

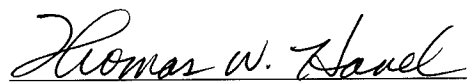
that purpose. No such performance or advance shall operate to release the Borrower from any such default and any sums so advanced by the DNRC or the provider of any Collateral Document shall be paid immediately to the party making such advance and shall bear interest at the rate of ten percent (10.00%) per annum from the date of the advance until repaid. The DNRC and the provider of any Collateral Document shall have the right to enter the 2012 Project or the facility or facilities of which the 2012 Project is a part or any other facility which is a part of the System in order to effectuate the purposes of this Section.


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

Section 12.11 Effective Date. This Supplemental Resolution shall take effect immediately.

Adopted by the City Council of the City of Billings, Montana, on this 10th day of September, 2012.

CITY OF BILLINGS

  
Thomas. W. Hanel, Mayor

Attest:   
Cari Martin, City Clerk

(SEAL)



APPENDIX A

Description of the 2012 Project

The 2012 Project generally consists of designing, constructing and installing a new water storage tank and related improvements and paying associated costs of issuance.

<b>COSTS:</b>	<b>SOURCE: SRF Loan</b>	<b>SOURCE: City</b>	<b>TOTAL</b>
Audit Fees		\$5,000	\$5,000
Loan Reserves		\$207,250	\$207,250
Bond Counsel and Related Costs	\$10,000		\$10,000
Engineering/Architectural Design	\$151,900		\$151,900
Construction Engineering Services	\$157,500		\$157,500
Construction	\$2,572,200		\$2,572,200
Contingency	\$208,400		\$208,400
<b>TOTAL PROJECT COSTS</b>	<b>\$3,100,000</b>	<b>\$212,250</b>	<b>\$3,312,250</b>

APPENDIX B

[Form of the Series 2012 Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF YELLOWSTONE

**CITY OF BILLINGS**

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

R-1

\$3,100,000.00

FOR VALUE RECEIVED, the City of Billings, Montana (the "Borrower"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely from the Revenue Bond Account of its Water System Fund, the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under "Total Amount Advanced," with interest on each such amount from the date such amount is advanced hereunder at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) and twenty-five hundredths of one percent (0.25%), respectively, per annum. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a "Loan Repayment Date") commencing January 1, 2013. Principal shall be payable on the dates set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest and the portion consisting of Administrative Expense Surcharge and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule B hereto. Upon each disbursement of 2012 Loan amounts to the Borrower pursuant to the Resolution described below, the DNRC shall enter (or cause to be entered) the amount advanced on Schedule A under "Advances" and the total amount advanced under the Resolution (as hereinafter defined), including such disbursement, under "Total Amount Advanced." The DNRC shall prepare Schedule B and revised Schedules B, or cause Schedule B and revised Schedules B to be prepared, as provided in Section 5.1 of the Resolution. Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of three percent (3.00%) per annum. Past-due payments of principal and interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30

days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond is one of an issue of Water System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$3,100,000 (the "Series 2012 Bond"). The Series 2012 Bond is issued to finance a portion of the costs of the construction of certain improvements to the water system of the Borrower (the "System") and to pay costs of issuance of the Series 2012 Bond. The Series 2012 Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Part 44, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution 05-18329 (the "Original Resolution"), adopted by the City Council on September 12, 2005, as amended and supplemented by Resolution Nos. 09-18852, 09-18869, 18964, and \_\_\_\_\_, adopted July 27, 2009, September 14, 2009, July 12, 2010 and September 10, 2012, respectively (as so amended and supplemented, the "Resolution"). The Series 2012 Bond is issuable only as a single, fully registered bond. The Series 2012 Bond is issued on a parity with the Borrower's outstanding Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2005 (the "Series 2005 Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009B (the "Series 2009B Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009C (the "Series 2009C Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009D (the "Series 2009D Bond") and Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2010B (the "Series 2010B Bond"). The Borrower has also issued a Subordinate Lien Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Taxable Series 2009A (the "Series 2009A Bond") and a Subordinate Lien Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Taxable Series 2010A (the "Series 2010A Bond"). Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution.

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2012 Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which additional bonds may be issued under the Resolution and made payable from such Net Revenues on a parity with the Series 2005 Bond, the Series 2009B Bond, the Series 2009C Bond, the Series 2009D Bond, the Series 2010B Bond and the Series 2012 Bond (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the Series 2012 Bond.

The Borrower may prepay the principal of the Series 2012 Bond only if (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest, and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment

on the amount of principal prepaid. If the Series 2012 Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The Series 2012 Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

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

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will forthwith construct and complete the improvements to the System hereinabove described; that it will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Water System Fund into which the gross revenues of the System will be paid, and a separate and special Revenue Bond Account in that Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than the sum of one-sixth of the interest to become due within the next six months and one-twelfth of the principal to become due within the next twelve months with respect to all Bonds payable from that Account; that the Borrower has created a Reserve Account in such fund into which shall be paid additional Net Revenues, after required credits to the Revenue Bond Account sufficient to maintain a reserve therein equal to the maximum amount of principal and interest payable in any subsequent fiscal year on all such Bonds; that the Revenue Bond Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce in each fiscal year Net Revenues in excess of such current expenses, equal to 125% of the maximum amount of principal and interest payable from the Revenue Bond Account in any subsequent fiscal year; that additional Bonds and refunding Bonds may be issued and made payable from the Revenue Bond Account on a parity with the Series 2005 Bond, the Series 2009B Bond, Series 2009C Bond, the Series 2009D Bond, the Series 2010B Bond, the Series 2012 Bond, and other parity Bonds, upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the Series 2005 Bond, the Series 2009B Bond, the Series 2009C Bond, the Series 2009D Bond, the Series 2010B Bond, the Series 2012 Bond, and additional parity Bonds on such Net Revenues; that all provisions for the security of the holder of this Series 2012 Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this Series 2012

Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this Series 2012 Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the Series 2012 Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

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

\_\_\_\_\_

Mayor

\_\_\_\_\_

City Finance Director

(SEAL)

\_\_\_\_\_

City Clerk

REGISTRATION AND TRANSFER

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

REGISTER

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

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

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

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

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

FORM OF ASSIGNMENT

For value received, this Bond is hereby transferred and assigned by the undersigned holder, without recourse, to \_\_\_\_\_  
on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

By: \_\_\_\_\_  
(Authorized Signature)

For: \_\_\_\_\_  
(Holder)



SCHEDULE A

SCHEDULE OF AMOUNTS ADVANCED

<u>Date</u>	<u>Advances</u>	<u>Total Amount Advanced</u>	<u>Notation Made By</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
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_____	_____	_____	_____
_____	_____	_____	_____

SCHEDULE B

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Expense Surcharge</u>	<u>Loan Loss Reserve Surcharge</u>	<u>Total Loan Payment</u>
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APPENDIX C  
ADDITIONAL REPRESENTATIONS AND COVENANTS

None