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CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City-County of Butte-Silver Bow, Montana (the "City-County"), hereby certify that the attached resolution is a true copy of Resolution No. 14-32, entitled: "RESOLUTION RELATING TO \$10,000,000 SEWER SYSTEM REVENUE BOND (DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM), SERIES 2014; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF" (the "Resolution"), on file in the original records of the City-County in my legal custody; that the Resolution was introduced by the Council of Commissioners of the City-County at a regular meeting on September 3, 2014, and that the meeting was duly held by the Council of Commissioners 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

Clerk and Recorder

I further certify that the Resolution was duly approved and adopted on second reading by the Council of Commissioners of the City-County at a regular meeting on September 17, 2014, and that the meeting was duly held by the Council of Commissioners 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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 Commissioners voted in favor thereof: _____; voted against the same: _____; abstained from voting thereon: _____; or were absent: _____.

WITNESS my hand officially this _____ day of September, 2014.

Clerk and Recorder

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COUNCIL RESOLUTION NO. 14-32

BOND RESOLUTION

Relating to

\$10,000,000
SEWER SYSTEM REVENUE BOND
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM),
SERIES 2014

CITY-COUNTY OF BUTTE-SILVER BOW

Adopted: September 17, 2014

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1 RESOLUTION NO. 14-32

2 RESOLUTION RELATING TO \$10,000,000 SEWER SYSTEM
3 REVENUE BOND (DNRC WATER POLLUTION CONTROL
4 STATE REVOLVING LOAN PROGRAM), SERIES 2014;
5 AUTHORIZING THE ISSUANCE AND FIXING THE TERMS
6 AND CONDITIONS THEREOF

7 WHEREAS, pursuant to the Montana Water Pollution Control State Revolving Fund Act,
8 Montana Code Annotated, Title 75, Chapter 5, Part 11, as amended (the "Act"), the State of
9 Montana (the "State") has established a revolving loan program (the "Program") to be
10 administered by the Department of Natural Resources and Conservation of the State of Montana,
11 an agency of the State (the "DNRC"), and by the Department of Environmental Quality of the
12 State of Montana, an agency of the State (the "DEQ"), and has provided that a revolving water
13 pollution control revolving fund (the "Revolving Fund") be created within the state treasury and
14 all federal, state and other funds for use in the Program be deposited into the Revolving Fund,
15 including, but not limited to, all federal grants for capitalization of a state water pollution control
16 revolving fund under the Federal Water Pollution Control Act (also known as the Clean Water
17 Act) (the "Clean Water Act"), all repayments of assistance awarded from the Revolving Fund,
18 interest on investments made on money in the Revolving Fund and payments of principal of and
19 interest on loans made from the Revolving Fund; and

20 WHEREAS, the Act provides that funds from the Program shall be disbursed and
21 administered for the purposes set forth in the Clean Water Act and according to rules adopted by
22 the Department of Environmental Quality and the Department of Natural Resources and
23 Conservation; and

24 WHEREAS, the City-County of Butte-Silver Bow, Montana (the "Borrower"), has
25 applied to the DNRC for a loan (the "2014 Loan") from the Revolving Fund to enable the
26 Borrower to finance, refinance or reimburse itself for a portion of the costs of the Wastewater
27 Treatment Plant Project (as hereinafter defined) which will carry out the purposes of the Clean
28 Water Act; and

29 WHEREAS, the Borrower is authorized under applicable laws, ordinances and
30 regulations to adopt this Resolution and to issue the Series 2014 Bond (as hereinafter defined) to
31 evidence the 2014 Loan for the purposes set forth herein; and

32 WHEREAS, the DNRC will fund the 2014 Loan (as hereinafter defined) entirely with
33 proceeds of EPA federal capitalization grants, either directly or as that portion of Recycled
34 Money (as hereinafter defined) that is allocable solely to EPA federal capitalization grants.

1 NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF
2 COMMISSIONERS OF THE BORROWER, AS FOLLOWS:

3 ARTICLE I

4
5 DEFINITIONS, RULES OF CONSTRUCTION AND APPENDICES

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

8 “Accountant” or “Accountants” means an independent certified public accountant
9 or a firm of independent certified public accountants satisfactory to the DNRC.

10 “Acquisition and Construction Account” means the account within the Fund
11 established pursuant to Sections 11.1 and 11.2.

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

14 “Administrative Expense Surcharge” means a surcharge on the 2014 Loan
15 charged by the DNRC to the Borrower equal to twenty-five hundredths of one percent (0.25%)
16 per annum on the outstanding principal amount of the 2014 Loan, payable by the Borrower on
17 the same dates that payments of interest on the 2014 Loan are due.

18 “Authorized DNRC Officer” means the Director or Deputy Director of the
19 DNRC, and, when used with reference to an act or document, also means any other individual
20 authorized by resolution of the Department of Natural Resources and Conservation to perform
21 such act or sign such document. If authorized by the Department of Natural Resources and
22 Conservation, an Authorized DNRC Officer may delegate all or a portion of his authority as an
23 Authorized DNRC Officer to another individual, and such individual shall be deemed an
24 Authorized DNRC Officer for purposes of exercising such authority.

25 “Bond Counsel” means any Counsel acceptable to the DNRC which is nationally
26 recognized as bond counsel. Counsel is nationally recognized as bond counsel if it has rendered
27 a legal opinion as to the validity and enforceability of state or municipal bonds and as to the
28 exclusion of interest thereon from gross income for federal income tax purposes (short-term
29 issues excluded) during the two-year period preceding the date of determination.

30 “Bonds” means the Series 2014 Bond and any Sewer Debt to be issued on a parity
31 therewith pursuant to Article X, excluding Subordinate Obligations.

32 “Borrower” means the City-County of Butte-Silver Bow, Montana and any
33 permitted successor or assign, as described below.

34 “Business Day” means any day which is not a Saturday or Sunday and is not a
35 day on which banks in Montana are authorized or required by law to close.

1 “Clean Water Act” means the Federal Water Pollution Control Act, 33 U.S.C. §§
2 1251-1387, as amended, and all regulations, rules and interpretations issued by the EPA
3 thereunder.

4 “Closing” means the date of delivery of the Series 2014 Bond to the DNRC.

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

6 “Collateral Documents” means any security agreement, guaranty or other
7 document or agreement delivered to the DNRC securing the obligations of the Borrower under
8 this Resolution and the Series 2014 Bond. If no Collateral Documents secure such obligations,
9 any reference to Collateral Documents in this Resolution shall be without effect.

10 “Committed Amount” means the amount of the 2014 Loan committed to be lent
11 by the DNRC to the Borrower pursuant to Section 4.1, as such amount may be reduced pursuant
12 to Sections 3.2 and 3.4.

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

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

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

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

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

33 “Enabling Act” means Montana Code Annotated, Title 7, Chapter 7, Parts 44 and
34 45, as amended, which authorizes the Borrower to own and operate the System, to undertake the
35 Wastewater Treatment Plant Project and to issue the Series 2014 Bond to finance a portion of the
36 costs of the Wastewater Treatment Plant Project.

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

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

5 “EPA Capitalization Grant” means a grant of funds to the State by the EPA under
6 Title VI of the Clean Water Act and any grant made available by the EPA for deposit in the
7 Revolving Fund pursuant to Section 205(m) of the Clean Water Act.

8 “Fund” means the Sewer System Fund established pursuant to Section 11.1.

9 “Governmental Unit” means governmental unit as such term is used in Section
10 145(a) of the Code.

11 “Indenture” means the Indenture of Trust, dated as of June 1, 1991, between the
12 Board of Examiners of the State and the Trustee, as such may be supplemented or amended from
13 time to time in accordance with the provisions thereof, pursuant to which, among other things,
14 the State Bonds are to be or have been issued.

15 “Loan” or “2014 Loan” means the loan made to the Borrower by the DNRC
16 pursuant to the Program in the maximum amount of the Committed Amount to provide funds to
17 pay a portion of the costs of the Wastewater Treatment Plant Project and fund the Reserve
18 Account to the Reserve Requirement.

19 “Loan Loss Reserve Surcharge” means a surcharge on the 2014 Loan charged by
20 the DNRC to the Borrower equal to twenty-five hundredths of one percent (0.25%) per annum
21 on the outstanding principal amount of the 2014 Loan, payable by the Borrower on the same
22 dates that payments of interest on the 2014 Loan are due.

23 “Loan Repayments” means periodic installments of principal and interest by
24 Borrower in repayment of the 2014 Loan, at the rate and times specified in Article V.

25 “Loan Term” means that period of time commencing and ending as set in
26 Sections 4.2 and 4.3.

27 “Net Revenues” means the entire amount of the gross revenues of the System (as
28 described in Section 11.1) remaining upon each such monthly apportionment, after crediting to
29 the Operating Account the amount required hereby, including sums required to maintain the
30 Operating Reserve in the minimum amount herein stated.

31 “Note” means a sewer system revenue note payable from amounts available in the
32 Note Account.

33 “Note Account” means the account within the Fund established pursuant to
34 Sections 11.1 and 11.8.

1 “Operating Account” means the account within the Fund established pursuant to
2 Sections 11.1 and 11.3.

3 “Operating Expenses” means those expenses of the System defined as such in
4 Section 11.3.

5 “Operating Reserve” means the reserve to be maintained in the Operating
6 Account as required by Section 11.3.

7 “Opinion of Counsel” means a written opinion of Counsel.

8 “Outstanding Bonds” shall have the meaning assigned in Section 9.2.

9 “Payment Date” means each January 1 and July 1 during the term of the 2014
10 Loan on which a payment of interest or principal and interest is due, as determined under this
11 Resolution.

12 “Person” means any Private Person or Public Entity.

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

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

17 “Project” means the costs of designing, engineering, acquiring, constructing,
18 installing, improving, or enlarging the System, or any part thereof, financed, refinanced or the
19 cost of which is being reimbursed to the Borrower in part with proceeds of the Bonds or other
20 funds of the Borrower, including the Wastewater Treatment Plant Project.

21 “Public Entity” means a municipality, city, county, school district, political or
22 administrative subdivision of State government, irrigation district, drainage district or other
23 public body established by State law.

24 “Recycled Money” means payments and prepayments of principal of any loans
25 made under the Program, and any other amounts transferred to the Principal Subaccount in the
26 Revenue Subaccount in the State Allocation Account.

27 “Regulations” means the Treasury Regulations, whether final, temporary or
28 proposed, promulgated under the Code or otherwise applicable to the Series 2014 Bond.

29 “Replacement and Depreciation Account” means the account within the Fund
30 established pursuant to Sections 11.1 and 11.6.

31 “Reserve Account” means the account within the Fund established pursuant to
32 Sections 11.1 and 11.5.

1 “Reserve Requirement” means, as of the date of calculation, an amount equal to
2 one-half of the sum of the highest amount of principal of and interest payable on outstanding
3 Bonds in the current or any future fiscal year (giving effect to mandatory sinking fund
4 redemption, if any).

5 “Reserved Amounts” means any undisbursed Committed Amount which will or
6 may be required to pay any remaining costs of the 2014Project upon completion thereof as
7 provided in Section 3.4(a).

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

10 “Revenue Bond Account” means the account within the Fund established
11 pursuant to Sections 11.1 and 11.4.

12 “Series 2014 Bond” means the \$10,000,000 Sewer System Revenue Bond (DNRC
13 Water Pollution Control State Revolving Loan Program), Series 2014, issued by the Borrower to
14 the DNRC to evidence the 2014 Loan.

15 “Sewer Debt” means all Bonds and any other Debt incurred to acquire, construct,
16 extend, improve, add to or otherwise pay expenses of or related to the System, without regard to
17 the source of payment and security for such Debt (i.e., without regard to whether it is general
18 obligation or revenue Debt).

19 “Sewer Revenues” means revenues (gross or net) received by the Borrower from
20 or in connection with the operation of the System.

21 “State” means the State of Montana.

22 “State Bonds” means the State’s General Obligation Bonds (Water Pollution
23 Control State Revolving Fund Program), issued pursuant to the Indenture.

24 “Subordinate Obligations” means bonds or other obligations issued pursuant to
25 Section 10.4 hereof.

26 “Supplemental Resolution” means any other resolution supplemental to the
27 Resolution.

28 “Surplus Account” means the account within the Fund established pursuant to
29 Sections 11.1 and 11.7.

30 “Surplus Net Revenues” means that portion of the Net Revenues in excess of the
31 current requirements of the Operating Account, the Revenue Bond Account and the Reserve
32 Account.

33 “System” means the existing sewer system of the Borrower and all extensions,
34 improvements and betterments thereof hereafter constructed and acquired, including, without
35 limitation, the Wastewater Treatment Plant Project.

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

3 (ii) has all requisite power and authority and all necessary licenses and
4 permits required as of the date hereof to own and operate the System and to carry on its
5 current activities with respect to the System, to adopt this Resolution and to enter into the
6 Collateral Documents and to issue the Series 2014 Bond and to carry out and
7 consummate all transactions contemplated by this Resolution, the Bond and the Collateral
8 Documents;

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

10 (iv) has determined, as of the date hereof, based on actual but unaudited
11 financial information for fiscal year 2014, it has sufficient Net Revenues to issue up to
12 \$30,268,000 in principal amount of Bonds to finance, with other available funds, the total
13 costs of the Wastewater Treatment Plant Project and ancillary costs and to satisfy the rate
14 covenant set forth in Section 6.7 below; and

15 (v) has taken all proper action to authorize the execution, delivery and
16 performance of its obligations under this Resolution, the Series 2014 Bond and the
17 Collateral Documents and the incurrence of the Debt evidenced by the Series 2014 Bond
18 in the maximum amount of the Committed Amount.

19 (b) Pending Litigation. There is no litigation or proceeding pending, or to the
20 knowledge of the Borrower threatened, against or affecting the Borrower in any court or before
21 or by any governmental authority or arbitration board or tribunal that, if adversely determined,
22 would materially and adversely affect the existence, corporate or otherwise, of the Borrower, or
23 the ability of the Borrower to make all payments and otherwise perform its obligations under this
24 Resolution, the Series 2014 Bond and the Collateral Documents, or the financial condition of the
25 Borrower, or the transactions contemplated by this Resolution, the Bond and the Collateral
26 Documents or the validity and enforceability of this Resolution, the Series 2014 Bond and the
27 Collateral Documents. No referendum petition has been filed with respect to any resolution or
28 other action of the Borrower relating to the Wastewater Treatment Plant Project, the Series 2014
29 Bond or any Collateral Documents and the period for filing any such petition will have expired
30 before issuance of the Bond.

31 (c) Borrowing Legal and Authorized. The adoption of this Resolution, the
32 execution and delivery of the Series 2014 Bond and the Collateral Documents and the
33 consummation of the transactions provided for in this Resolution, the Series 2014 Bond and the
34 Collateral Documents and compliance by the Borrower with the provisions of this Resolution,
35 the Series 2014 Bond and the Collateral Documents:

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

38 (ii) do not and will not result in any breach of any of the terms, conditions
39 or provisions of, or constitute a default under, or result in the creation or imposition of

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

8 (d) No Defaults. No event has occurred and no condition exists that, upon
9 execution and delivery of the Bond and the Collateral Documents, would constitute a default
10 under this Resolution or the Collateral Documents. The Borrower is not in violation of any term
11 of any agreement, bond resolution, trust indenture, charter or other instrument to which it is a
12 party or by which it or its property may be bound which violation would materially and
13 adversely affect the transactions contemplated hereby or the compliance by the Borrower with
14 the terms hereof or of the Series 2014 Bond and the Collateral Documents.

15 (e) Governmental Consent. The Borrower has obtained or made all permits,
16 findings and approvals required to the date of adoption of this Resolution by any governmental
17 body or officer for the making and performance by the Borrower of its obligations under this
18 Resolution, the Series 2014 Bond and the Collateral Documents (including any necessary sewer
19 rate increase) or for the Wastewater Treatment Plant Project, the financing or refinancing thereof
20 or the reimbursement of the Borrower for the costs thereof. No consent, approval or
21 authorization of, or filing, registration or qualification with, any governmental authority (other
22 than those, if any, already obtained) is required on the part of the Borrower as a condition to
23 adopting this Resolution, issuing the Bond or entering into the Collateral Documents and the
24 performance of the Borrower's obligations hereunder and thereunder. If a utility board or
25 commission manages or controls the System, such board or commission has agreed with the
26 DNRC to abide by the terms of this Resolution and the Collateral Documents, including
27 approving any necessary sewer rate increases.

28 (f) Binding Obligation. This Resolution, the Series 2014 Bond and any
29 Collateral Documents to which the Borrower is a party are the valid and binding obligations and
30 agreements of the Borrower, enforceable against the Borrower in accordance with their terms
31 except to the extent that the enforceability thereof may be limited by laws relating to bankruptcy,
32 moratorium, reorganization, insolvency or similar laws affecting creditors' rights and general
33 principles of equity.

34 (g) The Wastewater Treatment Plant Project. The Wastewater Treatment Plant
35 Project consists and will consist of the facilities, improvements and activities described in
36 Appendix A, as such Appendix A may be amended from time to time in accordance with the
37 provisions of Article III of this Resolution.

38 (h) Full Disclosure. There is no fact that the Borrower has not specifically
39 disclosed in writing to the DNRC that materially and adversely affects or (so far as the Borrower
40 can now foresee), except for pending or proposed legislation or regulations that are a matter of
41 general public information, that will materially and adversely affect the properties, operations
42 and finances of the System, the Borrower's status as a Public Entity and Governmental Unit, its

1 ability to own and operate the System in the manner it is currently operated or the Borrower's
2 ability to perform its obligations under this Resolution, the Series 2014 Bond and the Collateral
3 Documents and to pledge any revenues or other property pledged to the payment of the Bond.

4 (i) Compliance With Law. The Borrower:

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

9 (2) has obtained all licenses, permits, franchises or other governmental
10 authorizations necessary to the ownership of the System and the operation thereof and
11 agrees to obtain all such licenses, permits, franchises or other governmental
12 authorizations as may be required in the future for the System and the operation thereof,
13 which failure to obtain might materially and adversely affect the ability of the Borrower
14 to conduct the operation of the System as presently conducted or the condition (financial
15 or otherwise) of the System or the Borrower's ability to perform its obligations under this
16 Resolution, the Series 2014 Bond and the Collateral Documents.

17 Section 2.2. Covenants.

18 (a) Insurance. The Borrower at all times shall keep and maintain with respect to
19 the System property and casualty insurance and liability insurance with financially sound and
20 reputable insurers, or self-insurance as authorized by State law, against such risks and in such
21 amounts, and with such deductible provisions, as are customary in the State in the case of entities
22 of the same size and type as the Borrower and similarly situated and shall carry and maintain, or
23 cause to be carried and maintained, and pay or cause to be paid timely the premiums for all such
24 insurance. Nothing herein shall be construed to prohibit or preclude the Borrower from self-
25 insuring or participating in a self-insurance program in compliance with the provisions of
26 Montana law. All such insurance policies shall name the DNRC as an additional insured to
27 extent permitted or available under the policy or program of insurance. Each policy must
28 provide that it cannot be cancelled by the insurer without giving the Borrower and the DNRC 30
29 days' prior written notice. The Borrower shall give the DNRC prompt notice of each insurance
30 policy it obtains or maintains to comply with this Section 2.2(a) and of each renewal,
31 replacement, change in coverage or deductible under or amount of or cancellation of each such
32 insurance policy and the amount and coverage and deductibles and carrier of each new or
33 replacement policy. Such notice shall specifically note any adverse change as being an adverse
34 change. The Borrower shall deliver to the DNRC at Closing a certificate providing the
35 information required by this Section 2.2(a).

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

1 (c) Further Assurance. The Borrower shall execute and deliver to the DNRC all
2 such documents and instruments and do all such other acts and things as may be necessary or
3 required by the DNRC to enable the DNRC to exercise and enforce its rights under this
4 Resolution, the Series 2014 Bond and the Collateral Documents and to realize thereon, and
5 record and file and re-record and refile all such documents and instruments, at such time or
6 times, in such manner and at such place or places, all as may be necessary or required by the
7 DNRC to validate, preserve and protect the position of the DNRC under this Resolution, the
8 Series 2014 Bond and the Collateral Documents.

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

10 (i) The Borrower shall, at its expense, take all necessary action to
11 maintain and preserve the lien and security interest of this Resolution and the Collateral
12 Documents so long as any amount is owing under this Resolution or the Series 2014
13 Bond;

14 (ii) The Borrower shall forthwith, after the execution and delivery of the
15 Series 2014 Bond and thereafter from time to time, cause this Resolution and any
16 Collateral Documents granting a security interest in revenues or real or personal property
17 and any financing statements or other notices or documents relating thereto to be filed,
18 registered and recorded in such manner and in such places as may be required by law in
19 order to perfect and protect fully the lien and security interest hereof and thereof and the
20 security interest in them granted by this Resolution and, from time to time, shall perform
21 or cause to be performed any other act required by law, including executing or causing to
22 be executed any and all required continuation statements and shall execute or cause to be
23 executed any further instruments that may be requested by the DNRC for such perfection
24 and protection; and

25 (iii) Except to the extent it is exempt therefrom, the Borrower shall pay or
26 cause to be paid all filing, registration and recording fees incident to such filing,
27 registration and recording, and all expenses incident to the preparation, execution and
28 acknowledgment of the documents described in subparagraph (ii), and all federal or state
29 fees and other similar fees, duties, imposts, assessments and charges arising out of or in
30 connection with the execution and delivery of the Series 2014 Bond and the Collateral
31 Documents and the documents described in subparagraph (ii).

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

34 (f) Financial Information. The Borrower agrees that for each fiscal year it shall
35 furnish to the DNRC and the DEQ, promptly when available:

36 (1) the preliminary budget for the System, with items for the Project
37 shown separately; and

38 (2) when adopted, the final budget for the System, with items for the
39 Project shown separately.

1 The Borrower will cause proper and adequate books of record and account to be
2 kept showing complete and correct entries of all receipts, disbursements and other transactions
3 relating to the System, the monthly gross revenues derived from its operation, and the
4 segregation and application of the gross revenues in accordance with this Resolution, in such
5 reasonable detail as may be determined by the Borrower in accordance with generally accepted
6 governmental accounting practice and principles. It will cause such books to be maintained on
7 the basis of the same fiscal year as that utilized by the Borrower. The Borrower shall, within 270
8 days after the close of each fiscal year, cause to be prepared and supply to the DNRC a financial
9 report with respect to the System for such fiscal year. The report shall be prepared at the
10 direction of the financial officer of the Borrower in accordance with applicable generally
11 accepted governmental accounting principles and, in addition to whatever matters may be
12 thought proper by the financial officer to be included therein, shall include the following:

13 (A) A statement in detail of the income and expenditures of the System for the
14 fiscal year, identifying capital expenditures and separating them from operating
15 expenditures;

16 (B) A balance sheet as of the end of the fiscal year;

17 (C) The number of premises connected to the System at the end of the fiscal year;

18 (D) The amount on hand in each account of the Fund at the end of the fiscal year;

19 (E) A list of the insurance policies and fidelity bonds in force at the end of the
20 fiscal year, setting out as to each the amount thereof, the risks covered thereby, the name
21 of the insurer or surety and the expiration date of the policy or bond; and

22 (F) A determination that the report shows full compliance by the Borrower with
23 the provisions of this Resolution during the fiscal year covered thereby, including proper
24 segregation of the capital expenditures from operating expenses, maintenance of the
25 required balance in the Revenue Bond Account (as hereinafter defined), and receipt of
26 Net Revenues during each fiscal year at least equal to 110% of the maximum amount of
27 principal and interest payable on outstanding Bonds in any subsequent fiscal year, or, if
28 the report should reveal that the revenues have been insufficient for compliance with this
29 Resolution, or that the methods used in accounting for such revenues were contrary to
30 any provision of this Resolution, the report shall include a full explanation thereof,
31 together with recommendations for such change in rates or accounting practices or in the
32 operation of the System as may be required.

33 The Borrower shall also have prepared and supplied to the DNRC and the DEQ,
34 within 270 days of the close of every other fiscal year, an audit report prepared by an
35 independent certified public accountant or an agency of the state in accordance with generally
36 accepted governmental accounting principles and practice with respect to the financial
37 statements and records of the System. The audit report shall include an analysis of the
38 Borrower's compliance with the provisions of this Resolution.

1 (g) Project Accounts. The Borrower shall maintain project accounts in
2 accordance with generally accepted government accounting standards, and as separate accounts,
3 as required by Section 602(b)(9) of the Clean Water Act.

4 (h) Records. After reasonable notice from the EPA, the Borrower shall make
5 available to the EPA such records as the EPA reasonably requires to review and determine
6 compliance with Title VI of the Clean Water Act, as provided in Section 606(e) of the Clean
7 Water Act.

8 (i) Compliance with Clean Water Act. The Borrower has complied and shall
9 comply with all conditions and requirements of the Clean Water Act pertaining to the 2014 Loan
10 and the Wastewater Treatment Plant Project.

11 (j) Program Covenant. The Borrower agrees that neither it nor any “related
12 person” to the Borrower (within the meaning of Section 147(a)(2) of the Code) shall, whether
13 pursuant to a formal or informal arrangement, acquire bonds issued by the State under the
14 Indenture in an amount related to the amount of the Series 2014 Bond.

15 ARTICLE III

16 USE OF PROCEEDS; THE 2014 PROJECT

17
18 Section 3.1. Use of Proceeds. The Borrower shall apply the proceeds of the 2014
19 Loan from the DNRC solely as follows:

20 (a) The Borrower shall apply the proceeds of the 2014 Loan solely to the
21 financing, refinancing or reimbursement of a portion of the costs of the Wastewater
22 Treatment Plant Project and funding the Reserve Account to the Reserve Requirement as
23 set forth in Appendix A hereto and this Section 3.1. The 2014 Loan will be disbursed in
24 accordance with Article IV hereof and Article VII of the Indenture. If the Wastewater
25 Treatment Plant Project has not been completed prior to Closing, the Borrower shall, as
26 quickly as reasonably possible, complete the Wastewater Treatment Plant Project and
27 expend proceeds of the Series 2014 Bond to pay a portion of the costs of completing the
28 Wastewater Treatment Plant Project.

29 (b) No portion of the proceeds of the 2014 Loan shall be used to
30 reimburse the Borrower for costs paid prior to the date of adoption of this Resolution of a
31 Project the construction or acquisition of which occurred or began earlier than March 7,
32 1985. In addition, if any proceeds of the 2014 Loan are to be used to reimburse the
33 Borrower for Wastewater Treatment Plant Project costs paid prior to the date of adoption
34 of this Resolution and in a prior fiscal year of the Borrower, the Borrower represents that
35 at the time it incurred such costs it intended to finance them with tax-exempt debt or a
36 loan under a state revolving fund program such as the Program.

37 (c) Any Debt to be refinanced with proceeds of the 2014 Loan was
38 incurred after March 7, 1985, or a Project the construction or acquisition of which began
39 after March 7, 1985. No proceeds of the 2014 Loan shall be used for the purpose of

1 refinancing an obligation the interest on which is exempt from federal income tax or
2 excludable from gross income for purposes of federal income taxation unless the DNRC
3 has received an Opinion of Bond Counsel, satisfactory to it, to the effect that such
4 refinancing will not adversely affect the exclusion of interest on the State Bonds from
5 gross income for purposes of federal income taxation.

6 Section 3.2. The Wastewater Treatment Plant Project. Set forth in Appendix A to
7 this Resolution is a description of the Wastewater Treatment Plant Project, which describes the
8 property which has been or is to be acquired, installed, constructed or improved and the other
9 activities, if any to be funded from the 2014 Loan (the Wastewater Treatment Plant Project may
10 consist of more than one facility or activity). The Wastewater Treatment Plant Project may be
11 changed and the description thereof in Appendix A may be amended from time to time by the
12 Borrower but only after delivery to the DNRC of the following:

13 (a) A certificate of the Borrower setting forth the amendment to Appendix
14 A and stating the reason therefor, including statements whether the amendment would
15 cause an increase or decrease in the cost of the Wastewater Treatment Plant Project, an
16 increase or decrease in the amount of 2014 Loan proceeds which will be required to
17 complete the Wastewater Treatment Plant Project and whether the change will materially
18 accelerate or delay the construction schedule for the Wastewater Treatment Plant Project;

19 (b) A written consent to such change in the Wastewater Treatment Plant
20 Project by an Authorized DNRC Officer; and

21 (c) An Opinion or Opinions of Bond Counsel stating that the Wastewater
22 Treatment Plant Project, as constituted after such amendment, is, and was at the time the
23 State Bonds were issued, eligible for financing under the Act and is, and was at the time
24 the Series 2014 Bond was issued, eligible for financing under the Enabling Act, such
25 amendment will not violate the Act or the Enabling Act and such amendment will not
26 adversely affect the exclusion of interest on the State Bonds or the Series 2014 Bond
27 from gross income for purposes of federal income taxation. Such an Opinion of Bond
28 Counsel shall not be required for amendments which do not affect the type of facility to
29 be constructed or activity to be financed.

30 The Borrower acknowledges and agrees that an increase in the principal amount
31 of the 2014 Loan may be made only upon an application to the DEQ, the DNRC and the Trustee,
32 in such form as the DEQ shall specify, which is approved by the DEQ and the DNRC, in their
33 sole and absolute discretion, and adoption by the governing body of the Borrower of a resolution
34 amendatory of or supplementary to this resolution authorizing the additional loan and delivery of
35 written certifications by officers of the Borrower to the DEQ, the DNRC and the Trustee to the
36 effect that all representations and covenants contained in this resolution as it may be so amended
37 or supplemented are true as of the date of closing of the additional loan. No assurance can be
38 given that any additional loan funds will be available under the Program at the time of any such
39 application or thereafter. The Borrower acknowledges and agrees that neither the DEQ, the
40 DNRC, the Trustee nor any of their agents, employees or representatives shall have any liability
41 to the Borrower and have made no representations to the Borrower as to the sufficiency of the

1 2014 Loan to pay Project Costs or as to the availability of additional funds under the Program to
2 increase the principal amount of the 2014 Loan.

3 Section 3.3. Wastewater Treatment Plant Project Representations and Covenants.
4 The Borrower hereby represents to and covenants with the DNRC that:

5 (a) all construction of the Wastewater Treatment Plant Project has
6 complied and will comply with all federal and state standards, including, without
7 limitation, EPA regulations and standards;

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

13 (c) all future construction will be done in accordance with plans and
14 specifications on file with the DNRC and the DEQ, provided that changes may be made
15 in such plans and specifications with the written consent of an Authorized DNRC Officer
16 and the DEQ;

17 (d) all laborers and mechanics employed by contractors and
18 subcontractors on the Wastewater Treatment Plant Project have been and will be paid
19 wages at rates not less than those prevailing on projects of a character similar in the
20 locality as determined by the United States Secretary of Labor in accordance with
21 subchapter IV of chapter 31 of title 40, United States Code;

22 (e) the iron and steel products used in the Wastewater Treatment Plant
23 Project comply with the "American Iron and Steel" requirements of Section 436 of the
24 Consolidated Appropriations Act of 2014 (P.L. 113-76), as those requirements are further
25 interpreted by applicable EPA guidance; and (d) the Wastewater Treatment Plant Project
26 is a project of the type permitted to be financed under the Enabling Act, the Act and the
27 Program and Title VI of the Clean Water Act; and

28 (f) the Borrower will undertake the Wastewater Treatment Plant Project
29 promptly after the Closing Date and will cause the Wastewater Treatment Plant Project to
30 be completed as promptly as practicable with all reasonable dispatch, except only as
31 completion may be delayed by a cause or event not reasonably within the control of the
32 Borrower; it is estimated by the Borrower that the Wastewater Treatment Plant Project
33 will be substantially completed by December 31, 2016 (the "Estimated Completion
34 Date").

35 Section 3.4. Completion or Cancellation or Reduction of Costs of the Wastewater
36 Treatment Plant Project.

37 (a) Upon completion of the Wastewater Treatment Plant Project, the
38 Borrower shall deliver to the DNRC a certificate stating that the Wastewater Treatment

1 Plant Project is complete, stating the amount, if any, of the Reserved Amounts, and
2 releasing the remaining amount, if any, of the Committed Amount. If any Reserved
3 Amount is not later needed, the Borrower shall so inform the DNRC and release such
4 amount. If Appendix A describes two or more separate projects as making up the
5 Wastewater Treatment Plant Project, a separate completion certificate shall be delivered
6 for each.

7 (b) If all or any portion of the Wastewater Treatment Plant Project is
8 cancelled or cut back or its costs are reduced or for any other reason the Borrower will
9 not require the full Committed Amount, the Borrower shall promptly notify the DNRC in
10 writing of such fact and release the portion of the Committed Amount which will not be
11 needed.

12 ARTICLE IV

13 THE 2014 LOAN

14
15 Section 4.1. The 2014 Loan; Disbursement of 2014 Loan. The DNRC has agreed
16 to lend to the Borrower, from time to time as the requirements of this Section 4.1 are met, an
17 amount up to \$10,000,000 (the “Committed Amount”) for the purposes of financing, refinancing
18 or reimbursing the Borrower a portion of the costs of the Wastewater Treatment Plant Project
19 and funding the Reserve Account to the Reserve Requirement; provided the DNRC shall not be
20 required to loan any proceeds of the State Bonds to the Borrower after 360 days following the
21 Estimated Completion Date. The Committed Amount may be reduced as provided in Sections
22 3.2 and 3.4. The 2014 Loan shall be disbursed as provided in this Section 4.1. The DNRC
23 intends to disburse the 2014 Loan through the Trustee.

24 (a) In consideration of the issuance of the Series 2014 Bond by the
25 Borrower, the DNRC shall make, or cause the Trustee to make, a disbursement of all or a
26 portion of the 2014 Loan upon receipt of the following documents:

27 (1) an Opinion of Bond Counsel as to the validity and
28 enforceability of the Series 2014 Bond and the security therefor and stating in
29 effect that interest on the Series 2014 Bond is not includable in gross income of
30 the owner thereof for purposes of federal income taxation, in form and substance
31 satisfactory to the DNRC;

32 (2) the Series 2014 Bond, fully executed and authenticated;

33 (3) a certified copy of this Resolution;

34 (4) any other security instruments or documents required by the
35 DNRC or DEQ as a condition to their approval of the 2014 Loan;

36 (5) if all or part of a 2014 Loan is being made to refinance a
37 Project or reimburse the Borrower for the costs of a Project paid prior to the
38 Closing, evidence, satisfactory to the DNRC and the Bond Counsel referred to in

1 (1) above, (A) that the acquisition or construction of the Project was begun no
2 earlier than March 7, 1985 or the debt was incurred no earlier than March 7, 1985,
3 (B) of the Borrower's title to the Project, (C) of the costs of such Project and that
4 such costs have been paid by the Borrower and (D) if such costs were paid in a
5 previous fiscal year of the Borrower, that the Borrower intended at the time it
6 incurred such costs to finance them with tax-exempt debt or a loan under a state
7 revolving fund program such as the Program;

8 (6) the items required by the Indenture for the portion of the 2014
9 Loan to be disbursed at Closing;

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

14 (b) In order to obtain a disbursement of a portion of the 2014 Loan to pay
15 costs of the Wastewater Treatment Plant Project, the Borrower shall submit to the DNRC
16 and the Trustee a signed request for disbursement on the form prescribed by the DNRC,
17 with all attachments required by such form. The Borrower may obtain disbursements
18 only for costs which have been legally incurred and are due and payable. All 2014 Loan
19 disbursements will be made to the Borrower only upon proof that cost was incurred.

20 (c) On the date of Closing, the Trustee is authorized to make an initial
21 disbursement of the 2014 Loan in an amount sufficient to pay the Administration Fee.
22 The DNRC will retain, and not physically advance to the Borrower, an amount equal to
23 the sum of Administration Fee, and the Borrower acknowledges and agrees that such
24 retainage constitutes a disbursement of proceeds of the 2014 Loan in an amount equal to
25 the amount retained by the DNRC.

26 (d) For refinancings, a disbursement schedule complying with the
27 requirements of the Clean Water Act shall be established by the DNRC and the Borrower
28 at Closing. The Trustee shall disburse 2014 Loan amounts directly to the holder of the
29 debt being refinanced according to such schedule. If the Borrower should repay all or a
30 portion of the debt to be refinanced from other sources or should otherwise not need any
31 portion of the 2014 Loan which was to have been used to refinance such debt, it shall
32 inform the DNRC and the Trustee of such fact pursuant to Section 3.4(b) and a new
33 disbursement schedule shall be drawn up by the DNRC. The DNRC shall obtain a
34 receipt from the holder of the debt being refinanced for each disbursement made to pay or
35 prepay a portion of such debt.

36 (e) If all or a portion of a 2014 Loan is made to reimburse a Borrower for
37 Wastewater Treatment Plant Project costs paid by it prior to Closing, the Borrower shall
38 present at Closing the items required by Section 4.1(b) relating to such costs. The
39 Trustee shall disburse such amounts to the Borrower pursuant to a disbursement schedule
40 complying with the requirements of the Clean Water Act established by the DNRC and
41 the Borrower at the Closing.

1 (f) Notwithstanding anything else provided herein, the Trustee shall not
2 be obligated to disburse the 2014 Loan any faster or to any greater extent than it has
3 available EPA Capitalization Grants, Bond proceeds and other amounts available therefor
4 in the Revolving Fund. The DNRC shall not be required to do “overmatching” pursuant
5 to Section 5.04(b) of the Indenture, but may do so in its discretion. The Borrower
6 acknowledges that if Wastewater Treatment Plant Project costs are incurred faster than
7 the Borrower projected at Closing, there may be delays in making 2014 Loan
8 disbursements for such costs because of the schedule under which EPA makes EPA
9 Capitalization Grant money available to the DNRC. The DNRC will use its
10 commercially reasonable efforts to obtain an acceleration of such schedule if necessary.

11 (g) Upon making each 2014 Loan disbursement, the Trustee shall note
12 such disbursement on Schedule A to the Series 2014 Bond.

13 (h) The Borrower agrees that it will deposit in the Reserve Account upon
14 receipt thereof, either on the Closing Date of the 2014 Loan or upon any disbursement
15 date, any proceeds of the 2014 Loan borrowed for the purpose of increasing the balance
16 in the Reserve Account to the Reserve Requirement. The Borrower further
17 acknowledges and agrees that any portion of the 2014 Loan representing capitalized
18 interest shall be advanced only on Payment Dates and shall be transferred by the Trustee
19 on the Payment Date directly to the Debt Service Account. The amount of any such
20 transfer shall be a credit against the interest payments due on the Series 2014 Bond and
21 interest thereon shall accrue only from the date of transfer.

22 Section 4.2. Commencement of Loan Term. The Borrower’s obligations under
23 this Resolution and the Collateral Documents shall commence on the date hereof unless
24 otherwise provided in this Resolution. However, the obligation to make payments under Article
25 V hereof shall commence only upon the first disbursement by the Trustee of 2014 Loan
26 proceeds.

27 Section 4.3. Termination of Loan Term. The Borrower’s obligations under this
28 Resolution and the Collateral Documents shall terminate upon payment in full of all amounts due
29 under the Series 2014 Bond and this Resolution; provided, however, that the covenants and
30 obligations provided in Article VII and Section 12.4 shall survive the termination of this
31 Resolution.

32 Section 4.4. Loan Closing Submissions. On or prior to the Closing, the Borrower
33 will have delivered to the DNRC and the Trustee the closing submissions required by Section
34 7.05 of the Indenture.

35 ARTICLE V

36 REPAYMENT OF LOAN

37
38 Section 5.1. Repayment of 2014 Loan. The Borrower shall repay the amounts
39 lent to it pursuant to Section 4.1 hereof, plus interest on the unpaid amounts lent at the rate of
40 two percent (2.00%) per annum, in semiannual Loan Repayments. In addition, the Borrower

1 shall pay an Administrative Expense Surcharge on the outstanding principal amount of the 2014
2 Loan at the rate of twenty-five hundredths of one percent (0.25%) per annum and a Loan Loss
3 Reserve Surcharge at the rate of twenty-five hundredths of one percent (0.25%) per annum on
4 the outstanding principal amount of the 2014 Loan. For purposes of this Resolution and the
5 Program, the term “interest on the Loan” or “interest on the 2014 Loan” shall include the
6 Administrative Expense Surcharge and the Loan Loss Reserve Surcharge. The Borrower shall
7 pay all Loan Repayments and the Administrative Expense Surcharge and the Loan Loss Reserve
8 Surcharge in lawful money of the United States of America to the DNRC. Interest and the
9 Administrative Expense Surcharge and the Loan Loss Reserve Surcharge shall be calculated on
10 the basis of a year of 360 days comprising 12 months of 30 days each.

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

14 (1) interest and the Administrative Expense Surcharge and the Loan Loss
15 Reserve Surcharge on the outstanding principal balance of the 2014 Loan shall be
16 payable on each January 1 and July 1, beginning on July 1, 2015, through and including
17 January 1, 2040; and

18 (2) the principal of the 2014 Loan shall be repayable on each Payment
19 Date, beginning on July 1, 2015 and concluding on January 1, 2040, and the amount of
20 each principal payment shall be calculated on the basis of a substantially level debt
21 service at a rate of 2.50% per annum.

22 The payments of principal of and interest and the Administrative Expense
23 Surcharge and the Loan Loss Reserve Surcharge on the 2014 Loan shall be due on the dates
24 specified above and on the dates and in the amounts shown in Schedule B to the Series 2014
25 Bond, as such Schedule B shall be modified from time to time as provided below. The portion of
26 each such Loan Repayment consisting of principal and the portion consisting of interest and the
27 amount of each Administrative Expense Surcharge and the amount of each Loan Loss Reserve
28 Surcharge shall be set forth in Schedule B to the Series 2014 Bond. Upon each disbursement of
29 2014 Loan amounts to the Borrower pursuant to Section 4.1 hereof, the Trustee shall enter or
30 cause to be entered the amount advanced on Schedule A to the Series 2014 Bond under
31 “Advances” and the total amount advanced under Section 4.1, including such disbursement,
32 under “Total Amount Advanced.”

33 If the advance was made to pay costs of the Wastewater Treatment Plant Project
34 pursuant to Section 4.1(b), interest and Administrative Expense Surcharge and Loan Loss
35 Reserve Surcharge on such advance shall accrue from the date the advance is made and shall be
36 payable on each Payment Date thereafter. Once the completion certificate for a Project has been
37 delivered to the DNRC or all of the principal amount of the 2014 Loan has been advanced,
38 whichever is earlier, the Trustee shall revise Schedule B to the Series 2014 Bond in accordance
39 with this Section 5.1, and the Trustee shall send a copy of such Schedule B to the Borrower
40 within one month after delivery of the completion certificate or the final advance of principal of
41 the 2014 Loan, whichever is earlier.

1 Past-due payments of principal and interest and the Administrative Expense
2 Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent
3 (10.00%) per annum, until paid.

4 Any payment of principal, interest or the Administrative Expense Surcharge and
5 Loan Loss Reserve Surcharge under this Section 5.1 shall also be credited against the same
6 payment obligation under the Series 2014 Bond.

7 Section 5.2. Additional Payments. The Borrower shall also pay, within 30 days
8 after receipt of a bill therefor, from any legally available funds therefor, including proceeds of
9 the 2014 Loan, if the Borrower so chooses, all reasonable expenses of the DNRC and the Trustee
10 in connection with the 2014 Loan, the Collateral Documents and the Series 2014 Bond,
11 including, but not limited to:

12 (1) the cost of reproducing this Resolution, the Collateral Documents and the
13 Series 2014 Bond;

14 (2) the fees and disbursements of Bond Counsel and other Counsel utilized by the
15 DNRC and the Trustee in connection with the 2014 Loan, this Resolution, the Collateral
16 Documents and the Series 2014 Bond and the enforcement thereof; and

17 (3) all taxes and other governmental charges in connection with the execution
18 and delivery of the Collateral Documents or the Series 2014 Bond, whether or not the
19 Series 2014 Bond is then outstanding, including all recording and filing fees relating to
20 the Collateral Documents and the pledge of the State's right, title and interest in and to
21 the Series 2014 Bond, the Collateral Documents and this Resolution and all expenses,
22 including attorneys' fees, relating to any amendments, waivers, consents or collection or
23 enforcement proceedings pursuant to the provisions hereof or thereof.

24 Section 5.3. Prepayments. The Borrower may not prepay all or any part of the
25 outstanding principal amount of the Series 2014 Bond unless (i) it obtains the prior written
26 consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge
27 or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC
28 must be accompanied by payment of accrued interest and Administrative Expense Surcharge and
29 Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If
30 the Series 2014 Bond is prepaid in part pursuant to this Section 5.3, such prepayments shall be
31 applied to principal payments in inverse order of maturity.

32 Section 5.4. Obligations of Borrower Unconditional. The obligations of the
33 Borrower to make the payments required by this Resolution and the Series 2014 Bond and to
34 perform its other agreements contained in this Resolution, the Series 2014 Bond and Collateral
35 Documents shall be absolute and unconditional, except as otherwise provided herein or in such
36 documents. The Borrower (a) shall not suspend or discontinue any payments provided for in this
37 Resolution and the Series 2014 Bond, (b) shall perform all its other agreements in this
38 Resolution, the Series 2014 Bond and the Collateral Documents and (c) shall not terminate this
39 Resolution, the Series 2014 Bond or the Collateral Documents for any cause, including any acts
40 or circumstances that may constitute failure of consideration, destruction of or damage to the

1 Wastewater Treatment Plant Project or the System, commercial frustration of purpose, any
2 dispute with the DNRC or the EPA, any change in the laws of the United States or of the State or
3 any political subdivision of either or any failure of the DNRC to perform any of its agreements,
4 whether express or implied, or any duty, liability or obligation arising from or connected with
5 this Resolution. Provided, however, if the loan contemplated herein is not made and no funds
6 are disbursed to the Borrower, this Resolution may be terminated.

7 Section 5.5. Limited Liability. All payments of principal of and interest on the
8 2014 Loan and other payment obligations of the Borrower hereunder and under the Series 2014
9 Bond shall be special, limited obligations of the Borrower payable solely out of the Net
10 Revenues or out of the Revenue Bond Account and shall not be payable out of any other funds or
11 revenues of the Borrower. The obligations of the Borrower under this Resolution and the Series
12 2014 Bond shall never constitute an indebtedness of the Borrower within the meaning of any
13 state constitutional provision or statutory limitation and shall never constitute or give rise to a
14 pecuniary liability of the Borrower or a charge against its general credit or taxing power. The
15 taxing powers of the Borrower are not pledged to pay principal of or interest on the Series 2014
16 Bond, and no funds or property of the Borrower other than the Net Revenues are pledged to pay
17 principal of or interest on the Series 2014 Bond.

18 ARTICLE VI

19 OTHER AGREEMENTS OF BORROWER

20
21 Section 6.1. Maintenance of System; Liens. The Borrower shall maintain the
22 System, including the Wastewater Treatment Plant Project, in good condition and make all
23 necessary renewals, replacements, additions, betterments and improvements thereto. The
24 Borrower shall not grant or permit to exist any lien on the Wastewater Treatment Plant Project or
25 any other property making up part of the System, other than liens securing Debt where a parity
26 lien secures the Series 2014 Bond; provided that this Section 6.1 shall not be deemed to be
27 violated if a mechanic's or contractor's lien is filed against any such property so long as the
28 Borrower uses its best efforts to obtain the discharge of such lien and promptly reports to the
29 DNRC the filing of such lien and the steps it plans to take and does take to discharge such lien.

30 Section 6.2. Maintenance of Existence; Merger, Consolidation, Etc.; Disposition
31 of Assets. The Borrower shall maintain its corporate existence, except that it may consolidate
32 with or merge into another Governmental Unit or permit one or more Governmental Units to
33 consolidate with or merge into it or may transfer all or substantially all of its assets to another
34 Governmental Unit and then dissolve if the surviving, resulting or transferee entity (if other than
35 the Borrower) (i) is a Public Entity and (ii) assumes in writing all of the obligations of the
36 Borrower under this Resolution, the Series 2014 Bond and the Collateral Documents, and (a)
37 such action does not result in any default in the performance or observance of any of the terms,
38 covenants or agreements of the Borrower under this Resolution, the Bond and the Collateral
39 Documents, (b) such action does not violate the Act or the Clean Water Act and does not
40 adversely affect the exclusion of interest on the Series 2014 Bond or the State Bonds from gross
41 income for federal income tax purposes and (c) the Borrower delivers to the DNRC on the date
42 of such action an Opinion of Bond Counsel that such action complies with this Section 6.2.

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

7 Section 6.3. Covenants Relating to the Tax-Exempt Status of the State Bonds.

8 (a) The Borrower covenants and agrees that it will not use or permit to be used
9 any of the proceeds of the Series 2014 Bond or any other funds of the Borrower, directly or
10 indirectly, in a manner that would cause, or take any other action that would cause, any State
11 Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code or would
12 otherwise cause the interest on the State Bonds to be included in gross income for purposes of
13 federal income taxation. In addition, the Borrower agrees that it will not enter into, or allow any
14 “related person” (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement,
15 formal or informal, for the purchase of the State Bonds or any other obligations of the DNRC in
16 an amount related to the amount of the 2014 Loan or the portion of the 2014 Loan derived
17 directly or indirectly from proceeds of the State Bonds or that would otherwise cause any State
18 Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code.

19 (b) The Borrower shall not use or permit the use of the Wastewater Treatment
20 Plant Project directly or indirectly in any trade or business carried on by any Person who is not a
21 Governmental Unit. For the purpose of this subparagraph, use as a member of the general public
22 shall not be taken into account and any activity carried on by a Person other than a natural person
23 shall be treated as a trade or business.

24 (c) Any portion of the Wastewater Treatment Plant Project being refinanced or
25 the cost of which is being reimbursed was acquired by and is now and shall, during the term of
26 the 2014 Loan, be owned by the Borrower and not by any other Person. Any portion of the
27 Wastewater Treatment Plant Project being financed shall be acquired by and shall, during the
28 term of the 2014 Loan, be owned by the Borrower and not by any other Person. Notwithstanding
29 the previous two sentences, the Borrower may transfer the Wastewater Treatment Plant Project
30 or a portion thereof to another Governmental Unit which is also a Public Entity if such transfer is
31 otherwise permitted hereunder and if such organization agrees with the DNRC to comply with
32 Sections 2.2(h), 2.2(i) and 6.3 hereof and if the DNRC receives an Opinion of Bond Counsel that
33 such transfer will not violate the Act or the Clean Water Act or adversely affect the exclusion of
34 interest on the Bonds from gross income for purposes of federal income taxation. In addition,
35 except as otherwise provided herein or in any Collateral Documents, the Borrower may sell or
36 otherwise dispose of any portion of the Wastewater Treatment Plant Project which has become
37 obsolete or outmoded or is being replaced or for other reasons is not needed by the Borrower or
38 beneficial to the general public or necessary to carry out the purposes of the Clean Water Act.

39 (d) At the Closing of the 2014 Loan the DNRC will, if necessary to obtain the
40 Opinion of Bond Counsel described in Section 7.05(a) of the Indenture, deliver to the Borrower
41 instructions concerning compliance by the Borrower with the arbitrage rebate requirements of
42 Section 148 of the Code (the “Arbitrage Rebate Instructions”). The Borrower shall comply with

1 the Arbitrage Rebate Instructions, if any, delivered to it by the DNRC at Closing, as such
2 Instructions may be amended or replaced by the DNRC from time to time. The Arbitrage Rebate
3 Instructions may be amended or replaced by new Arbitrage Rebate Instructions delivered by the
4 DNRC and accompanied by an Opinion of Bond Counsel to the effect that the use of said
5 amended or new Arbitrage Rebate Instructions will not adversely affect the excludability of
6 interest on the State Bonds or any Additional State Bonds (except Additional State Bonds the
7 interest on which the State did not intend to be excluded from gross income for federal income
8 tax purposes) from gross income of the recipients thereof for federal income tax purposes.

9 (e) The Borrower agrees that during the Loan Term it will not contract with or
10 permit any Private Person to manage the Wastewater Treatment Plant Project or any portion
11 thereof except according to a written management contract which complies with the following
12 provisions:

13 (1) If any contract between the Borrower and the Private Person with
14 respect to the Wastewater Treatment Plant Project provides for compensation based on a
15 percentage of fees charged for services rendered by the Private Person, the contract may
16 not exceed a term of five years (including any renewal options). At least 50% of the
17 compensation to the Private Person must be based upon a periodic fixed fee. In addition,
18 the Borrower must be able to cancel the contract without penalty or cause at the end of
19 any three-year period of the contract term. The compensation must be reasonable, and it
20 may not be based on a percentage of the net profits of the Wastewater Treatment Plant
21 Project or the System or any portion thereof or any other division or activity of the
22 Borrower.

23 (2) If any contract between the Borrower and the Private Person with
24 respect to the Wastewater Treatment Plant Project provides for compensation based on a
25 periodic flat fee, the compensation must be reasonable and the contract may not exceed a
26 term of five years (including any renewal options). In addition, the Borrower must be
27 able to cancel the contract without penalty or cause at the end of any three-year period of
28 the contract term. If the contract provides for automatic increases in the periodic flat fee,
29 the increases may not exceed the percentage increases determined by particular external
30 standards for computing such increases that are mutually agreed upon in the contract.
31 The percentage increases reflected in the Consumer Price Index compiled by the Bureau
32 of Labor Statistics, U.S. Department of Labor, or the actual percentage increases for
33 services that result from the application of external criteria (for example, increases in
34 rates paid by insurance companies) are illustrations of two external standards that may be
35 used.

36 (3) If a Private Person and the Borrower enter into a contract described in
37 subparagraph (1) or (2) above and the governing body of the Borrower contains five or
38 more members, no more than one member of the governing body of the Borrower may be
39 the Private Person or a related person (as described in Section 144(a)(3) of the Code) (a
40 "Related Person"), an employee of the Private Person or a Related Person, or a member
41 of the governing body of the Private Person or a Related Person. However, such Private
42 Person or a Related Person, employee of the Private Person or a Related Person or a
43 member of the governing body of the Private Person or a Related Person may not serve as

1 the chief executive of the Borrower. If a Private Person and the Borrower enter into a
2 contract described in (1) or (2) above and the governing body contains less than five
3 members, no member of the governing body may be the Private Person or a Related
4 Person, an employee of the Private Person or a Related Person or a member of the
5 governing body of the Private Person or a Related Person.

6 (4) The Borrower may depart from any of its agreements contained in
7 subparagraphs (1) through (3) if it delivers to the DNRC, at the Borrower's expense, an
8 Opinion of Bond Counsel that to do so would not adversely affect the exclusion of
9 interest on the State Bonds from gross income for purposes of federal income taxation.

10 (f) The Borrower may not lease the Wastewater Treatment Plant Project or any
11 portion thereof to any Person other than a Nonexempt Person which agrees in writing with the
12 Borrower and the State not to cause any Default to occur under this Resolution, provided the
13 Borrower may lease all or any portion of the Wastewater Treatment Plant Project to a
14 Nonexempt Person pursuant to a lease which in the Opinion of Bond Counsel delivered to the
15 DNRC will not cause the interest on the State Bonds to be included in gross income for purposes
16 of federal income taxation.

17 (g) The Borrower shall not change the use or nature of the Wastewater Treatment
18 Plant Project if (i) such change will violate the Clean Water Act, or (ii) so long as the State
19 Bonds are outstanding unless, in the Opinion of Bond Counsel delivered to the DNRC, such
20 change will not result in the inclusion in gross income of interest on the State Bonds for federal
21 income tax purposes.

22 Section 6.4. Competing Service. The Borrower will not establish or authorize the
23 establishment of any other system for the public supply of service or services in competition with
24 any or all of the services supplied by the facilities of the System.

25 Section 6.5. Billing. The charges for sewer services shall be billed at least
26 monthly, and if the bill is not paid within 60 days of the date of billing, or if the customer fails to
27 comply with all rules and regulations established for the System within 60 days after notice of
28 violation thereof (which notice shall be given promptly upon discovery of any such violation),
29 the water service to the premises involved shall be discontinued and shall not be resumed until
30 payment of all past-due bills for sewer service and compliance with all such rules and
31 regulations. The Borrower shall take appropriate legal action to collect the unpaid charges,
32 including, to the extent now or hereafter authorized by law, making the charge a lien against the
33 real property served by the sewer connection for which the charge remains unpaid and causing
34 charges with respect to such properties to be collected in the same manner as taxes levied against
35 property within the Borrower.

36 Section 6.6. Remedies. The DNRC, so long as it owns the Series 2014 Bond, or
37 the owners of not less than 25% in principal amount of the outstanding Bonds issued and secured
38 under the provisions of this Resolution shall have the right, either at law or in equity, through
39 suit, action or other proceedings, to protect and enforce the rights of all owners of such Bonds
40 and to compel the performance of any and all of the covenants required herein to be performed
41 by the Borrower, and its officers and employees, including but not limited to the fixing and

1 demands, expenses, liabilities and losses of every kind asserted by or on behalf of any Person
2 arising out of the acts or omissions of the Borrower or its employees, officers, agents,
3 contractors, subcontractors, or consultants in connection with or with regard or in any way
4 relating to the condition, use, possession, conduct, management, planning, design, acquisition,
5 construction, installation or financing of the Wastewater Treatment Plant Project. The Borrower
6 shall, to the extent permitted by law, also indemnify and save harmless the Indemnified Parties
7 against and from all costs, reasonable attorneys' fees, expenses and liabilities incurred in any
8 action or proceeding brought by reason of any such claim or demand. If any proceeding is
9 brought against an Indemnified Party by reason of such claim or demand, the Borrower shall,
10 upon notice from an Indemnified Party, defend such proceeding on behalf of the Indemnified
11 Party.

12
13 ARTICLE VIII

14
15 ASSIGNMENT

16 Section 8.1. Assignment by Borrower. The Borrower may not assign its rights
17 and obligations under this Resolution or the Series 2014 Bond, except as provided in Section 6.3.

18 Section 8.2. Assignment by DNRC. The DNRC will pledge its rights under and
19 interest in this Resolution, the Series 2014 Bond and the Collateral Documents (except to the
20 extent otherwise provided in the Indenture) as security for the payment of the State Bonds.

21 Section 8.3. State Refunding Bonds. In the event the State Bonds are refunded,
22 all references in this Resolution to State Bonds shall be deemed to refer to the refunding bonds
23 and any bonds of the State on a parity with such refunding bonds (together, the "Refunding
24 Bonds") or, in the case of a crossover refunding, to the State Bonds and the Refunding Bonds. In
25 the event the State Bonds are refunded by an issue of bonds other than State Bonds, all
26 references in this Resolution to the State Bonds shall be deemed to refer to such other bonds or,
27 in the case of a crossover refunding, both the State Bonds and such other bonds.

28
29 ARTICLE IX

30 THE SERIES 2014 BOND

31 Section 9.1. Authorization. Under the provisions of the Enabling Act, the
32 Borrower is authorized to issue and sell its revenue bonds payable during a term not exceeding
33 forty years from their date of issue, to provide funds for the reconstruction, improvement,
34 betterment and extension of the System or to refund its revenue bonds issued for such purpose;
35 provided that the bonds and the interest thereon are to be payable solely out of the net income
36 and revenues to be derived from rates, fees and charges for the services, facilities and
37 commodities furnished by the undertaking, and are not to create any obligation for the payment
38 of which taxes may be levied except to pay for services provided by the undertaking to the
39 Borrower.

1 Section 9.2. Outstanding Bonds. No bonds or indebtedness are outstanding that
2 are payable from Sewer Revenues of the System.

3 Section 9.3. Sources of Funding. A description of the Wastewater Treatment
4 Plant Project is set forth on Appendix A. It is proposed that the costs of the Wastewater
5 Treatment Plant Project will be paid in part from the proceeds of the Bonds.

6 Section 9.4. Net Revenues Available. The Borrower is authorized to charge just
7 and equitable rates, charges and rentals for all services directly or indirectly furnished by the
8 System, and to pledge and appropriate to the Series 2014 Bond the Net Revenues to be derived
9 from the operation of the System, including improvements, betterments or extensions thereof
10 hereafter constructed or acquired. The Net Revenues to be produced by such rates, charges and
11 rentals during the term of the Series 2014 Bond will be more than sufficient to pay the principal
12 and interest when due on the Series 2014 Bond, and to create and maintain reasonable reserves
13 therefor and to provide an adequate allowance for replacement and depreciation, as prescribed
14 herein.

15 Section 9.5. Issuance and Sale of the Series 2014 Bond. The Board has
16 investigated the facts necessary and hereby finds, determines and declares it to be necessary and
17 desirable for the Borrower to issue the Series 2014 Bond to evidence the 2014 Loan. The Series
18 2014 Bond is issued to the DNRC without public sale pursuant to Montana Code Annotated,
19 Section 7-7-4433.

20 Section 9.6. Terms. The Series 2014 Bond shall be in the maximum principal
21 amount equal to the original Committed Amount of the 2014 Loan, shall be issued as a single,
22 fully registered bond numbered R-1, shall be dated as of the date of delivery to the DNRC, and
23 shall bear interest at the rate charged by the DNRC on the 2014 Loan. The principal of and
24 interest on the Series 2014 Bond shall be payable on the same dates and in the same amounts on
25 which principal and interest of the Loan Repayments are payable. Advances of principal of the
26 Series 2014 Bond shall be deemed made when advances of the 2014 Loan are made under
27 Section 4.1, and such advances shall be payable in accordance with Schedule B to the Series
28 2014 Bond, as it may be revised by the DNRC from time to time in accordance with Section 5.1.

29 The Borrower may prepay the Series 2014 Bond, in whole or in part, only upon
30 the terms and conditions under which it can prepay the 2014 Loan under Section 5.3.

31 Section 9.7. Negotiability, Transfer and Registration. The Series 2014 Bond
32 shall be fully registered as to both principal and interest, and shall be initially registered in the
33 name of and payable to the DNRC. While so registered, principal of and interest on the Series
34 2014 Bond shall be payable to the DNRC at the Office of the Department of Natural Resources
35 and Conservation, 1625 Eleventh Avenue, Helena, Montana 59620 or such other place as may be
36 designated by the DNRC in writing and delivered to the Borrower. The Series 2014 Bond shall
37 be negotiable, subject to the provisions for registration and transfer contained in this section. No
38 transfer of the Series 2014 Bond shall be valid unless and until (1) the holder, or his duly
39 authorized attorney or legal representative, has executed the form of assignment appearing on the
40 Bond, and (2) the Treasurer of the Borrower (the "Registrar"), as Bond Registrar, has duly noted
41 the transfer on the Series 2014 Bond and recorded the transfer on the registration books of the

1 principal of which are sufficient, to pay the principal amount of and premium, if any, on
2 such Bonds with interest to maturity or to any prior date or dates on which they are
3 prepayable, and have been called for redemption or provision has been irrevocably made
4 for their redemption, on such date or dates.

5 (d) Any refunding revenue Bonds issued for the above purposes may be made
6 payable from the net revenues on a parity as to interest with all then outstanding Bonds;
7 provided that (1) if not all of the Bonds of a series are refunded, the maturity of each
8 refunding revenue Bond shall be subsequent to the last maturity of any then outstanding
9 Bonds of such series which are not refunded or to be refunded out of moneys on deposit
10 with such escrow agent, and (2) no Bondowner shall be required to accept a refunding
11 revenue Bond in exchange for any Bond owned by him.

12 Section 10.3. Other Parity Bonds. The Borrower reserves the right to issue
13 additional Bonds payable from the Revenue Bond Account of the Fund, on a parity as to both
14 principal and interest with the Series 2014 Bond, if the Net Revenues of the System for the last
15 complete fiscal year preceding the date of issuance of such additional Bonds have equaled at
16 least 110% of the maximum amount of principal and interest payable from said Revenue Bond
17 Account in any subsequent fiscal year during the term of the outstanding Bonds, on all Bonds
18 then outstanding and on the additional Bonds proposed to be issued; provided that, for so long as
19 the Series 2014 Bond is outstanding and held by the DNRC, the Borrower shall also obtain the
20 prior written consent of the DNRC before issuing such additional Bonds. For the purpose of the
21 foregoing computation, the Net Revenues for the fiscal year preceding the issuance of additional
22 Bonds shall be those shown by the financial reports caused to be prepared by the Borrower
23 pursuant to Section 2.2(f), except that if the rates and charges for services provided by the
24 System have been changed since the beginning of such preceding fiscal year, then the rates and
25 charges in effect at the time of issuance of the additional Bonds or finally authorized to go into
26 effect within 60 days thereafter shall be applied to the quantities of service actually rendered and
27 made available during such preceding fiscal year to ascertain the gross revenues, from which
28 there shall be deducted to determine the Net Revenues, the actual operation and maintenance
29 cost plus any additional annual costs of operation and maintenance which the Consultant
30 estimates will be incurred because of the improvement or extension of the System to be
31 constructed from the proceeds of the additional Bonds proposed to be issued. In no event shall
32 any additional Bonds be issued and made payable from the Revenue Bond Account if the
33 Borrower is then in default in any payment of principal of or interest on any outstanding Bonds
34 payable therefrom or if there then exists any deficiency in the balances required by this
35 Resolution to be maintained in any of the accounts of the Fund, which will not be cured or
36 restored upon the issuance of the additional Bonds. In connection with the issuance of a series of
37 additional Bonds, the Borrower shall cause amounts in the Reserve Account to be increased,
38 from the proceeds of the additional Bonds or from available Net Revenues, to an amount equal to
39 the Reserve Requirement during the term of the outstanding Bonds or so much thereof as will not
40 cause the Borrower to violate the provisions of Section 12.2 hereof.

41 Section 10.4. Subordinate Obligations. Nothing in this Resolution shall preclude
42 the Borrower from issuing additional bonds or notes that are expressly made a charge on only the
43 Surplus Net Revenues of the System subordinate to the pledge of Net Revenues to the Revenue

1 Bond Account and the Reserve Account (such additional bonds, the “Subordinate Obligations”);
2 provided, however, no obligations may be issued pursuant to this Section 10.4 if a deficiency
3 exists in the Revenue Bond Account or the Reserve Account which is not to be restored by the
4 issuance of the Subordinate Obligations. Any Surplus Net Revenues segregated to pay such
5 Subordinate Obligations in the Fund are subject to the prior appropriation thereof to the
6 Operating Account, the Revenue Bond Account or the Reserve Account if necessary to meet the
7 requirements thereof.

8 ARTICLE XI

9 SEWER SYSTEM FUND
10

11 Section 11.1. Bond Proceeds and Revenues Pledged and Appropriated. A special
12 Sewer System Fund is hereby created and shall be maintained as a separate and special
13 bookkeeping account on the official books of the Borrower until all Bonds and interest and
14 redemption premiums due thereon have been fully paid, or the Borrower’s obligations with
15 reference to such Bonds have been discharged as provided in this Resolution. All proceeds of
16 Bonds issued hereunder and all other funds presently on hand derived from the operation of the
17 System are irrevocably pledged and appropriated to the Fund. In addition, there is hereby
18 irrevocably pledged and appropriated to the Fund all gross revenues and receipts from rates, fees,
19 charges and rentals imposed for connections with and for the availability, benefit and use of the
20 System and from any sales of property acquired for the System and all income received from the
21 investment of such gross revenues, including investment of the Reserve Account established in
22 the Revenue Bond Account and the Operating Reserve established in the Operating Account, but
23 excluding any special assessments or taxes levied for construction of any part of the System and
24 the proceeds of any grant or loan from the State or the United States, and any investment income
25 thereon, to the extent such exclusion is a condition to such grant or loan. The Fund shall be
26 subdivided into separate accounts as designated and described in Sections 11.2 through 11.8, to
27 segregate income and expenses received, paid and accrued for the respective purposes described
28 in those sections. The gross revenues received in the Fund shall be apportioned monthly,
29 commencing as of the first day of the month following the date of delivery of the Series 2014
30 Bond.

31 Section 11.2. Acquisition and Construction Account. The Acquisition and
32 Construction Account shall be used only to pay as incurred and allowed costs which under
33 accepted accounting practice are capital costs of a Project and of such future reconstructions,
34 improvements, betterments or extensions of the System as may be authorized in accordance with
35 law, including but not limited to payments due for work and materials performed and delivered
36 under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal
37 expenses, the cost of lands and easements, reimbursement of any advances made from other
38 Borrower funds, and all other expenses incurred in connection with the acquisition, construction
39 and financing of any such undertaking. To the Acquisition and Construction Account shall be
40 credited as received all proceeds of Bonds issued hereunder (except proceeds of refunding bonds
41 appropriated to the payment of outstanding Bonds and amounts required to be credited to the
42 Revenue Bond Account), all other funds appropriated by the Borrower for the System and any
43 other funds appropriated by the Borrower to the Acquisition and Construction Account for

1 improvements to the System, and all income received from the investment of the Acquisition and
2 Construction Account. Upon completion of a capital improvement or program of capital
3 improvements for the System, the balance remaining in the Acquisition and Construction
4 Account shall be credited to the Revenue Bond Account and Reserve Account to the extent
5 required to establish the required balance therein and, to the extent not so required, to the
6 Replacement and Depreciation Account.

7 Section 11.3. Operating Account. On each monthly apportionment there shall
8 first be set aside and credited to the Operating Account, as a first charge on the gross revenues,
9 such amount as may be required over and above the balance then held in the account to pay the
10 reasonable and necessary operating expenses of the System which are then due and payable, or
11 are to be paid prior to the next monthly apportionment. The term “operating expenses” shall
12 mean the current expenses, paid or accrued, of operation, maintenance and current repair of the
13 System and its facilities, as calculated in accordance with sound accounting practices, and shall
14 include, without limitation, administrative expenses of the Borrower relating solely to the
15 System, premiums for insurance on the properties thereof, labor and the cost of materials and
16 supplies used for current operation and for maintenance, and charges for the accumulation of
17 appropriate reserves for current expenses which are not recurrent monthly but may reasonably be
18 expected to be incurred in accordance with sound accounting practices. Such expenses shall not
19 include any allowance for interest expense or depreciation, renewals or replacements of capital
20 assets of the System and shall not include any portion of the salaries or wages paid to any officer
21 or employee of the Borrower, except such portion as shall represent reasonable compensation for
22 the performance of duties necessary to the operation of the System. There shall also be credited
23 to this account forthwith upon the delivery of the Series 2014 Bond and from available funds
24 other than the proceeds therefrom a sum equal to the estimated average monthly operating
25 expenses of the System to establish an Operating Reserve, which sum shall be maintained by
26 additional transfers upon each monthly apportionment whenever necessary, or may be
27 augmented by transfers of additional amounts from the Surplus Account described below if
28 determined by the governing body of the Borrower to be necessary to meet contingencies arising
29 in the operation and maintenance of the System. Money in the Operating Account shall be used
30 solely for the payment of current operating expenses of the System.

31 Section 11.4. Revenue Bond Account. Upon each monthly apportionment there
32 shall be set aside and credited to the Revenue Bond Account out of the net revenues an amount
33 equal to not less than the sum of one-sixth of the interest due within the next six months plus
34 one-twelfth of the principal to become due within the next twelve months with respect to
35 outstanding Bonds payable from the Revenue Bond Account; provided that the Borrower shall
36 be entitled to reduce a monthly credit by the amount of any surplus previously credited and then
37 on deposit in the Revenue Bond Account. Money from time to time held in the Revenue Bond
38 Account shall be disbursed only to meet payments of principal of, premium, if any, and interest
39 on the Bonds payable therefrom as such payments become due. If any payment of principal or
40 interest becomes due when moneys in the Revenue Bond Account are temporarily insufficient
41 therefor, such payment shall be advanced out of any Net Revenues theretofore segregated and
42 then on hand in the Reserve Account, the Replacement and Depreciation Account or the Surplus
43 Account and in that order.

1 Section 11.5. Reserve Account. The Borrower agrees to establish and maintain a
2 Reserve Account in the Fund. On the Closing Date and on each date of disbursement of
3 proceeds of the Series 2014 Bond thereafter until the final disbursement of such proceeds, the
4 Borrower shall deposit in the Reserve Account, from proceeds of the Series 2014 Bond or, to the
5 extent necessary, from other available funds of the Borrower, an amount equal to the product of
6 (i) the initial Reserve Requirement based on the Committed Amount of the 2014 Loan, times (ii)
7 a fraction the numerator of which is the amount of proceeds of the Series 2014 Bond to be
8 disbursed on said date and the denominator of which is the Committed Amount of the 2014
9 Loan. On the date of the final disbursement of proceeds of the Series 2014 Bond, if the amount
10 in the Reserve Account is less than the Reserve Requirement, the Borrower shall deposit in the
11 Reserve Account from other available funds of the Borrower an amount necessary to cause the
12 balance in the Reserve Account to equal the Reserve Requirement, calculated as of that date and
13 based on the actual outstanding principal amount of the Series 2014 Bond. Thereafter, upon
14 each monthly apportionment, from the Net Revenues remaining after the apportionment to the
15 Revenue Bond Account, the Borrower shall credit to the Reserve Account such additional Net
16 Revenues as may be required to establish and thereafter maintain the balance in an amount equal,
17 as of the date of calculation, to the Reserve Requirement. Money in the Reserve Account shall
18 be used only to pay maturing principal, premium and interest when money within the Revenue
19 Bond Account is insufficient therefor; provided that on any date when all outstanding Bonds of a
20 series are due or prepayable by their terms, if the amount then on hand in the Reserve Account
21 allocable to such Bonds and available for such appropriation is sufficient with money available
22 for the purpose to pay all such Bonds and the interest accrued thereon in full, it may be used for
23 that purpose; and provided, further, that so long as the amount on hand in the Reserve Account is
24 not less than the Reserve Requirement, the Borrower may credit earnings on investment of the
25 Reserve Account to the Replacement and Depreciation Account.

26 Section 11.6. Replacement and Depreciation Account. There shall next be set
27 aside and credited, upon each monthly apportionment, to the Replacement and Depreciation
28 Account Surplus Net Revenues of the System, as the governing body of the Borrower shall
29 determine to be required for the accumulation of a reasonable allowance for depreciation of the
30 System and for replacement or renewal of worn out, obsolete or damaged properties and
31 equipment thereof. Money in this account shall be used only for the purposes above stated or, if
32 so directed by the governing body of the Borrower, to redeem Bonds which are prepayable
33 according to their terms, to pay principal or interest when due thereon as required in Section
34 11.4, to fund any deficiency in the Reserve Account, to fund the Note Account, or to pay the cost
35 of improvements to the System; provided that, Surplus Net Revenues in the Replacement and
36 Depreciation Account may be used to pay Subordinate Obligations as they come due, subject to
37 the prior lien on Surplus Net Revenues to pay any deficiency of the Revenue Bond Account and
38 the Reserve Account, provided further that in the event construction and installation of additional
39 improvements or additions to the System are financed other than from proceeds of Bonds
40 payable from the Revenue Bond Account, Surplus Net Revenues from time to time received may
41 be segregated and paid into one or more separate and additional accounts for the repayment of
42 such indebtedness and interest thereon, in advance of payments required to be made into the
43 Replacement and Depreciation Account, subject to the prior lien on Surplus Net Revenues to pay
44 any deficiency of the Revenue Bond Account or the Reserve Account or the Note Account and to
45 pay a Subordinate Obligation, should it become payable.

1 Section 11.7. Surplus Account. Any amount of the Surplus Net Revenues from
2 time to time remaining after the above required applications thereof shall be credited to the
3 Surplus Account (or such other account in the Fund as the Borrower may establish for
4 bookkeeping purposes to account for Surplus Net Revenues in accordance with the purposes of
5 this Resolution), and the money from time to time in that account, when not required to restore a
6 current deficiency in the Revenue Bond Account, the Reserve Account, the Replacement and
7 Depreciation Account, or the Note Account, as provided in Sections 11.4, 11.5, 11.6, and 11.8,
8 respectively, may be used for any of the following purposes and not otherwise:

9 (a) To redeem Bonds payable from the Net Revenues when and as such Bonds
10 become prepayable according to their terms; or

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

13 (c) To be held as a reserve for redemption of Bonds payable from the Net
14 Revenues which are not then but will later be prepayable according to their terms; or

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

17 (e) To restore the Operating Reserve or increase the same when determined to be
18 necessary by the governing body of the Borrower; or

19 (f) To pay Subordinate Obligations permitted under Section 10.4 above.

20 No money shall at any time be transferred from the Surplus Account or any other account of the
21 Fund to any other fund of the Borrower, nor shall such moneys at any time be loaned to other
22 municipal funds or invested in warrants, special improvement bonds or other obligations payable
23 from other funds, except as provided in Section 11.9.

24 Section 11.8. Note Account. Upon issuance of a Note, there shall be established
25 in the Fund and the Treasurer of the Borrower shall thereafter maintain a separate and special
26 Note Account (the "Note Account"). If a Note is outstanding, all Net Revenues or Surplus Net
27 Revenues remaining after the required credits to the Operating Account, the Revenue Bond
28 Account, the Reserve Account, and the Replacement and Depreciation Account pursuant to this
29 Resolution may be credited to the Note Account. The Borrower irrevocably appropriates to the
30 Note Account: (a) Net Revenues or Surplus Net Revenues to the extent described in the
31 preceding sentence, (b) the proceeds of any Bonds issued to pay or redeem one or more Notes, as
32 received and to the extent necessary for the payment of such Notes, and (c) such other money as
33 shall be appropriated to the Note Account from time to time.

34 Amounts on deposit in the Note Account shall be used solely to pay the principal of and
35 interest on Notes made payable therefrom; provided that if on any date the balance in the
36 Revenue Bond Account or the Reserve Account is less than then required, an amount equal to
37 such deficiency will be transferred from the Net Revenues and investment income therefrom on
38 deposit in the Note Account. Upon payment or discharge of a Note and upon the making of the

1 that the interest on the Series 2014 Bond will not become includable in gross income for federal
2 income tax purposes under the Code and the Regulations.

3 Section 12.3. Arbitrage Certification. The Chief Executive and the Clerk and
4 Recorder of the Borrower, being the officers of the Borrower charged with the responsibility for
5 issuing the Series 2014 Bond pursuant to this Resolution, are authorized and directed to execute
6 and deliver to the DNRC a certificate in accordance with the provisions of Section 148 of the
7 Code, and Section 1.148-2(b) of the Regulations, stating that on the basis of facts, estimates and
8 circumstances in existence on the date of issue and delivery of the Series 2014 Bond, it is
9 reasonably expected that the proceeds of the Series 2014 Bond will be used in a manner that
10 would not cause the Series 2014 Bond to be an “arbitrage bond” within the meaning of Section
11 148 of the Code and the Regulations.

12 Section 12.4. Arbitrage Rebate. The Borrower acknowledges that the Series
13 2014 Bond is subject to the rebate requirements of Section 148(f) of the Code. The Borrower
14 covenants and agrees to retain such records, make such determinations, file such reports and
15 documents and pay such amounts at such times as are required under said Section 148(f) and
16 applicable Treasury Regulations to preserve the exclusion of interest on the Series 2014 Bond
17 from gross income for federal income tax purposes, unless the Series 2014 Bond qualifies for the
18 exception from the rebate requirement under Section 148(f)(4)(B) of the Code and no “gross
19 proceeds” of the Series 2014 Bond (other than amounts constituting a “bona fide debt service
20 fund”) arise during or after the expenditure of the original proceeds thereof. In furtherance of the
21 foregoing, Chief Executive and Clerk and Recorder are hereby authorized and directed to
22 execute a Rebate Certificate, substantially in the form to be prepared by Bond Counsel, and the
23 Borrower hereby covenants and agrees to observe and perform the covenants and agreements
24 contained therein, unless amended or terminated in accordance with the provisions thereof.

25 Section 12.5. Information Reporting. The Borrower shall file with the Secretary
26 of the Treasury, not later than February 15, 2015, a statement concerning the Series 2014 Bond
27 containing the information required by Section 149(e) of the Code.

28 ARTICLE XIII

29 CONTINUING DISCLOSURE

30
31 The Borrower understands and acknowledges that the DNRC is acquiring the Series 2014
32 Bond under the Program pursuant to which the State issues from time to time State Bonds to
33 provide funds therefor. The Borrower covenants and agrees that, upon written request of the
34 DNRC from time to time, the Borrower will promptly provide to the DNRC all information that
35 the DNRC reasonably determines to be necessary or appropriate to offer and sell State Bonds or
36 to provide continuing disclosure in respect of State Bonds, whether under Rule 15c2-12
37 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of
38 1934 (17 C.F.R. § 240.15c2-12) or otherwise. Such information shall include, among other
39 things and if so requested, financial statements of the Borrower prepared in accordance with
40 generally accepted accounting principles promulgated by the Financial Accounting Standards
41 Board as modified in accordance with the governmental accounting standards promulgated by
42 the Governmental Accounting Standards Board or as otherwise provided under Montana law, as

1 in effect from time to time (such financial statements to relate to a fiscal year or any period
2 therein for which they are customarily prepared by the Borrower, and, if for a fiscal year and so
3 requested by the DNRC, subject to an audit report and opinion of an accountant or government
4 auditor, as permitted or required by the laws of the State). The Borrower will also provide, with
5 any information so furnished to the DNRC, a certificate of the Chief Executive and Treasurer to
6 the effect that, to the best of their knowledge, such information does not include any untrue
7 statement of a material fact or omit to state any material fact required to be stated therein to make
8 the statements made, in light of the circumstances under which they are made, not misleading.

9 ARTICLE XIV

10 DEFEEASANCE

11
12 Section 14.1. General. When the liability of the Borrower on all Bonds issued
13 under and secured by this Resolution and all interest thereon has been discharged as provided in
14 this Article XIV, all pledges, covenants and other rights granted by this Resolution to the
15 Holders of such Bonds shall cease, other than to the payment of such Bonds from money
16 segregated for such purpose. The Borrower may also discharge its liability with respect to one or
17 more Bonds in accordance with this Article XIV.

18 Section 14.2. Maturity. The Borrower may discharge its liability with reference
19 to any Bonds and interest thereon which are due on any date by depositing with the Registrar for
20 such Bonds on or before the date a sum sufficient for the payment thereof in full; or if any Bond
21 or interest thereon shall not be paid when due, the Borrower may nevertheless discharge its
22 liability with reference thereto by depositing with the Registrar a sum sufficient for the payment
23 thereof in full with interest accrued to the date of such deposit.

24 Section 14.3. Prepayment. The Borrower may also discharge its obligations with
25 respect to any prepayable Bonds called for redemption on any date when they are prepayable
26 according to their terms, by depositing with the Registrar therefor on or before the Redemption
27 Date a sum sufficient for the payment thereof in full; provided that notice of the redemption
28 thereof has been duly given as provided in this Resolution or any Supplemental Resolution
29 relating thereto.

30 Section 14.4. Escrow. The Borrower may at any time discharge its liability with
31 reference to any Bonds, subject to the provisions of law now or hereafter authorizing and
32 regulating such action and the following paragraphs of this Section, by depositing irrevocably in
33 escrow, with a bank qualified by law as an escrow agent for this purpose, cash or Government
34 Obligations authorized by law to be so deposited, bearing interest payable at such times and at
35 such rates and maturing on such dates as shall be required, without reinvestment, to provide
36 funds sufficient to pay all principal, interest and redemption premiums, if any, to become due on
37 such Bonds at their stated maturities or, if such Bonds are prepayable and notice of redemption
38 thereof has been duly given or irrevocably provided for, to such earlier redemption date.

39 No defeasance shall be made pursuant to this Section 14.4 unless there has first
40 been presented to the escrow agent a written opinion of nationally recognized bond counsel to

1 the effect that such defeasance shall not cause the interest on any outstanding Bonds to be
2 included in the gross income of the holders thereof for federal income tax purposes.

3 ARTICLE XV

4
5 SUPPLEMENTAL RESOLUTIONS

6 Section 15.1. General. The Borrower reserves the right to adopt Supplemental
7 Resolutions from time to time and at any time, for the purpose of curing any ambiguity or of
8 curing, correcting or supplementing any defective provision contained herein, or of making such
9 provisions with regard to matters or questions arising hereunder as the Borrower may deem
10 necessary or desirable and not inconsistent with this Resolution, and which shall not adversely
11 affect the interests of the Holders of Outstanding Bonds, or for the purpose of adding to the
12 covenants and agreements herein contained, or to the Revenues herein pledged, other covenants
13 and agreements thereafter to be observed and additional revenues or income thereafter
14 appropriated to the Fund, or for the purpose of surrendering any right or power herein reserved to
15 or conferred upon the Borrower, or for the purpose of authorizing the creation and issuance of a
16 series of Additional Bonds or subordinate lien obligations, as provided in and subject to the
17 conditions and requirements of this Article XV. Except as provided in Sections 10.3 and 16.4,
18 any such Supplemental Resolution may be adopted without notice to or the consent of the Holder
19 of any of the Bonds issued hereunder.

20 Section 15.2. Consent of Holders. With the consent of the Holders of Bonds
21 issued hereunder as provided in Section 15.4, the Borrower may from time to time and at any
22 time adopt a Supplemental Resolution for the purpose of amending this Resolution by adding
23 any provisions hereto or changing in any manner or eliminating any of the provisions hereof or
24 of any Supplemental Resolution, except that no Supplemental Resolution shall be adopted at any
25 time without the consent of the Holders of all Bonds issued hereunder which are then
26 Outstanding and affected thereby, if it would extend the time of payment of interest thereon or
27 principal thereof, would reduce the interest rate thereon or the amount of the principal or the
28 redemption price thereof, would give to any Bond or Bonds any privileges over any other Bond
29 or Bonds, would reduce the sources of revenues or income appropriated to the Fund, or would
30 reduce the percentage in principal amount of such Bonds required to authorize or consent to any
31 such Supplemental Resolution.

32 Section 15.3. Notice. Notice of the Supplemental Resolution to be adopted
33 pursuant to Section 15.2 shall be mailed by first-class mail to the Holders of all Outstanding
34 Bonds at their addresses appearing in the Bond Register, and shall become effective only upon
35 the filing of written consents with the Treasurer, signed by the Holders of not less than a majority
36 in principal amount of the Bonds then Outstanding and affected thereby. Any written consent to
37 the Supplemental Resolution may be embodied in and evidenced by one or any number of
38 concurrent written instruments of substantially similar tenor signed by Holders in person or by
39 agent duly appointed in writing, and shall become effective when delivered to the Treasurer.
40 Any consent by the Holder of any Bond shall bind him and every future Holder of the same
41 Bond with respect to any Supplemental Resolution adopted by the Borrower pursuant to such
42 consent; provided that any Holder may revoke his consent with reference to any Bond by written
43 notice received by the Treasurer before the Supplemental Resolution has become effective. In

1 the event that unrevoked consents of the Holders of the required amount of Bonds have not been
2 received by the Treasurer within one year after the mailing of notice of the Supplemental
3 Resolution, the Supplemental Resolution and all consents theretofore received shall be of no
4 further force and effect.

5 Section 15.4. Manner of Consent. Proof of the execution of any consent, or of a
6 writing appointing any agent to execute the same, or of the ownership by any Person of Bonds
7 shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the
8 Borrower if made in the manner provided in this Section 15.4. The fact and date of the execution
9 by any Person of any such consent or appointment may be proved by the affidavit of a witness of
10 such execution or by the certification of any notary public or other officer authorized by law to
11 take acknowledgment of deeds, certifying that the Person signing it acknowledged to him the
12 execution thereof. The fact and date of execution of any such consent may also be proved in any
13 other manner which the Borrower may deem sufficient; but the Borrower may nevertheless, in its
14 discretion, require further proof in cases where it deems further proof desirable. The ownership
15 of Bonds shall be proved by the Bond Register.

16 ARTICLE XVI

17 MISCELLANEOUS

18
19 Section 16.1. Notices. All notices or other communications hereunder shall be
20 sufficiently sent or given and shall be deemed sent or given when delivered or mailed by
21 certified mail, postage prepaid, to the parties at the following addresses:

22 DNRC: Department of Natural Resources and Conservation
23 1625 Eleventh Avenue
24 P. O. Box 201601
25 Helena, Montana 59620-1601
26 Attention: Conservation and
27 Resource Development Division

28 Trustee: U.S. Bank National Association
29 c/o Corporate Trust Services
30 1420 Fifth Avenue, 7th Floor
31 Seattle, Washington 98101

32 Borrower: City-County of Butte-Silver Bow
33 155 West Granite Street
34 Butte, Montana 59701
35 Attention: Treasurer

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

1 Section 16.2. Binding Effect. This Resolution shall inure to the benefit of and
2 shall be binding upon the DNRC, the Borrower and their respective permitted successors and
3 assigns.

4 Section 16.3. Severability. If any provision of this Resolution shall be
5 determined to be unenforceable at any time, it shall not affect any other provision of this
6 Resolution or the enforceability of that provision at any other time.

7 Section 16.4. Amendments. This Resolution may not be effectively amended
8 without the written consent of the DNRC.

9 Section 16.5. Applicable Law. This Resolution shall be governed by and
10 construed in accordance with the laws of the State.

11 Section 16.6. Captions; References to Sections. The captions in this Resolution
12 are for convenience only and do not define or limit the scope or intent of any provisions or
13 Sections of this Resolution. References to Articles and Sections are to the Articles and Sections
14 of this Resolution, unless the context otherwise requires.

15 Section 16.7. No Liability of Individual Officers, Commissioners. No recourse
16 under or upon any obligation, covenant or agreement contained in this Resolution shall be had
17 against any director, officer or employee, as such, past, present or future, of the DNRC or the
18 Trustee, either directly or through the DNRC or the Trustee, or against any officer, or member of
19 the governing body or employee of the Borrower, past, present or future, as an individual so long
20 as such individual was acting in good faith. Any and all personal liability of every nature,
21 whether at common law or in equity, or by statute or by constitution or otherwise, of any such
22 officer or member of the governing body or employee of the DNRC, the Trustee or the Borrower
23 is hereby expressly waived and released by the Borrower and by the DNRC as a condition of and
24 in consideration for the adoption of this Resolution and the making of the 2014 Loan.

25 Section 16.8. Payments Due on Holidays. If the date for making any payment or
26 the last date for performance of any act or the exercise of any right, as provided in this
27 Resolution or the Series 2014 Bond, shall not be a Business Day, such payments may be made or
28 act performed or right exercised on the next succeeding Business Day with the same force and
29 effect as if done on the nominal date provided in this Resolution or the Series 2014 Bond.

30 Section 16.9. Right of Others to Perform Borrower's Covenants. In the event the
31 Borrower shall fail to make any payment or perform any act required to be performed hereunder,
32 then and in each such case the DNRC or the provider of any Collateral Document may (but shall
33 not be obligated to) remedy such default for the account of the Borrower and make advances for
34 that purpose. No such performance or advance shall operate to release the Borrower from any
35 such default and any sums so advanced by the DNRC or the provider of any Collateral
36 Document shall be paid immediately to the party making such advance and shall bear interest at
37 the rate of ten percent from the date of the advance until repaid. The DNRC and the provider of
38 any Collateral Document shall have the right to enter the Wastewater Treatment Plant Project or
39 the facility or facilities of which the Wastewater Treatment Plant Project is a part or any other
40 facility which is a part of the System in order to effectuate the purposes of this Section.

1 Section 16.10. Authentication of Transcript. The officers of the Borrower are
2 hereby authorized and directed to furnish to the DNRC and to Bond Counsel certified copies of
3 all proceedings relating to the issuance of the Series 2014 Bond and such other certificates and
4 affidavits as may be required to show the right, power and authority of the Borrower to issue the
5 Series 2014 Bond, and all statements contained in and shown by such instruments, including any
6 heretofore furnished, shall constitute representations of the Borrower as to the truth of the
7 statements purported to be shown thereby.

8 Section 16.11. Effective Date. This Resolution shall take effect immediately.

9 Adopted by the Council of Commissioners of the City-County of Butte-Silver
10 Bow, Montana, on this 17th day of September, 2014.

11
12
13 _____
14 CINDI SHAW
CHAIR OF THE COUNCIL OF COMMISSIONERS

15 APPROVED this ____ day of _____, 2014.
16
17

18 _____
19 MATT VINCENT
20 CHIEF EXECUTIVE

21 ATTEST:

22 SALLY J. HOLLIS
23 CLERK & RECORDER
24

25
26 _____
27 BY _____
28 ITS _____

29 APPROVED AS TO FORM:
30

31 _____
32 EILEEN JOYCE
33 COUNTY ATTORNEY
34

35 _____
36 WILLIAM O. ANDERSEN
37 CHAIRMAN, JUDICIARY COMMITTEE
38

1 APPENDIX A

2 DESCRIPTION OF THE WASTEWATER TREATMENT PLANT PROJECT

3 The Borrower’s wastewater treatment plant project consists of designing, engineering and
 4 constructing improvements to the Borrower’s wastewater treatment facility, including biological
 5 and chemical nutrient removal upgrades, construction of a fine screening building; converting a
 6 secondary clarifier to a flow equalization facility; aeration system improvements; construction of
 7 chemical support facilities, return and waste activated sludge improvements; electrical and
 8 SCADA additions and modifications; new non-potable water pumping facilities; new
 9 administration building; new septage receiving statement, and related improvements.

10
 11 Estimated Wastewater Treatment Plant Project Budget

12

	Source: Local	Source: MT Pole Fund	Source: Series 2014 Bond \$10,000,000 @ 2.5%	Source: Series 2015 Bond \$10,000,000 @ 2.5%	Source: Series 2016 Bond \$10,268,000 @ 2.5%	Total:
Debt Service Reserve			270,563.00	270,538.00	277,418.00	818,519.00
Bond Counsel	50,000.00	-	-	-	-	50,000.00
Construction Engr. Services		-	1,000,000.00	1,000,000.00	960,000.00	2,960,000.00
Construction		4,360,000.00	8,729,437.00	8,729,462.00	8,381,101.00	30,200,000.00
Contingency			-	-	649,481.00	649,481.00
TOTAL COSTS	50,000.00	4,360,000.00	10,000,000.00	10,000,000.00	10,268,000.00	34,678,000.00

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APPENDIX B

[Form of the Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
SILVER BOW COUNTY

CITY-COUNTY OF BUTTE-SILVER BOW

SEWER SYSTEM REVENUE BOND
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM),
SERIES 2014

No. R-1 \$10,000,000

FOR VALUE RECEIVED, the City-County of Butte-Silver Bow, Montana (the “Borrower”), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the “DNRC”), or its registered assigns, solely from the Revenue Bond Account of its Sewer System Fund, the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under “Total Amount Advanced,” with interest on each such amount from the date such amount is advanced hereunder at the rate of 2.00% per annum on the unpaid balance until paid. In addition, the Borrower shall pay, solely from said source, an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rate of twenty-five hundredths of one percent (0.25%) per annum and twenty-five hundredths of one percent (0.25%) per annum, respectively. Interest and Administrative Expense Surcharge and a Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a “Loan Repayment Date”) commencing July 1, 2015. Principal shall be payable on the dates set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B attached hereto under “Total Loan Payment.” The portion of each such payment consisting of principal, the portion consisting of interest 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 2014 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 any revised Schedule B, or cause Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the Resolution. Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of 2.50% per annum. Past-due payments of principal and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest and Administrative

1 Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-
2 day year comprising 12 months of 30 days each. All payments under this Bond shall be made to
3 the registered holder of this Bond, at its address as it appears on the Bond register, in lawful
4 money of the United States of America.

5 This Bond is one of an issue of Sewer System Revenue Bonds of the Borrower
6 authorized to be issued in one or more series from time to time, and constitutes a series in the
7 maximum authorized principal amount of \$10,000,000 (the "Series 2014 Bond"). The Series
8 2014 Bond is issued to finance a portion of the costs of the construction of certain improvements
9 to the sewer system of the Borrower (the "System") and to fund deposits to the Reserve Account.
10 The Series 2014 Bond is issued pursuant to and in full conformity with the Constitution and laws
11 of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter
12 7, Part 44, as amended, and ordinances and resolutions duly adopted by the governing body of
13 the Borrower, including Resolution No. 14-32 duly enacted by the Council of Commissioners on
14 September 17, 2014 (collectively, the "Resolution"). The Series 2014 Bond is issuable only as a
15 single, fully registered bond. Terms used with initial capital letters but not defined herein have
16 the meanings given them in the Resolution.

17 Reference is made to the Resolution for a more complete statement of the terms
18 and conditions upon which the Series 2014 Bond has been issued, the Net Revenues of the
19 System pledged and appropriated for the payment and security thereof, the conditions upon
20 which additional bonds may be issued under the Resolution and made payable from such Net
21 Revenues on a parity with the Series 2014 Bond (the "Bonds") or otherwise, the conditions upon
22 which the Resolution may be amended, the rights, duties and obligations of the Borrower, and
23 the rights of the owners of the Series 2014 Bond.

24 The Borrower may prepay the principal of the Series 2014 Bond only if (i) it
25 obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or
26 Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any
27 prepayment permitted by the DNRC must be accompanied by payment of accrued interest and
28 Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment
29 on the amount of principal prepaid. If the Series 2014 Bond is prepaid in part, such prepayments
30 shall be applied to principal payments in inverse order of maturity.

31 The Bonds, including interest and any premium for the redemption thereof, are
32 payable solely from the net revenues pledged for the payment thereof and do not constitute a
33 debt of the Borrower within the meaning of any constitutional or statutory limitation or
34 provision.

35 The Borrower may deem and treat the person in whose name this Series 2014
36 Bond is registered as the absolute owner hereof, whether this Series 2014 Bond is overdue or not,
37 for the purpose of receiving payment and for all other purposes, and the Borrower shall not be
38 affected by any notice to the contrary. The Series 2014 Bond may be transferred hereinafter as
39 provided.

1 IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that
2 the Borrower will forthwith construct and complete the improvements to the System hereinabove
3 described, that it will prescribe and collect reasonable rates and charges for all services and
4 facilities afforded by the System, including all additions thereto and replacements and
5 improvements thereof, and has created a special Sewer System Fund into which the gross
6 revenues of the System will be paid, and a separate and special Revenue Bond Account in that
7 fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues
8 of the System then on hand, an amount equal to not less than the sum of one-sixth of the interest
9 due within the next six months plus one-twelfth of the and principal due within the next twelve
10 months with respect to all Bonds payable semiannually from the Revenue Bond Account; that
11 the Borrower has created a Reserve Account in such fund into which shall be paid additional Net
12 Revenues, after required credits to the Revenue Bond Account, sufficient to maintain a reserve
13 therein equal to the Reserve Requirement; that the Revenue Bond Account will be used only to
14 pay the principal of, premium, if any, and interest on the Series 2014 Bonds and any other
15 additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and
16 charges for the System will from time to time be made and kept sufficient, to provide gross
17 income and revenues adequate to pay promptly the reasonable and current expenses of operating
18 and maintaining the System and to produce in each fiscal year Net Revenues in excess of such
19 current expenses, equal to 110% of the maximum amount of principal and interest payable from
20 the Revenue Bond Account in any subsequent fiscal year; that additional Bonds and refunding
21 Bonds may be issued and made payable from the Revenue Bond Account on a parity with the
22 Series 2014 Bonds and other parity Bonds, upon certain conditions set forth in the Resolution,
23 but no obligation will be otherwise incurred and made payable from the Net Revenues of the
24 System, unless the lien thereof shall be expressly made subordinate to the lien of the Series 2014
25 Bond and additional parity Bonds on such Net Revenues; that all provisions for the security of
26 the holder of this Series 2014 Bond set forth in the Resolution will be punctually and faithfully
27 performed as therein stipulated; that all acts, conditions and things required by the Constitution
28 and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done,
29 to exist, to happen and to be performed in order to make this Series 2014 Bond a valid and
30 binding special obligation of the Borrower according to its terms have been done, do exist, have
31 happened and have been performed in regular and due form, time and manner as so required; and
32 that this Series 2014 Bond and the interest hereon are payable solely from the Net Revenues of
33 the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt
34 of the Borrower within the meaning of any constitutional or statutory limitation or provision and
35 the issuance of the Series 2014 Bond does not cause either the general or the special
36 indebtedness of the Borrower to exceed any constitutional or statutory limitation.

37

1 IN WITNESS WHEREOF, the City-County of Butte-Silver Bow, Montana, by its
2 governing body, has caused this Bond to be executed by the signatures of the Chief Executive
3 and Clerk and Recorder, and has caused the official seal of the City-County to be affixed hereto,
4 and has caused this Bond to be dated as of the ____ day of _____, 2014.

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Chief Executive

8 (SEAL)

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Clerk and Recorder

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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 Treasurer 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-County of Butte-Silver Bow, 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 Treasurer</u>
_____, 2014	<u>Department of Natural Resources and Conservation 1625 Eleventh Avenue Helena, MT 59620</u>	_____

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

The Treasurer of the City-County, acting as Bond Registrar, has transferred, on the books of the City-County, 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>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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

3 The Treasurer of the City-County of Butte-Silver Bow, Montana, acting as Bond
 4 Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership
 5 of the principal amount of and the accrued interest on this Bond to the new registered holder
 6 noted next to such date, except for amounts of principal and interest theretofore paid.

7		Name of New	Signature of
8	<u>Date of Transfer</u>	<u>Registered Holder</u>	<u>Bond Registrar</u>
9	_____	_____	_____
10	_____	_____	_____
11	_____	_____	_____
12	_____	_____	_____

13 _____

14 FORM OF ASSIGNMENT

15 For value received, this Bond is hereby transferred and assigned by the undersigned
 16 holder, without recourse,
 17 to _____ on this _____ day
 18 of _____, _____.

19 By: _____
 20 (Authorized Signature)

21 For: _____
 22 (Holder)
 23

1

SCHEDULE B

2

3

4

5

Date

Principal

Interest

Administrative
Expense Surcharge

Loan Loss
Reserve
Surcharge

Total Loan
Payment

1

APPENDIX C

2

ADDITIONAL REPRESENTATIONS AND COVENANTS

3 [None]