 2009 Bonds and the Collateral Documents and the incurrence of the Debt evidenced by the Series 2009 Bonds in the maximum amount of the Committed Amount.

Litigation. There is no litigation or proceeding pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower 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 Borrower, or the ability of the Borrower to make all payments and otherwise perform its obligations under the Resolution, the Series 2009 Bonds and the Collateral Documents, or the financial condition of the Borrower, or the transactions contemplated by the Resolution, the Series 2009 Bonds and the Collateral Documents or the validity and enforceability of the Resolution, the Series 2009 Bonds and the Collateral Documents. No referendum petition has been filed with respect to any resolution or other action of the Borrower relating to the

2009 Project, the Series 2009 Bonds or any Collateral Documents and the period for filing any such petition will have expired before issuance of the Series 2009 Bonds.

Borrowing Legal and Authorized. The adoption of this Supplemental Resolution, the execution and delivery of the Series 2009 Bonds and the Collateral Documents and the consummation of the transactions provided for in this Supplemental Resolution, the Series 2009 Bonds and the Collateral Documents and compliance by the Borrower with the provisions of the Resolution, the Series 2009 Bonds and the Collateral Documents:

are within the powers of the Borrower and have been duly authorized by all necessary action on the part of the Borrower; and

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 Borrower pursuant to any ordinance, resolution, indenture, loan agreement or other agreement or instrument (other than the Resolution and any Collateral Documents) to which the Borrower is a party or by which the Borrower or its property may be bound, nor will such action result in any violation of the provisions of any laws, ordinances, governmental rules or regulations or court or other governmental orders to which the Borrower, its properties or operations are subject.

No Defaults. No event has occurred and no condition exists that, upon execution and delivery of the Series 2009 Bonds and the Collateral Documents, would constitute a default under the Resolution or the Collateral Documents. The Borrower 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 Borrower with the terms hereof or of the Series 2009 Bonds and the Collateral Documents.

Governmental Consent. The Borrower has obtained or made all permits, findings and approvals required to the date of adoption of this Supplemental Resolution by any governmental body or officer for the making and performance by the Borrower of its obligations under this Supplemental Resolution, the Series 2009 Bonds and the Collateral Documents (including any necessary water rate increase) or for the 2009 Project, the financing or refinancing thereof or the reimbursement of the Borrower 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 Borrower as a condition to adopting this Supplemental Resolution, issuing the Series 2009 Bonds or entering into the Collateral Documents and the performance of the Borrower's obligations hereunder and thereunder.

Binding Obligation. The Resolution, the Series 2009 Bonds and any Collateral Document to which the Borrower is a party are the valid and binding special, limited obligations and agreements of the Borrower, enforceable against the Borrower 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.

The 2009 Project. The 2009 Project consists and will consist of the facilities, improvements and activities described in Appendix A, as such Appendix A may be amended from time to time in accordance with the provision of Article III of this Supplemental Resolution. The 2009 Project comprises facilities of a type that, as determined by the EPA, will facilitate compliance with the national primary drinking water regulations applicable to the System or will otherwise significantly further the health protection objectives of the Safe Drinking Water Act.

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

Full Disclosure. There is no fact that the Borrower has not specifically disclosed in writing to the DNRC that materially and adversely affects or (so far as the Borrower 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 Borrower'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 Borrower's ability to perform its obligations under the Resolution, the Series 2009 Bonds and the Collateral Documents and to pledge any revenues or other property pledged to the payment of the Series 2009 Bonds.

Compliance With Law. The Borrower:

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

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 Borrower to conduct the operation of the System as presently conducted or the condition (financial or otherwise) of the System or the Borrower's ability to perform its obligations under the Resolution, the Series 2009 Bonds and the Collateral Documents.

Covenants.

Insurance. In addition to the requirements of Section 2.2 of the Original Resolution, the Borrower 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 Borrower 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. All such insurance policies shall name the DNRC as an additional insured. Each policy must provide that it cannot be cancelled by the insurer without giving the Borrower and the DNRC 30 days' prior written notice. The Borrower shall give the DNRC prompt notice of each insurance policy it obtains or maintains to comply with this 0 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. The Borrower shall deliver to the DNRC at Closing a certificate providing the information required by this 0.

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 Borrower for the purpose of inspecting the System or any or all books and records of the Borrower relating to the System.

Further Assurance. The Borrower shall execute and deliver to the DNRC all such documents and instruments and do all such other acts and things as may be necessary or required by the DNRC to enable the DNRC to exercise and enforce its rights under the Resolution, the Series 2009 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 the Resolution, the Series 2009 Bonds and the Collateral Documents.

Maintenance of Security, if Any; Recordation of Interest.

The Borrower shall, at its expense, take all necessary action to maintain and preserve the lien and security interest of the Resolution and the Collateral Documents so long as any amount is owing under the Resolution or the Series 2009 Bonds;

The Borrower shall forthwith, after the execution and delivery of the Series 2009 Bonds and thereafter from time to time, cause the 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 the Resolution and, from time to time, shall perform or cause to be performed any other act required by law, including executing or causing to be executed any and all required continuation statements and shall execute or cause to be executed any further instruments that may be requested by the DNRC for such perfection and protection; and

Except to the extent it is exempt therefrom, the Borrower 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 0, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Series 2009 Bonds and the Collateral Documents and the documents described in subparagraph 0.

Additional Agreements. The Borrower covenants to comply with all representations, covenants, conditions and agreements, if any, set forth in Appendix C hereto.

Financial Information. This 0 supplements, and is not intended to limit, the requirements in Section 2.2(e) of the Original Resolution. The Borrower agrees that for each fiscal year it shall furnish to the DNRC and the DEQ, promptly when available:

the preliminary budget for the System, with items for the 2009 Project shown separately; and

when adopted, the final budget for the System, with items for the 2009 Project shown separately.

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

- A statement in detail of the income and expenditures of the System for the fiscal year, identifying capital expenditures and separating them from operating expenditures;
- A balance sheet as of the end of the fiscal year;
- The number of premises connected to the System at the end of the fiscal year;
- The amount on hand in each account of the Fund at the end of the fiscal year;
- 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
- A determination that the report shows full compliance by the Borrower with the provisions of the Resolution during the fiscal year covered thereby, including proper segregation of the capital expenditures from operating expenses, maintenance of the required balance in the Reserve 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 Parity Bonds (calculated assuming the DNRC has delivered a DNRC Forgiveness Statement) in any subsequent fiscal year, or, if the

report should reveal that the revenues have been insufficient for compliance with the Resolution, or that the methods used in accounting for such revenues were contrary to any provision of the Resolution, the report shall include a full explanation thereof, together with recommendations for such change in rates or accounting practices or in the operation of the System as may be required.

The Borrower shall also have prepared and supplied to the DNRC and the DEQ, within 180 days of the close of every other fiscal year, an audit report prepared by an independent 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 Borrower's compliance with the provisions of the Resolution.

2009 Project Accounts. The Borrower shall maintain 2009 Project accounts in accordance with generally accepted government accounting standards.

Records. After reasonable notice from the EPA or the DNRC, the Borrower shall make available to the EPA or the DNRC such records as the EPA or the DNRC reasonably requires to review and determine compliance with the Safe Drinking Water Act, as provided in Section 75-6-224(1)(h) of the State Act.

Compliance with Safe Drinking Water Act and ARRA. The Borrower has complied and shall comply with all conditions and requirements of the Safe Drinking Water Act pertaining to the 2009 Loans and the 2009 Project. The Borrower understands and agrees that the 2009A Loan and the 2009B Loan are being made with funds made available to the DNRC under ARRA. The Borrower has complied and shall comply with all requirements of ARRA applicable to the 2009 Loans.

Compliance with DEQ Requirements. The Borrower shall comply with plan, specification and other requirements for public water systems established by the DEQ, as required by Section 75-6-224(1)(h) of the State Act.

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

The Borrower covenants and agrees that it will not use or permit to be used any of the proceeds of the Series 2009 Bonds or any other funds of the Borrower in respect of the 2009 Project or the Series 2009 Bonds, 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.

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

The Borrower shall not use or permit the use of the 2009 Project directly or indirectly in any trade or business carried on by any Person who is not a Governmental Unit. For the purpose of this subparagraph, use as a member of the general public (within the meaning of the Regulations) shall not be taken into account and any activity carried on by a Person other than a natural person shall be treated as a trade or business.

Any portion of the 2009 Project being refinanced or the cost of which is being reimbursed was acquired by and is now and shall, during the term of the Loan, be owned by the Borrower and not by any other Person. Any portion of the 2009 Project being financed shall be acquired by and shall, during the term of the Loan, be owned by the Borrower and not by any other Person. Notwithstanding the previous two sentences, the Borrower may transfer the 2009 Project or a portion thereof to another Governmental Unit which is also a Public Entity if such transfer is otherwise permitted under the Resolution and if such organization agrees with the DNRC to comply with Section 2.3(h), Section 2.3(i) and Section 2.4 of this Supplemental Resolution and if the DNRC receives an Opinion of Bond Counsel that such transfer will not violate the State Act or the Safe Drinking Water Act or adversely affect the exclusion of interest on the State Bonds from gross income or purposes of federal income taxation. In addition, except as otherwise provided in the Resolution or in any Collateral Documents, the

Borrower may sell or otherwise dispose of any portion of the 2009 Project which has become obsolete or outmoded or is being replaced or for other reasons is not needed by the Borrower or beneficial to the general public or necessary to carry out the purposes of the Safe Drinking Water Act.

At the Closing of the 2009 Loans, the DNRC will, if necessary to obtain the Opinion of Bond Counsel described in Section 7.05(a) of the Indenture, deliver to the Borrower instructions concerning compliance by the Borrower with the arbitrage rebate requirements of Section 148 of the Code (the "Arbitrage Rebate Instructions"). The Borrower shall comply with the Arbitrage Rebate Instructions, if any, delivered to it by the DNRC at Closing, as such Instructions may be amended or replaced by the DNRC from time to time. The Arbitrage Rebate Instructions may be amended or replaced by new Arbitrage Rebate Instructions delivered by the DNRC and accompanied by an Opinion of Bond Counsel to the effect that the use of said amended or new Arbitrage Rebate Instructions will not adversely affect the excludability of interest on the State Bonds or any Additional State Bonds (except State Bonds the interest on which the State did not intend to be excluded from gross income for federal income tax purposes) from gross income of the recipients thereof for federal income tax purposes.

The Borrower agrees that during the term of the 2009 Loans it will not contract with or permit any Private Person to manage the 2009 Project or any portion thereof except according to a written management contract and upon delivery to the DNRC of an opinion of Bond Counsel to the effect that the execution and delivery of such management contract will not violate the State Act or the Safe Drinking Water Act or adversely affect the exclusion of interest on State Bonds from gross income or purposes of federal income taxation.

The Borrower may not lease the 2009 Project or any portion thereof to any Person other than a Nonexempt Person which agrees in writing with the Borrower and the State not to cause any default to occur under the Resolution; provided the Borrower may lease all or any portion of the 2009 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.

The Borrower shall not change the use or nature of the 2009 Project if (i) such change will violate the Safe Drinking Water Act, or (ii) so long as the State Bonds are outstanding unless, in the Opinion of Bond Counsel delivered to the DNRC, such change will not result in the inclusion in gross income of interest on the State Bonds for federal income tax purposes.

Maintenance of System; Liens. The Borrower shall maintain the System, including the 2009 Project, in good condition and make all necessary renewals, replacements, additions, betterments and improvements thereto. The Borrower shall not grant or permit to exist any lien on the 2009 Project or any other property making up part of the System, other than liens securing Debt where a parity or senior lien secures the Series 2009 Bonds; provided that this 0 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 Borrower uses its best efforts to obtain the discharge of such lien and promptly reports to the DNRC the filing of such lien and the steps it plans to take and does take to discharge of such lien.

Maintenance of Existence; Merger, Consolidation, Etc.; Disposition of Assets. The Borrower 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 Borrower) (i) is a Public Entity and (ii) assumes in writing all of the obligations of the Borrower under the Resolution, the Series 2009 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 Borrower under the Resolution, the Series 2009 Bonds and the Collateral Documents, (b) such action does not violate the State Act or the Safe Drinking Water Act and does not adversely affect the exclusion of interest on the Series 2009 Bonds or the State Bonds from gross income for federal income tax purposes and (c) the Borrower delivers to the DNRC on the date of such action an Opinion of Bond Counsel that such action complies with this 0.

Other than pursuant to the preceding paragraph, the Borrower shall not transfer the System or any portion thereof to any other Person, except for property which is obsolete, outmoded, worn out, is being replaced or otherwise is not needed for the operation of the System, unless the provisions of (a) and (b) of the preceding

paragraph are satisfied and the Borrower delivers to the DNRC an Opinion of Bond Counsel to that effect and, in addition, the DNRC consents to such transfer.

USE OF PROCEEDS; THE 2009 PROJECT

Use of Proceeds. The Borrower shall apply the proceeds of the 2009 Loans from the DNRC solely as follows:

The Borrower shall apply the proceeds of the 2009 Loans solely to the financing, refinancing or reimbursement of the costs of the 2009 Project as set forth in Appendix A hereto and this O. The 2009 Loans will be disbursed in accordance with O hereof and Article VII of the Indenture. If the 2009 Project has not been completed prior to Closing, the Borrower shall, as quickly as reasonably possible, complete the 2009 Project and expend proceeds of the 2009 Loans to pay the costs of completing the 2009 Project.

No portion of the proceeds of the 2009 Loans shall be used to reimburse the Borrower for costs paid prior to the date of adoption of this Supplemental Resolution of a Project the construction or acquisition of which occurred or began earlier than June 1, 1993. In addition, if any proceeds of the Loan are to be used to reimburse the Borrower for 2009 Project costs paid prior to the date of adoption of this Supplemental Resolution, the Borrower shall have complied with Section 1.150-2 of the Regulations in respect of such costs.

Any Debt to be refinanced with proceeds of the Loan was incurred after June 1, 1993 for a Project the construction or acquisition of which began after June 1, 1993. No proceeds of the Loan shall be used for the purpose of refinancing an obligation the interest on which is exempt from federal income tax or excludable from gross income for purposes of federal income taxation unless the DNRC has received an Opinion of Bond Counsel, satisfactory to it, to the effect that such refinancing will not adversely affect the exclusion of interest on the State Bonds from gross income for purposes of federal income taxation.

The 2009 Project. Set forth in Appendix A to this Supplemental Resolution is a description of the 2009 Project, which describes the property which has been or is to be acquired, installed, constructed or improved and the other activities, if any to be funded from the Loan (the 2009 Project may consist of more than one facility or activity), and an estimated budget relating to the 2009 Project, including the amount of proceeds of the 2009A Loan and the 2009B Loan estimated to be applied to Green Infrastructure. The 2009 Project may be changed and the description thereof in Appendix A may be amended from time to time by the Borrower but only after delivery to the DNRC of the following:

A certificate of the Borrower setting forth the amendment to Appendix A and stating the reason therefor, including statements whether the amendment would cause an increase or decrease in the cost of the 2009 Project, an increase or decrease in the amount of Loan proceeds which will be required to complete the 2009 Project and providing that the change will not delay the full execution and delivery of the Construction Contract to a date that is after the 2009 Project Readiness Date;

A certificate of Independent Consultant that the change to the 2009 Project in no way adversely affects or diminishes the eligibility of the 2009 Project for ARRA funding or the various attributes of the 2009 Project as that relates to ARRA (such as, for example, the amount of green construction);

A written consent to such change in the 2009 Project by an Authorized DNRC Officer;

An Opinion or Opinions of Bond Counsel stating that the 2009 Project, as constituted after such amendment, is, and was at the time the State Bonds were issued, eligible for financing under the State Act and is, and was at the time the Series 2009 Bonds was issued, eligible for financing under the Act, such amendment will not violate the State Act or the Act and such amendment will not adversely affect the exclusion of interest on the State Bonds or the Series 2009 Bonds from gross income for purposes of federal income taxation. Such an Opinion of Bond Counsel shall not be required for amendments which do not affect the type of facility to be constructed or activity to be financed; and

In the event the change to the 2009 Project has the effect of reducing the amount of the Committed Amount, the written consent of the Borrower to reallocation of the Committed Amount between the 2009A Loan and the 2009B Loan, if required by the DNRC, as described in Section 5.6 below.

The Borrower acknowledges and agrees that an increase in the principal amount of the 2009 Loans may be made only upon an application to the DEQ, the DNRC and the Trustee, in such form as the DEQ shall specify, which is approved by the DEQ and the DNRC, in their sole and absolute discretion, and adoption by the governing body of the Borrower of a resolution amendatory of or supplementary to the Resolution authorizing the additional loan and delivery of written certifications by officers of the Borrower to the DEQ, the DNRC and the Trustee to the effect that all representations and covenants contained in the resolution as it may be so amended or supplemented are true as of the date of closing of the additional loan and compliance with applicable tests for the incurrence of such Debt. No assurance can be given that any additional loan funds will be available under the Program at the time of any such application or thereafter. The Borrower acknowledges and agrees that neither the DEQ, the DNRC, the Trustee nor any of their agents, employees or representatives shall have any liability to the Borrower and have made no representations to the Borrower as to the sufficiency of the 2009 Loans to pay costs of the 2009 Project or as to the availability of additional funds under the Program to increase the principal amount of the Loan.

2009 Project Representations and Covenants. The Borrower hereby represents to and covenants with the DNRC that:

construction of the 2009 Project did not commence prior to February 17, 2009, and [the Construction Contract relating to the 2009 Project has been fully executed and delivered];

all construction of the 2009 Project has complied and will comply with all federal and state standards, including, without limitation, EPA regulations and standards and the requirements of ARRA;

all future construction of the 2009 Project will be done only pursuant to fixed price construction contracts. The Borrower shall obtain a performance and payment bond from the contractor for each construction contract in the amount of 100% of the construction price and ensure that such bond is maintained until construction is completed to the Borrower's, the DNRC's and the DEQ's satisfaction;

all future construction of the 2009 Project will be done in accordance with plans and specifications on file with the DNRC and the DEQ, provided that changes may be made in such plans and specifications with the written consent of an Authorized DNRC Officer and the DEQ;

the iron, steel, and manufactured goods used in the 2009 Project comply with the "buy American" requirements of Section 1605 of ARRA, as those requirements are further interpreted by applicable EPA guidance; and

the 2009 Project is a project of the type permitted to be financed under the Act, the State Act and the Program and Section 1452 of the Safe Drinking Water Act;

the Borrower will undertake the 2009 Project promptly after the Closing Date and will cause the 2009 Project to be completed as promptly as practicable with all reasonable dispatch, except only as completion may be delayed by a cause or event not reasonably within the control of the Borrower; it is estimated by the Borrower that the 2009 Project will be substantially completed by the Estimated Completion Date; and

the Borrower agrees to provide information regarding jobs created and retained as a result of the 2009 Project and such other information regarding the 2009 Project, including information for the website www.montanarecovery.gov, to the DNRC and the DEQ upon the request for such information by the DNRC or the DEQ or both, and to post signage at the site of the 2009 Project that designates the 2009 Project as an ARRA funded project.

Completion or Cancellation or Reduction of Costs of the 2009 Project.

Upon completion of the 2009 Project, the Borrower shall deliver to the DNRC a certificate stating that the 2009 Project is complete and stating the amount, if any, of the Undisbursed Committed Amount. If Appendix A

describes two or more separate projects as making up the 2009 Project, a separate completion certificate shall be delivered for each.

If all or any portion of the 2009 Project is cancelled or cut back or its costs are reduced or for any other reason the Borrower will not require the full Committed Amount, the Borrower shall promptly notify the DNRC in writing of such fact and the amount of the Undisbursed Committed Amount.

If there is any Undisbursed Committed Amount, the DNRC reserves the right under Section 5.6 below to reallocate the amount equal to the Committed Amount as reduced by the Undisbursed Committed Amount between the 2009A Loan and the 2009B Loan, as more particularly provided in Section 5.6.

THE LOAN

The Loan; Disbursement of Loan.

The DNRC has agreed to lend to the Borrower, from time to time as the requirements of this 0 are met, an amount up to (i) \$416,300 (the "2009A Committed Amount"), (ii) \$333,700 (the "2009B Committed Amount"), and (iii) \$2,750,000 (the "2009C Committed Amount") for the purposes of financing, refinancing or reimbursing the Borrower for a portion of the costs of the 2009 Project; provided the DNRC shall not be required to loan any proceeds of the State Bonds to the Borrower after the Estimated Completion Date. The Committed Amount may be reduced as provided in Section 3.2 and 0 of this Supplemental Resolution.

The DNRC intends to disburse the 2009 Loans through the Trustee. In consideration of the issuance of the Series 2009 Bonds by the Borrower, the DNRC shall make, or cause the Trustee to make, a disbursement of all or a portion of the 2009 Loans upon receipt of the following documents:

- an Opinion of Bond Counsel as to the validity and enforceability of the Series 2009 Bonds and the security therefor and stating in effect that interest on the Series 2009B Bond and the Series 2009C Bond is not includable in gross income of the owner thereof for purposes of federal income taxation, in form and substance satisfactory to the DNRC;

- the Series 2009A Bond, the Series 2009B Bond, and the Series 2009C Bond, fully executed and authenticated;

- a certified copy of the Original Resolution and this Supplemental Resolution;

- any other security instruments or documents required by the DNRC or DEQ as a condition to their approval of the 2009 Loans;

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

- the items required by the Indenture for the portion of the 2009 Loans to be disbursed at Closing;
- and

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

In order to obtain a disbursement of a portion of the 2009 Loans to pay costs of the 2009 Project, the Borrower shall submit to the DNRC and the Trustee a signed request for disbursement on the form prescribed by the DNRC, with all attachments required by such form. The Borrower may obtain disbursements only for costs which have been legally incurred and are due and payable. All Loan disbursements will be made to the Borrower only upon proof that cost was incurred.

The 2009 Loans shall be disbursed, subject to the other terms and conditions of this Resolution, in the following order:

(1) First, at the Closing, the 2009B First Advance will be advanced from the 2009B Loan.

(2) Second, after the 2009B First Advance has been disbursed to the Borrower, the entire amount of the 2009A Loan may then be disbursed to the Borrower as and when needed. For the avoidance of doubt, any amounts of the 2009 Loans to be disbursed at Closing in excess of the 2009B First Advance will be disbursed as proceeds of the 2009A Loan to the extent of the 2009A Committed Amount.

(3) Third, after the entire principal amount of the 2009A Loan has been disbursed to the Borrower, the remaining amount, if any, of the 2009B Loan will be disbursed to the Borrower as and when needed.

(4) Fourth, only after the full amount of the 2009A Loan and 2009B Loan has been disbursed to the Borrower, the Borrower may apply to the costs of the 2009 Project any other funds available to it, including grants or other funds, and including amounts under the 2009C Loan, which will be disbursed to the Borrower, starting with the 2009C First Advance, as and when needed.

The Borrower shall submit the request for the 2009B First Advance and the 2009C First Advance in the form required by the DNRC so that it is received by the DNRC by the date that is no later than ten Business Days prior to the date desired by the Borrower for the making of the 2009B First Advance and the 2009C First Advance, respectively. The Borrower shall not be entitled to, and the DNRC shall have no obligation to make, the 2009B First Advance or the 2009C First Advance or any subsequent advance of amounts under the 2009B Loan or the 2009C Loan until such time as the Borrower shall have set aside and funded the Reserve Account in an amount then required to satisfy the Reserve Requirement.

For refinancings, a disbursement schedule complying with the requirements of the Safe Drinking Water Act shall be established by the DNRC and the Borrower at Closing. The Trustee shall disburse 2009 Loan amounts directly to the holder of the debt being refinanced according to such schedule. If the Borrower should repay all or a portion of the debt to be refinanced from other sources or should otherwise not need any portion of the 2009 Loan which was to have been used to refinance such debt, it shall inform the DNRC and the Trustee of such fact pursuant to Section 3.4(b) and a new disbursement schedule shall be drawn up by the DNRC. The DNRC shall obtain a receipt from the holder of the debt being refinanced for each disbursement made to pay or prepay a portion of such debt.

If all or a portion of a Loan is made to reimburse a Borrower for Project costs paid by it prior to Closing, the Borrower shall present at Closing the items required by Section 4.1(b) relating to such costs. The Trustee shall disburse such amounts to the Borrower pursuant to a disbursement schedule complying with the requirements of the Safe Drinking Water Act established by the DNRC and the Borrower at the Closing.

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

Upon making each 2009A Loan disbursement, 2009B Loan disbursement, and 2009C Loan Disbursement, the Trustee shall note such disbursement on Schedule A to the Series 2009A Bond, Series 2009B Bond, and the Series 2009C Bond, respectively. A Schedule A reflecting the amount of the 2009B First Advance and the 2009C First Advance will first be attached to the Series 2009B Bond and the Series 2009C Bond, respectively, at Closing.

The Borrower agrees that it will deposit in the Reserve Account upon receipt thereof, on the date of the 2009B First Advance and any subsequent disbursement dates, any proceeds of the 2009B Loan borrowed for the purpose of increasing the balance in the Reserve Account to the Reserve Requirement. The Borrower further acknowledges and agrees that any portions of the 2009 Loans representing capitalized interest shall be advanced only on Payment Dates and shall be transferred by the Trustee on the Payment Date directly to the Revenue Bond Account. The amount of any such transfer shall be a credit against the interest payments due on the Series 2009 Bonds and interest thereon shall accrue only from the date of transfer.

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

Commencement of Loan Term. The Borrower's obligations under this Supplemental Resolution and the Collateral Documents shall commence on the date hereof unless otherwise provided in this Supplemental Resolution. However, the obligation to make payments under 0 hereof shall commence only upon the first disbursement by the Trustee of the 2009B Loan proceeds.

Termination of Loan Term. The Borrower's obligations under the Resolution and the Collateral Documents in respect of the Series 2009 Bonds shall terminate upon payment in full of all amounts due under the Series 2009 Bonds and the Resolution in respect thereof; provided, however, that the covenants and obligations provided in 0 and 0 of this Supplemental Resolution shall survive the termination of the Resolution.

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

REPAYMENT OF 2009 LOANS

Repayment of 2009 Loans. The Borrower shall repay the amounts lent to it pursuant to Section 4.1 hereof in accordance with this Section 5.1.

5.1.1. Manner of Repayment. The Borrower shall pay all Loan Repayments in lawful money of the United States of America to the DNRC. Interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a year of 360 days comprising 12 months of 30 days each.

5.1.2. Repayment of 2009A Loan; Principal Forgiveness.

The Borrower is obligated to repay the principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2009A Loan as provided in Section 5.1.2(b), unless the DNRC forgives the Borrower's obligation to repay the principal of the 2009A Loan as provided in this paragraph. So long as the Borrower is proceeding diligently to completion of the 2009 Project through the final advance of principal of the 2009B Loan and the Borrower has executed and delivered the ARRA Certificate and Request to the DNRC in form and substance satisfactory to the DNRC within thirty (30) days after the date that the ARRA Certificate and Request is provided to the Borrower by the DNRC, the DNRC will, following review and approval of the ARRA Certificate and Request, deliver to the Borrower a DNRC Forgiveness Statement and the Borrower will thereafter have no obligation to repay amounts advanced under the Series 2009A Bond or interest thereon. In the event the Borrower fails to deliver timely the ARRA Certificate and Request or the Borrower cannot submit the ARRA Certificate and Request because it cannot make the certifications required therein, including without limitation,

those related to ARRA, or the ARRA Certificate and Request is delivered in a form that deviates materially from that attached hereto as Appendix D as determined in the sole and complete discretion of the DNRC, then the DNRC will deliver to the Borrower a DNRC Noncompliance Statement.

In the event the DNRC delivers a DNRC Noncompliance Statement, then the Loan Repayments on the 2009A Loan required by this Section 5.1 shall be due on each Payment Date, as follows:

- (1) interest (including the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge) on the outstanding principal balance of the 2009A Loan shall be payable from and after the date of each advance of principal of the 2009A Loan on each Payment Date at the rate of 3.75% per annum, beginning on the first Payment Date following the date of delivery by the DNRC of a DNRC Noncompliance Statement and concluding on the 40th Payment Date under the 2009B Loan; and
- (2) the principal of the 2009A Loan shall be repayable on each Payment Date, beginning on the Payment Date that is the first to occur following delivery by the DNRC of a DNRC Noncompliance Statement, and concluding on the 40th Payment Date under the 2009B Loan, and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at the rate of 3.75% per annum; provided that principal of the 2009A Loan is payable only in amounts that are multiples of \$1,000

In addition, in the event the DNRC delivers a DNRC Noncompliance Statement (i) the Series 2009A Bond will continue in effect as a Subordinate Lien Obligation, and (ii) the Borrower will forthwith comply with the rate covenant set forth in Section 6.7 of the Original Resolution, as amended hereby, and, if necessary, increase the rates and charges of the System to satisfy such rate covenant as it regards the Series 2009A Bond and the Series 2009B Bond as soon as practicable and in any event no later than three (3) months after the date of delivery to the Borrower by the DNRC of a a DNRC Noncompliance Statement.

5.1.3. Repayment of 2009B Loan.

(a) Subject to the provisions of Section 5.1.3(b), the Loan Repayments on the 2009B Loan required by this Section 5.1 shall be due on each Payment Date, as follows:

- (1) interest (including the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge) on the outstanding principal balance of the 2009B Loan shall be payable from and after the date of the 2009B First Advance and each advance of principal of the 2009B Loan thereafter on each Payment Date at the rate of 3.75% per annum, beginning on January 1, 2009 (or if no DNRC Statement has been delivered to the Borrower prior to January 1, 2009, then on the first Payment Date after such DNRC Statement has been delivered) and concluding on July 1, 2029; and
- (2) the principal of the 2009B Loan shall be repayable on each Payment Date, beginning on the first Payment Date following the 2009B First Advance and concluding on the 40th Payment Date under the 2009B Loan, and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at the rate of 3.75% per annum, taking into account each Loan Repayment, if any, made pursuant to Section 5.1.3(c), and provided that principal of the 2009B Loan is payable only in amounts that are multiples of \$1,000.

(b) Notwithstanding Section 5.1.3(a), in the event the DNRC delivers a DNRC Forgiveness Statement, then the Loan Repayments on the 2009B Loan from and after the 2009B First Advance and all subsequent advances of the 2009B Loan which shall be due on each Payment Date are as follows:

- (1) interest on the outstanding principal balance of the 2009B Loan shall be payable on each Payment Date, beginning on January 1, 2010 and concluding on July 1, 2029 at the rate of 1.75% per annum;

- (2) the Borrower shall have no obligation to pay any Administrative Expense Surcharge or any Loan Loss Reserve Surcharge; and
- (3) the principal of the 2009B Loan shall be repayable on each Payment Date, beginning on January 1, 2010 and concluding on July 1, 2029, and the amount of each principal payment shall be calculated on the basis of substantially level debt service at an interest rate of 1.75% per annum; provided that principal of the 2009B Loan is payable only in amounts that are multiples of \$1,000.

(c) Notwithstanding Section 5.1.3(a), in the event any Payment Date occurs prior to the delivery by the DNRC to the Borrower of a statement described in Section 5.1.2 (whether or not the obligation of the Borrower to repay the principal advanced under the 2009A Loan has been forgiven), the Loan Repayments on the 2009B Loan will be calculated in accordance with Section 5.1.3(b) for such Payment Date. For the avoidance of doubt, if the DNRC delivers a statement to the Borrower that the obligation of the Borrower to repay the principal advanced under the 2009A Loan has not been forgiven, the Loan Repayments on the 2009B Loan will thereafter be calculated in accordance with Section 5.1.3(a).

5.1.4. Repayment of 2009C Loan. The Loan Repayments on the 2009C Loan required by this Section 5.1 shall be due on each Payment Date, as follows:

- (1) interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the outstanding principal balance of the 2009C Loan shall be payable on each January 1 and July 1, beginning on the first to occur of either of such dates following the date of the 2009C First Advance, which is the first Payment Date after the 2009C First Advance, but in any event no earlier than January 1, 2010 and concluding on that January 1 or July 1 that constitutes the 40th Payment Date after the 2009B First Advance; and
- (2) the principal of the 2009C Loan shall be repayable on each Payment Date, beginning on the January 1 or July 1 that is the first to occur following the date of the 2009C First Advance, but in any event no earlier than January 1, 2010, and concluding on that January 1 or July 1 that constitutes the 40th Payment Date after the 2009B First Advance, and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at a rate of 3.75% per annum; provided that principal of the 2009C Loan is payable only in amounts that are multiples of \$1,000.

5.1.5. Details Regarding 2009 Loan Repayments. The payments of principal of and interest and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the 2009C Loan and, if applicable, on the 2009A Loan and the 2009B Loan, shall be due on the dates specified above and on the dates and in the amounts shown in Schedule B to each of the Series 2009B Bond and the Series 2009C Bond and, if applicable, the Series 2009A Bond, as such Schedule B shall be modified from time to time as provided below. Schedule B will first be attached to the Series 2009A Bond and the Series 2009B Bond at Closing. Schedule B will first be attached to the Series 2009C Bond following receipt by the DNRC of the information required in connection with the 2009C First Advance. The portion of each such Loan Repayment consisting of principal and the portion consisting of interest shall be set forth on Schedule B to the Series 2009B Bond and the portion of each Loan Repayment consisting of principal and the portion consisting of interest and the amount of each Administrative Expense Surcharge and the amount of each Loan Loss Reserve Surcharge shall be set forth in Schedule B to the Series 2009A Bond (and the Series 2009B Bond, if appropriate) and the Series 2009C Bond. Upon each disbursement of 2009 Loan amounts to the Borrower pursuant to Section 4.1 hereof, the Trustee shall enter or cause to be entered the amount advanced on Schedule A to the applicable Series 2009A Bond, the Series 2009B Bond, and the Series 2009C Bond under "Advances" and the total amount advanced under Section 4.1, including such disbursement, under "Total Amount Advanced."

If the advance was made to pay costs of the 2009 Project pursuant to Section 4.1(b), interest in respect of the Series 2009B Bond and interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge in respect of the Series 2009C Bond, and, if required under Sections 5.1.2 and 5.1.3 hereof, in respect of the Series 2009A Bond and the Series 2009B Bond, on such advance shall accrue from the date the advance is made and shall be payable on each Payment Date thereafter. If, after the full principal amount of the 2009 Loans

has been advanced, the DNRC shall have delivered a DNRC Noncompliance Statement, then the Trustee shall revise the Schedule B to each of the Series 2009A Bond and the Series 2009B Bond in accordance with this Section 5.1, and the Trustee shall send a copy of such schedules to the Borrower within one month after delivery by the DNRC of the DNRC Noncompliance Statement. If the DNRC delivers a DNRC Forgiveness Statement, the Trustee shall revise Schedule B to the Series 2009B Bond in accordance with this Section 5.1 reflecting a debt service schedule with payments at 1.75% per annum, and the Trustee shall send a copy of such revised Schedule B to the Borrower within one month after the delivery of such DNRC Noncompliance Statement. Once the completion certificate for the 2009 Project has been delivered to the DNRC, the Trustee shall revise Schedule B to the Series 2009C Bond, and the Trustee shall send a copy of such Schedule B to the Borrower within one month after delivery of the completion certificate.

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

Additional Payments. The Borrower shall also pay, within 30 days after receipt of a bill therefor, from any legally available funds therefor, including proceeds of the Loan, if the Borrower so chooses, all reasonable expenses of the DNRC and the Trustee in connection with the Loan, the Collateral Documents and the Series 2009 Bonds, including, but not limited to:

the cost of reproducing this Supplemental Resolution, the Collateral Documents and the Series 2009 Bonds;

the fees and disbursements of bond counsel and other Counsel utilized by the DNRC and the Trustee in connection with the Loan, the Resolution, the Collateral Documents and the Series 2009 Bonds and the enforcement thereof; and

all taxes and other governmental charges in connection with the execution and delivery of the Collateral Documents or the Series 2009 Bonds, whether or not the Series 2009 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 Series 2009 Bonds, the Collateral Documents and the Resolution under the 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.

Prepayments. The Borrower may not prepay all or any part of the outstanding principal amount of the Series 2009B Bond or the Series 2009C Bond and, if applicable, the Series 2009A Bond, unless (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and, if applicable, Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2009 Bonds are prepaid in part pursuant to this 0, such prepayments shall be applied to principal payments in inverse order of maturity.

Obligations of Borrower Unconditional. The obligations of the Borrower to make the payments required by the Resolution and the Series 2009 Bonds and to perform its other agreements contained in the Resolution, the Series 2009 Bonds and Collateral Documents shall be absolute and unconditional, except as otherwise provided herein or in such documents. The Borrower (a) shall not suspend or discontinue any payments provided for in the Resolution and the Series 2009 Bonds, (b) shall perform all its other agreements in the Resolution, the Series 2009 Bonds and the Collateral Documents and (c) shall not terminate the Resolution, the Series 2009 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 2009 Project or the System, commercial frustration of purpose, any dispute with the DNRC or the EPA, any change in the laws of the United States or of the State or any political subdivision of either or any failure of the DNRC to perform any of its agreements, whether express or implied, or any duty, liability or obligation arising from or connected with the Resolution.

Limited Liability. All payments of principal of and interest on the Loan and other payment obligations of the Borrower hereunder and under the Series 2009 Bonds shall be special, limited obligations of the Borrower payable solely out of the Net Revenues and shall not, except at the option of the Borrower and as permitted by law, be payable out of any other revenues of the Borrower. The obligations of the Borrower under the Resolution

and the Series 2009 Bonds shall never constitute an indebtedness of the Borrower within the meaning of any state constitutional provision or statutory or charter limitation and shall never constitute or give rise to a pecuniary liability of the Borrower or a charge against its general credit or taxing power. The taxing powers of the Borrower may not be used to pay principal of or interest on the Series 2009 Bonds, and no funds or property of the Borrower other than the Net Revenues may be required to be used to pay principal of or interest on the Series 2009 Bonds.

Reallocation of 2009 Loans. 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 \$3,500,000 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 Original Resolution, as amended hereby, 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.

INDEMNIFICATION OF DNRC AND DEQ

The Borrower shall 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 Borrower 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 2009 Project. The Borrower shall also indemnify and save harmless the Indemnified Parties against and from all costs, reasonable attorneys' fees, expenses and liabilities incurred in any action or proceeding brought by reason of any such claim or demand. If any proceeding is brought against an Indemnified Party by reason of such claim or demand, the Borrower shall, upon notice from an Indemnified Party, defend such proceeding on behalf of the Indemnified Party.

ASSIGNMENT

Assignment by Borrower. The Borrower may not assign its rights and obligations under the Resolution or the Series 2009 Bonds.

Assignment by DNRC. The DNRC will pledge its rights under and interest in the Resolution, the Series 2009 Bonds and the Collateral Documents (except to the extent otherwise provided in the Indenture) as security

for the payment of the State Bonds and may further assign such interests to the extent permitted by the Indenture, without the consent of the Borrower.

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

THE SERIES 2009 BONDS

Net Revenues Available. The Borrower is authorized to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the System, and to pledge and appropriate to the Series 2005 Bond and the Series 2009 Bonds the Net Revenues to be derived from the operation of the System, including improvements, betterments or extensions thereof hereafter constructed or acquired. The Net Revenues to be produced by such rates, charges and rentals during the term of the Series 2009 Bonds are expected to be more than sufficient to pay the principal and interest when due on the Series 2005 Bond and the Series 2009 Bonds, and to create and maintain reasonable reserves therefor and to provide an adequate allowance for replacement and depreciation, as prescribed herein. For purposes of the foregoing statement, principal of and interest on the 2009A Loan are disregarded, and interest on the Series 2009B Bond is assumed to be 1.75%. The Borrower acknowledges and agrees that if the DNRC delivers a statement to the Borrower that the obligation of the Borrower to repay the principal of the 2009A Loan is not forgiven as provided in Section 5.1.2 as determined in the sole and complete discretion of the DNRC, then principal and interest and surcharges will become due and owing on the 2009A Loan evidenced by the Series 2009A Bond and the 2009B Loan evidenced by the Series 2009B Bond as provided in Section 5.1 and the Borrower shall thereupon, to the extent required by Section 6.7 of the Original Resolution, as amended hereby, adjust its schedule of fees, rates, and charges applicable to the System to cause Net Revenues and Surplus Net Revenues to be produced in an amount at least equal to that required by the Resolution.

Issuance and Sale of the Series 2009 Bonds. The Council has investigated the facts necessary and hereby finds, determines and declares it to be necessary and desirable for the Borrower to issue the Series 2009 Bonds to evidence the 2009 Loans. The Series 2009 Bonds are issued to the DNRC without public sale pursuant to Montana Code Annotated, Section 7-7-4433(2)(a).

Terms. The Series 2009A Bond, the Series 2009B Bond, and the Series 2009C Bond shall be in the maximum principal amount equal to the original 2009A Committed Amount, 2009B Committed Amount, and 2009C Committed Amount, respectively, shall each be issued as a single, fully registered bond numbered R-1, shall be dated as of the date of delivery to the DNRC, and shall bear interest at the rate charged by the DNRC on the 2009A Loan, 2009B Loan, and 2009C Loan, respectively. The principal of and interest on the Series 2009B Bond and the Series 2009C Bond, and, if applicable, the principal of and interest on the Series 2009A Bond and any Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable on the same dates and in the same amounts on which principal and interest of the Loan Repayments are payable. Advances of principal of the Series 2009A Bond or Series 2009B Bond or Series 2009C Bond shall be deemed made when advances of the 2009A Loan or 2009B Loan or 2009C Loan, respectively, are made under Section 4.1, and such advances shall be payable in accordance with Schedule B to the Series 2009B Bond, the Series 2009C Bond, and, if applicable, the Series 2009A Bond, as the case may be, as it may be revised by the DNRC from time to time in accordance with Section 5.1. The Series 2009A Bond is a Subordinate Lien Obligation. The Series 2009B Bond and the Series 2009C Bond are Additional Bonds.

The Borrower may prepay the Series 2009 Bonds, in whole or in part, only upon the terms and conditions under which it can prepay the 2009 Loans under 0.