

December 5, 2005

Ms. Coleen Balzarini
City Controller
City of Great Falls
P.O. Box 5021
Great Falls, MT 59403

Re: Bond Counsel Services with Respect to Electric City Power
City of Great Falls, Montana

Dear Ms. Balzarini:

We are pleased to have been selected to act as co-bond counsel to the City in connection with the establishment of a municipal electric utility (“Electric City Power”) and the issuance of bonds (the “Bonds”) in connection therewith. We understand that Electric City Power may, at some stage of the financing, become a separate entity and may be the issuer of the Bonds as an “on behalf of issuer” or an “instrumentality” of the City. For purposes of this engagement letter, we will refer to the City and Electric City Power, however constituted, as one entity, which, unless otherwise specifically stated, will be referred to as the “City.” We appreciate the opportunity to assist you in this undertaking and financing. The purpose of this letter is to discuss the parameters of our engagement as bond counsel.

Bond counsel is engaged to render an objective legal opinion with respect to the authorization and issuance of Bonds. As bond counsel, we will: examine applicable law; prepare authorizing and operative resolutions, closing certificates and any trust indenture with respect to the Bonds; consult with the parties to the transaction prior to the issuance of the Bonds; review certified proceedings; and undertake such additional duties as we deem necessary to render our approving opinion. Subject to the completion of proceedings to our satisfaction, we will render our opinion that:

- (1) the Bonds are valid and binding obligations of the City;
- (2) for Bonds other than those issued as taxable obligations, the interest paid on the Bonds will be: (i) excluded from gross income for federal income tax purposes, and (ii) excluded from gross income of the recipient for State of Montana individual income tax purposes (subject to certain limitations which may be expressed in the opinion); and
- (3) the documents pursuant to which the Bonds are issued, secured and sold are validly authorized, executed and delivered by the City.

The bond counsel opinion will be executed and delivered by us in written form on the date the Bonds are exchanged for their purchase price (the “Closing”) and will be based on facts and law existing as of its date. Upon delivery of the opinion, our responsibilities as bond counsel will be concluded with

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respect to this financing; specifically, but without implied limitation, we do not undertake (unless specifically engaged and requested to do so) to provide continuing advice to the City or any other party concerning any actions necessary to assure that interest paid on the Bonds will continue to be excluded from gross income for federal and State of Montana income tax purposes after the Closing.

We further understand that our engagement involves working with the City, co-bond counsel and others to develop the structure of Electric City Power and the financing to accomplish the City's objectives and provide the most efficient and marketable structure for the offering and sale of the Bonds.

Since the Bonds have not yet been marketed, the actual purchaser of the Bonds (the "Purchaser") cannot be identified at this time. We wish to point out that it is highly likely that the eventual Purchaser will be a broker-dealer or other financial institution who has been or is a client of this office with respect to matters other than the proposed Bond issue. In that event, we will advise the City, and will seek a waiver of the conflict from the City and the Purchaser. In performing our services as co-bond counsel, our client will be the City and we will represent your interests. We will not represent any other party in this financing.

As bond counsel, we will not assume or undertake responsibility for the preparation of the Official Statement or any other disclosure document with respect to the Bonds, nor are we responsible for performing an independent investigation to determine the accuracy, completeness or sufficiency of any such document. However, we will prepare or review those portions of the disclosure document which describe the matters covered by our bond counsel opinion and will give the customary supplemental opinion with respect to those portions of the disclosure document.

Our fees are ordinarily based primarily on our usual and customary hourly rates and minimum increments. The current hourly rates for the attorneys involved in this engagement range from \$310 per hour to \$535 per hour. Our hourly rates are subject to adjustment from time to time, and we anticipate that our rates will increase by a percentage yet to be determined, effective in October, 2006. Our fees may also be affected by factors such as the amount of time involved in the representation, unusual time constraints, use of prior work product, and overall value of the services. Although on client request we may attempt to estimate the fees for an engagement, legal representations often involve variables that make it difficult or impossible to estimate fees accurately.

Disbursements for certain items, such as filing fees, travel expenses and long distance calls are usually advanced by us, then billed to clients. Our service charges for such items as facsimile service, long-distance, photocopying, and computerized research are billed at our own estimated costs, direct and indirect.

For this engagement, we agree that the provisions stated in the attached Fee Proposal for Bond Counsel Services to the City of Great Falls from Chapman and Cutler and Dorsey & Whitney will apply.

We request that a signed copy of this letter be returned to indicate agreement that while this Firm is representing the City, (1) the Firm may represent other clients on unrelated matters which may be adverse to the City; and (2) with respect to any parties who may be adverse to the City in our

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representation of the City, we may represent such parties on unrelated matters. These agreements are made on the following understandings. First, the Firm will not use confidential client information against a client. Second, the Firm will not represent a party adverse to a client on a subject matter substantially related to the subject matter of the Firm's representation of that client. Third, while the Firm represents a client the Firm will not undertake litigation in which the client is a directly adverse party. Fourth, the Firm lawyer(s) personally involved in representing a client will not personally be involved in representing parties adverse to that client, without the client's specific consent.

We intend and expect to complete our services to your satisfaction. However, we will withdraw from representation upon client request. We may also withdraw if our fees are not paid timely or for a reason required or permitted by professional rules.

Please sign the attached Acknowledgment and return the same to us at your earliest convenience. You may send it via U.S. mail or fax it to my attention at 612.340.2643. Please keep the original for your file. Acceptance of our legal services entails acceptance of the terms of this letter.

We look forward to working with you.

Very truly yours,

Verlane L. Endorf

VLE/vle
cc: Mae Nan Ellingson

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ACKNOWLEDGMENT

The undersigned acknowledges receipt of the attached and foregoing engagement letter dated December 5, 2005, and confirms its consent to the representation described therein.

CITY OF GREAT FALLS, MONTANA

By _____
Its _____

December __, 2005

John Lawton
City Manager
Coleen Balzarini
City Controller/Fiscal Services Director
City of Great Falls
Civic Center
P.O. Box 5021
Great Falls, Montana 59403

Re: City of Great Falls, Montana
Electric Revenue Bonds
(Highwood Generating Station Project)

Dear John and Coleen:

We are pleased to provide an engagement letter for our services as bond counsel for the bonds in reference (the "*Bonds*"). You have advised us that the purpose of the issuance of the Bonds, briefly stated, is to finance the cost of an undivided ownership interest in the proposed Highwood Generation Station (the "*Project*"). We understand that it is expected that the Bonds will be issued on behalf of the City by Electric City Power, Inc., a Montana nonprofit corporation. We are to be retained for the purpose of rendering our customary approving legal opinion as described in detail below.

A. DESCRIPTION OF SERVICES

As Bond Counsel, we will work with the following persons and firms: City officers and employees, general counsel to the City, the underwriters or other bond purchasers who purchase the Bonds from the City (all of whom are referred to as the "*Bond Purchasers*") and counsel for the Bond Purchasers, financial advisers, trustee, paying agent and bond registrar and their designated counsel (all of the foregoing persons or firms, collectively, the "*Participants*"). We intend to undertake each of the following as necessary:

1. Review relevant Montana law, including pending legislation and other recent developments, relating to the legal status and powers of the City or otherwise relating to the issuance of the Bonds.

2. Obtain information about the Bond transaction and the nature and use of the Project.

3. Review the proposed timetable and consult with the Participants as to issuance of the Bonds in accordance with the timetable.

4. Consider the issues arising under the Internal Revenue Code of 1986, as amended, and applicable tax regulations and other sources of law, relating to the issuance of the Bonds on a tax-exempt basis; these issues include, without limitation, ownership and use of the Project or Prior Project, use and investment of Bond proceeds prior to expenditure, and security provisions or credit enhancement relating to the Bonds.

5. Prepare or review major Bond documents, including tax compliance certificates, review the bond purchase agreement, if applicable, and, as may be requested, draft descriptions of the documents which we have drafted. We understand that counsel (the "*Bond Purchasers' Counsel*"), will be retained by the Bond Purchasers. We further understand that Bond Purchasers' Counsel will assist the Bond Purchasers in their due diligence investigation and will advise the Bond Purchasers with respect to compliance with State and Federal securities laws. As Bond Counsel, upon request, we will assist the City in reviewing those sections of the official statement or any other disclosure document to be disseminated in connection with the sale of the Bonds involving the description of the Bonds, the security for the Bonds, and matters pertaining to tax exemption.

6. Prepare or review all pertinent proceedings to be considered by the City Commission of the City; confirm that the necessary quorum, meeting and notice requirements are contained in the proceedings, and draft pertinent excerpts of minutes of the meetings relating to the financing; and supervise the filing of all necessary state and federal reporting or notice requirements for the Bonds.

7. Attend or host such drafting sessions and other conferences as may be necessary, including a preclosing, if needed, and closing; and prepare and coordinate the distribution and execution of closing documents and certificates, opinions and document transcripts.

8. Render our approving legal opinion regarding the validity of the Bonds, the source of payment for the Bonds, and the federal income tax treatment of interest on the Bonds, which opinion (the "*Bond Opinion*") will be delivered in written form on the date the Bonds are exchanged for their purchase price (the "*Closing*"). The Bond Opinion will be based on facts and law existing as of its date. Please see the discussion below at part D. Please note that our opinion represents our legal judgment based upon our review of the law and the facts so supplied to us that we deem relevant and is not a guarantee of a result.

B. LIMITATIONS; SERVICES WE DO NOT PROVIDE

Our duties as Bond Counsel are limited as stated above. Among other things, our duties *do not* include:

1. Giving any advice, opinion or representation as to the financial feasibility or the fiscal prudence of issuing the Bonds or any other aspect of the Bond transaction, including, without limitation, the undertaking of the Project, the investment of Bond proceeds, or the making of any investigation of or the expression of any view as to the creditworthiness of the City, of the Project or Prior Project or of the Bonds.

2. Except as described in Paragraph (A)(5) above, assisting in the preparation or review of an official statement or any other disclosure document with respect to the Bonds or performing an independent investigation to determine the accuracy, completeness or sufficiency of any such document or rendering any advice, view or comfort that the official statement or other disclosure document (which may be referred to as the “*Official Statement*”) does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. Please see our comments below at paragraphs (D)(5) and (D)(6).

3. Except on special request and pursuant to separate engagement, preparing any of the following — requests for tax rulings from the Internal Revenue Service, blue sky or investment surveys with respect to the Bonds, state legislative amendments, or pursuing test cases or other litigation.

4. Except on special request and pursuant to separate engagement, opining on securities laws compliance or as to the continuing disclosure undertaking pertaining to the Bonds; and, after the execution and delivery of the Bonds, providing advice as to any Securities and Exchange Commission investigations or concerning any actions necessary to assure compliance with any continuing disclosure undertaking.

5. Except on special request and pursuant to separate engagement, after Closing, providing continuing advice to the City or any other party concerning any actions necessary to assure that interest paid on the Bonds will continue to be tax-exempt; *e.g.*, we will not undertake rebate calculations for the Bonds without a separate engagement for that purpose, we will not monitor the investment, use or expenditure of Bond proceeds or the use of the Project or Prior Project, and we are not retained to respond to Internal Revenue Service audits.

6. Any other matter not specifically set forth above that is not required to render the Bond Opinion.

C. ATTORNEY-CLIENT RELATIONSHIP

Upon execution of this engagement letter, the City will be our client, and an attorney-client relationship will exist between us. However, our services as Bond Counsel are limited as set forth in this engagement letter, and the City's execution of this engagement letter will constitute an acknowledgment of those limitations. We will not be representing, advising or advocating the business terms or positions of any of the Participants. Also please note that the attorney-client privilege, normally applicable under State law, may be diminished or non-existent for written advice delivered with respect to Federal tax law matters.

This engagement letter will also serve to give express written notice to the City that from time to time we represent in a variety of capacities and consult with most underwriters, investment bankers, credit enhancers such as bond insurers or issuers of letters of credit, ratings agencies, investment providers, brokers of financial products, financial advisors and other persons active in the public finance market on a wide range of issues. One of such firms may be selected by the City (*i.e.*, become the Bond Purchasers) as underwriter of the Bonds. Prior to your execution of this engagement letter we may have consulted with a number of such firms regarding the Bonds including, specifically, the Bond Purchasers. Your acceptance of our services and execution of the enclosed copy of this letter to evidence our agreement constitutes your consent to these other engagements with the Bond Purchasers. Neither our representation of the City nor such additional relationships or prior consultations will affect, however, our responsibility to render an objective Bond Opinion.

Further, this engagement letter will also serve to give express notice to the City that we may from time to time represent other municipalities, school districts, counties, townships, special districts and units of local government both within and outside of the State of Montana and also the State itself and various of its agencies and authorities (collectively, the "*governmental units*"). Most but not all of these representations involve bond or other borrowing transactions. We have assumed that there are no controversies pending to which you are a party and are taking any position which is adverse to any other governmental unit, and you agree to advise us promptly if this assumption is incorrect. In such event, we will advise you if the other governmental unit is our client and, if so, determine what actions are appropriate. Such actions could include seeking waivers from both the City and such other governmental unit or withdrawal from representation.

We assume that the City will have its general counsel available as needed to provide advocacy in the Bond transaction and that other Participants will retain such counsel as they deem necessary and appropriate to represent their interests. Our representation of the City and the attorney-client relationship created by this engagement letter will be concluded upon the issuance of the Bonds. Nevertheless, subsequent to the Closing, we will prepare and provide a bond transcript in a CD-ROM format pertaining to the Bonds and make certain that a Federal Information Reporting Form 8038-G is filed.

D. OTHER TERMS OF THE ENGAGEMENT; CERTAIN OF YOUR UNDERTAKINGS

Please note our comments as follows on this engagement and your and the City's role in connection with the issuance of the Bonds.

1. In rendering the Bond Opinion and in performing any other services hereunder, we will rely upon the certified proceedings and other certifications of City officials and other persons furnished to us. Other than as we may determine as appropriate to rendering the Bond Opinion, we are not engaged and will not provide services intended to verify the truth or accuracy of these proceedings or certifications. We do not ordinarily attend meetings of the City Commission at which proceedings related to the Bonds are discussed or passed unless special circumstances require our attendance.

2. The factual representations contained in those documents which are prepared by us, and the factual representations which may also be contained in any other documents that are furnished to us by you, your counsel, any officer, member of the City Commission or employee of the City, or any consultant retained as agent for the City (you personally and all such other individuals being collectively referred to hereinafter as "*you [or your].*"), are essential for and provide the basis for our conclusions that there is compliance with State law requirements for the issue and sale of valid bonds, with the Federal tax law for the tax exemption of interest paid on the bonds, and with State and Federal securities law requiring complete and accurate disclosure in the Official Statement as to all material facts. Accordingly, it is important for you to read and understand the documents we provide to you because you will be confirming the truth, accuracy and completeness of matters contained in those documents at the issuance of the Bonds.

3. If the documents contain incorrect or incomplete factual statements, you must call those to our attention. We are always happy to discuss the content or meaning of the transaction documents with you. Any untruth, inaccuracy or incompleteness may have adverse consequences affecting either the tax exemption of interest paid on the Bonds or the adequacy of disclosures made in the Official Statement under the State and Federal securities laws, with resulting potential liability for you. During the course of this engagement, we will further assume and rely on you to provide us with complete and timely information on all developments pertaining to any aspect of the Bonds and their security. We understand that you will cooperate with us in this regard.

4. To the extent that during the course of our representation of the City a relevant matter comes to our attention which appears to be contrary to what is contained in the transaction documents including any representations in the transaction documents or in the Official Statement, we will ask you about such apparent divergence of the facts in order to ascertain and confirm your view of the correct facts; but to the extent that the facts and representations stated in the documents we provide to you appear reasonable to us, and are not corrected by you, we are then relying upon your signed certifications for their truth, accuracy and completeness.

5. Issuing the Bonds as “securities” under State and Federal securities laws and on a tax-exempt basis is a serious undertaking. As the issuer of the Bonds, the City is obligated under the State and Federal securities laws and the Federal tax laws to disclose all material facts. The City has a duty to exercise “due diligence” in determining the accuracy and completeness of the information used in the Official Statement and the information upon which legal opinions related to the Bonds are based. The City’s lawyers, financial advisers and bankers can assist the City in fulfilling these duties, but the City in its corporate capacity, including your knowledge, has the collective knowledge of the facts pertinent to the transaction and the ultimate responsibility for the presentation and disclosure of the relevant information. Further, there are complicated Federal tax rules applicable to tax-exempt bonds. The Internal Revenue Service has an active program to audit such transactions. The documents we prepare are designed so that the Bonds will comply with the applicable rules, but this means the City must fully understand the documents, including the representations and the covenants relating to continuing compliance with the federal tax requirements. Accordingly, we want you to ask questions about anything in the documents that is unclear.

6. As noted, the members of the City Commission also have duties under the State and Federal securities and tax laws with respect to these matters and should be knowledgeable as to the underlying factual basis for the bond issue size, use of proceeds and related matters.

E. FEES

Our agreed-upon arrangement for the billing and payment for our fees and expenses is attached hereto as *Exhibit A*.

The undersigned will be the attorney primarily responsible for the firm’s services on this Bond issue, with assistance as needed from other members of our bond, securities and tax departments.

F. PENDING TREASURY CIRCULAR 230

We wish to call to your attention the publication by the U.S. Department of the Treasury (“*Treasury*”) of certain amendments to Circular 230, rules of professional conduct governing the practice of attorneys and other tax advisors before the Internal Revenue Service. Those rules now require specific content for certain “written tax advice.” A portion of the recent amendments became effective on June 21, 2005 (the “*Final Regulations*”), and a portion remains in proposed form (the “*Proposed Regulations*”). The Final Regulations specifically exclude “state or local bond opinions” (as defined in Notice 2005-47, issued June 7, 2005) from the specific content requirements of the Final Regulations, but only until the Proposed Regulations are finalized and become effective.

When the Proposed Regulations for “state or local bond opinions” are made final and become effective, and if these regulations are made final in the form now proposed, extensive and lengthy changes to the form of bond opinions generally and different, additional disclosures in the Official Statement, may be required. These new requirements may entail increased time for all transaction participants and are likely to increase costs. If those requirements become applicable to opinions we are expected to render hereunder, we reserve the right to increase our fees appropriately, subject to consultation with and agreement by you.

As noted, the Proposed Amendments with respect to “state or local bond opinions” have not been finalized by Treasury. They will not be applicable until 120 days after they are finalized and published. We are unable to predict when the Proposed Amendments may be finalized or what they may require. We are following actions with respect to the Proposed Regulations, and are happy to discuss their status and possible impact on your proposed transaction with you.

G. RECORDS

After Closing, we will prepare and send to you what we have assembled as the bond transcript in a CD-Rom format. In addition, at your request, to be made at or prior to Closing, any other papers and property provided by the City will be promptly returned to you upon receipt of payment for our outstanding fees and client disbursements. All other materials shall thereupon constitute our own files and property, and these materials, including lawyer work product pertaining to the transaction, will be retained or discarded by us at our sole discretion.

We call your attention to the City’s own record keeping requirements as required by the Internal Revenue Service. Answers to frequently asked questions pertaining to those requirements can be found on the IRS website under frequently asked questions related to tax-exempt bonds at <http://www.irs.gov>, and it will be your obligation to comply for at least as long as any of the Bonds are outstanding, plus six years.

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H. YOUR SIGNATURE REQUIRED

If the foregoing terms are acceptable to you, please so indicate by returning the enclosed copy of this engagement letter dated and signed by an authorized officer, retaining the original for your files. We will provide copies of this letter to certain of the Participants to provide them with an understanding of our role. We look forward to working with you.

Very truly yours,

CHAPMAN AND CUTLER LLP

By _____
James C. Burr

Accepted and Approved:

CITY OF GREAT FALLS, MONTANA

By: _____
Title: City Manager

Date: _____, 2005.

EXHIBIT A

**FEE PROPOSAL FOR BOND COUNSEL SERVICES
TO THE CITY OF GREAT FALLS
FROM CHAPMAN AND CUTLER AND DORSEY & WHITNEY**

Based on discussions between representatives of our two firms, we propose the following arrangements for payments of our fees and expenses as bond counsel in connection with Electric City Power and the financing of the ownership interest in the Highwood Generating Station (the “Project”):

1. Each firm will submit quarterly billing statements to the City, in an amount equal to the sum of (a) 50% of its fees (calculated at its standard hourly rates), plus (b) 100% of its expenses (travel, telephone, copying, etc.). Each firm will submit an initial billing statement in December 2005 for its fees and expenses for the period July-November 2005. Each quarterly billing statement will include a statement or schedule showing each firm’s (y) total fees and expenses incurred during such quarter and (z) total fees and expenses incurred since the commencement of its work as bond counsel to the City in connection with the Project.

2. The total of all billing statements submitted by each firm in a calendar year will not exceed \$25,000, and the amount of each firm’s initial bill (submitted in December 2005) will not exceed \$20,000.

3. Each firm will carry its unbilled fees (and any unbilled expenses that result from the annual cap described in paragraph 2) until the earlier of (a) the closing of a financing for the costs of the City’s ownership interest in the Project, (b) a sale by the City of its rights to participate in the development of the Project, and (c) a final determination by the City to abandon the Project (without any sale of its development rights).

4. In the event financial closing is achieved (as described in paragraph 3(a)), each firm will submit a billing to the City in an amount equal to the sum of (a) 110% of its total hourly fees incurred, plus (b) 100% of its actual expenses, less (c) all fee and expense amounts contained in billing statements previously submitted to and paid by the City.

5. In the event of a sale by the City of its development rights in the Project (as described in paragraph 3(b)), each firm will submit a billing to the City in an amount equal to the sum of (a) 100% of its total hourly fees incurred, plus (b) 100% of its actual expenses, less (c) all fee and expense amounts contained in billing statements previously submitted to and paid by the City.

6. In the event of abandonment of the Project (as described in paragraph 3(c)), each firm will submit a billing to the City in an amount equal to the sum of (a) 75% of its total hourly

fees incurred, plus (b) 100% of its actual expenses, less (c) all fee and expense amounts contained in billing statements previously submitted to and paid by the City.

7. The City agrees to pay promptly all billing statements submitted by each firm; provided that the City may pay any billing statements submitted pursuant to paragraph 6 in installments over a period not to exceed two years.

8. At any time after the aggregate fees and expenses of bond counsel (both paid and accrued and unpaid) exceed \$250,000, the City may propose changes to the foregoing arrangements. Bond counsel agrees to consider in good faith any such proposal, which shall become effective only upon the agreement of the City and both law firms.

9. The foregoing arrangements shall not apply to (a) the work performed by Dorsey & Whitney on the general obligation notes to be issued by the City fund a portion of the development costs of the Project and (b) any work performed by either firm under a separate engagement or retention letter with the City.