

RESOLUTION NO. 468

**TOWN OF FROMBERG
CARBON COUNTY, STATE OF MONTANA
WASTEWATER SYSTEM REVENUE BOND,
SERIES 2017 \$912,000 PRINCIPAL AMOUNT**

A RESOLUTION DIRECTING THE INSTALLATION AND THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO THE WASTEWATER SYSTEM OF THE TOWN OF FROMBERG, MONTANA, AUTHORIZING AND DIRECTING THE ISSUANCE AND SALE OF THE TOWN'S WASTEWATER SYSTEM REVENUE BOND \$912,000 SERIES 2017, TO FINANCE AND PAY FOR A PORTION OF THE COSTS OF THE FOREGOING, PROVIDING THE TERMS OF SUCH BOND AND CREATING SPECIAL FUNDS AND ACCOUNTS AND PLEDGING CERTAIN REVENUES AS THE SOLE SOURCES OF SECURITY AND PAYMENT FOR SUCH BOND.

WHEREAS, the Town of Fromberg in Carbon County, Montana (the "Town") is authorized by law, including without limitation Title 7, Chapter 7, Part 44, Montana Code Annotated, to construct, improve, rehabilitate and extend its wastewater system (the "System"), to prescribe and collect fees and charges for the services provided by the System, to issue and sell revenue bonds to finance and pay for the costs of constructing, improving, rehabilitating and extending the System, to pledge the revenues of the System for the payment of such revenue bonds, and to make and establish other appropriate covenants and conditions with or for the benefit of the holders of such bonds; and

WHEREAS, the Town has hired engineers to design a Project (as herein defined) to improve the System at an estimated cost of \$3,319,000; and

WHEREAS, the Town has received commitments for grants to fund a portion of the development and construction of the Project from: the Treasure State Endowment Program ("TSEP") in the amount of \$750,000; the Renewable Resource Grant and Loan Program ("RRGL") in the amount of \$125,000; the Community Development Block Grant Program ("CDBG") in the amount of \$450,000; and from the United States Department of Agriculture, through its Rural Utilities Services ("RUS") and Rural Development ("RD") in the amount of \$1,082,000; and

WHEREAS, RD is authorized to make certain loans to political subdivisions of the State of Montana, including the Town and has made a conditional commitment to the Town to purchase the Town's Wastewater System Revenue Bond in the principal amount of \$912,000 ; and

WHEREAS, the Town desires to avail itself of the opportunity to acquire financing from RD, TSEP, CDBG and RRGL and the construction, improvement and extension of the System, as and to the extent authorized by Title 7, Chapter 7, Part 44 MCA, and for that purpose the Town Council of the Town now desires to adopt this Resolution, as permitted by law, authorizing and directing the construction of the Project described herein, and the issuance of a revenue bond payable solely out of the revenues of the System to finance a portion of the costs of such Project;

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF FROMBERG, CARBON COUNTY, STATE OF MONTANA, AS FOLLOWS:

ARTICLE I - DEFINITIONS

Section 1.01. Definitions. In this Resolution, unless a different meaning clearly appears from the context;

“Act” means the Title 7, Chapter 7, Part 44, Montana Code Annotated as amended.

“Bond” or “Bonds” means the Series 2017 Bond authorized by this Resolution and other bonds authorized pursuant to this Resolution.

“Bond Anticipation Note” means the note or notes issued by the Town pursuant to Section 7-7-109, MCA to the Montana Board of Investments (“MBOI”) in an amount up to the aggregate principal amount of the Series 2017 Bond to provide payment of Project Costs, including paying in full the Series 2016 Bond issued for engineering design costs for the Project. The Series 2017 Bond will pay the Bond Anticipation Note in full.

“Bondholder” or “Holder” means any person or entity listed in the registration books of the Treasurer as the holder of a Bond pursuant to Section 3.06 of this Resolution, regardless of whether such Bondholder holds the Bond for his own account or as a fiduciary for another person.

“Bond Repayment Account” means the account and subaccounts therein created by the Treasurer in the Wastewater System Fund pursuant to Section 4.01 of this Resolution and treated in the manner described in Sections 4.04 and 5.04 of this Resolution.

“Bond Repayment Reserve Account” means the account and subaccounts therein created by the Treasurer in the Wastewater System Fund pursuant to Section 4.01 of this Resolution and treated in the manner described in Sections 4.05 and 5.04 of this Resolution

“Construction Account” means the account created by the Treasurer in the Wastewater System Fund pursuant to Section 4.01 of this Resolution and treated in the manner described in Section 5.02 of this Resolution.

“Date of Closing” means the date on which the Bond is sold and delivered by the Town to RD.

“Defeasance” means any manner of advance refunding of a bond (as described in Section 149(d) of the IRC) where the bond to be refunded is not paid in full at the refunding date but instead paid off over time through escrowed funds from the proceeds of the refunding and where such procedure is prohibited by 7 CFR 1780.94(j)(4).

“DNRC” means the Montana Department of Natural Resources and Conservation, which, among other things, operates the RRGL Program and the Water Pollution Control State Revolving Fund.

“Governing Body” means the Town Council and Mayor of the Town.

“Gross Revenues” means, without limitation, all gross income and receipts: (a) from the rates, fees, charges and rentals imposed on account of the availability, benefit or use of the System as now constituted or hereafter improved, replaced or extended; (b) from penalties and interest on such rates, charges, fees and rentals; (c) from judgments, orders, executions, foreclosures, and settlements in proceedings to collect delinquent payments for use of the System; (d) from sales of property acquired for the System; and (e) from the investment of any of the foregoing.

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

“MBOI” means the Montana Board of Investments, the purchaser of the Series 2016 Bond and the proposed purchaser of the Bond Anticipation Note.

“Monthly Apportionment” means the monthly transfer of money between the accounts created pursuant to this Resolution made pursuant to and in the manner prescribed by Section 5.04 of this Resolution.

“Nationally Recognized Bond Counsel” means a firm of attorneys of nationally recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

“Net Revenues” means, for any period of time, the excess of Gross Revenues over Operating Expenses of the System.

“Operating and Maintenance Account” means the account created by the Treasurer in the Wastewater System Fund pursuant to Section 4.01 of this Resolution and treated in the manner described in Section 4.03 and 5.04 of this Resolution.

“Operating Expenses” include, without limitation, the reasonable and necessary administrative expenses of the Town relating solely to the System, the costs of the audits and financial reports required by this Resolution; the premiums for insurance and fidelity bonds obtained in connection with the property or operation of the System; the costs of labor, materials, and

supplies used for current operation and maintenance of the System; the charges for the accumulation of appropriate reserves, in accordance with sound accounting practices, for the current expenses of operating and maintaining the System; legal fees; and all other current expenses, whether paid or accrued, of operating, maintaining, and repairing the System. Operating Expenses shall not include any allowance for depreciation or replacement of capital assets of the System, nor any portion of the salaries or wages paid to any officer or employee of the Town except such portion as shall represent reasonable compensation for the performance of duties necessary for the actual operation and maintenance of the System. Operating Expenses do not include interest paid on long term debt.

“Permitted Investments” means the obligations set forth in Section 5.08 of this Resolution that may be purchased with Wastewater System Fund moneys.

“Project” means the design, acquisition, construction and financing of a new cell for the lagoon, rehabilitation of the existing lagoon and installation of a new center irrigation pivot and pump.

“Project Costs” means those costs which under generally accepted accounting principles are capital costs of the Project and of such future improvements and extensions of the Project or the System as may be authorized in accordance with law and this Resolution. Project Costs shall include, but are not limited to: payments due for work and materials performed and delivered under construction contracts; architectural, engineering, contract administration, inspection, supervision, fiscal, and legal expenses; the costs of acquiring land and easements or other interests in land; the costs of acquiring and installing equipment in connection with the Project; debt service on interim financing during the period of construction of the Project; reimbursement of any advances made for the foregoing purpose from other Town funds and all other expenses incurred in connection with the construction and financing of the Project.

“RD” means the United States Department of Agriculture, through Rural Utilities Services and Rural Development, their successors and assigns.

“Rebate Amount” means the amount calculated pursuant to Section 5.10 of this Resolution representing excess investment earnings which must be rebated to the United States Treasury.

“Replacement and Depreciation Account” means the account created by the Treasurer in the Wastewater System Fund pursuant to Section 4.01 of this Resolution and treated in the manner described in Sections 4.06 and 5.04 of this Resolution.

“Reserve Requirement” means, for each series of Bonds issued pursuant to this Resolution, the maximum annual principal and interest payment on such series of Bonds. The Reserve Requirement for the Series 2017 Bond is \$31,092.

“Series 2017 Bond” means the \$912,000 Town of Fromberg, Carbon County, Montana, Wastewater System Revenue Bond authorized by this Resolution. If the Series 2017 Bond is

issued after the calendar year 2017, the Series designation for the Bond will be the calendar year in which the Bond is issued.

“Series 2016 Bond” means the \$283,000 Town of Fromberg, Wastewater System Revenue Bond issued to MBOI to finance engineering design for the Project.

“Short-lived Asset Replacement Reserve Sub-Account” means the account created in the Wastewater System Fund as a sub-account of the Replacement and Depreciation Account pursuant to Section 4.01 and treated in the manner described in Section 4.06 and 5.04 of this Resolution.

“Supplemental Resolution” means a resolution adopted by the Town pursuant to Article X of this Resolution.

“Surplus Account” means the account created by the Treasurer pursuant to Section 4.01 hereof in the Wastewater System Fund and treated in the manner described in Sections 4.07 and 5.04 of this Resolution.

“Surplus Net Revenues” means Net Revenues available after the Monthly Apportionment to satisfy the requirements of the Bond Repayment Account and the Bond Repayment Reserve Account and the Short-lived Asset Replacement Reserve Sub-Account.

“System” means the wastewater system of the Town.

“Treasurer” means the Clerk/Treasurer of the Town.

“Town” means the Town of Fromberg, Montana.

“Wastewater System Fund” means the fund created by the Treasurer pursuant to Section 4.01 of this Resolution.

In addition to the foregoing definitions, other terms are defined or described in subsequent sections or subsections of this Resolution and shall, unless the context otherwise requires, have those same meanings at all places in this Resolution and in related documents where those terms appear.

ARTICLE II - AUTHORIZATION OF PROJECT

Section 2.01 Authorization for the Project. The Town is authorized by the Act (specifically Section 7-7-4426(2)(a), MCA) to issue the Series 2017 Bond without a vote of the Town residents and System users but only after a vote of the Town Council in favor of a resolution to that effect. The Town anticipates providing the interim financing for the Project through the issuance of the Bond Anticipation Note pursuant to Section 7-7-109, MCA, and pursuant to a subsequent resolution.

The Governing Body finds that the completion, construction and operation of the Project is authorized by law, is not contrary to any covenant, agreement, or obligation of the Town, and is in the best interests of the residents of the Town. The Town has received and approved the plans and specifications for the Project and has determined the necessity for the Project.

Section 2.02 Outstanding Wastewater System Revenue Bonds. The Town currently has the Series 2016 Bond as its only outstanding Wastewater System Revenue Bond. The Town will fully redeem the Series 2016 Bond with the first draw on the Bond Anticipation Note.

Section 2.03 Ratification and Repealer. (a) All actions heretofore taken by the Town or its officers and agents toward the completion of the Project and the issuance and sale of the Series 2017 Bond (except actions inconsistent with the provisions of this Resolution) are hereby ratified, approved and confirmed.

(b) All provisions of other ordinances and resolutions and all other actions and proceedings of the Governing Body of the Town which are in any way inconsistent with the terms and provisions of this Resolution are repealed, amended, and rescinded to the full extent necessary to give full force and effect to the provisions of this Resolution.

Section 2.04 Approval of Project Expenditures. All expenditures for Project Costs, and obligations therefor, made or incurred by Town officials in the course of their duties prior to the date of this Resolution are hereby ratified and confirmed.

It is presently estimated by the Governing Body that the Project Costs will be as follows:

<u>Project Costs:</u>	<u>Total Budget:</u>
Construction	\$2,300,000
Engineering –Design & CCTV	279,000
Geo Technical	10,000
Inspection/Constr. Mgmt	279,000
Bond Counsel	10,000
Professional Services – Project Admin	34,000
- Legal Services	2,000
- Audit	4,000
Interim Interest	5,000
Permits and fees	6,000
Project Contingency	390,000
TOTAL	<u>\$3,319,000</u>

The Governing Body expects to pay the Project Costs from the following sources of funds:

<u>Project Funding Source:</u>	<u>Total Budget:</u>
CDBG	\$450,000
TSEP	\$750,000
RRGL	\$125,000
RUS Purchase of Series 2017 Bond	\$912,000
RUS Grant	\$1,082,000
TOTAL	\$3,319,000

Section 2.05 Compliance with Laws. The construction, operation, and maintenance of the Project and the procurement of professional services, construction services and construction materials shall be undertaken and performed in accordance with all applicable federal, state and local statutes, regulations and ordinances including, but not limited to, Section 504 of the Rehabilitation Act of 1978 (29 U.S.C. 794).

Section 2.06 Benefit, Rates and Charges. The Town will impose reasonable rates and charges for the availability and use of the System which will, based upon the reasonable estimates and projections of the Town's consulting engineer, be sufficient to pay all expenses of operation and maintenance, to provide for depreciation and repairs of the System, to pay installments of principal and interest on the Bond when due and to build and maintain the required reserves as set forth herein.

Section 2.07 Reimbursement of Expenditures. The Internal Revenue Service has issued Section 1.150-2 of the Treasury Regulations (the "Regulations") dealing with the issuance of tax-exempt bonds, all or a portion of the proceeds of which are to be used to reimburse the issuer for the project expenditures made by the issuer prior to the date of issuance of such bonds. The Regulations generally require that, except for preliminary expenditures of not more than 20% of the Project Costs for such things as engineering, surveying and soil testing, the issuer make a declaration (no later than 60 days after payment of the original expenditures) of its official intent to reimburse itself for such expenditures out of the proceeds of a subsequently issued borrowing, that the borrowing occur and the reimbursement allocation be made from the proceeds of such borrowing within eighteen months of the original expenditure or the date the project is placed in service, and that the expenditure be a capital expenditure or cost of issuance. The Town Council desires to comply with the Regulations in the construction of the Project. Except for the payment in full of the Series 2016 Bond through the Bond Anticipation Note, the Town does not expect to reimburse itself from Bond Proceeds for any of its prior expenditures. However, if it does so reimburse itself, then all reimbursed expenditures shall be expenditures authorized to be reimbursed by Section 1.150-2 of the Regulations. The Town intends this Resolution to be the "Reimbursement Resolution" described in Section 1.150-2 of the Regulations.

ARTICLE III - AUTHORIZATION AND TERMS OF BOND

Section 3.01 Authorization, Issuance and Sale of Series 2017 Bond. Pursuant to the Act and in order to provide moneys for construction of the Project, the Governing Body of the Town hereby authorizes the issuance and sale of the Series 2017 Bond in the aggregate principal amount of \$912,000 to RD as the original purchaser upon the terms and conditions stated herein.

Section 3.02 Interest Rate. The Series 2017 Bond shall bear interest from its date at the rate permitted and agreed by the Town and RD on the unpaid principal balance thereof. The interest rate permitted and agreed shall be the lower of the rate in effect at the time of loan approval by RD or at the Date of Closing. The Town will request the lower rate from RD. The initial rate committed to by RD for the Series 2017 Bond is one and five-eighths percent (1.625%) per annum over the 40 year term of the Series 2017 Bond.

Section 3.03 Payment Schedule. The principal of and interest on the Series 2017 Bond shall be payable in monthly installments with the first installment due one month from the date of the issuance of the Series 2017 Bond. The remaining payments are due on the same day each month during the forty year term of the Series 2017 Bond until the principal of and interest on each of the Series 2017 Bond has been paid in full. Assuming the 1.625% interest is the applicable rate for the Series 2017 Bond, monthly principal and interest payments on the Series 2017 Bond in the amount of \$2,591 shall be paid by check or by pre-authorized deposit on the monthly installment dates for the remaining term of the Series 2017 Bond. The final monthly installments on the Series 2017 Bond may be in such lesser or greater amount as is necessary to pay the balance of principal and interest then remaining due.

Section 3.04 Payments Due on Saturdays, Sundays and Holidays. In any case in which the date on which an installment payment is due shall be a Saturday, a Sunday, a legal holiday, or a day on which banking institutions are authorized by law to close, then such installment payment need not be made on such date, but may be made on the next business day that is not a Saturday, a Sunday, a legal holiday, or a day on which banking institutions are authorized by law to close, with the same force and effect as if made on the date on which the installment payment was due. No penalty shall attach to a payment made pursuant to this provision.

Section 3.05 Prepayment and Redemption. The Town may at any time prepay all or any part of the principal plus accrued interest on the Series 2017 Bond. Any such prepayment may be made without penalty or premium. Any prepayment shall be identified as such, shall be applied first to accrued interest and then to unpaid principal, and shall not extend or postpone the due date of any subsequent installment payment on the Series 2017 Bond.

Section 3.06 Negotiability, Transfer and Registration. The Series 2017 Bond shall be fully registered as to both principal and interest, and shall be initially registered in the name of and payable to RD. The Series 2017 Bond shall be negotiable, subject to the provisions for registration and transfer contained in this section. No transfer of the Series 2017 Bond shall be valid unless and until (1) the Bondholder, or his duly authorized attorney or legal representative, has executed the form of assignment appearing on the Series 2017 Bond, and (2)

the Treasurer, as Bond registrar, has duly noted the transfer on the Series 2017 Bond and recorded the transfer on the Treasurer's registration books. The Treasurer may, prior to noting and recording the transfer, require appropriate proof of the transferor's authority and the genuineness of the transferor's signature. In the event that the Town adopts or amends a system of registration as provided in Sections 17-5-1101 through 1123, MCA, such system and any amendments thereto shall be applicable to the Series 2017 Bond except to the extent that such system is inconsistent with this Resolution, in which event the terms of this Resolution shall take precedence. The Town shall be entitled to deem and treat the person in whose name a Bond is registered as the absolute owner of the Series 2017 Bond for all purposes, notwithstanding any notice to the contrary, and all payments to the registered holder shall be valid and effectual to satisfy and discharge the Town's liability upon such Bond to the extent of the sum or sums so paid.

Section 3.07 Execution. The Series 2017 Bond shall be executed on behalf of the Town by the manual signature of the Mayor of the Town and shall be manually countersigned by the Clerk/Treasurer. Any or all of such signatures may be affixed at or prior to the Date of Closing. In the event that any of the officers who have signed the Series 2017 Bond cease to be officers of the Town before the Bond is issued or delivered, their signatures shall remain binding upon the Town. Conversely, the Bond may be signed by an authorized official who did not hold such office on the date of this Resolution.

Section 3.08 Delivery. The Series 2017 Bond shall be delivered to RD, or its attorney or legal representative on the Date of Closing. The purchase price of the Series 2017 Bond shall be not less than the principal amount thereof.

Section 3.09 Security. The Series 2017 Bond shall be paid solely from the Wastewater System Fund, to which fund are pledged the Net Revenues generated by the System.

Section 3.10 Priorities. The Series 2017 Bond shall be secured by and payable out of the Net Revenues of the System without preference or priority over Parity Bonds as described in Section 6.01 hereof. If at any time the Net Revenues on hand in the Wastewater System Fund are insufficient to pay the principal and interest then due on all Bond issued under this Resolution, any and all moneys then available shall be applied to payments then due and overdue in order of the due dates of such payments (earlier-due payments being made before later-due payments), and if available moneys are insufficient to make all payments due on the same date, such moneys shall be applied pro rata first to accrued interest and then to principal.

Section 3.11 Form. The Series 2017 Bond shall be in substantially the following form (with appropriate insertions for dates and amounts as described above):

UNITED STATES OF AMERICA
STATE OF MONTANA
Town of Fromberg
Carbon County, Montana

Wastewater System Revenue Bond

Series 2017

R-1

Maturity Date: _____ \$912,000

KNOW ALL PERSONS BY THESE PRESENTS: The Town of Fromberg (the "Town"), a duly organized political subdivision of the State of Montana, acknowledges itself to be indebted to and for value received promises to pay to the order of the **United States of America** or its registered assignee, solely from the Bond Repayment Account of the Town's Wastewater System Fund, the principal sum of Nine Hundred Twelve Thousand and No/100 Dollars (\$912,000), plus interest, calculated on the basis of a 365 day year, from the date hereof at the rate of one and five-eighths percent (1.625%) per annum on the unpaid balance for the Bond's term. Principal and interest in the amount of Two Thousand One Hundred Fifty-five and 00/100 Dollars (\$2,591) shall be paid on the monthly installment dates for the 40 year term of the Bond. The final monthly installment may be in such lesser or greater amount as is necessary to pay the balance of principal and interest then remaining due. Such installment payments shall be made by check or draft mailed to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America or payments may be made electronically by preauthorized debit arranged for the Registered Owner of the Bond.

This Bond has been issued pursuant to and in full conformity with the constitution and laws of the State of Montana, including without limitation Title 7, Chapter 7, Part 44 of the Montana Code Annotated, and in accordance with Resolution No. 468 of the Town, duly adopted on July 24, 2017, (the "Resolution"). Reference is hereby made to the Resolution for a description of the terms and conditions other than those herein, upon which this Bond is issued and secured.

The Bond has been issued for the purpose of providing part of the funds necessary to pay the costs of constructing, improving, extending, and rehabilitating the Wastewater System of the Town (the "System"). The principal of and interest on the Bond is payable solely from the Net Revenues of the System as defined in the Resolution.

The Town may at any time prepay all or any part of the principal, plus accrued interest on the Bond. Any such prepayment may be made without penalty or premium. Any prepayment shall be identified as such, shall be applied first to accrued interest and then to unpaid principal, and shall not extend or postpone the due date of any subsequent installment payment on the Bond.

The Town has duly authorized and will forthwith construct and complete the Project as defined in the Resolution. The Town will establish and collect reasonable rates and charges for the services afforded by the System of which the Project is a part, and has created a Wastewater System Fund into which the Gross Revenues of the System, including all revenues from additions, replacements and improvements to the System subsequently constructed or acquired,

will be paid. The Wastewater System Fund includes a Bond Repayment Account, into which there shall each month be credited, out of the Net Revenues of the System then on hand, amounts sufficient, with similar credits from prior and subsequent months, to meet all payments of principal of and interest on the Bond as they become due. The Wastewater System Fund also includes a Bond Repayment Reserve Account, into which account there shall each month be credited out of the remaining Net Revenues of the System certain additional amounts as provided in the Resolution to establish within ten years from the date hereof and maintain therein a reserve in an amount equal to the annual payment of principal and interest due on the Bonds issued under the Resolution, to be used only to pay the principal of and interest on the Bonds as such principal and interest become due. Rates and charges for the use of the System will be made from time to time in amounts sufficient to provide for the prompt payment of the reasonable and current expenses of operation and maintenance of the System and to produce Net Revenues, in excess of such expenses, sufficient to pay the principal of and interest on the Bonds issued under the Resolution and any additional bonds hereafter issued and made payable from said Net Revenues. The revenues of the System will also be kept sufficient to provide for the replacement of the System as it deteriorates. Except in so far as parity bonds are authorized in the Resolution, no obligation will be incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be made expressly subordinate to the lien of the Bond on such Net Revenues.

It is hereby certified that all acts, conditions, and things required by law, resolution, or agreement to be done or to have happened prior to or in connection with the issuance of the Bond have been done or have happened, and that the issuance of the Bond does not violate any constitutional or statutory limitation on bonded indebtedness.

IN WITNESS WHEREOF, the Town of Fromberg, acting by and through its Town Council, has caused this Bond to be executed in its behalf by the signature of the Mayor countersigned by the signature of the Clerk/Treasurer of the Town, and has caused this Bond to be dated as of _____, 2017.

SAMPLE

Countersigned:

SAMPLE

Mayor

Clerk/Treasurer

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, has duly noted the transfer on the Bond and recorded the transfer

on the Treasurer's registration books. The Town shall be entitled to deem and treat the person in whose name a 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 Town's liability upon the Bond to the extent of the sum or sums so paid.

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

The Treasurer of the Town of Fromberg, Carbon County, Montana, acting as registrar for this Bond, has transferred, on the books of the Town, on the date last noted below, ownership of the principal amount of and the accrued interest on the Bond to the new registered holder noted next to such date, except amounts of principal and interest theretofore paid.

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

ARTICLE IV - WASTEWATER SYSTEM FUND AND ACCOUNTS

Section 4.01 Establishment of Fund and Accounts; Pledge of Revenues. The Treasurer has established or shall establish a fund designated as the Wastewater System Fund in the official books of the Town, and shall establish the following six accounts within the Wastewater System Fund:

- (a) The Construction Account;
- (b) The Operating and Maintenance Account;
- (c) The Bond Repayment Account;
- (d) The Bond Repayment Reserve Account;
- (e) The Replacement and Depreciation Account (which includes a Short-lived Asset Replacement Reserve Subaccount); and
- (f) The Surplus Account;

All Net Revenues derived from operation of the System are irrevocably pledged, appropriated and shall be credited to the Wastewater System Fund and the accounts listed above until the principal of and interest on the Bonds issued pursuant to this Resolution have been fully paid or the Town's obligation with respect to the Bonds has been discharged as provided in this Resolution.

Section 4.02 Construction Account. Money in the Construction Account shall be used only to pay Project Costs and debt service on the Bonds, and shall be held in bank accounts and disbursed only in the manner prescribed in Section 5.02 of this Resolution.

Section 4.03 Operating and Maintenance Account. Money held in the Operating and Maintenance Account shall be disbursed only to pay the reasonable and necessary Operating

Expenses of the System and to make the transfers of money required by Section 5.04 of this Resolution. Money may also be transferred from the Operating and Maintenance Account to the Bond Repayment Account to be used to make prepayments with respect to the Bond or to redeem the Bond. Money may also be transferred from the Operating and Maintenance Account to make payments required to be made for Rebate Amounts due pursuant to the IRC.

Section 4.04 Bond Repayment Account. Money held in the Bond Repayment Account shall be disbursed only to meet the regular installment payments of principal and interest on the Bond as they become due or to redeem or make prepayments with respect to the Bonds. If on any regular installment payment date the money in the Bond Repayment Account is insufficient to make the installment payments due, then an amount equal to the amount of the insufficiency shall be transferred to the Bond Repayment Account from (i) the Operating and Maintenance Account, (ii) the Bond Repayment Reserve Account, (iii) the Replacement and Depreciation Account, (iv) the Surplus Account, and (v) the Construction Account, in that order.

Section 4.05 Bond Repayment Reserve Account. Money held in the Bond Repayment Reserve Account shall be disbursed only to the Bond Repayment Account, and only for the purpose of eliminating any insufficiency existing in the Bond Repayment Account at the time of any Monthly Apportionment or regular installment payment date, pursuant to Section 5.04 of this Resolution. The Bond Repayment Reserve Account shall, once it has received sufficient Monthly Apportionments to reach the Reserve Requirement, will be maintained, by subsequent Monthly Apportionments, at an amount equal to the Reserve Requirement.

Section 4.06 Replacement and Depreciation Account. Money held in the Replacement and Depreciation Account (which includes the Short-lived Asset Replacement Reserve Subaccount referenced in Section 4.07) shall be disbursed only for the following purposes: (a) for the replacement or renewal of worn out, obsolete or damaged property or equipment pertaining to the System; (b) to eliminate any insufficiency in the Bond Repayment Account on any regular installment payment date, pursuant to Section 5.04 of this Resolution; (c) if directed by the Governing Body, for transfer to the Bond Repayment Account or the Bond Repayment Reserve Account pursuant to Section 5.04 of this Resolution to eliminate any insufficiency existing at the time of any Monthly Apportionment; and (d) if directed by the Governing Body, for transfer to the Bond Repayment Account to be used to redeem or make prepayments with respect to the Bond.

Section 4.07 Short-lived Asset Replacement Reserve Sub-Account. Money held in the Short-lived Asset Replacement Reserve Sub-Account of the Replacement and Depreciation Account shall be disbursed for the purpose of replacement, repair or renewal of worn out, obsolete or damaged short-lived property or equipment pertaining to the System. Short-lived Assets are defined as those Wastewater System assets determined by the Governing Body's engineer, as of the completion of the Project, to have as estimated useful life of less than fifteen years. The Town will review the amount needed to maintain the Short-lived Assets Reserve every five years and deposit in that reserve sub-account amounts necessary to replace expenditures made therefrom and to adjust for inflation of costs.

Section 4.08 Surplus Account. Money held in the Surplus Account, when not required to restore a current deficiency in the Bond Repayment Account or the Bond Repayment Reserve Account, may be disbursed for the payment of subordinate lien bonds, redemption or prepayment of the Bonds, pay for repairs of or construction and installation of improvements or additions to the System or to make payments of Rebate Amounts or provide for an operations reserve.

ARTICLE V - DEPOSITS, TRANSFERS, INVESTMENTS AND WITHDRAWALS

Section 5.01 Deposit of Bond Proceeds. The proceeds of sale and delivery of the Series 2017 Bond shall be deposited at closing in the Construction Account and utilized to pay in full the Bond Anticipation Note.

Section 5.02 Disbursements from Construction Account. In the event grant funds are available from any governmental agencies, then said funds, funds obtained from the Bond Anticipation Note and the proceeds of the Bond hereby authorized shall be deposited in the Construction Account as authorized by the Governing Body from time to time for expenses approved by the RD, and only for the purposes for which the Series 2017 Bond is issued. Any interest earnings on funds invested shall be deposited in the Construction Account. The Town's share of any liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the project. When the construction of the facility has been completed and all interim financing and construction costs have been paid in full, any balance remaining in the Construction Account will be used to prepay the Bond or transferred to the Bond Repayment Reserve Account.

Section 5.03 Deposit of Gross Revenues. The Treasurer shall deposit all Gross Revenues of the System into the Operating and Maintenance Account immediately upon their receipt, and shall disburse such revenues from the Operating and Maintenance Account only in the manner prescribed by Section 5.04 of this Resolution.

Section 5.04 Monthly Apportionment. Each month the Treasurer shall transfer money between the accounts created pursuant to Section 4.01 of this Resolution, which monthly transfers (the "Monthly Apportionment") shall be made as follows:

- (a) First, all Operating Expenses then due and owing or subject to accrual (or which will become due and owing or subject to accrual prior to the next Monthly Apportionment) shall be paid from the Operating and Maintenance Account or accrued;
- (b) Second, an amount equal to the monthly installment payment due on the Bond (plus the amount of any such transfers required in previous months that were not made due to lack of funds) shall be transferred from the Operating and Maintenance Account to the Bond Repayment Account;

(c) Third, if the money in the Operating and Maintenance Account is insufficient to make the transfer required by subparagraph (b), then an amount equal to the amount of the insufficiency shall be transferred to the Bond Repayment Account from (i) the Bond Repayment Reserve Account or (ii) if directed by the Governing Body, the Replacement and Depreciation Account or the Surplus Account;

(d) Fourth, beginning with the first Monthly Apportionment made in the month following the Date of Closing, the amount of Two Hundred Sixty and 00/100 Dollars (\$260) shall be transferred from the Operating and Maintenance Account to the Bond Repayment Reserve Account, until the balance in the Bond Repayment Reserve Account is equal to the Reserve Requirement. The Reserve Requirement for the Series 2017 Bond is Thirty-one Thousand, Ninety-two and 00/100 Dollars (\$31,092));

(e) Fifth, if the money in the Operating and Maintenance Account is insufficient to make the transfer required by subparagraph (d), then an amount equal to the amount of the insufficiency shall be transferred to the Bond Repayment Reserve Account from the Replacement and Depreciation Account or the Surplus Account, if the Governing Body authorized such transfer;

(f) Sixth, there shall be transferred from the Operating and Maintenance Account to the Replacement and Depreciation Account Surplus Net Revenues in an amount of at least Two Hundred Thirty-four and 00/100 (\$234) per month for the Short-lived Asset Reserve Replacement Subaccount. The Governing Body may also add funds to the Replacement and Depreciation Account, after it has complied with subsection (a) through (e) above, or in such additional amount which the Governing Body shall by resolution have found to be required for the accumulation of a reasonable fund for replacement or renewal of worn out, obsolete or damaged property or equipment pertaining to the System, and for the costs of improvements, or repairs or additions to the System; and

(g) Seventh, any amount of the Surplus Net Revenues in excess of the current requirements of the Replacement and Depreciation Account shall be credited to the Surplus Account.

Section 5.05 Funding from Other Sources. Nothing in this Resolution shall prevent the Town from depositing money from sources other than Gross Revenues into the Wastewater System Fund or any of its Accounts in addition to the transfers and apportionments required by this Resolution. Such voluntary deposits shall be treated as Gross Revenues and shall not thereafter be withdrawn except in accordance with this Resolution. Such voluntary deposits of other money to the Bond Repayment Account or the Bond Repayment Reserve Account may be made in lieu of an equal amount of transfers or apportionments of Net Revenues to such accounts as required by this Resolution.

Section 5.06 Segregation of Moneys. All Net Revenues, and other moneys received by the Town pursuant to this Resolution and any Supplemental Resolution are to be

deposited into the accounts within the Wastewater System Fund, and all Permitted Investments purchased with moneys deposited therein, shall at all times be kept segregated and set apart from all other funds of the Town. No such moneys shall at any time be transferred from any account in the Wastewater System Fund to any other fund of the Town, nor shall any moneys at any time be loaned to other Town funds or invested in other obligations payable from other funds, except as provided in this Resolution. None of such moneys or investments shall at any time or under any circumstances constitute public funds of the Town, nor shall they be subject to lien or attachment by any creditor (except by a creditor acting as or on behalf of a Bondholder). However, the requirements of this section shall not be construed in such a manner as to prevent the aggregation or pooling of moneys in the Wastewater System Fund or one or more of its accounts for the purpose of investing such funds as permitted by this Resolution, so long as such aggregation or pooling, and any investments so made, do not cause Bonds issued hereunder to become "arbitrage bonds" under IRC Section 148(a).

Section 5.07 Deposit of Moneys. The Treasurer shall deposit all money held in the Wastewater System Fund pursuant to this Resolution in one or more financial institutions qualified to serve as depositories for public funds under Section 7-6-201, MCA. The balance in such deposit accounts, except portions guaranteed by federal insurance, shall at all times be secured in the manner provided by Section 7-6-207, MCA, to the full extent of such uninsured portion or to the maximum extent permitted by law.

Section 5.08 Investment of Moneys. Wastewater System Fund moneys may be invested if and to the extent that the Town does not need such moneys to be available for immediate use, in direct obligations of the United States Government, savings or time deposits, or other investments authorized for cities in Montana, described in Title 7, Chapter 6, Part 2 of the Montana Code Annotated.

Section 5.09 Investment Income. Except as otherwise provided with respect to the Rebate Amount, income from the deposit or investment of moneys in said accounts shall be credited to the account from whose moneys the deposit was made or the investment was purchased, and shall be handled and accounted for in the same manner as other moneys in that account.

Section 5.10 Arbitrage Limitation. The Town hereby covenants and agrees with the Bondholder that no part of the proceeds of the Series 2017 Bond or any other funds held by the Town shall at any time be used directly or indirectly to acquire securities or obligations the acquisition of which would cause the Series 2017 Bond to be or become "arbitrage bonds" as defined in IRC Section 148(a); provided, however, that the Town may at any time request, receive, and rely with full acquittance upon the opinion of Nationally Recognized Bond Counsel that a proposed acquisition will not cause the Series 2017 Bond to be or become arbitrage bonds. Any fees and expenses incurred in providing such opinion of Nationally Recognized Bond Counsel shall be paid by the Town and may be paid out of the Operating and Maintenance Account.

The Governing Body of the Town recognizes that certain arbitrage profits must be rebated to the United States Treasury Department. The Governing Body agrees to obtain the assistance of Nationally Recognized Bond Counsel in the preparation and passage of any Supplemental Resolution necessitated by the arbitrage requirements of the IRC or promulgation of the Treasury Regulations thereunder. The Town hereby covenants to make any determinations, retain records and rebate to the United States Treasury any Rebate Amounts determined to be due at the times and in the manner required by Section 148(f) of the IRC.

ARTICLE VI - ADDITIONAL BONDS

Section 6.01 Parity Bonds. The Town reserves the right and privilege of issuing, pursuant to a Supplemental Resolution or resolutions, additional bonds on a parity with and having a lien equal in rank to that of the Series 2017 Bond against the Wastewater System Fund and the accounts therein and which are payable equally and ratably therefrom without preference, priority, or distinction because of date of issue. Such additional bonds (hereinafter called "Parity Bonds") may be issued only for the purposes and in accordance with the conditions set forth in Sections 6.02, 6.03 and 6.04 of this Resolution.

Section 6.02 Completion Parity Bonds. Parity Bonds may be issued for the purpose of financing the cost or estimated cost of completing the Project (hereinafter called "Completion Parity Bonds"), provided that the scope of the Project has not changed, that other available moneys are insufficient for completing the Project, and that the Completion Parity Bonds together with available moneys will be sufficient to complete the Project.

Section 6.03 Improvement Parity Bonds. (a) Parity Bonds may be issued to finance the cost or estimated cost of providing any further improvement, extension, or rehabilitation of the System (hereinafter called "Improvement Parity Bonds"), provided that the Net Revenues of the System for the fiscal year preceding the issuance of such Improvement Parity Bonds equaled at least 120% of the average annual debt service on the Series 2017 Bond and Parity Bonds to be outstanding immediately after the issuance of such Improvement Parity Bonds.

(b) For the purposes of the foregoing computation, Net Revenues shall be those shown on the official books and records of the Town for the applicable period; provided, however, that if the rates and charges for services provided by the System have been changed or will be changed after the commencement of such period, then the rates and charges which will be in effect at the time of issuance of the Improvement Parity Bonds shall be applied to the quantities of service actually rendered and made available during the period in order to ascertain the Gross Revenues, from which there shall be deducted, to determine the Net Revenues, the actual costs of operation and maintenance during the period as shown on the official books and records of the Town plus any additional annual costs of operation and maintenance which the Engineer of the Town reasonably estimates will be incurred because of the improvement or extension of the System which is proposed to be constructed from the proceeds of the Improvement Parity Bonds or less any savings anticipated by the utilization of the said improvements. Improvement Parity Bonds

may not be issued if the Town is in default in any payment of principal or interest on any outstanding Bonds payable from the Wastewater System Fund or if there exists a deficiency in any of the balances required to be kept pursuant to this Resolution.

Section 6.04 Current Refunding Allowed but No Defeasance Allowed. The Town may issue Parity Bonds to currently refund the Series 2017 Bond or Parity Bonds provided that "advance refunding" of the Series 2017 Bond may not occur. For the purposes of meeting RD requirements, no Defeasance of the Series 2017 Bond may occur as that term is described in RUS Regulations, Part 1780, subsection 1780.94(j)(4).

If, at any time, it shall appear to RD that the Town is able to currently refund the amount of the Series 2017 Bond then outstanding, in whole or in part, by issuance and sale of bonds to responsible cooperative or private credit sources, at reasonable rates and terms for loans for similar purposes and periods of time, the Town will, upon request of RD, apply for and accept such financing in sufficient amount to repay the Series 2017 Bond.

Section 6.05 Subordinate Bonds. Nothing in this Resolution shall preclude the Town from issuing, pursuant to a separate resolution or resolutions, additional bonds when necessary for the improvement, extension, or rehabilitation of the System, provided that such additional bonds (hereinafter called "Subordinate Bonds") are expressly made subordinate to the lien of the Bonds and Parity Bonds authorized by this Resolution on the Net Revenues of the System and all accounts of the Wastewater System Fund.

Section 6.06 Approval of Counsel. Any registered holder of the Series 2017 Bond or Parity Bonds whose aggregate unpaid principal amount constitutes at least ten percent (10%) of the aggregate unpaid principal amount of the Series 2017 Bond and of all outstanding Parity Bonds shall have the right, prior to the issuance of any Parity Bonds or Subordinate Bonds, to require the Town to furnish, at the Town's expense, either or both of the following:

- (a) An opinion of an attorney duly licensed to practice law in Montana to the effect that the Town is not then in default on the Series 2017 Bond or any Parity Bond, covenant or any other term or condition of this Resolution;
- (b) The opinion of a Nationally Recognized Bond Counsel to the effect that the issuance of the proposed bonds will not violate any covenant, term, or condition of this Resolution, and that the interest on the Bonds and Parity Bonds then outstanding shall be and remain exempt from taxation under IRC Section 103.

ARTICLE VII - GENERAL COVENANTS

Section 7.01 Resolution Constitutes Contract Between Bondholder and Town. (a) This Resolution constitutes and shall be deemed to be a contract between the Town and the Bondholder, and the pledges and the covenants made by the Town in this article or elsewhere in this Resolution shall be for the benefit, protection and security of the Bondholder.

(b) No recourse for the payment of any part of the principal of or interest on the Bond or for the satisfaction of any liability arising from the issuance, sale, purchase or ownership of the Bond, or any liability arising from this Resolution, shall be had against any officer, member, employee, or agent of the Town in his or her individual capacity, all such liability being hereby expressly released and waived as a condition of and as part of the consideration for the execution of this Resolution and the issuance of the Bond.

(c) Nothing in this Resolution, express or implied, is intended or shall be construed to confer upon or to give to any person or corporation other than the Bondholder any right, remedy, or claim under or by any reason of this Resolution, and the covenants, stipulations, and agreements contained in this Resolution are and shall be for the sole and exclusive benefit of the Bondholder.

Section 7.02 Faithful Performance in General.

The Town will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and in the Bond issued hereunder; will pay or cause to be paid to the Bondholder, the principal of and interest on the Series 2017 Bond, on the dates and in the place and manner prescribed in such Series 2017 Bond, provided that such payments will be made solely out of the revenues pledged for the payment thereof pursuant to this Resolution; will not issue any bonds in any manner other than in accordance with the provisions of this Resolution; and will not suffer or permit any default to occur under this Resolution, but will faithfully observe and perform all the conditions, covenants, and requirements hereof. The Town will take all steps reasonably necessary to insure that its officers, employees, and agents act in accordance with and in furtherance of the purposes, covenants, and conditions of this Resolution, and the Town will adopt and carry out such further resolutions as may be reasonably requested by RD for the purpose of better carrying out the purpose and intent of this Resolution.

Section 7.03 Authority of the Town.

The Town is duly authorized under the constitution and laws of the State of Montana to create and issue the Series 2017 Bond and to adopt and be bound by this Resolution. All actions and proceedings that must be taken by the Town for the authorization and issuance of the Series 2017 Bond and the adoption and delivery of this Resolution have been duly and effectively taken, and the Series 2017 Bond will be valid and enforceable obligations of the Town in accordance with their terms.

Section 7.04 Pledge.

(a) To secure payment of the principal of and interest on the Series 2017 Bond, the Town hereby irrevocably pledges and confirms to the Bondholder and grants the Bondholder a security interest in the following revenues, assets and moneys:

- (1) The proceeds of the Series 2017 Bond;
- (2) All moneys and investments in the Wastewater System Fund and all of its accounts as established pursuant to this Resolution;

(3) Any insurance payments made to the Town on account of the loss of or damage to any part of the System or the Project;

(4) the Net Revenues and any other revenues or property which may in the future be pledged, confirmed, assigned, transferred or conveyed as additional security under this Resolution.

(b) This pledge is valid and binding from the date of the adoption of this Resolution by the Governing Body, and all revenues, assets and moneys so pledged and hereafter received by the Town for the System shall immediately be subject to the lien created by the pledge. It is the intention of the Town that the lien and security interest created by this pledge shall be valid and binding against all parties having claims of any kind, whether in tort, contract or otherwise, against the Town.

(c) If the Town shall pay or cause to be paid the principal of and interest due on the Series 2017 Bond at the times and in the manner required or permitted in this Resolution, and shall observe and perform all of the covenants made by it in this Resolution, then this pledge and the rights and interests granted by this Resolution shall cease, terminate and be void.

Section 7.05 Operation of the System. The Town will continue to hold, maintain, and operate the System as a public utility and convenience, and will keep the System and its Net Revenues free from all liens other than the liens granted or authorized by this Resolution. The Town will not establish or authorize the establishment of any other Wastewater system for the public or other services in competition with any of the services supplied by the facilities of the System.

Section 7.06 Charging and Collection of Fees. The Town will maintain, revise, charge, and collect rates and other charges for all service furnished and made available by the System in the manner and to the extent now or hereafter provided by law, according to schedules such that the Gross Revenues derived from the System will be sufficient, when combined with other available funds, to pay when due all expenses of the operation and maintenance of the System, to pay all principal of and interest on the Series 2017 Bond, to provide for the establishment and maintenance of adequate reserves in the amounts required by this Resolution, to provide an allowance adequate for recurring renewals and replacements of the System, and to fulfill the terms of all other agreements with holders of the Town's bonds and other obligations.

Section 7.07 Property Insurance. The Town will cause all building, properties, fixtures, and equipment constituting a part of the System to be kept insured, during and after construction, with a reputable insurance carrier or carriers qualified under the laws of Montana, in such amounts as are ordinarily carried, against loss or damage by fire, explosion, and such other hazards or risks as are ordinarily insured against by public utilities owning and operating properties of similar character and size. The proceeds of all such insurance shall be available for the repair, replacement, and reconstruction of damaged or destroyed property, and, until paid out in making good for such loss or damage, are pledged as security for the Series 2017 Bond. All

insurance proceeds received in excess of amounts required for restoration of the loss or damage compensated thereby shall be and become part of the revenues appropriated and pledged to the Wastewater System Fund. If for any reason the insurance proceeds are insufficient for the repair, replacement, and reconstruction of the insured property, the Town shall supply the deficiency from revenues on hand in the Replacement and Depreciation Account; and if such deficiency results from breach of the covenant of this section it will be supplied from any other available Town funds.

Section 7.08 Liability Insurance and Surety Bond. The Town will cause insurance to be carried against liability of the Town and its agents and employees for injuries (including death) to persons and damage to property resulting from the construction, operation, maintenance, improvement or extension of the System, in amounts customarily carried by similar municipalities for similar systems. The Town also will cause worker's compensation insurance to be carried sufficient to comply with the laws of the state of Montana pertaining thereto. The Town also will cause all persons handling money and other assets of the Wastewater System Fund to be bonded adequately for the faithful performance of their duties, and to account for and to pay over such money and assets to the Town. All amounts received under such insurance and bonds shall be applied to the loss or damage covered thereby.

Section 7.09 Disposition of Property. The Town will not mortgage, lease, sell, or otherwise dispose of any real or personal property pertaining to the System, unless:

- (a) Prior to or simultaneous with such disposition all outstanding bonds shall be discharged as provided in Article IX of this Resolution; or
- (b) (i) the property to be disposed of is unserviceable, inadequate, obsolete, or no longer required for use in connection with the System, (ii) the disposition will not prevent the Town from complying with any covenant or condition of this Resolution, and (iii) all proceeds of the disposition are treated in the same manner as Gross Revenues of the System.

Section 7.10 Maintenance of Books and Accounts/Audits. The Treasurer shall keep or cause to be kept books of record and account in which complete and correct entries shall be made of all receipts, disbursements and other transactions relating to the System and the accounts created by this Resolution. Such books shall be based on the same fiscal periods as those utilized by the Town, and shall be subject to inspection by any Bondholder or the representative, duly authorized in writing, of any Bondholder. The Town recognizes it is subject to, and agrees to comply with, the State of Montana Single Audit Act in Title 2, Chapter 7, Part 5, MCA.

Section 7.11 Information Reports to U.S. Treasury Department. The Town agrees to promptly provide and/or cooperate in providing any reports required by the U.S. Treasury Department relating to the Series 2017 Bond.

Section 7.12 Merger with other Systems. In the event other public entities in the immediate area of the Town apply for and receive RD financing for a Wastewater system which could feasibly connect to the Town's Wastewater system, then the Town agrees to merge with such other systems if physically, legally and economically possible. The term "merge" as used herein includes allowing a neighboring federally funded Wastewater system to purchase and utilize excess capacity of the System.

Section 7.13 Service and Billing. The Town will provide service from the System to all areas of the Town where it is legally and economically feasible and will charge equitable fees for such service. The charges for Wastewater services will be billed at least quarterly, and if a bill is not paid within the time frame established by the Town, or if the customer fails to comply with all rules and regulations established for the System within the time frame established by the Town after notice of violation thereof (which notice shall be given promptly upon discovery of any such violation), the services to the premises involved may be discontinued through the termination of water service and may not be resumed until payment of all past-due bills for sewer services and compliance with all such rules and regulations.

Section 7.14 Rural Development Approval of Additional System Improvements. Any modifications or improvements to the System shall be subject to the review and prior approval of RD and the Montana Department of Environmental Quality, if required, after the Town has submitted preliminary plans.

Section 7.15 Arbitrage Rebate Exemption. (a) The Town hereby represents that the Series 2017 Bond qualifies for the exception for small governmental units to the arbitrage rebate provisions contained in Section 148(f)(4)(D) of the Code. Specifically, the Town represents:

- (1) The Series 2017 Bond was treated as satisfying the requirements of Section 148(f)(4)(D) of the Code by reason of the fact that the Town is a governmental entity with general taxing powers and the Series 2017 Bond was not a private activity bond;
 - (2) The aggregate face amount of all "tax-exempt bonds" (including warrants, contracts, leases and other indebtedness, but excluding private activity bonds and current refunding bonds) issued by or on behalf of the Town and all subordinate entities thereof during 2017 are not expected to exceed \$5,000,000; and
 - (3) 95% or more of the net proceeds of the Series 2017 Bond are to be used for governmental purposes.
- (b) If notwithstanding the provisions of paragraph (a) of this Section 10.4, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Series 2017 Bond, the Town hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f).

Section 7.16 Qualified Tax-Exempt Obligation. Pursuant to Section 265(b)(3)(B)(ii) of the Code, the Town hereby designates the Series 2017 Bond as a "qualified tax-exempt

obligation" for purposes of Section 265(b)(3) of the Code. The Town has not designated under Section 265(b) any obligations in 2017 under Section 265(b)(3). The Town hereby represents that it does not anticipate that obligations bearing interest not includable in gross income for purposes of federal income taxation under Section 103 of the Code (including refunding obligations as provided in Section 265(b)(3) of the Code and including "qualified 501(c)(3) bonds" but excluding other "private activity bonds," as defined in Sections 141(a) and 145(a) of the Code) will be issued by or on behalf of the Town and all "subordinate entities" of the Town in 2017 in an amount greater than \$10,000,000.

ARTICLE VIII - DEFAULT AND REMEDIES

Section 8.01 Events of Default. Any one or more of the following events shall constitute an "Event of Default" under this Resolution:

- (a) Nonpayment of any principal of or interest on the Series 2017 Bond within thirty (30) days after the date on which such principal and interest was due and payable;
- (b) Default by the Town in the due and punctual performance of any of the covenants, conditions, agreements, and provisions contained in the Series 2017 Bond, this Resolution, or in any resolution supplemental hereto, which are to be performed by the Town, if such default shall have continued for a period of thirty (30) days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Town by any Bondholder;
- (c) The filing of a petition by the Town under the laws of the United States seeking protection under the Bankruptcy Code or the consent of the Town to the appointment of a receiver, trustee, or debtor in possession of all or a major portion of its property; and
- (d) Any event (other than amendment of the Internal Revenue Code) causing interest on the Bond to be subject to federal income taxation.

Section 8.02 Remedies. (a) Upon the occurrence and continuance of an Event of Default, the Bondholder shall have the right, either at law or in equity, by suit, action, or other proceeding, to protect and enforce his rights and to compel the performance of any and all covenants and conditions required herein to be performed by the Town and its officers and employees, including but not limited to the fixing and maintaining of rates, fees, and charges, the collection or proper segregation of revenues, and the application and use thereof. The Bondholder shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to Bondholder or the exercise of any power conferred on the Bondholder, and the right to waive a default in the performance of any covenant or condition, and its consequences, except in payment of the principal of or interest on any Series 2017 Bond when due.

(b) Nothing herein shall impair the absolute and unconditional right of any Bondholder to receive each payment of the principal of and interest on such Bond, as such principal and interest, respectively, become due, and to institute suit for any such payment. Any court with

jurisdiction of the action may appoint a receiver to administer the System on behalf of the Town with the power to charge and collect rates, fees, and charges sufficient to provide for the payment of any bonds, or obligations outstanding against the System, and with power to apply the revenues in conformity with this Resolution and the laws of the State of Montana.

(c) No remedy conferred upon or reserved to a Bondholder by the terms of this Resolution is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given by this Resolution or now or hereafter existing at law, in equity or by statute. No delay or omission in the exercise of any right or power accruing upon any default or Event of Default shall impair any such right or power or be construed to be a waiver of or acquiescence in any such default or Event of Default, and such right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any default or Event of Default under this Resolution shall extend to or affect any subsequent default or Event of Default, nor impair any rights or remedies consequent thereon. In case a Bondholder shall have proceeded to enforce any right under this Resolution, and the proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bondholder, then and in every such case the Town and the Bondholder shall be restored to their former positions and rights and duties hereunder and the same shall continue as if no such proceedings had been taken.

ARTICLE IX - DISCHARGE

Section 9.01 Discharge by Payment. When all principal of and interest due and payable on the Series 2017 Bond has been paid in the manner required or permitted by this Resolution, then the respective Series 2017 Bond shall cease to be entitled to any lien, pledge, benefit or security under this Resolution and all pledges, covenants and other rights granted to the Bondholder by the Resolution shall cease, terminate and be discharged and satisfied.

ARTICLE X - AMENDMENTS

Section 10.01 Amendments without Bondholder Consent. The Town reserves the right to amend or supplement this Resolution by adopting further resolutions from time to time, and at any time, for any one or more of the following purposes:

- (a) To add covenants and agreements for the protection of the Bondholder;
- (b) To cure any ambiguity or correct any defect or inconsistent provision in this Resolution;
- (c) To subject additional revenue, properties, or collateral to the terms of this Resolution;
- (d) To set forth terms and conditions of Parity Bonds or Subordinate Bonds not contrary to this Resolution;

(e) To preserve the exemption of interest on the Series 2017 Bond from federal and/or state income taxation and to preserve the right of the Town to continue to issue other bonds, debts, or other obligations of any nature the interest income of which is likewise exempt from federal and/or state income taxation;

(f) To surrender or waive any right or power reserved to or conferred upon the Town by this Resolution; or

(g) To make any other change or addition to this Resolution which the Governing Body may deem necessary or desirable, which is not inconsistent with this Resolution, and which does not adversely affect the interests of the Bondholder.

Section 10.02 Amendments with Bondholder Consent. Except as provided in Section 10.01 of this Resolution, the Town shall not have the right or the power to amend this Resolution or to adopt any supplemental resolutions, unless, after notice to the Bondholder, such amendment or supplemental resolution is approved by the holder of outstanding Bonds.

Section 10.03 Notice and Consent. (a) Notice of any proposed amendment or supplement to this Resolution, which requires consent of the Bondholder pursuant to Section 10.02 hereof, shall be given in the manner prescribed by Section 11.01 of this Resolution not less than thirty (30) days prior to the adoption of such amendment or supplement to the holder of the Bond at the time of such notice. Any written consent to an amendment may be embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by an agent of the Bondholder duly appointed in writing, and shall become effective when delivered to the Treasurer. Any consent by a Bondholder shall bind him and every future holder of the same Series 2017 Bond with respect to any amendment adopted by the Town pursuant to such consent.

(b) The fact and date of execution by any person of any such consent may be proved by the affidavit of the witness to such execution or by the certificate of any Notary Public or other officer authorized to take acknowledgments of deeds, certifying that the person signing it acknowledged to him the execution thereof.

ARTICLE XI - OTHER PROVISIONS

Section 11.01 Notices. Any request, demand authorization, consent, direction, notice, or other document provided or permitted by this Resolution shall be sufficient for such purpose when mailed by certified mail, return receipt requested, and with sufficient postage prepaid, to the following addresses (or to such other address as may be provided by any party upon notice to all other parties), but shall not be deemed to be effective until receipt:

To the Town:

Town of Fromberg
Attn: Clerk/Treasurer
P.O. Box 236
Fromberg, MT 59029

To RD:

Rural Development
USDA
2229 Boot Hill Court
Bozeman, MT 59715

To any Bondholder: The name and address of such Bondholder as it appears in the bond register.

Section 11.02

Arbitrage Certificate.

The Mayor and Clerk/Treasurer, being the officers of the Town charged with the responsibility of issuing the Series 2017 Bond, are authorized and directed to execute and deliver to the purchaser a certification stating the reasonable expectations of the Town, on the date of issue and delivery of the Series 2017 Bond authorized by this Resolution, regarding the amount and the use of the proceeds of the issue. Such expectations must be such that the Series 2017 Bond will not be an "arbitrage bond" as defined in IRC Section 148(a). The certificate will also state the Town's intent to maintain the tax-exempt nature of the interest income on the Series 2017 Bond and to do all things necessary to maintain such tax-exemption. Any Additional Bonds issued under this Resolution will be required to similarly comply with this section.

Section 11.03

Transcript.

The officers of the Town are hereby authorized and directed to prepare and furnish to the purchasers of the Series 2017 Bond, and to the attorneys approving the legality of the issuance of the Series 2017 Bond, certified copies of all proceedings and records of the Town relating to the Series 2017 Bond and to the organization of the Town, and of reports on the financial condition of the Town, and such affidavits, certificates, and other information and documents as may be requested or required to carry out the purposes of this Resolution; and all such certified copies, affidavits and certificates, including any heretofore furnished, shall constitute representations of the Town as to the truth of the matters contained therein.

Section 11.04

Severability.

In case any one or more of the provisions contained in this Resolution or in the Series 2017 Bond shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Resolution, but this Resolution shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

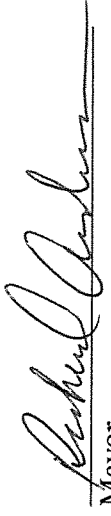
This Resolution was adopted by the Governing Body of the Town of Fromberg, Carbon County, Montana, on the 24th day of July, 2017.

IN WITNESS WHEREOF, the Mayor has executed this Resolution and the Clerk/Treasurer has so attested.

Attest:


Clerk/Treasurer

Approved:


Mayor

The following Council Members voted in favor of the Resolution:

JAMES A. PECKINS, Sr., LUKA PERCE, TIMOTHY NOTTINGHAM AND SHELLEY MILLER.

The following Council Members voted against the Resolution:

The following Council Members were absent or abstained:

RESOLUTION NO. 467

RESOLUTION RELATING TO THE ISSUANCE BY THE TOWN OF FROMBERG OF ITS \$343,000 WATER SYSTEM REVENUE BONDS (DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM), CONSISTING OF \$171,800 SUBORDINATE LIEN TAXABLE SERIES 2017A BOND AND \$171,800 SERIES 2017B BOND; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF AS A SUPPLEMENTAL RESOLUTION TO RESOLUTION NO. 466

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

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

WHEREAS, the Town of Fromberg (the "Borrower"), by its Ordinance No. 244 issued its \$734,100 Water System Revenue Bond, Series 1996 (the "Series 1996 Bond") and pledged the revenue of the Borrower's water system to the payment of the Series 1996 Bond; and

WHEREAS, the Borrower, by its Resolution No. 466 dated July 24, 2017, authorized the issuance of its \$481,000 Water System Refunding Revenue Bond (DNRC Drinking Water Revolving Loan Program), Series 2017 Bond (the "Series 2017 Refunding Bond") to refund its Series 1996 Bond and pledged the revenue of the Borrower's water system to the payment of the Series 2017 Refunding Bond; and

WHEREAS, the 2016 EPA Capitalization Grants (as hereinafter defined) require that loans under the Program funded in whole or in part by such grant in the aggregate and not on a loan-by-loan basis be structured in such a way that a dollar amount in the aggregate equal to at least 15% of the total proceeds of such grant be subject to loan forgiveness; and

WHEREAS, the Borrower has determined that the Borrower has advertised for and received bids for improvements to the Water System including drilling and constructing a new

back-up well and connecting it to the mainfield in the existing well house and relocating/replacing the existing bulk water station (the "Series 2017 Project"); and

WHEREAS, the Borrower has applied to the DNRC for the 2017A and B Loans (as hereinafter defined) from the Revolving Fund to enable the Borrower to finance, refinance or reimburse itself for the costs of the Series 2017 Project (as hereinafter defined) which will carry out the purposes of the Safe Drinking Water Act; and

WHEREAS, the Borrower is authorized under applicable laws, ordinances and regulations to adopt this Resolution and to issue the Series 2017 Bonds (as hereinafter defined) to evidence the 2017A and B Loans (as hereinafter defined) for the purposes set forth herein; and

WHEREAS, the DNRC will fund: (i) the 2017A Loan (as hereinafter defined) from proceeds of a portion of the 2016 EPA Capitalization Grant, and (ii) the 2017B Loan (as hereinafter defined) in part, directly or indirectly, with proceeds of State Bonds (as hereinafter defined) and in part, directly or indirectly, with funds provided by the United States Environmental Protection Agency under the Safe Drinking Water Act.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF FROMBERG, CARBON COUNTY, MONTANA, AS FOLLOWS:

ARTICLE I

DEFINITIONS, RULES OF CONSTRUCTION AND APPENDICES

Section 1.1 Definitions. In this Resolution, unless a different meaning clearly appears from the context or is separately defined herein, the meanings of words with initial capitalization are as defined in Town Resolution No. 466:

"Administrative Expense Surcharge" means, (i) in respect of the 2017B Loan, in any event, and (ii) in respect of the 2017A Loan, upon the delivery of a Noncompliance Statement as provided by this Resolution, a surcharge equal to twenty-five hundredths of one percent (0.25%) per annum on the outstanding principal amount of the 2017 Loans from the date of each advance thereof, payable by the Borrower on a Payment Date.

"Bonds" means the Series 2017B Bond, the Series 2017 Refunding Bond, and any Additional Bonds to be issued on a parity therewith; "Bonds" does not include the Series 2017A Bond.

"Closing" means the date of delivery of the Series 2017 Bonds to the DNRC.

"Committed Amount" means the amount of the 2017 Loans committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Resolution, as such amount may be reduced pursuant to Sections 3.2 and 3.4 of this Resolution.

“Construction Contract” means the Borrower’s contract with Oltrogge Construction of Absarokee, Montana in compliance with all laws of the State, including those regarding the construction of public projects.

“Determination Statement” means a Forgiveness Statement or a Noncompliance Statement.

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

“DNRC Compliance Certificate and Request” means the certificate and request substantially in the form of the attached Appendix D delivered by the DNRC to the Borrower following the final advance of principal of the 2017A Loan, to be completed, executed and delivered by the Borrower to the DNRC pursuant to Section 5.1.2 of this Resolution.

“DNRC Forgiveness Statement” means a written statement delivered to the Borrower by the DNRC in response to a Compliance Certificate and Request that the Borrower’s obligation to repay the principal of the Series 2017A Bond is forgiven.

“DNRC Noncompliance Statement” means a written statement delivered to the Borrower by the DNRC that the Borrower’s obligation to repay the principal of the Series 2017A Bond is not forgiven.

“Enabling Act” means Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended, which authorizes the Borrower to own and operate the System and to finance or refinance improvements to the System.

“Estimated Completion Date” means December 1, 2017, the date by which it is estimated by the Borrower that the Series 2017 Project will be substantially completed.

“Green Infrastructure” means all or any portion of the Series 2017 Project that addresses green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities, as described more particularly in EPA policies and guidelines.

“Loan Loss Reserve” means a surcharge on the 2017 Loans charged by DNRC to the Borrower equal to twenty-five hundredths of one percent (0.25%) per annum on the outstanding principal amount of the 2017 Loans from the date of each advance thereof, payable by the Borrower on a Payment Date, except as otherwise provided for the 2017A Loan in Section 5.1 hereof.

“Loan Repayments” means periodic installments of principal and interest by Borrower in repayment of the Series 2017B Bond, and if the DNRC delivers a DNRC Noncompliance Statement, for the Series 2017A Bond, at the rates and times specified in Article V of this Resolution.

“Payment Date” means, with respect to the 2017B Loan, each January 1 and July 1 during the term of the Series 2017B Bond on which a payment of interest or principal and interest is due, as determined under this Resolution, and, if a Noncompliance Statement is delivered with respect to the 2017A Loan, each January 1 and July 1 during the term of the Series 2017A Bond on which a payment of interest or principal and interest is due, as determined under this Resolution.

“Project” means an improvement, betterment, reconstruction or extension of the System, including the Series 2017 Project.

“Registrar,” with regard to the Series 2017 Bonds, means the Town Clerk.

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

“Series 2017 Bonds” means, collectively, the Series 2017A Bond and the Series 2017B Bond.

“Series 2017A Bond” means the \$171,800 Subordinate Lien Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Taxable Series 2017A, issued to the DNRC to evidence the 2017A Loan.

“Series 2017B Bond” means the \$171,800 Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2017B, issued to the DNRC to evidence the 2017B Loan.

“Series 2017 Project” means the financing and designing for drilling and construction of a new back-up well and connecting it to the mainfield in the existing well house and relocating/replacing the existing bulk water station, described in Appendix A hereto.

“Series 2017 Refunding Bond” means the Borrower’s \$481,000 Water System Refunding Revenue Bond (DNRC Drinking Water State Revolving Loan Program) Series 2017

“Subordinate Obligations” means bonds to be paid from the Surplus Net Revenue of the System. Such obligations do not have a parity lien against the Net Revenues of the System.

“Subordinate Obligations Account” means the Surplus Account in the Water System Fund contemplated and created pursuant to this Resolution.

“2017A Committed Amount” means the amount of the 2017A Loan committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Resolution, as such amount may be reduced pursuant to Section 3.2 and Section 3.4 of this Resolution.

“2017B Committed Amount” means the amount of the 2017B Loan committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Resolution, as such amount may be reduced pursuant to Section 3.2 and Section 3.4 of this Resolution.

“2016 EPA Capitalization Grant” means that EPA Capitalization Grant made available to the Program from 2017 federal appropriations.

“2017B First Advance” means the first advance of funds of the 2017 Loans, which shall be made from the proceeds of the 2017B Loan by the DNRC to the Borrower in the amount of at least \$8,591.

“2017 Loans” or “Loan” means, collectively, the 2017A Loan and 2017B Loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the Committed Amount to provide funds to pay all or a portion of the costs of the Series 2017 Project and to pay costs of issuance of the Series 2017 Bonds.

“2017A Loan” means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2017A Committed Amount to provide funds to pay a portion of the costs of the Series 2017 Project payable under the Program and to pay costs of issuance.

“2017B Loan” means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2017B Committed Amount to provide funds to pay a portion of the costs of the Series 2017 Project payable under the Program and to pay costs of issuance.

“Undisbursed Committed Amount” means any undisbursed Committed Amount which is not required to pay costs of the Series 2017 Project upon completion thereof as provided in Section 3 of this Resolution.

Section 1.2 Other Rules of Construction. For all purposes of this Resolution, except where the context clearly indicates otherwise the Rules of Construction referenced in Section 1.2 of Resolution No. 306 apply.

Section 1.3 Appendices. Attached to this Resolution and hereby made a part hereof are the following Appendices:

Appendix A: a description of the Series 2017 Project;

Appendix B-1: the form of the Series 2017A Bond;

Appendix B-2: the form of the Series 2017B Bond;

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

Appendix D: DNRC Compliance Certificate and Request.

ARTICLE II

AUTHORIZATION, FINDINGS, REPRESENTATIONS AND COVENANTS

Section 2.1 Authorization and Findings.

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

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

(c) The 2017 Project. After investigation of the facts and as authorized by the Act, this Council has determined it to be necessary and desirable and in the best interests of the Borrower to acquire and construct the Series 2017 Project.

(d) The total cost of the 2017 Project and costs of issuance of the Series 2017 Bonds and funding the reserve is estimated to be \$343,000, which is anticipated to be funded by proceeds of the Series 2017 Bonds, allocated as appropriate between the Series 2017A Bond and the Series 2017B Bond. The Borrower covenants with the DNRC that from and after the 2017B First Advance it will spend the Committed Amount on costs of the Series 2017 Project before applying its own funds, if any, to costs of the Series 2017 Project.

Section 2.2 Representations. The Borrower represents as follows:

(a) Organization and Authority. The Borrower:

- (1) is duly organized and validly existing as a municipal corporation of the State;
- (2) has all requisite power and authority and all necessary licenses and permits required as of the date hereof to own and operate the System and to carry on its current activities with respect to the System, to adopt this Resolution and to enter into the Collateral Documents and to issue the Series 2017 Bonds and to carry out and consummate all transactions contemplated by the Resolution, the Series 2017 Bonds and the Collateral Documents;
- (3) is a Governmental Unit and a Public Entity; and
- (4) has taken all proper action to authorize the execution, delivery and performance of its obligations under this Resolution, the Series 2017 Bonds and the

Collateral Documents and the incurrence of the Debt evidenced by the Series 2017 Bonds in the maximum amount of the Committed Amount.

(b) Litigation. There is no litigation or proceeding pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower in any court or before or by any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the existence, corporate or otherwise, of the Borrower, or the ability of the Borrower to make all payments and otherwise perform its obligations under the Resolution, the Series 2017 Bonds and the Collateral Documents, or the financial condition of the Borrower, or the transactions contemplated by the Resolution, the Series 2017 Bonds and the Collateral Documents or the validity and enforceability of the Resolution, the Series 2017 Bonds and the Collateral Documents. No referendum petition has been filed with respect to any resolution or other action of the Borrower relating to the Series 2017 Project, the Series 2017 Bonds or any Collateral Documents and the period for filing any such petition will have expired before issuance of the Series 2017 Bonds.

(c) Borrowing Legal and Authorized. The adoption of this Resolution, the execution and delivery of the Series 2017 Bonds and the Collateral Documents and the consummation of the transactions provided for in this Resolution, the Series 2017 Bonds and the Collateral Documents and compliance by the Borrower with the provisions of the Resolution, the Series 2017 Bonds and the Collateral Documents:

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

(2) do not and will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Borrower pursuant to any ordinance, resolution, indenture, loan agreement or other agreement or instrument (other than the Resolution and any Collateral Documents) to which the Borrower is a party or by which the Borrower or its property may be bound, nor will such action result in any violation of the provisions of any laws, ordinances, governmental rules or regulations or court or other governmental orders to which the Borrower, its properties or operations are subject.

(d) No Defaults. No event has occurred and no condition exists that, upon execution and delivery of the Series 2017 Bonds and the Collateral Documents, would constitute a default under the Resolution or the Collateral Documents. The Borrower is not in violation of any term of any agreement, bond resolution, trust indenture, charter or other instrument to which it is a party or by which it or its property may be bound which violation would materially and adversely affect the transactions contemplated hereby or the compliance by the Borrower with the terms hereof or of the Series 2017 Bonds and the Collateral Documents.

(e) Governmental Consent. The Borrower has obtained or made all permits, findings and approvals required to the date of adoption of this Resolution by any governmental body or officer for the making and performance by the Borrower of its obligations under this Resolution,

the Series 2017 Bonds and the Collateral Documents (including any necessary water rate increase) or for the Series 2017 Project, the financing or refinancing thereof or the reimbursement of the Borrower for the costs thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental authority (other than those, if any, already obtained) is required on the part of the Borrower as a condition to adopting this Resolution, issuing the Series 2017 Bonds or entering into the Collateral Documents and the performance of the Borrower's obligations hereunder and thereunder.

(f) Binding Obligation. This Resolution, the Series 2017 Bonds and any Collateral Document to which the Borrower is a party are the valid and binding special, limited obligations and agreements of the Borrower, enforceable against the Borrower in accordance with their terms, except to the extent that the enforceability thereof may be limited by laws relating to bankruptcy, moratorium, reorganization, insolvency or similar laws affecting creditors' rights and general principles of equity.

(g) The Series 2017 Project. The Series 2017 Project consists and will consist of the facilities, improvements and activities described in Appendix A, as such Appendix A may be amended from time to time in accordance with the provisions of Article III of this Resolution. The Series 2017 Project comprises facilities of a type that, as determined by the EPA, will facilitate compliance with the national primary drinking water regulations applicable to the System or will otherwise significantly further the health protection objectives of the Safe Drinking Water Act.

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

(i) Full Disclosure. There is no fact that the Borrower has not specifically disclosed in writing to the DNRC that materially and adversely affects or (so far as the Borrower can now foresee), except for pending or proposed legislation or regulations that are a matter of general public information, that will materially and adversely affect the properties, operations and finances of the System, the Borrower's status as a Public Entity and Governmental Unit, its ability to own and operate the System in the manner it is currently operated or the Borrower's ability to perform its obligations under the Resolution, the Series 2017 Bonds and the Collateral Documents and to pledge any revenues or other property pledged to the payment of the Series 2017 Bonds.

(j) Compliance With Law. The Borrower:

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

(2) has obtained all licenses, permits, franchises or other governmental authorizations necessary to the ownership of the System and the operation thereof and agrees to obtain all such licenses, permits, franchises or other governmental authorizations as may be required in the future for the System and the operation thereof, which failure to obtain might materially and adversely affect the ability of the Borrower to conduct the operation of the System as presently conducted or the condition (financial or otherwise) of the System or the Borrower's ability to perform its obligations under the Resolution, the Series 2017 Bonds and the Collateral Documents.

Section 2.3 Covenants Regarding Insurance, Inspection, Security, Financial Information and Compliance. The Borrower makes the same covenants with regard to insurance, inspection, security, financial information and compliance for the Series 2017 Bonds as were made in Section 2.2 of Resolution No. 466 for the Series 2017 Refunding Bond.

Section 2.4 Covenants Relating to the Tax-Exempt Status of the State Bonds.

(a) The Borrower covenants and agrees that it will not use or permit to be used any of the proceeds of the Series 2017 Bonds or any other funds of the Borrower in respect of the Series 2017 Project or the Series 2017 Bonds, directly or indirectly, in a manner that would cause, or take any other action that would cause, any State Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or would otherwise cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation.

(b) The Borrower agrees that it will not enter into, or allow any "related person" (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the State Bonds or any other obligations of the DNRC in an amount related to the amount of the 2017 Loans or the portion of the 2017 Loans derived directly or indirectly from proceeds of the State Bonds or that would otherwise cause any State Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code.

(c) The Borrower shall not use or permit the use of the Series 2017 Project directly or indirectly in any trade or business carried on by any Person who is not a Governmental Unit. For the purpose of this subparagraph, use as a member of the general public (within the meaning of the Regulations) shall not be taken into account and any activity carried on by a Person other than a natural person shall be treated as a trade or business.

(d) Any portion of the Series 2017 Project being refinanced or the cost of which is being reimbursed was acquired by and is now and shall, during the term of the 2017 Loans, be owned by the Borrower and not by any other Person. Any portion of the Series 2017 Project being financed shall be acquired by and shall, during the term of the 2017 Loans, be owned by the Borrower and not by any other Person. Notwithstanding the previous two sentences, the Borrower may transfer the Series 2017 Project or a portion thereof to another Governmental Unit which is also a Public Entity if such transfer is otherwise permitted under the Resolution and if such organization agrees with the DNRC to comply with Section 2.3(h), Section 2.3(i) and Section 2.4 of this Resolution and if the DNRC receives an Opinion of Bond Counsel that such transfer will not violate the State Act or the Safe Drinking Water Act or adversely affect the

exclusion of interest on the State Bonds from gross income or purposes of federal income taxation. In addition, except as otherwise provided in the Resolution or in any Collateral Documents, the Borrower may sell or otherwise dispose of any portion of the Series 2017 Project which has become obsolete or outmoded or is being replaced or for other reasons is not needed by the Borrower or beneficial to the general public or necessary to carry out the purposes of the Safe Drinking Water Act.

(e) At the Closing of the 2017 Loans, the DNRC will, if necessary to obtain the Opinion of Bond Counsel described in Section 7.05(a) of the Indenture, deliver to the Borrower instructions concerning compliance by the Borrower with the arbitrage rebate requirements of Section 148 of the Code (the "Arbitrage Rebate Instructions"). The Borrower shall comply with the Arbitrage Rebate Instructions, if any, delivered to it by the DNRC at Closing, as such Instructions may be amended or replaced by the DNRC from time to time. The Arbitrage Rebate Instructions may be amended or replaced by new Arbitrage Rebate Instructions delivered by the DNRC and accompanied by an Opinion of Bond Counsel to the effect that the use of said amended or new Arbitrage Rebate Instructions will not adversely affect the excludability of interest on the State Bonds or any Additional State Bonds (except State Bonds the interest on which the State did not intend to be excluded from gross income for federal income tax purposes) from gross income of the recipients thereof for federal income tax purposes.

(f) The Borrower agrees that during the term of the 2017 Loans it will not contract with or permit any Private Person to manage the Series 2017 Project or any portion thereof except according to a written management contract and upon delivery to the DNRC of an opinion of Bond Counsel to the effect that the execution and delivery of such management contract will not violate the State Act or the Safe Drinking Water Act or adversely affect the exclusion of interest on State Bonds from gross income or purposes of federal income taxation.

(g) The Borrower may not lease the Series 2017 Project or any portion thereof to any Person other than a Nonexempt Person which agrees in writing with the Borrower and the State not to cause any default to occur under the Resolution; provided the Borrower may lease all or any portion of the Series 2017 Project to a Nonexempt Person pursuant to a lease which in the Opinion of Bond Counsel delivered to the DNRC will not cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation.

(h) The Borrower shall not change the use or nature of the Series 2017 Project if (i) such change will violate the Safe Drinking Water Act, or (ii) so long as the State Bonds are outstanding unless, in the Opinion of Bond Counsel delivered to the DNRC, such change will not result in the inclusion in gross income of interest on the State Bonds for federal income tax purposes.

Section 2.5 Maintenance of System; Liens. The Borrower shall maintain the System, including the Series 2017 Project, in good condition and make all necessary renewals, replacements, additions, betterments and improvements thereto. The Borrower shall not grant or permit to exist any lien on the Series 2017 Project or any other property making up part of the System, other than liens securing Debt where a parity or senior lien secures the Series 2017 Bonds; provided that this Section 2.5 shall not be deemed to be violated if a mechanic's or

contractor's lien is filed against any such property so long as the Borrower uses its best efforts to obtain the discharge of such lien and promptly reports to the DNRC the filing of such lien and the steps it plans to take and does take to discharge of such lien.

Section 2.6 Maintenance of Existence; Merger, Consolidation, Etc.; Disposition of Assets. The Borrower shall maintain its corporate existence, except that it may consolidate with or merge into another Governmental Unit or permit one or more Governmental Units to consolidate with or merge into it or may transfer all or substantially all of its assets to another Governmental Unit and then dissolve if the surviving, resulting or transferee entity (if other than the Borrower) (i) is a Public Entity and (ii) assumes in writing all of the obligations of the Borrower under the Resolution, the Series 2017 Bonds and the Collateral Documents, and (a) such action does not result in any default in the performance or observance of any of the terms, covenants or agreements of the Borrower under the Resolution, the Series 2017 Bonds and the Collateral Documents, (b) such action does not violate the State Act or the Safe Drinking Water Act and does not adversely affect the exclusion of interest on the Series 2017 Bonds or the State Bonds from gross income for federal income tax purposes and (c) the Borrower delivers to the DNRC on the date of such action an Opinion of Bond Counsel that such action complies with this Section 2.6.

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

ARTICLE III

USE OF PROCEEDS; THE Series 2017 Project

Section 3.1 Use of Proceeds. The Borrower shall apply the proceeds of the 2017 Loans from the DNRC solely as follows:

(a) The Borrower shall apply the proceeds of the 2017 Loans solely to the financing or reimbursement of the costs of the Series 2017 Project as set forth in Appendix A hereto and this Section 3.1. The 2017 Loans will be disbursed in accordance with Article IV hereof and Article VII of the Indenture. If the Series 2017 Project has not been completed prior to Closing, the Borrower shall, as quickly as reasonably possible, complete the Series 2017 Project and expend proceeds of the 2017 Loans to pay the costs of completing the Series 2017 Project.

(b) No portion of the proceeds of the 2017 Loans shall be used to reimburse the Borrower for costs paid prior to the date of adoption of this Resolution of a Project the construction or acquisition of which occurred or began earlier than June 1, 1993. In addition, if any proceeds of the 2017 Loans are to be used to reimburse the Borrower for Series 2017 Project costs paid prior to the date of adoption of this Resolution, the Borrower shall have complied with Section 1.150-2 of the Regulations in respect of such costs.

(c) Any Debt to be refinanced with proceeds of the 2017 Loans was incurred after June 1, 1993 for a Project the construction or acquisition of which began after June 1, 1993. No proceeds of the 2017 Loans shall be used for the purpose of refinancing an obligation the interest on which is exempt from federal income tax or excludable from gross income for purposes of federal income taxation unless the DNRC has received an Opinion of Bond Counsel, satisfactory to it, to the effect that such refinancing will not adversely affect the exclusion of interest on the State Bonds from gross income for purposes of federal income taxation.

Section 3.2 The Series 2017 Project. Set forth in Appendix A to this Resolution is a description of the Series 2017 Project, which describes the property which has been or is to be acquired, installed, constructed or improved and the other activities, if any to be funded from the 2017 Loans (the Series 2017 Project may consist of more than one facility or activity), and an estimated budget relating to the Series 2017 Project, including the amount of proceeds of the 2017A Loan and the 2017B Loan estimated to be applied to Green Infrastructure. The Series 2017 Project may be changed and the description thereof in Appendix A may be amended from time to time by the Borrower but only after delivery to the DNRC of the following:

(a) A certificate of the Borrower setting forth the amendment to Appendix A and stating the reason therefor, including statements whether the amendment would cause an increase or decrease in the cost of the Series 2017 Project, an increase or decrease in the amount of 2017 Loans proceeds which will be required to complete the Series 2017 Project and providing that the change will not delay the construction schedule for the Series 2017 Project;

(b) A written consent to such change in the Series 2017 Project by an Authorized DNRC Officer;

(c) An Opinion or Opinions of Bond Counsel stating that the Series 2017 Project, as constituted after such amendment, is, and was at the time the State Bonds were issued, eligible for financing under the State Act and is, and was at the time the Series 2017 Bonds were issued, eligible for financing under the Act, such amendment will not violate the State Act or the Act and such amendment will not adversely affect the exclusion of interest on the State Bonds or the Series 2017B Bond from gross income for purposes of federal income taxation. Such an Opinion of Bond Counsel shall not be required for amendments which do not affect the type of facility to be constructed or activity to be financed; and

(d) In the event the change to the Series 2017 Project has the effect of reducing the amount of the Committed Amount, the written consent of the Borrower to reallocation of the Committed Amount between the 2017A Loan and the 2017B Loan, if required by the DNRC, as described in Section 5.6 below.

The Borrower acknowledges and agrees that an increase in the principal amount of the 2017 Loans may be made only upon an application to the DEQ, the DNRC and the Trustee, in such form as the DEQ shall specify, which is approved by the DEQ and the DNRC, in their sole and absolute discretion, and adoption by the governing body of the Borrower of a resolution amandatory of or supplementary to the Resolution authorizing the additional loan and delivery of written certifications by officers of the Borrower to the DEQ, the DNRC and the Trustee to the

effect that all representations and covenants contained in the Resolution as it may be so amended or supplemented are true as of the date of closing of the additional loan and compliance with applicable tests for the incurrence of such Debt. No assurance can be given that any additional loan funds will be available under the Program at the time of any such application or thereafter. The Borrower acknowledges and agrees that neither the DEQ, the DNRC, the Trustee nor any of their agents, employees or representatives shall have any liability to the Borrower and have made no representations to the Borrower as to the sufficiency of the 2017 Loans to pay costs of the Series 2017 Project or as to the availability of additional funds under the Program to increase the principal amount of the 2017 Loans.

Section 3.3 Series 2017 Project Representations and Covenants. The Borrower hereby represents to and covenants with the DNRC that:

(a) all construction of the Series 2017 Project has complied and will comply with all federal and state standards, including, without limitation, EPA regulations and standards;

(b) all construction of the Series 2017 Project has and will be done only pursuant to fixed price construction contracts or for quotes for purchase orders of equipment to be supplied from a supplier that is not providing more than \$80,000 of equipment for the Series 2017 Project. The Borrower has obtained a performance and payment bond from the contractor for each construction contract in the amount of 100% of the construction price and will ensure that such bond is maintained until construction is completed to the Borrower's, the DNRC's and the DEQ's satisfaction;

(c) all construction of the Series 2017 Project has and will be done in accordance with plans and specifications on file with the DNRC and the DEQ, provided that changes may be made in such plans and specifications with the written consent of an Authorized DNRC Officer and the DEQ;

(d) all laborers and mechanics employed by contractors and subcontractors on the Series 2017 Project have been and will be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the United States Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code;

(e) the Series 2017 Project is a project of the type permitted to be financed under the Act, the State Act and the Program and Section 1452 of the Safe Drinking Water Act; and

(f) the Borrower has started the Series 2017 Project and financed the Project through bond anticipation notes issued to DNRC which will be paid in full on the Closing Date from Series 2017 Bond proceeds and will cause the Series 2017 Project to be completed as promptly as practicable with all reasonable dispatch, except only as completion may be delayed by a cause or event not reasonably within the control of the Borrower; it is estimated by the Borrower that the Series 2017 Project will be substantially completed by the Estimated Completion Date.

(g) The useful life of the Project is not less than the term of the Series 2017 Bonds.

Section 3.4 Completion or Cancellation or Reduction of Costs of the Series 2017 Project.

- (a) Upon completion of the Series 2017 Project, the Borrower shall deliver to the DNRC a certificate stating that the Series 2017 Project is complete and stating the amount, if any, of the Undisbursed Committed Amount. If Appendix A describes two or more separate projects as making up the Series 2017 Project, a separate completion certificate shall be delivered for each.
- (b) If all or any portion of the Series 2017 Project is cancelled or cut back or its costs are reduced or for any other reason the Borrower will not require the full Committed Amount, the Borrower shall promptly notify the DNRC in writing of such fact and the amount of the Undisbursed Committed Amount.
- (c) If there is any Undisbursed Committed Amount, the DNRC reserves the right to reallocate the amount equal to the Committed Amount as reduced by the Undisbursed Committed Amount between the 2017A Loan and the 2017B Loan.

ARTICLE IV

THE 2017 Loans

Section 4.1 The 2017 Loans; Disbursement of 2017 Loans.

- (a) The DNRC has agreed to lend to the Borrower, from time to time as the requirements of this Section 4.1 are met, an amount up to (i) \$171,800 (the "2017A Committed Amount") and (ii) \$171,800 (the "2017B Committed Amount") for the purposes of financing or reimbursing the Borrower for a portion of the costs of the Series 2017 Project; provided the DNRC shall not be required to loan any proceeds of the State Bonds to the Borrower after the Estimated Completion Date. The Committed Amount may be reduced as provided in Section 3.2 and Section 3.4 of this Resolution and subject to the operation of Section 5.6.
- (b) The DNRC intends to disburse the 2017 Loans through the Trustee. In consideration of the issuance of the Series 2017 Bonds by the Borrower, the DNRC shall make, or cause the Trustee to make, a disbursement of all or a portion of the 2017 Loans upon receipt of the following documents:
- (1) an Opinion of Bond Counsel as to the Series 2017A Bond and an Opinion of Bond Counsel as to the validity and enforceability of the Series 2017B Bond and the security therefor and stating in effect that interest on the Series 2017B Bond is not includable in gross income of the owner thereof for purposes of federal income taxation, in form and substance satisfactory to the DNRC;
 - (2) the Series 2017A Bond and the Series 2017B Bond, fully executed and authenticated;
 - (3) a certified copy of this Resolution;

(4) any other security instruments or documents required by the DNRC or DEQ as a condition to their approval of the 2017 Loans;

(5) if all or part of a 2017 Loan is being made to refinance a Project or reimburse the Borrower for the costs of a Project paid prior to the Closing, evidence, satisfactory to the DNRC and the Bond Counsel referred to in (1) above, (A) that the acquisition or construction of the Project was begun no earlier than June 1, 1993 or the debt was incurred no earlier than June 1, 1993, (B) of the Borrower's title to the Project, (C) of the costs of such Project and that such costs have been paid by the Borrower and (D) if such costs were paid before adoption of this Resolution that the Borrower has complied with Section 1.150-2 of the Regulations;

(6) the items required by the Indenture for the portion of the 2017 Loans to be disbursed at Closing; and

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

(c) In order to obtain a disbursement of the 2017 Loans to pay costs of the Project, the Borrower shall submit to the DNRC and the Trustee a signed request for disbursement on the form prescribed by the DNRC, with all costs which have been legally incurred and are due and payable. All Loan disbursements will be made to the Borrower only upon proof that cost was legally incurred. The disbursements of the 2017 Loans will be requested by the Borrower in the form required by the DNRC so that it is received by the DNRC by the date that is no later than ten Business Days prior to the date desired by the Borrower for the closing of the Series 2017 Bonds.

(d) Provided that the 2016 EPA Capitalization Grants are available to the Program, from and after the 2017B First Advance, the 2017 Loans shall be disbursed, subject to the other terms and conditions of this Resolution, in the following order:

(1) First, at the Closing, the 2017B First Advance will be advanced from the 2017B Loan.

(2) Second, after the 2017B First Advance has been disbursed to the Borrower, the entire amount of the 2017A Loan may then be disbursed to the Borrower as and when needed. For the avoidance of doubt, any amounts of the 2017 Loans to be disbursed at Closing in excess of the 2017B First Advance will be disbursed as proceeds of the 2017A Loan to the extent of the 2017A Committed Amount.

(3) Third, after the entire principal amount of the 2017A Loan has been disbursed to the Borrower, the remaining amount of the 2017B Loan will be disbursed to the Borrower as and when needed.

(e) The Borrower shall submit the request for the 2017B First Advance in the form required by the DNRC so that it is received by the DNRC in sufficient time for the DNRC to

process the information by the date desired by the Borrower for the making of the 2017B First Advance. The Borrower shall not be entitled to, and the DNRC shall have no obligation to make, the 2017B First Advance or any subsequent advance of amounts under the 2017B Loan until such time as the Borrower shall have set aside and funded the Reserve Account in an amount then required to satisfy the Reserve Requirement.

(f) If all or a portion of the 2017 Loans is made to reimburse a Borrower for Series 2017 Project costs paid by it prior to Closing, the Borrower shall present at Closing the items required by Section 4.1(b) of this Resolution relating to such costs. The Trustee shall disburse such amounts to the Borrower pursuant to a disbursement schedule complying with the requirements of the Safe Drinking Water Act established by the DNRC and the Borrower at the Closing.

(g) Notwithstanding anything else provided herein, the Trustee shall not be obligated to disburse the 2017 Loans any faster or to any greater extent than it has available the 2016 EPA Capitalization Grant, Bond proceeds and other amounts available therefor in the Revolving Fund. The DNRC shall not be required to do "overmatching" pursuant to Section 5.04(b) of the Indenture, but may do so in its discretion. The Borrower acknowledges that if Project costs are incurred faster than the Borrower projected at Closing, there may be delays in making 2017 Loans disbursements for such costs because of the schedule under which EPA makes the 2016 EPA Capitalization Grant money available to the DNRC. The DNRC will use its best efforts to obtain an acceleration of such schedule if necessary.

(h) Upon making each 2017A Loan disbursement and 2017B Loan disbursement, the Trustee shall note such disbursement on Schedule A to the Series 2017A Bond and Series 2017B Bond, respectively. A Schedule A reflecting the amount of the 2017B First Advance will first be attached to the Series 2017B Bond at Closing.

(i) The Borrower agrees that it will deposit in the Reserve Account upon receipt thereof, on the date of the 2017B First Advance and any subsequent disbursement dates, any proceeds of the 2017B Loan borrowed for the purpose of increasing the balance in the Reserve Account to the Reserve Requirement. The Borrower further acknowledges and agrees that any portions of the 2017 Loans representing capitalized interest shall be advanced only on Payment Dates and shall be transferred by the Trustee on the Payment Date directly to the Revenue Bond Account. The amount of any such transfer shall be a credit against the interest payments due on the Series 2017 Bonds and interest thereon shall accrue only from the date of transfer.

(j) Compliance by the Borrower with its representations, covenants and agreements contained in this Resolution and the Collateral Documents shall be a further condition precedent to the disbursement of the 2017 Loans in whole or in part. The DNRC and the Trustee, in their sole and absolute discretion, may make one or more disbursements, in whole or in part, notwithstanding such noncompliance, and without liability to make any subsequent disbursement of the 2017 Loans.

Section 4.2 Commencement of 2017 Loan Term. The Borrower's obligations under this Resolution and the Collateral Documents shall commence on the date hereof unless otherwise

provided in this Resolution. However, the obligation to make payments under Article V hereof shall commence only upon the first disbursement by the Trustee of the 2017B Loan proceeds.

Section 4.3 Termination of 2017 Loan Term. The Borrower's obligations under this Resolution and the Collateral Documents in respect of the Series 2017 Bonds shall terminate upon payment in full of all amounts due under the Series 2017 Bonds and this Resolution; provided, however, that the covenants and obligations provided in Article VII and Section 12.3 of this Resolution shall survive the termination of this Resolution.

Section 4.4 2017 Loan Closing Submissions. On or prior to the Closing, the Borrower will have delivered to the DNRC and the Trustee the closing submissions required by Section 7.05 of the Indenture.

ARTICLE V

REPAYMENT OF 2017 Loans

Section 5.1 Repayment of 2017 Loans. The Borrower shall repay the amounts lent to it pursuant to Section 4.1 hereof in accordance with this Section 5.1.

5.1.1. Interest and Surcharges. Until a Determination Statement is delivered by the DNRC to the Borrower and so long as the Borrower's obligation to repay the principal of the 2017A Loan is forgiven as provided in Section 5.1.2 below, amounts disbursed by the DNRC under Section 4.1 hereof that are evidenced by (i) the Series 2017A Bond bear interest at the rate of zero percent (0.00%) per annum from the date of each advance; and (ii) the Series 2017B Bond bear interest at the rate of two percent (2.00%) per annum on the unpaid balance plus a Loan Loss Reserve and an Administrative Expense Surcharge on the outstanding principal amount of the Series 2017B Bond at the rate of twenty-five hundredths of one-percent (0.25%) and twenty-five hundredths of one percent (0.25%) respectively, per annum; provided, however, if the DNRC delivers to the Borrower a Noncompliance Statement, then all principal of the Series 2017A Bond advanced by the DNRC shall be payable and amounts disbursed by the DNRC under Section 4.1 hereof that are evidenced by the Series 2017A Bond shall bear interest at the rate of two percent (2.00%) per annum and in addition the Borrower shall pay the Administrative Expense Surcharge and the Loan Loss Reserve from the date of each advance under the Series 2017A Bond. If the obligation of the Borrower to repay the principal amount of the 2017A Loan is not forgiven under Section 5.1.2 below, for purposes of this Resolution and the Program, with respect to the 2017A Loan, the term "interest on the 2017A Loan" when not used in conjunction with a reference to any surcharges, shall include the Administrative Expense Surcharge and the Loan Loss Reserve. The Borrower shall pay all Loan Repayments and surcharges in lawful money of the United States of America to the DNRC. Interest, Administrative Expense Surcharge, and Loan Loss Reserve shall be calculated on the basis of a year of 360 days comprising 12 months of 30 days each.

5.1.2. Repayment of 2017A Loan; Principal Forgiveness.

(a) The Borrower is obligated to repay the principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve on the 2017A Loan, unless the

DNRC forgives the Borrower's obligation to repay the principal of the 2017A Loan as provided in Section 5.1.2(b). Subject to the provisions of Section 5.1.2(b), the Loan Repayments and the Administrative Expense Surcharge and Loan Loss Reserve on the 2017A Loan shall be due on each Payment Date, as follows:

- (1) interest and the Administrative Expense Surcharge and the Loan Loss Reserve on the outstanding principal balance of the 2017A Loan shall be payable from and after the date of each advance of principal of the 2017A Loan on each Payment Date at the rate of 2.50% per annum, beginning on the first Payment Date following the date of delivery by the DNRC of a Noncompliance Statement and concluding on July 1, 2035; and
- (2) the principal of the 2017A Loan shall be repayable on each Payment Date, beginning on the Payment Date that is the first to occur following delivery by the DNRC of a Noncompliance Statement, and concluding on July 1, 2035, and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at the rate of 2.50% per annum; provided that principal of the 2017A Loan is payable only in amounts that are multiples of \$1,000.

(b) Notwithstanding Section 5.1.2(a), so long as the Borrower is proceeding diligently to completion of the Series 2017 Project through the final advance of principal of the 2017B Loan and the Borrower has executed and delivered the DNRC Compliance Certificate and Request to the DNRC in form and substance satisfactory to the DNRC and the DEQ within thirty (30) days after the date that the DNRC Compliance Certificate and Request is provided to the Borrower by the DNRC, the DNRC will, following review and approval of the DNRC Compliance Certificate and Request, deliver to the Borrower a Forgiveness Statement and the Borrower will thereafter have no obligation to repay amounts advanced under the Series 2017A Bond or interest or surcharges thereon and the Series 2017A Bond will be marked "CANCELLED" and returned by the DNRC to the Borrower. However, in the event the Borrower fails to deliver timely the DNRC Compliance Certificate and Request, or the Borrower cannot submit the DNRC Compliance Certificate and Request because it cannot make the certifications required therein, or the DNRC Compliance Certificate and Request is delivered in a form that deviates materially from that attached hereto as Appendix D as determined in the sole and complete discretion of the DNRC or the DEQ, or the DNRC or the DEQ determine at any time that the Series 2017 Project or any portion thereof or of the work relating thereto fails to comply with Program requirements, then the DNRC will deliver to the Borrower a Noncompliance Statement. Upon delivery of a DNRC Noncompliance Statement by the DNRC to the Borrower, all principal advanced or to be advanced under the Series 2017A Bond, together with interest, Administrative Expense Surcharge, and Loan Loss Reserve thereon from the date of each advance, shall be payable as provided in Section 5.1.2 (a). Notwithstanding Section 5.1.2(a), until the delivery by the DNRC to the Borrower of a Determination Statement, the obligation of the Borrower to repay the principal advanced under Series 2017A Bond shall be deferred until the Payment Date first occurring after delivery of a Determination Statement and, until such time, interest on amounts advanced under the Series 2017A Bond will be deemed to be at the rate of zero percent (0.00%) per annum.

(c) In addition, in the event the DNRC delivers a DNRC Noncompliance Statement (i) the Series 2017A Bond will continue in effect as a Subordinate Obligation, and (ii) the Borrower will forthwith comply with the rate covenant set forth in Section 6.7 of this Resolution, and, if necessary, increase the rates and charges of the System to satisfy such rate covenant as soon as practicable and in any event no later than three (3) months after the date of delivery to the Borrower by the DNRC of a Noncompliance Statement.

5.1.3. Repayment of 2017B Loan. The Loan Repayments on the 2017B Loan from and after the 2017B First Advance and all subsequent advances of the 2017B Loan are as follows:

- (1) interest on the outstanding principal balance of the 2017B Loan shall be payable on each Payment Date, beginning on January 1, 2016 and concluding on July 1, 2035 at the rate of 2.00% per annum;
- (2) the Borrower shall also pay on each Payment Date, beginning January 1, 2016, the Administrative Expense Surcharge of twenty-five hundredths of one-percent (0.25%) per annum and the Loan Loss Reserve of twenty-five hundredths of one percent (0.25%) per annum; and
- (3) the principal of the 2017B Loan shall be repayable on each Payment Date, beginning on January 1, 2016 and concluding on July 1, 2035, and the amount of each principal payment shall be calculated on the basis of substantially level debt service at an interest rate of 2.50% per annum; provided that principal of the 2017B Loan is payable only in amounts that are multiples of \$1,000.

5.1.4. Details Regarding 2017 Loan Repayments. Loan Repayments and the Administrative Expense Surcharge and the Loan Loss Reserve on the Series 2017B Loan and, if applicable, on the 2017A Loan, shall be due on the dates specified above and on the dates and in the amounts shown in Schedule B to each of the Series 2017B Bond and, if applicable, the Series 2017A Bond, as such Schedule B shall be modified from time to time as provided in Sections 5.1.2 and 5.1.3 and below. Schedule B will first be attached to the Series 2017A Bond and the Series 2017B Bond at Closing. The portion of each such Loan Repayment consisting of principal and the portion consisting of interest and the amount of each Administrative Expense Surcharge and the amount of each Loan Loss Reserve shall be set forth on Schedule B to the Series 2017B Bond and the portion of each Loan Repayment consisting of principal and the portion consisting of interest and the amount of each Administrative Expense Surcharge and the amount of each Loan Loss Reserve shall be set forth in Schedule B to the Series 2017A Bond (if appropriate). Upon each disbursement of 2017 Loan amounts to the Borrower pursuant to Section 4.1 hereof, the Trustee shall enter or cause to be entered the amount advanced on Schedule A to the applicable Series 2017A Bond and the Series 2017B Bond under “Advances” and the total amount advanced under Section 4.1, including such disbursement, under “Total Amount Advanced.”

Interest, Administrative Expense Surcharge and Loan Loss Reserve in respect of the Series 2017B Bond on such advance shall accrue from the date the advance is made at the rate of 2.50% per annum and shall be payable on each Payment Date thereafter. If the DNRC shall have delivered a DNRC Noncompliance Statement, then the Schedule B to the Series 2017A Bond shall reflect interest and surcharges on amounts advanced under the Series 2017A Bond at 2.50% per annum, as may be revised to reflect the full principal amount advanced under the Series 2017A Bond, the initial Payment Date, and the periodic total loan payment, and the Trustee shall send a copy of such schedules to the Borrower within one month after delivery by the DNRC of the DNRC Noncompliance Statement. If the DNRC delivers a DNRC Forgiveness Statement, Schedule B to the Series 2017A Bond will be disregarded and of no effect.

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

Any payment of principal and interest as to the Series 2017B Bond and, if applicable, the Series 2017A Bond, and the Administrative Expense Surcharge and the Loan Loss Reserve as to the Series 2017A Bond and the Series 2017B Bond, if applicable, under this Section 5.1 shall be credited against the same payment obligation under each of the Series 2017B Bond and, if applicable, the Series 2017A Bond.

Section 5.2 Additional Payments. The Borrower shall also pay, within 30 days after receipt of a bill therefor, from any legally available funds therefor, including proceeds of the 2017 Loans, if the Borrower so chooses, all reasonable expenses of the DNRC and the Trustee in connection with the 2017 Loans, the Collateral Documents and the Series 2017 Bonds, including, but not limited to:

- (a) the cost of reproducing this Resolution, the Collateral Documents and the Series 2017 Bonds;
- (b) the fees and disbursements of bond counsel and other Counsel utilized by the DNRC and the Trustee in connection with the 2017 Loans, the Resolution, the Collateral Documents and the Series 2017 Bonds and the enforcement thereof; and
- (c) all taxes and other governmental charges in connection with the execution and delivery of the Collateral Documents or the Series 2017 Bonds, whether or not the Series 2017 Bonds are then outstanding, including all recording and filing fees relating to the Collateral Documents and the pledge of the State's right, title and interest in and to the Series 2017 Bonds, the Collateral Documents and the Resolution (and with the exceptions noted therein) and all expenses, including attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof or thereof.

Section 5.3 Prepayments. The Borrower may not prepay all or any part of the outstanding principal amount of the Series 2017B Bond and, if applicable, the Series 2017A Bond, unless (i) a Determination Statement has been delivered, (ii) it obtains the prior written consent of the DNRC thereto, and (iii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and, if applicable, Administrative Expense Surcharge and Loan Loss

Reserve to the date of prepayment on the amount of principal prepaid. If the Series 2017 Bonds are prepaid in part pursuant to this Section 5.3, such prepayments shall be applied to principal payments in inverse order of maturity.

Section 5.4 Obligations of Borrower Unconditional. The obligations of the Borrower to make the payments required by the Resolution and the Series 2017 Bonds and to perform its other agreements contained in the Resolution, the Series 2017 Bonds and Collateral Documents shall be absolute and unconditional, except as otherwise provided herein or in such documents. The Borrower (a) shall not suspend or discontinue any payments provided for in the Resolution and the Series 2017 Bonds, (b) shall perform all its other agreements in the Resolution, the Series 2017 Bonds and the Collateral Documents and (c) shall not terminate the Resolution, the Series 2017 Bonds or the Collateral Documents for any cause, including any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Series 2017 Project or the System, commercial frustration of purpose, any dispute with the DNRC or the EPA, any change in the laws of the United States or of the State or any political subdivision of either or any failure of the DNRC to perform any of its agreements, whether express or implied, or any duty, liability or obligation arising from or connected with the Resolution.

Section 5.5 Limited Liability. All payments of principal of and interest on the 2017 Loans and other payment obligations of the Borrower hereunder and under the Series 2017 Bonds shall be special, limited obligations of the Borrower payable, with respect to the Series 2017B Bond, solely out of the Net Revenues and, with respect to the Series 2017A Bond, solely out of Surplus Net Revenues and shall not, except at the option of the Borrower and as permitted by law, be payable out of any other revenues of the Borrower. The obligations of the Borrower under the Resolution and the Series 2017 Bonds shall never constitute an indebtedness of the Borrower within the meaning of any state constitutional provision or statutory or charter limitation and shall never constitute or give rise to a pecuniary liability of the Borrower or a charge against its general credit or taxing power. The taxing powers of the Borrower may not be used to pay principal of or interest on the Series 2017 Bonds, and no funds or property of the Borrower other than the Net Revenues or Surplus Net Revenues, as applicable, may be required to be used to pay principal of or interest on the Series 2017 Bonds.

Section 5.6 Reallocation of 2017 Loans. The Borrower understands that the principal amounts of the 2017 Loans have been sized based on the understanding and expectation that the Series 2017 Project costs at least \$343,600 and that the Borrower will request disbursement of the full amount of the 2017A Loan and the 2017B Loan. Notwithstanding any provision to the contrary herein, the Borrower acknowledges and agrees that in the event there is any Undisbursed Committed Amount, then the DNRC reserves the right in its sole and complete discretion to reallocate loan amounts as between the 2017A and B Loans on the basis of the amounts of the 2017A and B Loans that the Borrower would have been entitled to had the 2017 Loans initially equaled the Committed Amount less the Undisbursed Committed Amount. The reallocation between the 2017A and B Loans will reflect the same proportions of the 2017 Loans originally allocated to the 2017A and B Loans. Upon making such reallocation, the DNRC shall deliver to the Borrower a replacement Series 2017A and B Bond reflecting adjusted principal amounts, which bonds shall supersede and render of no effect the original bonds and be payable on the same dates as described in the original bonds, but in an adjusted amount owing on each

Payment Date because of the reallocation of principal amounts. The Borrower shall execute and deliver the replacement Series 2017A and B Bonds to the DNRC within thirty (30) days after delivery of such bonds to the Borrower by the DNRC. Contemporaneous with the delivery of the replacement Series 2017A and B Bonds to the DNRC by the Borrower, the Borrower shall determine whether the Net Revenues of the System total at least 110% of the maximum principal of and interest payable on the Series 2017 Bonds outstanding in any Fiscal Year, and, if they do not, the Borrower shall increase its rates and charges to satisfy the rate covenant set forth in Section 6.7 below, within three (3) months after the date of delivery of the replacement Series 2017A and B Bonds to the DNRC by the Borrower.

ARTICLE VI

OTHER AGREEMENTS OF BORROWER

Section 6.1 Maintenance of System: Liens. The Borrower makes the same commitments as to maintenance and liens with respect to the Series 2017 Bonds and the Series 2017 Project as made in Section 2.10 of Resolution No. 466 with respect to the Series 1996 Project.

Section 6.2 Maintenance of Existence: Merger. Consolidation. Etc.: Disposition of Assets. The Borrower makes the same commitments with regard to maintenance of its existence, merger, consolidation or disposition of assets as made in Section 2.11 of Resolution No. 466.

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

(a) The Borrower covenants and agrees that it will not use or permit to be used any of the proceeds of the Series 2017 Bonds or any other funds of the Borrower with respect to the Series 2017 Project, directly or indirectly, in a manner that would cause, or take any other action that would cause, any State Bonds to be an “arbitrage bond” within the meaning of Section 148 of the Code or would otherwise cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation.

(b) The Borrower agrees that it will not enter into, or allow any “related person” (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the State Bonds or any other obligations of the DNRC in an amount related to the amount of the 2017 Loans or the portion of the 2017 Loans derived directly or indirectly from proceeds of the State Bonds or that would otherwise cause any State Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code.

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

(d) Any portion of the Series 2017 Project being refinanced or the cost of which is being reimbursed was acquired by and is now and shall, during the term of the 2017 Loans, be owned by the Borrower and not by any other Person. Any portion of the Series 2017 Project being financed shall be acquired by and shall, during the term of the 2017 Loans, be owned by the Borrower and not by any other Person. Notwithstanding the previous two sentences, the Borrower may transfer the System or a portion thereof to another Governmental Unit which is also a Public Entity if such transfer is otherwise permitted hereunder and if such organization agrees with the DNRC to comply with Sections 2.2(h), 2.2(i) and 6.3 hereof and if the DNRC receives an Opinion of Bond Counsel to the effect that such transfer will not violate the Act or the Safe Drinking Water Act or adversely affect the exclusion of interest on the State Bonds from gross income or purposes of federal income taxation. In addition, except as otherwise provided herein, the Borrower may sell or otherwise dispose of any portion of the Project which has become obsolete or outmoded or is being replaced or for other reasons is not needed by the Borrower or beneficial to the general public or necessary to carry out the purposes of the Safe Drinking Water Act.

(e) At the Closing of the 2017 Loans the DNRC will, if necessary to obtain the Opinion of Bond Counsel described in Section 7.05(a) of the Indenture, deliver to the Borrower instructions concerning compliance by the Borrower with the arbitrage rebate requirements of Section 148 of the Code (the "Arbitrage Rebate Instructions"). The Borrower shall comply with the Arbitrage Rebate Instructions, if any, delivered to it by the DNRC at Closing, as such Instructions may be amended or replaced by the DNRC from time to time. The Arbitrage Rebate Instructions may be amended or replaced by new Arbitrage Rebate Instructions delivered by the DNRC and accompanied by an Opinion of Bond Counsel to the effect that the use of said amended or new Arbitrage Rebate Instructions will not adversely affect the excludability of interest on the State Bonds or any Additional State Bonds (except Additional State Bonds the interest on which the State did not intend to be excluded from gross income for federal income tax purposes) from gross income of the recipients thereof for federal income tax purposes.

(f) The Borrower agrees that during the term of the 2017 Loans it will not contract with or permit any Private Person to manage the Project or any portion thereof except according to a written management contract and upon delivery to the DNRC of an opinion of Bond Counsel to the effect that the execution and delivery of such management contract will not violate the Act or the Safe Drinking Water Act or adversely affect the exclusion of interest on the State Bonds from gross income or purposes of federal income taxation.

(g) The Borrower may not lease the System or any portion thereof to any Person other than a Nonexempt Person which agrees in writing with the Borrower and the State not to cause any Default to occur under this Resolution, provided the Borrower may lease all or any portion of the System to a Nonexempt Person pursuant to a lease which in the Opinion of Bond Counsel delivered to the DNRC will not cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation.

(h) The Borrower shall not change the use or nature of the System if (i) such change will violate the Safe Drinking Water Act, or (ii) so long as the State Bonds are outstanding

unless, in the Opinion of Bond Counsel delivered to the DNRC, such change will not result in the inclusion in gross income of interest on the State Bonds for federal income tax purposes.

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

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

Section 6.6 Remedies. The DNRC, so long as it owns the Series 2017 Bonds, or the owners of not less than 25% in principal amount of the outstanding Bonds issued and secured under the provisions of this Resolution shall have the right, either at law or in equity, through suit, action or other proceedings, to protect and enforce the rights of all owners of such Bonds and to compel the performance of any and all of the covenants required herein to be performed by the Borrower, and its officers and employees, including but not limited to the fixing and maintaining of rates, fees and charges and the collection and proper segregation of gross revenues and the application and use thereof. The owners of a majority in principal amount of such outstanding Bonds shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Bondowners or the exercise of any power conferred on them and the right to waive a default in the performance of any such covenant, and its consequences, except a default in the payment of the principal of, premium, or interest on any Bond when due. However, nothing herein shall impair the absolute and unconditional right of the owner of each such Bond to receive payment of the principal of, premium, if any, and interest on such Bond as such principal and interest respectively become payable, and to institute suit for any such payment. Any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Borrower with power to charge and collect rates, fees and charges sufficient to provide for the payment of any Bonds or obligations outstanding against the System, and to apply the gross revenues in conformity with this Resolution and the laws of the State.

Section 6.7 Rate Covenant. While any Bonds are outstanding and unpaid, the rates, charges and rentals for all services and facilities furnished and made available by the System to the Borrower and its inhabitants, and to all customers within or without the boundaries of the Borrower, shall be reasonable and just, taking into consideration the cost and value of the System and the cost of maintaining and operating them, and the amounts necessary for the payment of all Bonds and the interest accruing thereon, and the proper and necessary allowances for the

Reserve Account and depreciation of the System, and no free service shall be provided to any person or corporation. In accordance with DNRC's Program requirements, as provided in Montana Code Administrative Rule 36.23.111(1)(c), the Borrower covenants that the rates, charges and rentals to be charged to all recipients of water services shall be maintained and shall be revised, whenever and as often as may be necessary, according to schedules such that the revenues for each fiscal year will be at least sufficient to pay the current expenses of operation and maintenance as herein defined, to maintain the Operating Reserve herein established, to maintain the Reserve Requirement as defined herein, to pay the principal and interest on any Subordinate Obligations, to provide reserves for the replacement and depreciation of the System and to produce Net Revenues during each fiscal year commencing with the fiscal year ending June 30, 2017, not less than 110% of the maximum annual principal and interest payable on any outstanding Revenue Bonds in the current or any future fiscal year and to produce Surplus Net Revenues during each fiscal year commencing with the fiscal year in which the DNRC delivers a DNRC Noncompliance Statement in an amount at least sufficient to pay the principal of and interest on the Series 2017A Bond as and when due.

For purposes of construing the foregoing sentence, principal of and interest on the Series 2017A Bond shall initially be disregarded. However, in the event the Borrower's obligation to repay the principal of the Series 2017A Bond is not forgiven as described in Section 5.1.2 of this Resolution, the Borrower shall forthwith, and, in any event, within three months after the date of delivery by the DNRC to the Borrower of an DNRC Noncompliance Statement, cause the rates, charges and rentals to be charged to all recipients of water services to be maintained and to be revised whenever and as often as may be necessary, according to schedules such that (i) Revenues for each Fiscal Year will be at least sufficient to pay the principal of and interest on all Bonds payable from the Revenues derived in such Fiscal Year, to establish and maintain the Reserve Requirement, to pay promptly the reasonable and current Operating Expenses, to pay the principal of and interest on any Subordinate Obligations (including, without limitation, all Outstanding principal of the Series 2017A Bond with interest thereon at 2.50% per annum) and to provide reserves for the repair and replacement of the System, and (ii) Net Revenues for each Fiscal Year commencing after June 30, 2017 will be equal to at least 110% of the maximum Principal and Interest of Revenue Bonds for all future Fiscal Years during which any Revenue Bonds will be outstanding. The establishment of the percentage of Net Revenues and the provision of adequate Net Revenues to pay Subordinate Obligations contained above in this paragraph have been deemed necessary in order to sell the Bonds and Subordinate Obligations upon terms most advantageous to the Borrower.

If at the close of any fiscal year the Net Revenues actually received during such year have been less than required hereby, the Borrower will forthwith prepare a schedule of altered rates, charges and rentals which are just and equitable and sufficient to produce Net Revenues and Surplus Net Revenues in such amount, and will do all things necessary to the end that such schedule will be placed in operation at the earliest possible date.

The Series 2017A Bond is a Subordinate Lien Taxable Obligation payable from Surplus Net Revenues as described in Section 10.3 of this Resolution. Any Revenues or Net Revenues segregated to pay such Subordinate Obligations in the Fund are subject to the prior appropriation

thereof to the Operating Account, the Revenue Bond Account or the Reserve Account if necessary to meet the requirements thereof.

The establishment of the above ratio of Net Revenues available for the Revenue Bond Account and the provision for adequate Surplus Net Revenues in the event the Borrower's obligation to repay the principal of the Series 2017A Bond is not forgiven are deemed necessary for the DNRC to make the 2017 Loans to the Borrower upon terms most advantageous. The excess of the Net Revenues over the annual principal and interest and Reserve Requirements of the Series 2017 Bonds may be used as authorized in Section 11.6 and 11.7 of this Resolution. The Series 2017 Bonds may be prepaid according to their terms on any date, and in the estimation of the governing body of the Borrower any excess, prior to that date, of Net Revenues over principal and interest payments actually due and the balance required to be maintained in the Reserve Account, will be needed to pay or to provide reserves for payment of replacements, renewals and improvement costs, in order to provide adequate service for the present population and the increase thereof reasonably to be expected; and after that date, any excess not required for such purposes in the judgment of the governing body of the Borrower may be used to prepay the Series 2017A Bond and thereby reduce the interest cost thereon to the Borrower and to the persons served by the System.

Section 6.8 Appointment of Superintendent. In the event of default on the part of the Borrower in the payment of principal of or interest on any Bond promptly as each falls due, or in the keeping of any covenants herein contained, and if such default shall continue for a period of 60 days, the governing body of the Borrower will appoint a special superintendent for the System, with the power and responsibility to operate the System for the Borrower, and to recommend to the governing body of the Borrower such revisions of the rates and charges and operating policies as may be necessary to comply with this Resolution, and to assure that the Net Revenues will be sufficient to pay all principal of and interest on Bonds, and he shall in all things so operate the System as to comply fully with all the requirements and provisions of this Resolution. The right of the owners of the Bonds to require employment of such a superintendent shall not be exclusive, and in the event of default as herein outlined, such owner or owners shall have the right to proceed at law or in equity, in any form of action which shall to them seem appropriate.

ARTICLE VII

INDEMNIFICATION OF DNRC AND DEQ

The Borrower shall, to the full extent permitted by law, indemnify and save harmless the DNRC and the DEQ and their officers, employees and agents (each an "Indemnified Party" or, collectively, the "Indemnified Parties") against and from any and all claims, damages, demands, expenses, liabilities and losses of every kind asserted by or on behalf of any Person arising out of the acts or omissions of the Borrower or its employees, officers, agents, contractors, subcontractors, or consultants in connection with or with regard or in any way relating to the condition, use, possession, conduct, management, planning, design, acquisition, construction, installation or financing of the Series 2017 Project. The Borrower shall also, to the full extent permitted by law, indemnify and save harmless the Indemnified Parties against and from all

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

ARTICLE VIII

ASSIGNMENT

Section 8.1 Assignment by Borrower. The Borrower may not assign its rights and obligations under the Resolution or the Series 2017 Bonds.

Section 8.2 Assignment by DNRC. The DNRC will pledge its rights under and interest in the Resolution, the Series 2017 Bonds and the Collateral Documents (except to the extent otherwise provided in the Indenture) as security for the payment of the State Bonds and may further assign such interests to the extent permitted by the Indenture, without the consent of the Borrower.

Section 8.3 State Refunding Bonds. In the event the State Bonds and Additional State Bonds are refunded by bonds which are not Additional State Bonds, all references in the Resolution to State Bonds and Additional State Bonds shall be deemed to refer to the refunding bonds and any bonds of the State on a parity with such refunding bonds (together, the "Refunding Bonds") or, in the case of a crossover refunding, to the State Bonds and Additional State Bonds and the Refunding Bonds. In the event the State Bonds are refunded by an issue of Additional State Bonds, all references in the Resolution to the State Bonds shall be deemed to refer to such Additional State Bonds or, in the case of a crossover refunding, both the State Bonds and such Additional State Bonds.

ARTICLE IX

THE SERIES 2017 Bonds

Section 9.1 Authorization. Under the provisions of the Enabling Act, the Borrower is authorized to issue and sell its revenue bonds for the design, construction and financing of the Series 2017 Project with such Bonds payable during a term not exceeding 20 years.

Section 9.2 Outstanding Water Debt. The Series 2017 Refunding Bond is currently outstanding and has a parity lien on the Net Revenues with the Series 2017B Bond. No other Bonds or indebtedness are outstanding that are payable from the Water Revenues of the System.

Section 9.3 Net Revenues Available. The Borrower is authorized to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the System, and to pledge and appropriate to the Series 2017B Bond the Net Revenues (and, in respect of the Series 2017A Bond, if necessary, the Surplus Net Revenues) to be derived from the operation of the System, including improvements, betterments or extensions thereof hereafter constructed or acquired. The Borrower agrees to establish its rates and charges such that the Net Revenues available are sufficient to pay (after payment of the System Operation and Maintenance expenses and meeting the Reserve Requirement) 110% of the maximum principal of and interest on the

outstanding Bonds issued under the Resolution in the current or any future fiscal year. The Net Revenues to be produced by such rates, charges and rentals during the term of the Series 2017 Bonds are expected to be more than sufficient to pay the principal and interest when due on the Series 2017B Bond and to create and maintain reasonable reserves therefor and to provide an adequate allowance for replacement and depreciation, as prescribed herein. For purposes of the foregoing statement, principal of and interest on the 2017A Loan is disregarded. The Borrower acknowledges and agrees that if the DNRC delivers a Noncompliance Statement to the Borrower as provided in Section 5.1.2 as determined in the sole and complete discretion of the DNRC, then principal and interest and surcharges will become due and owing on the 2017A Loan evidenced by the Series 2017A Bond as provided in Section 5.1 and the Borrower shall thereupon, and no later than three (3) months after delivery of such a statement, to the extent required by Section 6.7 hereof, adjust its schedule of fees, rates, and charges applicable to the System to cause Net Revenues and Surplus Net Revenues to be produced in an amount at least equal to at least 110% of the maximum principal and interest payments payable on outstanding Bonds in the current or any future fiscal year.

Section 9.4 Issuance and Sale of the Series 2017 Bonds. The Council has investigated the facts necessary and hereby finds, determines and declares it to be necessary and desirable for the Borrower to issue the Series 2017 Bonds to evidence the 2017 Loans. The Series 2017 Bonds are issued to the DNRC without public sale pursuant to Montana Code Annotated, Section 7-7-4433(2)(a).

Section 9.5 Terms. The Series 2017A Bond and the Series 2017B Bond shall be in the maximum principal amount equal to the original 2017A Committed Amount and 2017B Committed Amount, respectively, shall each be issued as a single, fully registered bond numbered R-1, shall be dated as of the date of delivery to the DNRC, and shall bear interest at the rate charged by the DNRC on the 2017A Loan and 2017B Loan, respectively. The principal of and interest on the Series 2017B Bond, and, if applicable, the principal of and interest on the Series 2017A Bond and any Administrative Expense Surcharge and Loan Loss Reserve on the Series 2017A Bond and the Series 2017B Bond shall be payable on the same dates and in the same amounts on which Loan Repayments are payable. Advances of principal of the Series 2017A Bond or Series 2017B Bond shall be deemed made when advances of the 2017A Loan or 2017B Loan, respectively, are made under Section 4.1, and such advances shall be payable in accordance with Schedule B to the Series 2017B Bond and, if applicable, the Series 2017A Bond, as the case may be, as it may be revised by the DNRC from time to time in accordance with Section 5.1. The Series 2017A Bond is a Subordinate Obligation payable only from the Surplus Net Revenues.

The Borrower may prepay the Series 2017 Bonds, in whole or in part, only upon the terms and conditions under which it can prepay the 2017 Loans under Section 5.3.

Section 9.6 Negotiability, Transfer and Registration. The Series 2017 Bonds shall be fully registered as to both principal and interest, and shall be initially registered in the name of and payable to the DNRC. While so registered, principal of and interest on the Series 2017 Bonds shall be payable to the DNRC at the Office of the Department of Natural Resources and Conservation, 1539 Eleventh Avenue, Helena, Montana 59620-1601 or such other place as may

be designated by the DNRC in writing and delivered to the Borrower. The Series 2017 Bonds shall be negotiable, subject to the provisions for registration and transfer contained in this Section. No transfer of the Series 2017 Bonds shall be valid unless and until (1) the holder, or his duly authorized attorney or legal representative, has executed the form of assignment appearing on the Series 2017 Bonds, and (2) the Town Clerk of the Borrower (or successors, the "Registrar"), as Bond Registrar, has duly noted the transfer on the Series 2017 Bonds and recorded the transfer on the registration books of the Registrar. The Registrar may, prior to noting and recording the transfer, require appropriate proof of the transferor's authority and the genuineness of the transferor's signature. The Borrower shall be entitled to deem and treat the Person in whose name the Series 2017 Bonds is registered as the absolute owner of the Series 2017 Bonds for all purposes, notwithstanding any notice to the contrary, and all payments to the registered holder shall be valid and effectual to satisfy and discharge the Borrower's liability upon such Bond to the extent of the sum or sums so paid.

Section 9.7 Execution and Delivery. The Series 2017 Bonds shall be executed on behalf of the Borrower by the manual signatures of the Mayor and Town Clerk. Any or all of such signatures may be affixed at or prior to the date of delivery of the Series 2017 Bonds. The Series 2017 Bonds shall be sealed with the corporate seal of the Borrower, if such seal exists. In the event that any of the officers who shall have signed the Series 2017 Bonds shall cease to be officers of the Borrower before the Series 2017 Bonds are issued or delivered, their signatures shall remain binding upon the Borrower. Conversely, the Series 2017 Bonds may be signed by an authorized official who did not hold such office on the date of adoption of this Resolution. The Series 2017 Bonds shall be delivered to the DNRC, or its attorney or legal representative.

Section 9.8 Form. The Series 2017A Bond shall be prepared in substantially the form attached as Appendix B-1 and the Series 2017B Bond shall be prepared in substantially the form attached as Appendix B-2.

Section 9.9 Acquisition and Construction Account. To the Acquisition and Construction Account shall be credited as received the portion of the proceeds of Series 2017 Bonds for costs of the Series 2017 Project and for costs of issuance of the Series 2017 Bonds and any other funds appropriated by the Borrower to the Acquisition and Construction Account for improvements to the System, and all income received from the investment of the Acquisition and Construction Account.

ARTICLE X

ADDITIONAL WATER DEBT

Section 10.1 Other Revenue Bonds. The Borrower reserves the right to issue Additional Bonds payable from the Revenue Bond Account of the Fund on a parity as to both principal and interest with the Series 2017 Refunding Revenue Bond and the Series 2017B Bond, if the Net Revenues of the System for the last complete fiscal year preceding the date of issuance of such Additional Bonds have equaled at least 110% of the maximum amount of principal and interest payable from said Revenue Bond Account in any subsequent fiscal year during the term of the outstanding Bonds, on all Bonds then outstanding and on the Additional Bonds proposed to be

issued and payable from the Revenue Bond Account. For the purpose of the foregoing computation, the Net Revenues for the fiscal year preceding the issuance of Additional Bonds shall be those shown by the financial reports caused to be prepared by the Borrower, except that if the rates and charges for services provided by the System have been changed since the beginning of such preceding fiscal year, then the rates and charges in effect at the time of issuance of the Additional Bonds or finally authorized to go into effect within 60 days thereafter shall be applied to the quantities of service actually rendered and made available during such preceding fiscal year to ascertain the gross revenues, from which there shall be deducted to determine the net revenues, the actual operation and maintenance cost plus any additional annual costs of operation and maintenance which the Consultant estimates will be incurred because of the improvement or extension of the System to be constructed from the proceeds of the Additional Bonds proposed to be issued. In no event shall any Additional Bonds be issued and made payable from the Revenue Bond Account if the Borrower is then in default in any payment of principal of or interest on any outstanding Bonds payable therefrom or if there then exists any deficiency in the balances required by this Resolution to be maintained in any of the accounts of the Fund, which will not be cured or restored upon the issuance of the Additional Bonds. In connection with the issuance of a series of Additional Bonds, the Borrower shall cause the Reserve in the Revenue Bond Account to be increased, from the proceeds of the Additional Bonds or from surplus Net Revenues, to an amount equal to the Reserve Requirement during the term of the outstanding Bonds or so much thereof as will not cause the Borrower to violate the provisions of Section 12.2 hereof.

Section 10.2 Subordinate Bonds. Nothing in this Resolution shall preclude the Borrower from issuing Subordinate Obligations which are expressly made a charge on only the Surplus Net Revenues of the System and subordinate to the pledge of Net Revenues to the Revenue Bond Account and Reserve Account; provided, however, no obligations may be issued pursuant to this Section 10.3 if a deficiency exists in the Revenue Bond Account or the Reserve Account which is not to be restored by the issuance of the Subordinate Obligations.

Section 10.3 Refunding Revenue Bonds. The Borrower reserves the right and privilege of refunding any or all of the Bonds subject to the following terms and conditions:

- (a) Any matured Bonds may be refunded if moneys available for the payment thereof at maturity, within the limitation prescribed in Section 10.1, should at any time be insufficient to make such payment in full.
- (b) Any Bonds may be refunded prior to maturity as and when they become prepayable according to their terms.
- (c) Provision may be made for the payment and refunding of any unmatured Bonds by the deposit with a duly qualified depository bank, as escrow agent, of cash sufficient, or of securities of the kinds authorized by law, the payments of interest on and principal of which are sufficient, to pay the principal amount of and premium, if any, on such Bonds with interest to maturity or to any prior date or dates on which they are prepayable, and have been called for redemption or provision has been irrevocably made for their redemption, on such date or dates.

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

ARTICLE XI

WATER SYSTEM FUND

Section 11.1 Bond Proceeds and Revenues Pledged and Appropriated. A special Water System Fund was created by Resolution No. 466 and will be maintained as a separate and special bookkeeping account on the official books of the Borrower until all Bonds (including the Series 2017A Bond, if applicable) and interest and redemption premiums due thereon have been fully paid, or the Borrower's obligations with reference to such Bonds has been discharged as provided in this Resolution. All proceeds of Series 2017 Bonds issued hereunder and all other funds presently on hand derived from the operation of the System are irrevocably pledged and appropriated to the Fund. In addition, there is hereby irrevocably pledged and appropriated to the Fund all gross revenues and receipts from rates, fees, charges and rentals imposed for connections with and for the availability, benefit and use of the System and from any sales of property acquired for the System and all income received from the investment of such gross revenues, including investment of the Reserve established in the Revenue Bond Account and the Operating Reserve established in the Operating Account, levied for construction of any part of the System and the proceeds of any grant or loan from the State or the United States, and any investment income thereon, to the extent such exclusion is a condition to such grant or loan. The Fund was subdivided into separate accounts as designated and described in Sections 11.2 through 11.7 of Resolution No. 466, to segregate income and expenses received, paid and accrued for the respective purposes described in those sections. The gross revenues received in this Fund shall be apportioned monthly, commencing as of the date of Closing.

Section 11.2 Acquisition and Construction Account. The Acquisition and Construction Account shall be used only to pay as incurred and allowed costs which under accepted accounting practice are capital costs of the Series 2017 Project and of such future reconstructions, improvements, betterments or extensions of the System as may be authorized in accordance with law, including but not limited to payments due for work and materials performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, reimbursement of any advances made from other Borrower funds, and all other expenses incurred in connection with the acquisition, construction and financing of any such undertaking. To the Acquisition and Construction Account shall be credited as received all proceeds of Series 2017 Bonds and other Bonds issued hereunder (except proceeds of refunding Bonds appropriated to the payment of outstanding Bonds and amounts required to be credited to the Revenue Bond Account), all other funds appropriated by the Borrower for the System and any other funds appropriated by the

Borrower to the Acquisition and Construction Account for improvements to the System, and all income received from the investment of the Acquisition and Construction Account.

Section 11.3 Operating Account. On each monthly apportionment there shall first be set aside and credited to the Operating Account, as a first charge on the gross revenues, such amount as may be required over and above the balance then held in the account to pay the reasonable and necessary operating expenses of the System which are then due and payable, or are to be paid prior to the next monthly apportionment. The term "operating expenses" shall mean the current expenses, paid or accrued, of operation, maintenance and current repair of the System and its facilities, as calculated in accordance with sound accounting practice, and shall include, without limitation, administrative expenses of the Borrower relating solely to the System, premiums for insurance on the properties thereof, labor and the cost of materials and supplies used for current operation and for maintenance, and charges for the accumulation of appropriate reserves for current expenses which are not recurrent monthly but may reasonably be expected to be incurred in accordance with sound accounting practices. Such expenses shall not include any allowance for interest expense or depreciation, renewals or replacements of capital assets of the System and shall not include any portion of the salaries or wages paid to any officer or employee of the Borrower, except such portion as shall represent reasonable compensation for the performance of duties necessary to the operation of the System. There shall also be credited to this account forthwith upon the delivery of the Series 2017 Bonds and from available funds other than the proceeds therefrom a sum equal to the estimated average monthly operating expenses of the System to establish an Operating Reserve, which sum shall be maintained by additional transfers upon each monthly apportionment whenever necessary, or may be augmented by transfers of additional amounts from the Surplus Account described below if determined by the governing body of the Borrower to be necessary to meet contingencies arising in the operation and maintenance of the System. Money in the Operating Account shall be used solely for the payment of current operating expenses of the System.

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

Section 11.5 Reserve Account. The Borrower agrees to establish and maintain a Reserve Account in the Fund. Upon each monthly apportionment, from the Net Revenues remaining after the apportionment to the Revenue Bond Account, the Borrower shall credit to the Reserve Account such additional Net Revenues as may be required to establish and thereafter maintain

the balance in an amount equal, as of the date of calculation, to the Reserve Requirement (one-half the annual maximum principal and interest payment on all Bonds. Money in the Reserve Account shall be used only to pay maturing principal, premium and interest on Bonds when money within the Revenue Bond Account is insufficient therefor; provided that on any date when all outstanding Bonds of a series are due or prepayable by their terms, if the amount then on hand in the Reserve Account allocable to such Bonds and available for such appropriation is sufficient with money available for the purpose to pay all such Bonds and the interest accrued thereon in full, it may be used for that purpose; and provided, further, that so long as the amount on hand in the Reserve Account is not less than the Reserve Requirement, the Borrower may credit earnings on investment of the Reserve Account to the Replacement and Depreciation Account.

Section 11.6 Replacement and Depreciation Account. There shall next be set aside and credited, upon each monthly apportionment, to the Replacement and Depreciation Account Surplus Net Revenues of the System, as the governing body of the Borrower shall determine to be required for the accumulation of a reasonable allowance for repair and depreciation of the System and for replacement or renewal of worn out, obsolete or damaged properties and equipment thereof. Money in this account shall be used only for the purposes above stated or, if so directed by the governing body of the Borrower, to redeem Bonds which are prepayable according to their terms, to pay principal or interest when due thereon as required in Section 11.5, or to pay the cost of improvements to the System; provided that in the event construction and installation of additional improvements or additions to the System are financed other than from proceeds of Bonds payable from the Revenue Bond Account, surplus net revenues from time to time received may be segregated and paid into one or more separate and additional accounts for the repayment of such indebtedness and interest thereon, in advance of payments required to be made into the Replacement and Depreciation Account.

Section 11.7 Surplus Account. This account is also referred to as the Subordinate Obligations Account. Any amount of the Surplus Net Revenues from time to time remaining after the above required applications thereof shall be credited to the Surplus Account (or such other account in the Fund as the Borrower may establish for bookkeeping purposes to account for surplus money in accordance with the purposes of this Resolution), and the money from time to time in that account, when not required to restore a current deficiency in the Revenue Bond Account as provided in Section 11.4, may be used for any of the following purposes and not otherwise:

- (a) To redeem bonds payable from the Net Revenues when and as such bonds become prepayable according to their terms; or
- (b) To purchase Bonds on the open market, whether or not the Bonds or other such Bonds may then be prepayable according to their terms; or
- (c) To be held as a reserve for redemption of bonds payable from the Net Revenues which are not then but will later be prepayable according to their terms; or
- (d) To pay for repairs of or for the construction and installation of improvements or additions to the System; or

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

(f) to pay the principal and interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge on Subordinate Obligations.

No money shall at any time be transferred from the Surplus Account or any other account of the Fund to any other fund of the Borrower, nor shall such moneys at any time be loaned to other municipal funds or invested in warrants, special improvement bonds or other obligations payable from other funds, except as provided in Section 11.8.

Section 11.8 Deposit and Investment of Funds. The finance officer of the Borrower shall cause all money appropriated to the Fund to be deposited as received with one or more depository banks duly qualified in accordance with the provisions of Montana Code Annotated, Section 7-6-201, in a deposit account or accounts. The balance in such accounts, except such portion thereof as shall be guaranteed by federal deposit insurance, shall at all times be secured to its full amount by bonds or securities of the types set forth in said Section 7-6-201. Any of such moneys not necessary for immediate use may be deposited with such depository banks in savings or time deposits. No money shall at any time be withdrawn from such deposit accounts except for the purposes of the Fund as defined and authorized in this Resolution; except that money from time to time on hand in the Fund may at any time, in the discretion of the governing body of the Borrower, be invested in securities which are direct, general obligations of, or obligations the prompt payment of the principal of and the interest on which is fully and unconditionally guaranteed by, the United States of America, bank repurchase agreements with respect to such obligations, certificates of deposits of national banks having a combined capital and surplus of at least \$1,000,000 or in the Montana short-term investment program administered by the Board of Investments, which investments mature and bear interest at the times and in the amounts estimated to be required to provide cash when needed for the purposes of the respective accounts; provided that funds on hand in the Reserve Account, the Replacement and Depreciation Account and the Surplus Account may be invested in said securities maturing not later than five years from the date of the investment; and provided, further, that money on hand in the Surplus Account of the Fund may, in the discretion of the governing body of the Borrower, be invested in any securities which are direct, general obligations of the Borrower. Income received from the deposit or investment of moneys in said accounts shall be credited to the account from whose moneys the deposit was made or the investment was purchased, and handled and accounted for in the same manner as other moneys in that account.

ARTICLE XII

TAX MATTERS

Section 12.1 Use of Series 2017 Project. The Series 2017 Project will be owned and operated by the Borrower and available for use by members of the general public on a substantially equal basis. The Borrower shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the Series 2017 Project or the System or security for

the payment of the Series 2017B Bond which might cause the Series 2017B Bond to be considered a “private activity bond” or “private loan bond” within the meaning of Section 141 of the Code.

Section 12.2 General Covenant. The Borrower covenants and agrees with the owners from time to time of the Series 2017B Bond that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Series 2017B Bond to become includable in gross income for federal income tax purposes under the Code and the Regulations, and covenants to take any and all actions within its powers to ensure that the interest on the Series 2017B Bond will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

Section 12.3 Arbitrage Certification. The Mayor and the Town Clerk, being the officers of the Borrower charged with the responsibility for issuing the Series 2017B Bond pursuant to the Resolution, are authorized and directed to execute and deliver to the DNRC a certificate in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(b) of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Series 2017B Bond, it is reasonably expected that the proceeds of the Series 2017B Bond will be used in a manner that would not cause the Series 2017B Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

Section 12.4 Arbitrage Rebate Exemption.

(a) The Borrower hereby represents and makes the election that the Series 2017B Bond qualifies for the exception for small governmental units to the arbitrage rebate provisions contained in Section 148(f)(2) of the Code. Specifically, the Borrower represents:

(1) Substantially all (not less than 95%) of the proceeds of the Series 2017B Bond (except for amounts to be applied to the payment of costs of issuance) will be used for local governmental activities of the Borrower.

(2) The aggregate face amount of all “tax-exempt bonds” (including warrants, contracts, leases and other indebtedness, but excluding private activity bonds) issued by or on behalf of the Borrower and all subordinate entities thereof during 2017 is reasonably expected not to exceed \$5,000,000. To date in 2017, the Borrower has issued no tax-exempt bonds but does intend to issue, on the Closing Date, the Series 2017 Refunding Bond.

(3) The Borrower has general taxing powers as a Town.

(b) If notwithstanding the provisions of paragraph (a) of this Section 10.4, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Series 2017B Bond, the Borrower hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f).

Section 12.5 Information Reporting. The Borrower shall file with the Secretary of the Treasury, not later than 45 days after the end of the calendar quarter in which the Series 2017B Bond is issued, a statement concerning the Series 2017B Bond containing the information required by Section 149(e) of the Code.

Section 12.6 “Qualified Tax-Exempt Obligations.” Pursuant to Section 265(b)(3)(B)(ii) of the Code, the Borrower hereby designates the Series 2017B Bond as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code. The Borrower has not so designated any other obligations in 2017, other than the Series 2017 Refunding Bond. The Borrower hereby represents that it does not anticipate that obligations bearing interest not includable in gross income for purposes of federal income taxation under Section 103 of the Code (including refunding obligations as provided in Section 265(b)(3) of the Code and including “qualified 501(c)(3) bonds” but excluding other “private activity bonds,” as defined in Sections 141(a) and 145(a) of the Code) will be issued by or on behalf of the Borrower and all “subordinate entities” of the Borrower in 2017 in an amount greater than \$10,000,000.

ARTICLE XIII

CONTINUING DISCLOSURE

The Borrower understands and acknowledges that the DNRC is acquiring the Series 2017 Bonds under the Program pursuant to which the State issues from time to time State Bonds to provide funds therefor. The Borrower covenants and agrees that, upon written request of the DNRC from time to time, the Borrower will promptly provide to the DNRC all information that the DNRC reasonably determines to be necessary or appropriate to offer and sell State Bonds or to provide continuing disclosure in respect of State Bonds, whether under Rule 15c2-12 (17 C.F.R. § 240.15c2-12) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or otherwise. Such information shall include, among other things and if so requested, financial statements of the Borrower prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Montana law, as in effect from time to time (such financial statements to relate to a Fiscal Year or any period therein for which they are customarily prepared by the Borrower, and, if for a Fiscal Year and so requested by the DNRC, subject to an audit report and opinion of an accountant or government auditor, as permitted or required by the laws of the State). The Borrower will also provide, with any information so furnished to the DNRC, a certificate of the Mayor and the Town Clerk of the Borrower to the effect that, to the best of their knowledge, such information does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein to make the statements made, in light of the circumstances under which they are made, not misleading.

ARTICLE XIV

MISCELLANEOUS

Section 14.1 Notices. All notices or other communications hereunder shall be sufficiently sent or given and shall be deemed sent or given when delivered or mailed by certified mail, postage prepaid, to the parties at the following addresses:

DNRC: Department of Natural Resources and Conservation
1625 Eleventh Avenue
P. O. Box 201601
Helena, Montana 59620-1601
Attn: Conservation and Resource
Development Division

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

Borrower: Town of Fromberg
P.O. Box 236
Fromberg, MT 59029
Attn: Mayor

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

Section 14.2 Binding Effect. This Resolution shall inure to the benefit of and shall be binding upon the DNRC, the Borrower and their respective successors and assigns.

Section 14.3 Severability. If any provision of this Resolution shall be determined to be unenforceable at any time, it shall not affect any other provision of the Resolution or the enforceability of that provision at any other time.

Section 14.4 Amendments. This Resolution may not be effectively amended without the written consent of DNRC.

Section 14.5 Applicable Law. This Resolution shall be governed by and construed in accordance with the internal laws of the State.

Section 14.6 Captions; References to Sections. The captions in this Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Resolution.

Section 14.7 No Liability of Individual Officers, Directors or Trustees. No recourse under or upon any obligation, covenant or agreement contained in this Resolution shall be had against

any director, officer or employee, as such, past, present or future, of the DNRC, the DEQ or the Trustee, either directly or through the DNRC, the DEQ or the Trustee, or against any officer, or member of the governing body or employee of the Borrower, past, present or future, as an individual so long as such individual was acting in good faith. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such officer or member of the governing body or employee of the DNRC, the Trustee or the Borrower is hereby expressly waived and released by the Borrower and by the DNRC as a condition of and in consideration for the adoption of this Resolution and the making of the 2017 Loans.

Section 14.8 Payments Due on Holidays. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Resolution or the Series 2017 Bonds, shall not be Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Resolution or the Series 2017 Bonds.

Section 14.9 Right of Others To Perform Borrower's Covenants. In the event the Borrower shall fail to make any payment or perform any act required to be performed hereunder, then and in each such case the DNRC or the provider of any Collateral Document may (but shall not be obligated to) remedy such default for the account of the Borrower and make advances for that purpose. No such performance or advance shall operate to release the Borrower from any such default and any sums so advanced by the DNRC or the provider of any Collateral Document shall be paid immediately to the party making such advance and shall bear interest at the rate of ten percent (10.00%) per annum from the date of the advance until repaid. The DNRC and the provider of any Collateral Document shall have the right to enter the Series 2017 Project or the facility or facilities of which the Series 2017 Project is a part or any other facility which is a part of the System in order to effectuate the purposes of this Section.

Section 14.10 Authentication of Transcript. The officers of the Borrower are hereby authorized and directed to furnish to the DNRC and to Bond Counsel certified copies of all proceedings relating to the issuance of the Series 2017 Bonds and such other certificates and affidavits as may be required to show the right, power and authority of the Borrower to issue the Series 2017 Bonds, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the Borrower as to the truth of the statements of fact purported to be shown thereby.

Section 14.11 Date. This Resolution shall take effect immediately.

Adopted by the Town Council of the Town of Fromberg, Montana, on this 24th day of July, 2017.

ATTEST:


Town Clerk


Mayor

APPENDIX A

Description of the Series 2017 Project

The Series 2017 Project generally consists of the costs of the planning, design and financing of construction of drilling and constructing a new back-up well and connecting it to the mainfield in the existing well house and relocating/replacing the existing bulk water station.

Estimated Series 2017 Project Budget

	<u>Project Costs</u>
Engineering Design	\$25,000
Engineering Construction Services	22,500
Construction	247,214
Water Rights SWPPP	7,500
Loan Reserves	5,791
Administrative/Legal/Prof. Services & Audit	5,500
Bond Counsel/Site Title and Costs	5,000
Contingency	<u>25,095</u>
TOTALS	\$343,000

The Series 2017 Project is expected to be funded by the \$343,000 Series 2017A and B Bond proceeds.

Of the amount shown above for construction of and improvements to be included in the Series 2017 Project, the Borrower estimates that \$0 of the construction related proceeds of the Series 2017 Bonds will be applied to the costs of Green Infrastructure.

APPENDIX B-1

[Form of the Series 2017A Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF CARBON

TOWN OF FROMBERG

SUBORDINATE LIEN WATER SYSTEM REVENUE BOND
(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)
TAXABLE SERIES 2017A

R-1

\$171,800

FOR VALUE RECEIVED, THE TOWN OF FROMBERG, MONTANA (the “Borrower”), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the “DNRC”), or its registered assigns, solely out of available Surplus Net Revenues remaining in the Subordinate Obligations Account of its Water System Fund, the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under “Total Amount Advanced,” with interest on each such amount from the date such amount is advanced hereunder at the rate of two percent (2.00%) per annum on the unpaid balance until paid, together with A Loan Loss Reserve and an Administrative Expense Surcharge on the outstanding principal amount of this Bond from the date of each advance of principal at the rate of twenty-five hundredths of one percent (0.25%) and twenty-five hundredths of one percent (0.25%) per annum, respectively, all subject to the effect of the immediately following paragraph. Interest and Administrative Expense Surcharge and Loan Loss Reserve shall be payable in semiannual installments on each January 1 and July 1 (each a “Loan Repayment Date”) commencing with the Loan Repayment Date that is the first to occur following delivery by the DNRC to the Borrower of a statement that the Borrower’s obligation to repay the principal amount of the 2017A Loan is not forgiven and ending on the July 1, 2035, all as described in the Resolution (as hereinafter defined), subject to earlier redemption. Principal shall as well be payable on such dates, as set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B hereto under “Total Loan Payment.” The portion of each such payment consisting of principal, the portion consisting of interest and the portion consisting of Administrative Expense Surcharge and the portion consisting of Loan Loss Reserve shall be as set forth in Schedule B attached hereto. Upon each disbursement of 2017A 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 authorizing this

Bond, and the final Schedule B will reflect repayments under Section 5.1.4 of such resolution. Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of two and one-half percent (2.50%) per annum. Past-due payments of principal and interest and Administrative Expense Surcharge and Loan Loss Reserve shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest and Administrative Expense Surcharge and Loan Loss Reserve shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS BOND, IN THE EVENT THAT THE BORROWER TIMELY DELIVERS A COMPLIANCE CERTIFICATE AND REQUEST (AS DEFINED IN THE RESOLUTION) IN FORM AND SUBSTANCE SATISFACTORY TO THE DNRC AND THE DNRC IN RESPONSE THEREON SUPPLIES TO THE BORROWER A FORGIVENESS STATEMENT, THEN THEREUPON INTEREST SHALL BE DEEMED TO ACCRUE ON THE PRINCIPAL OF THIS SERIES 2017A BOND FROM THE DATE OF EACH ADVANCE AT THE RATE OF ZERO PERCENT (0.00%) PER ANNUM AND THE BORROWER'S OBLIGATION TO REPAY PRINCIPAL ADVANCED HEREUNDER SHALL BE FORGIVEN, AND THE BORROWER SHALL HAVE NO OBLIGATION TO REPAY THE DNRC OR ITS REGISTERED ASSIGNS ANY AMOUNTS ADVANCED HEREUNDER OR INTEREST OR ANY SURCHARGE THEREON. THIS BOND SHALL THEREUPON BE MARKED "CANCELLED" AND RETURNED BY THE HOLDER TO THE BORROWER, AND THIS BOND SHALL NO LONGER CONSTITUTE AN OBLIGATION OF THE BORROWER OR OF THE SYSTEM (AS HEREINAFTER DEFINED). IN ADDITION, UNTIL THE DELIVERY OF A DETERMINATION STATEMENT BY THE DNRC TO THE BORROWER, THE OBLIGATION OF THE BORROWER TO REPAY THE OUTSTANDING PRINCIPAL AMOUNT HEREOF SHALL BE DEFERRED UNTIL THE LOAN REPAYMENT DATE FIRST OCCURRING AFTER DELIVERY OF A NONCOMPLIANCE STATEMENT AND INTEREST SHALL BE DEEMED TO ACCRUE ON THE PRINCIPAL OF THIS SERIES 2017A BOND FROM THE DATE OF EACH ADVANCE UNTIL DELIVERY OF SUCH A NONCOMPLIANCE STATEMENT AT THE RATE OF ZERO PERCENT (0.00%) PER ANNUM.

This Bond is one of an issue of Water System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time and constitutes a series in the maximum authorized principal amount of \$171,800 (the "Series 2017A Bond"). The Series 2017A Bond is issued to finance a portion of the costs of the construction of certain improvements to the water system of the Borrower (the "System") and to pay costs of issuance of the Series 2017A Bond. The Series 2017A Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Part 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, by Resolution No. 466 and as supplemented by Resolution No. 467, adopted on July 24, 2017 (collectively, the "Resolution"). Terms used with initial capital letters but not defined herein shall have the meanings given them in the Resolution. The Series 2017A Bond is issuable only as a single, fully registered bond. The Series 2017A Bond is issued as a Subordinate Obligation payable from Surplus Net Revenues in the Subordinate Obligations Account in the Fund of the Borrower. The Borrower is issuing simultaneously herewith its

\$171,800 Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2017B (the "Series 2017B Bond"). Following the 2017B First Advance, principal amounts of this Series 2017A Bond are advanced until all of the principal of this Series 2017A Bond is advanced and then the remaining amounts of principal of the Series 2017B Bond are advanced. The Borrower also has outstanding its \$481,000 Water System Refunding Revenue Bond (DNRC Drinking Water Revolving Loan Program) Series 2017 which is issued on a parity basis with the Series 2017B Bond.

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2017A Bond has been issued, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the Series 2017A Bond.

The Borrower may prepay the principal of the Series 2017A Bond only if (i) a Determination Statement has been delivered, (ii) it obtains the prior written consent of the DNRC thereto, and (iii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and Administrative Expense Surcharge and Loan Loss Reserve to the date of prepayment on the amount of principal prepaid. If the Series 2017A Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

This Series 2017A Bond, including interest and any premium for the redemption thereof, are payable solely from the Surplus Net Revenues available for the payment hereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this Series 2017A Bond is registered as the absolute owner hereof, whether this Series 2017A Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The Series 2017A Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will forthwith construct and complete the improvements to the System hereinabove described; that it will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Water System Fund into which the gross revenues of the System will be paid, and a separate and special Subordinate Obligations Account in that Fund, into which will be paid, subject to the prior lien thereon of the Operating Account, Revenue Bond Account, and the Reserve Account, Surplus Net Revenues; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System, to produce in each Fiscal Year Net Revenues in excess of such current expenses, equal to at least 110% of the maximum amount of principal and interest payable from the Revenue Bond Account in any subsequent Fiscal Year and to produce in each Fiscal Year adequate Surplus Net Revenues to pay the principal of and interest on Subordinate Obligations including the Series 2017A Bond, as and when due; that Additional Bonds issued on

a parity with the Outstanding Bonds (such bonds, collectively, with the Outstanding Bonds, the “Bonds”) and refunding Bonds may be issued and made payable from the Revenue Bond Account on a parity with the Outstanding Bonds, and other parity Bonds, upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the Outstanding Bonds and Additional Bonds on such Net Revenues (such as is the case with this Series 2017A Bond); that all provisions for the security of the holder of this Series 2017A Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this Series 2017A Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this Series 2017A Bond and the interest hereon are payable solely out of available Net Revenues in the Subordinate Obligations Account of the Fund and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the Series 2017A Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Town of Fromberg, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor and Town Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the ____ day of ____, 2017.

Mayor

Town Clerk

REGISTRATION AND TRANSFER

This Bond shall be fully registered as to both principal and interest. No transfer of this Bond shall be valid unless and until (1) the registered holder of the Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Bond, and (2) the Town Clerk 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 Town of Fromberg, 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 Town Clerk</u>
_____, 2017	<u>Department of Natural Resources and Conservation 1539 Eleventh Avenue Helena, MT 59620</u>	_____

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

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

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

FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____

_____ the within Bond and does hereby

irrevocably constitute and appoint _____

attorney to transfer the Bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

SCHEDULE B

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

[Form of the Series 2017B Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF CARBON

TOWN OF FROMBERG

WATER SYSTEM REVENUE BOND
(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)
SERIES 2017B

R-1

\$171,800

FOR VALUE RECEIVED, THE TOWN OF FROMBERG, MONTANA (the "Borrower"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely from the Revenue Bond Account of its Water System Fund, the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under "Total Amount Advanced," with interest on each such amount from the date such amount is advanced hereunder at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay a Loan Loss Reserve and an Administrative Expense Surcharge on the outstanding principal amount of this Bond at the rate of twenty-five hundredths of one-percent (0.25%) and twenty-five hundredths of one percent (0.25%) respectively, per annum. Interest, Administrative Expense Surcharge and Loan Loss Reserve shall be payable on each January 1 and July 1 (each a "Loan Repayment Date") commencing January 1, 2016. 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 and the portion consisting of interest, Administrative Expense Surcharge and Loan Loss Reserve shall be as set forth in Schedule B hereto. Upon each disbursement of 2017B 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 authorizing this Bond. 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 and Loan Loss Reserve shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest and Administrative Expense Surcharge and Loan Loss Reserve shall be calculated on the basis of a 360-day year comprising 12 months of 30 days

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

This Bond is one of an issue of Water System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$171,800 (the "Series 2017B Bond"), issued to finance a portion of the costs of construction of certain improvements to the water system of the Borrower (the "System") and to pay costs of issuance of the Series 2017B Bond. The Series 2017B Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Part 44 and 45, as amended, and ordinances and by Resolution No. 466 and as supplemented by Resolution No. 467, duly adopted by the governing body of the Borrower, on July 24, 2017 (collectively, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given to them in the Resolution. The Series 2017B Bond is issuable only as a single, fully registered bond. The Borrower is also issuing simultaneously herewith its Subordinate Lien Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Taxable Series 2017A (the "Series 2017A Bond"). The Borrower also has outstanding its \$481,000 Water System Refunding Revenue Bond (DNRC Drinking Water Revolving Loan Program) Series 2017 which is issued on a parity basis with the Series 2017B Bond.

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2017B Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which additional bonds may be issued under the Resolution and made payable from such Net Revenues on a parity with the Series 2017B Bond or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the Series 2017B Bond.

The Borrower may prepay the principal of the Series 2017B Bond only if a Determination Statement has been delivered, it obtains the prior written consent of the DNRC thereto, and no Loan Repayment, Administrative Expense Surcharge or Loan Loss Reserve is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and Administrative Expense Surcharge and Loan Loss Reserve to the date of prepayment on the amount of principal prepaid. If the Series 2017B Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

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

The Borrower may deem and treat the person in whose name this Series 2017B Bond is registered as the absolute owner hereof, whether this Series 2017B Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The Series 2017B Bond may be transferred as hereinafter provided.

This Series 2017B Bond has been designated by the Borrower as a "qualified tax-exempt obligation" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower has duly authorized and will forthwith undertake the improvements to the System hereinabove described, has fixed and established and will collect reasonable rates and charges for the services and facilities afforded by the System, and has created a special Water System Fund into which the revenues of the System will be paid, and a separate and special Revenue Bond Account in that fund, into which will be paid each month; from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than the sum of one-sixth of the interest due within the next six months and one-twelfth of the principal due within the next twelve months with respect to all Bonds payable from that Account; that the Borrower has created a Reserve Account in such fund into which shall be paid additional Net Revenues, after required credits to the Revenue Bond Account sufficient to establish and maintain a reserve therein equal to, as of the date of calculation, the Reserve Requirement (as defined in the Resolution); that the Revenue Bond Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient to (i) produce Net Revenues for each Fiscal Year in an amount at least sufficient to pay the principal of and interest on all Bonds payable from the Net Revenues derived in such Fiscal Year, to establish and maintain the Reserve Requirement, to pay promptly the reasonable and current Operating Expenses, to pay the principal of and interest on any Subordinate Obligations out of Surplus Net Revenues and to provide reserves for the repair and replacement of the System, and (ii) Net Revenues for each Fiscal Year will be equal to at least 110% of the maximum principal and interest requirements for all future Fiscal Years during which any Bonds will be Outstanding; that Additional Bonds and refunding Bonds may be issued and made payable from the Revenue Bond Account on a parity with the Series 2017B Bond upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues unless the lien thereof shall be expressly made subordinate to the lien of the Series 2017B Bond; that all provisions for the security of this Series 2017B Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this Series 2017B Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed as so required; and that this Series 2017B Bond and the premium, if any, and interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the Borrower within the meaning of any constitutional, statutory or charter limitation or provision and the issuance of the Series 2017B Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional, statutory or charter limitation.

IN WITNESS WHEREOF, the Town of Fromberg, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor and Town Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the ____ day of _____, 2017.

Mayor

Town Clerk

REGISTRATION AND TRANSFER

This Bond shall be fully registered as to both principal and interest. No transfer of this Bond shall be valid unless and until (1) the registered holder of the Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Bond, and (2) the Town Clerk 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 Town of Fromberg, 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 Town Clerk</u>
_____, 2017	<u>Department of Natural Resources and Conservation 1539 Eleventh Avenue Helena, MT 59620</u>	_____

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

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

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

FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____
_____ the within Bond and does hereby

irrevocably constitute and appoint _____
attorney to transfer the Bond on the books kept for the registration thereof, with full power of
substitution in the premises.

Dated: _____

Notice: The assignor's signature to this assignment must correspond with the name as it
appears upon the face of the within Bond in every particular, without alteration or any change
whatsoever.

SCHEDULE OF AMOUNTS ADVANCED

Blank handwriting practice paper with four sets of horizontal lines and a large, faint watermark reading 'Handwriting' diagonally across the page.

SCHEDULE B

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

ADDITIONAL REPRESENTATIONS AND COVENANTS

None

DRAFT

APPENDIX D

\$343,000
Water System Revenue Bonds
(DNRC Drinking Water State Revolving Loan Program)
Consisting Of
\$171,800 Subordinate Lien Taxable Series 2017A Bond
And
\$171,800 Series 2017B Bond

COMPLIANCE CERTIFICATE AND REQUEST

We, _____ and _____, hereby certify that we are on the date hereof the duly qualified and acting Mayor and Town Clerk, respectively, of the Town of Fromberg, Montana (the "Borrower"), and that:

1. Pursuant to Resolution No. 466, as supplemented by Resolution No. 467, adopted by this Council on July 24, 2017 (the "2017 Resolution"), entitled "Resolution Relating to \$343,000 Water System Revenue Bonds (DNRC Drinking Water State Revolving Loan Program), consisting of \$171,800 Subordinate Lien Taxable Series 2017A Bond and \$171,800 Series 2017B Bond; Authorizing the Issuance and Fixing the Terms and Conditions Thereof" (as so amended and supplemented, collectively the "Resolution"), the Borrower issued its Subordinate Lien Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Taxable Series 2017A, dated, as originally issued, as of _____, 2017, in the maximum aggregate principal amount of \$171,800 (the "Series 2017A Bond") and its Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2017B, dated, as originally issued, as of _____, 2017, in the maximum aggregate principal amount of \$171,800 (the "Series 2017B Bond"). The Borrower has reviewed the Resolution, including, without limitation, Articles II and III of the Resolution, and the definitions relating thereto. The Borrower acknowledges and agrees that the Series 2017A Bond evidences loans made to the Borrower from the DNRC from funds made available to the DNRC from the 2016 EPA Capitalization Grants, and that this Certificate is being relied upon by the DNRC for ensuring compliance with requirements applicable to the Borrower, the DNRC, and the Series 2017 Project (as hereinafter defined). Capitalized terms used herein without definition shall have the meanings given them in the Resolution.
2. The Series 2017A Bond is issued to finance a portion of the costs of construction and installation of various improvements to the System, generally described as the Series 2017 Project in the Resolution. Construction of the Series 2017 Project has complied with all federal and state standards, including, without limitation, EPA regulations and standards. The Series 2017 Project is expected to be completed and placed in service on or about _____.
3. Costs of the Series 2017 Project in the amount of \$ _____ have been paid as of the date of delivery of this Certificate. The Borrower hereby waives its right to any remaining 2017A Committed Amount or 2017B Committed Amount not advanced or to be advanced upon delivery hereof. The Borrower specifically confirms and agrees that any

remaining amounts of the 2017 Loans to be lent to the Borrower, if any, shall be evidenced by the Series 2017B Bond.

4. As of the date hereof, the Borrower has spent the following amounts in connection with the Series 2017 Project and costs related thereto:

Construction	\$
Loan Reserves	
Bond Counsel	
Administrative	
Preliminary Engineering	
Engineer Design	
Construction Engineering	
Contingency	
TOTALS	\$

Of such amounts, \$_____ were paid from advances of proceeds of the Series 2017A Bond. In addition, as of the date hereof, _____ of the proceeds have been applied to Green Infrastructure.

5. The Trustee has delivered to the Borrower a copy of Schedule B to be attached to the Series 2017A Bond and Schedule B to be attached to the Series 2017B Bond, each of which reflects the amortization of all advances made or to be made on the date hereof of proceeds of the Series 2017A Bond and the Series 2017B Bond, respectively (i.e., \$_____ in respect of the Series 2017A Bond (the sum of the amounts of the Series 2017A Bond applied to pay costs of the Series 2017 Project or costs of issuance of the Series 2017 Bonds) and \$_____ in respect of the Series 2017B Bond (the sum of the amounts of the Series 2017B Bond applied to pay costs of the Series 2017 Project or costs of issuance of the Series 2017 Bonds or deposited in the Reserve Account as described in paragraph 6 hereof)), as required under Section 7.08(a) of the Indenture. The Borrower hereby acknowledges and agrees that each Schedule B has been calculated in accordance with the provisions of the Resolution and the Indenture, and that each of the Series 2017A Bond and the Series 2017B Bond, with said Schedule B attached thereto, has been duly issued pursuant to the Resolution and is a valid and binding obligation of the Borrower in accordance with its terms and the terms of the Resolution; provided, however, if the DNRC delivers a Forgiveness Statement, the Borrower's obligation to repay the principal of the Series 2017A Bond and interest and surcharges thereon is thereupon forgiven, and if the DNRC delivers a Noncompliance Certificate, amounts advanced under the 2017B Loan evidenced by the Series 2017A Bond shall bear interest from and after the 2017A First Advanced at the rate of two percent (2.00%) per annum and the Borrower shall pay currently with interest the Administrative Expense Surcharge and the Loan Loss Reserve, all as described in Section 5.1.2 of the Resolution.

6. The representations of the Borrower contained in Articles II and III of the Resolution are true and complete as of the date hereof as if made on this date, except to the extent that the Borrower has specifically advised the DEQ and the DNRC otherwise in writing.

7. No default in any covenant or agreement on the part of the Borrower contained in the Resolution has occurred and is continuing.

8. The Borrower is delivering this Certificate to the DNRC, in part, to ensure compliance with EPA regulations and standards. The Borrower certifies that all laborers and mechanics employed by contractors and subcontractors on the Series 2017 Project have been and will be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the United States Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code.

9. The Borrower acknowledges and agrees that this Certificate completed by the Borrower in form satisfactory to the DNRC must be executed and delivered to the DNRC by the date that is 30 days after receipt of the form of this Certificate from the DNRC. By submitting this Certificate, the Borrower requests that the DNRC forgive the obligation of the Borrower to repay the principal of the Series 2017A Bond, together with interest and surcharges thereon. The Borrower acknowledges and agrees that (i) the forgiveness of principal of and interest and surcharges on the Series 2017A Bond by the DNRC is contingent on the timely delivery of this Certificate by the Borrower in satisfactory form as determined in the DNRC's sole and complete discretion, (ii) the DNRC has no obligation to grant such forgiveness; (iii) if the DNRC delivers to the Borrower a Noncompliance Certificate, (a) the obligation of the Borrower to repay the principal of the Series 2017A Bond plus interest and Administrative Expense Surcharge and Loan Loss Reserve thereon shall continue in full force and effect until the principal of the Series 2017A Bond advanced and interest, Administrative Expense Surcharge, and Loan Loss Reserve thereon are paid in full, as set forth in Schedule B delivered pursuant to paragraph 5 above, and as provided in the Series 2017A Bond and the Resolution, and (b) the Borrower shall, as necessary, within the 3-month period specified in the 2017 Resolution, adjust its rates and charges to produce Net Revenues and Surplus Net Revenues required by the rate covenant in the Resolution.

WITNESS our hands on behalf of the Borrower and the seal of the Borrower as of this _____ day of _____, 20__.

TOWN OF FROMBERG, MONTANA

Mayor

Town Clerk

RESOLUTION NO. 466

A RESOLUTION OF THE TOWN OF FROMBERG, CARBON COUNTY, MONTANA, RELATING TO THE REFINANCING OF IMPROVEMENTS TO THE TOWN'S WATER SYSTEM; AUTHORIZING THE ISSUANCE AND SALE AND DEFINING THE TERMS AND THE MANNER OF PAYMENT OF THE TOWN'S \$481,000 WATER SYSTEM REFUNDING REVENUE BOND (DNRC DRINKING WATER REVOLVING LOAN PROGRAM) SERIES 2017; AND CREATING SPECIAL FUNDS AND ACCOUNTS FOR THE ADMINISTRATION OF MONEY DERIVED THEREFROM

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

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

WHEREAS, the Town of Fromberg, Carbon County, Montana (the "Borrower") has applied to the DNRC for a loan (the "Loan") from the Revolving Fund to enable the Borrower to refinance the costs of its water system improvement project consisting of construction of a water storage tank, gallery system improvements, well development, valves, hydrants and meters (hereinafter defined as the Series 1996 Project) which carry out the purposes of the Safe Drinking Water Act; and

WHEREAS, the Borrower, pursuant to its Ordinance No. 244 issued its \$734,100 Water System Revenue Bond (the "Series 1996 Bond") to USDA to provide a portion of the costs of the Series 1996 Project; and

WHEREAS, the Borrower is authorized under applicable laws, ordinances and regulations to adopt this Resolution and to issue the Bond (as hereinafter defined) to evidence the Loan for the purposes of refunding the Series 1996 Bond; and

WHEREAS, the DNRC will fund the Loan with recycled funds generated and available from the State's Drinking Water State Revolving Fund Program.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE BORROWER AS FOLLOWS:

ARTICLE I

DEFINITIONS, RULES OF CONSTRUCTION AND APPENDICES

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

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

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

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

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

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

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

“Bond” means the Borrowers \$481,000 Water System Refunding Revenue Bond (DNRC Drinking Water Revolving Loan Program), Series 2017 issued to DNRC to evidence the Loan and any Water Debt to be issued on a parity therewith pursuant to Article X.

“Borrower” means the Town of Fromberg, in Carbon County, Montana, or any permitted successor or assign.

“Business Day” means any day which is not a Saturday or Sunday, a legal holiday in the State or a day on which banks in Montana are authorized or required by law to close.

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

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

“Collateral Documents” means any security agreement, guaranty or other document or agreement delivered to the DNRC securing the obligations of the Borrower under this Resolution

and the Bond. If no Collateral Documents secure such obligations, any reference to Collateral Documents in this Resolution shall be without effect.

“Committed Amount” means the amount of the Loan committed to be lent by the DNRC to the Borrower pursuant to Section 4.1.

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

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

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

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

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

“Enabling Act” means Montana Code Annotated, Title 7, Chapter 7, Part 44 and 45, as amended, which authorizes the Borrower to own and operate the System and to finance or refinance improvements to the System.

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

“EPA Agreements” means all capitalization grant agreements and other written agreements between the Department of Environmental Quality of the State and the EPA concerning the Program.

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

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

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

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

“Loan” means the Loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the Committed Amount to provide a portion of the funds to finance the Project.

“Loan Loss Reserve Surcharge” means a surcharge on the Loan charged by DNRC to the Borrower equal to twenty-five hundredths of one percent (0.25%) per annum on the outstanding principal amount of the Loan payable by the Borrower on a Bond payment date.

“Net Revenues” means the entire amount of the gross revenues of the System (as described in Section 11.1) remaining upon each such monthly apportionment, after crediting to the Operating Account the amount required by Section 11.3, including sums required to maintain the Operating Reserve in the minimum amount herein stated.

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

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

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

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

“Person” means any individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

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

“Project” means the refunding of the Series 1996 Bond which funded, in part, the Series 1996 Project of the Borrower.

“Public Entity” means a State agency, City, municipality, irrigation district, county water and sewer district, a soil conservation district or other public body created pursuant to State law or an Indian tribe that has a federally recognized governing body carrying out substantial governmental duties and powers over any area.

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

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

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

“Reserve Requirement” means, as of the date of calculation, an amount equal to one-half the maximum principal of and interest payable on outstanding Bonds in the current or any future fiscal year. The initial Reserve Requirement for the Bond will be funded by Borrower’s other funds at closing.

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

“Safe Drinking Water Act” means Title XIV of the Public Health Service Act, commonly known as the Safe Drinking Water Act, 42 U.S.C. §§ 300f et seq., as amended, and all regulations, rules and interpretations issued by the EPA thereunder.

“Series 1996 Bond” means the Borrower’s \$734,100 Water System Revenue Bond, Series 1996, which was purchased by U.S.D.A. Rural Utilities Services and has a principal and interest balance of \$499,602.83 as of August 3, 2017. The Series 1996 Bond is being refunding by the Bond.

“Series 1996 Project” means the construction of a water storage tank, gallery improvements, well development, valves, hydrants and meters.

“State” means the State of Montana.

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

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

“System” means the existing municipal water system of the Borrower and all extensions, improvements and betterments thereof hereafter constructed and acquired.

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

“U.S.D.A. Rural Utilities Services” means the registered owner of the Series 1996 Bond.

“Water Debt” means Debt incurred to acquire, construct, extend, improve, add to or otherwise pay expenses of or related to the System, without regard to the source of payment and security for such Debt (i.e., without regard to whether it is general obligation or revenue Debt), or Debt payable from, or secured by, in whole or in part, any Water Revenues.

“Water Debt Service” means, for the period of determination, all required payments of principal and interest (including mandatory sinking fund redemptions) on all Water Revenue Debt of the Borrower.

“Water Revenue Debt” means all Debt of the Borrower which is secured solely or partly by the Water Revenues.

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

Section 1.2. Other Rules of Construction. For all purposes of this Resolution, except where the context clearly indicates otherwise:

- (a) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted government accounting standards.
- (b) Terms in the singular include the plural and vice versa.
- (c) All references to time shall refer to Helena, Montana time, unless otherwise provided herein.
- (d) All references to mail shall refer to first-class mail postage prepaid.
- (e) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.
- (f) “Or” is not exclusive, but is intended to permit or encompass one, more or all of the alternatives conjoined.

Section 1.3. Appendices. Attached to this Resolution and hereby made a part hereof are the following Appendices:

Appendix A: A description of the refinancing and the Series 1996 Project; and

Appendix B: the form of the Bond; and

Appendix C: additional agreements and representations of the Borrower.

ARTICLE II

REPRESENTATIONS AND COVENANTS

Section 2.1. Representations. The Borrower represents as follows:

- (a) Organization and Authority. The Borrower:

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

(ii) has all requisite power and authority and all necessary licenses and permits required as of the date hereof to own and operate the System and to carry on its current activities with respect to the System, to adopt this Resolution and to issue the Bond and to carry out and consummate all transactions contemplated by this Resolution and the Bond;

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

(iv) has taken all proper action to authorize the execution, delivery and performance of its obligations under this Resolution, the Bond and the incurrence of the obligation evidenced by the Bond.

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

(c) Borrowing Legal and Authorized. The adoption of this Resolution, the execution and delivery of the Bond and the consummation of the transactions provided for in this Resolution:

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

(ii) do not and will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Borrower pursuant to any resolution, indenture, loan agreement or other agreement or instrument (other than this Resolution) to which the Borrower is a party or by which the Borrower or its property may be bound, nor will such action result in any violation of the provisions of the charter of the Borrower or any laws, ordinances, governmental rules or regulations or court or other governmental orders to which the Borrower, its properties or operations are subject.

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

(e) Governmental Consent. The Borrower has obtained or made all permits, findings and approvals (including any necessary water rate increase) required to the date of adoption of this Resolution by any governmental body or officer for the making and performance by the Borrower of its obligations under this Resolution, the Bond or for the Project, the financing or refinancing thereof or the reimbursement of the Borrower for the costs thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental authority (other than those, if any, already obtained) is required on the part of the Borrower as a condition to adopting this Resolution, issuing the Bond and the performance of the Borrower's obligations hereunder and thereunder.

(f) Binding Obligation. This Resolution and the Bond are the valid and binding obligations and agreements of the Borrower, enforceable against the Borrower in accordance with their terms except to the extent that the enforceability thereof may be limited by laws relating to bankruptcy, moratorium, reorganization, insolvency or similar laws affecting creditors' rights and general principals of equity.

(g) The Series 1996 Project. The Series 1996 Project consists of the facilities, improvements and activities defined herein and the Town's System is a "Community Water System" as defined in the Act.

(h) Full Disclosure. There is no fact that the Borrower has not specifically disclosed in writing to the DNRC (so far as the Borrower can now foresee), except for pending or proposed legislation or regulations that are a matter of general public information, that will materially and adversely affect the properties, operations and finances of the System, the Borrower's status as a Public Entity and Governmental Unit, its ability to own and operate the System in the manner it is currently operated or the Borrower's ability to perform its obligations under this Resolution, the Bond and to pledge any revenues or other property pledged to the payment of the Bond.

(i) Compliance With Law. The Borrower:

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

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

Section 2.2. Covenants.

(a) Insurance. The Borrower at all times shall keep and maintain with respect to the System property and casualty insurance and liability insurance with financially sound and reputable insurers, or self-insurance as authorized by State law, against such risks and in such amounts, and with such deductible provisions, as are customary in the State in the case of entities of the same size and type as the Borrower and similarly situated and shall carry and maintain, or cause to be carried and maintained, and pay or cause to be paid timely the premiums for all such insurance. All such insurance policies shall name the DNRC as an additional insured. Each policy must provide that it cannot be cancelled by the insurer without giving the Borrower and the DNRC 30 days' prior written notice. The Borrower shall give the DNRC prompt notice of each insurance policy it obtains or maintains to comply with this Section 2.2(a) and of each renewal, replacement, change in coverage or deductible under or amount of or cancellation of each such insurance policy and the amount and coverage and deductibles and carrier of each new or replacement policy. Such notice shall specifically note any adverse change as being an adverse change. The Borrower shall deliver to the DNRC at Closing a certificate providing the information required by this Section 2.2(a).

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

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

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

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

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

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

(e) Additional Agreements. If there are additional representations, covenants, conditions and agreements, required by DEQ or DNRC, they will be set forth in an Exhibit hereto.

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

- (1) the preliminary budget for the System; and
- (2) when adopted, the final budget for the System.

The Borrower will cause proper and adequate books of record and account to be kept showing complete and correct entries of all receipts, disbursements and other transactions relating to the System, the monthly gross revenues derived from its operation, and the segregation and application of the gross revenues in accordance with this Resolution, in such reasonable detail as may be determined by the Borrower in accordance with generally accepted governmental accounting practice and principles. It will cause such books to be maintained on the basis of the same fiscal year as that utilized by the Borrower. The Borrower shall, within 180 days after the close of each fiscal year, cause to be prepared and supply to the DNRC a financial

report with respect to the System for such fiscal year. The report shall be prepared at the direction of the financial officer of the Borrower in accordance with applicable generally accepted governmental accounting principles and, in addition to whatever matters may be thought proper by the financial officer to be included therein, shall include the following:

- (A) A statement in detail of the income and expenditures of the System for the fiscal year, identifying capital expenditures and separating them from operating expenditures;
- (B) A balance sheet as of the end of the fiscal year;
- (C) The number of premises connected to the System at the end of the fiscal year;
- (D) The amount on hand in each account of the Fund at the end of the fiscal year;
- (E) A list of the insurance policies and fidelity bonds in force at the end of the fiscal year, setting out as to each the amount thereof, the risks covered thereby, the name of the insurer or surety and the expiration date of the policy or bond; and
- (F) A determination that the report shows full compliance by the Borrower with the provisions of this Resolution during the fiscal year covered thereby, including proper segregation of the capital expenditures from operating expenses, maintenance of the required balance in the Revenue Bond Account (as hereinafter defined), and receipt of Net Revenues during each fiscal year at least equal to 110% of the maximum amount of principal and interest payable on outstanding Bonds in any subsequent fiscal year, or, if the report should reveal that the revenues have been insufficient for compliance with this Resolution, or that the methods used in accounting for such revenues were contrary to any provision of this Resolution, the report shall include a full explanation thereof, together with recommendations for such change in rates or accounting practices or in the operation of the System as may be required.

The Borrower shall also have prepared and supplied to the DNRC and the DEQ, within 180 days of the close of every other fiscal year, an audit report prepared by an independent certified public accountant or an agency of the state in accordance with generally accepted governmental accounting principles and practice with respect to the financial statements and records of the System. The audit report shall include an analysis of the Borrower's compliance with the provisions of this Resolution.

(g) System Accounts. The Borrower shall maintain System accounts in accordance with generally accepted government accounting standards.

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

(i) Compliance with Safe Drinking Water Act. The Borrower has complied and shall comply with all conditions and requirements of the Safe Drinking Water Act pertaining to the Loan and the Project, and shall maintain sufficient financial, managerial and technical capability to continue to effect such compliance.

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

ARTICLE III

USE OF PROCEEDS; THE PROJECT

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

(a) The Borrower shall apply the proceeds of the Loan solely to the refinancing of the Series 1996 Bond as set forth in Appendix A hereto and this Section 3.1. The Loan will be disbursed in accordance with Article IV hereof and Article VII of the Indenture.

(b) No proceeds of the Loan shall be used for the purpose of refinancing an obligation the interest on which is exempt from federal income tax or excludable from gross income for purposes of federal income taxation unless the DNRC has received an Opinion of Bond Counsel, satisfactory to it, to the effect that such refinancing will not adversely affect the exclusion of interest on the State Bonds from gross income for purposes of federal income taxation.

Section 3.2. The Refinancing of the Series 1996 Bond. Set forth in Appendix A to this Resolution is a description of refinancing of the Series 1996 Bond to be funded from the Loan.

Section 3.3. Representations and Covenants with Respect to Series 1996 Project. The Borrower hereby represents to and covenants with the DNRC that:

(a) all construction of the Series 1996 Project is completed and has complied and will comply with all federal and state standards, including, without limitation, EPA regulations and standards;

(b) the Series 1996 Project is a project of the type permitted to be financed under the Enabling Act, the Act and the Program and Section 1452 of the Safe Drinking Water Act.

ARTICLE IV

THE LOAN

Section 4.1. The Loan; Disbursement of Loan. The DNRC has agreed to lend to the Borrower, from time to time as the requirements of this Section 4.1 are met, an amount up to \$481,000 for the purposes of refinancing the Series 1996 Bond. The Loan shall be disbursed as provided in this Section 4.1. The DNRC intends to disburse the Loan through the Trustee.

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

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

(2) the Bond, fully executed and authenticated;

(3) a certified copy of this Resolution;

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

(5) evidence, satisfactory to the DNRC and the Bond Counsel referred to in (1) above, (A) that the acquisition or construction of the Project was begun no earlier than June 1, 1993 or the debt was incurred no earlier than June 1, 1993, (B) of the Borrower's title in the Series 1996 Project, (C) of the costs of such Project and that such costs have been paid by the Borrower and (D) if such costs were paid in a previous fiscal year of the Borrower, that the Borrower intended at the time it incurred such costs to finance them with tax-exempt debt or a loan under a state revolving fund program such as the Program and complied with Section 1.150-1 and 2 of the Regulations;

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

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

(b) In order to obtain a disbursement of a portion of the Loan to pay costs of the Project, the Borrower shall submit to the DNRC and the Trustee a signed request for

disbursement on the form prescribed by the DNRC, with all attachments required by such form. The Borrower may obtain disbursements only for costs which have been legally incurred and are due and payable. All Loan disbursements will be made to the Borrower only upon proof that cost was incurred.

(c) Upon making each Loan disbursement, the Trustee shall note such disbursement on Schedule A to the Bond.

(d) The Borrower agrees that it will deposit \$16,069 in the Reserve Account, upon receipt of the Loan, from the Borrower's existing Reserve Account, which is the amount needed for the balance in the Reserve Account to equal the Reserve Requirement on the Closing Date of the Loan.

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

Section 4.2. Commencement of Loan Term. The Borrower's obligations under this Resolution shall commence on the date hereof unless otherwise provided in this Resolution. However, the obligation to make payments under Article V hereof shall commence only upon the disbursement by the Trustee of Loan proceeds.

Section 4.3. Termination of Loan Term. The Borrower's obligations under this Resolution shall terminate upon payment in full of all amounts due under the Bond and this Resolution; provided, however, that the covenants and obligations provided in Article VII shall survive the repayment of the Bond.

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

ARTICLE V

REPAYMENT OF LOAN

Section 5.1. Repayment of Loan. The Borrower shall repay the amounts lent to it pursuant to Section 4.1 hereof, plus interest on the unpaid amounts lent at the rate of two percent (2.00%) per annum, in semiannual Loan Repayments. In addition, the Borrower shall pay an Administrative Expense Surcharge on the outstanding principal amount of the Loan at the rate of twenty-five hundredths of one percent (0.25%) per annum on the outstanding principal amount of the Loan plus a Loan Loss Reserve Surcharge of twenty-five one-hundredths of one percent (0.25%) per annum on the outstanding principal amount of the Loan. The Borrower shall pay all

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

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

- (1) interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the outstanding principal balance of the Loan shall be payable on each January 1 and July 1, beginning January 1, 2018.
- (2) the principal of the Loan shall be repayable on January 1 and July 1, beginning on January 1, 2018 and concluding on January 1, 2037 and the amount of each principal payment shall be calculated on the basis of approximately level debt service at an interest rate of 2.50% per annum.

The payments of principal of and interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the Loan shall be due on the dates and in the amounts shown in Schedule B to the Bond, as such Schedule B shall be modified from time to time as provided below. The portion of each such Loan Repayment consisting of principal and the portion consisting of interest, the amount of each Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be set forth in Schedule B to the Bond. Upon each disbursement of Loan amounts to the Borrower pursuant to Section 4.1 hereof, the Trustee shall enter or cause to be entered the amount advanced on Schedule A to the Bond under "Advances" and the total amount advanced under Section 4.1, including such disbursement, under "Total Amount Advanced."

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

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

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

- (1) the cost of reproducing this Resolution and the Bond;

(2) the fees and disbursements of Bond Counsel and other Counsel utilized by the DNRC and the Trustee in connection with the Loan, this Resolution and the Bond and the enforcement thereof; and

(3) all taxes and other governmental charges in connection with the execution and delivery of the Bond, whether or not the Bond is then outstanding, including all recording and filing fees and the pledge of the State's right, title and interest in and to the Bond and this Resolution (and with the exceptions noted therein) and all expenses, including attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof or thereof.

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

Section 5.4. Obligations of Borrower Unconditional. The obligations of the Borrower to make the payments required by this Resolution and the Bond and to perform its other agreements contained in this Resolution and the Bond shall be absolute and unconditional, except as otherwise provided herein or in such documents. The Borrower (a) shall not suspend or discontinue any payments provided for in this Resolution and the Bond, (b) shall perform all its other agreements in this Resolution and the Bond and (c) shall not terminate this Resolution and the Bond for any cause, including any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project or the system, commercial frustration of purpose, any dispute with the DNRC or the EPA, any change in the laws of the United States or of the State or any political subdivision of either or any failure of the DNRC to perform any of its agreements, whether express or implied, or any duty, liability or obligation arising from or connected with this Resolution.

Section 5.5. Limited Liability of Revenue Bond Obligation. All payments of principal of and interest on the Loan and other payment obligations of the Borrower hereunder and under the Bond shall be special, limited obligations of the Borrower payable solely out of the Net Revenues and shall not be payable out of any other revenues of the Borrower. The obligations of the Borrower under this Resolution and the Bond shall never constitute an indebtedness of the Borrower within the meaning of any state constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the Borrower or a charge against its general credit or taxing power. The taxing powers of the Borrower may not be used to pay principal of or interest on the Bond, and no funds or property of the Borrower other than the Net Revenues may be used to pay principal of or interest on the Bond.

ARTICLE VI
OTHER AGREEMENTS OF BORROWER

Section 6.1. Maintenance of System; Liens. The Borrower shall maintain the System in good condition and make all necessary renewals, replacements, additions, betterments and improvements thereto. The Borrower shall not grant or permit to exist any lien on the property making up part of the System, other than liens securing Debt where a parity lien secures the Bond; provided that this Section 6.1 shall not be deemed to be violated if a mechanics or contractors lien is filed against any such property so long as the Borrower uses its best efforts to obtain the discharge of such lien and promptly reports to the DNRC the filing of such lien and the steps it plans to take and does take to discharge of such lien.

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

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

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

(a) The Borrower covenants and agrees that it will not use or permit to be used any of the proceeds of the Bond or any other funds of the Borrower, directly or indirectly, in a manner that would cause, or take any other action that would cause, any State Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code or would otherwise cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation.

(b) The Borrower agrees that it will not enter into, or allow any “related person” (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for

the purchase of the State Bonds or any other obligations of the DNRC in an amount related to the amount of the Loan or the portion of the Loan derived directly or indirectly from proceeds of the State Bonds.

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

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

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

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

(g) The Borrower may not lease the System or any portion thereof to any Person other than a Nonexempt Person which agrees in writing with the Borrower and the State not to cause any Default to occur under this Resolution, provided the Borrower may lease all or any portion of the System to a Nonexempt Person pursuant to a lease which in the Opinion of Bond Counsel delivered to the DNRC will not cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation.

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

Section 6.4 Competing Service, Billing, Remedies, Rate Covenant and Appointment of Superintendent. The Borrower will not establish or authorize the establishment of any other system for the public supply of service or services in competition with any or all of the services supplied by the facilities of the System.

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

Section 6.6. Remedies. The DNRC, so long as it owns the Bond, or the owners of not less than 25% in principal amount of the outstanding Bonds issued and secured under the provisions of this Resolution shall have the right, either at law or in equity, through suit, action or other proceedings, to protect and enforce the rights of all owners of such Bonds and to compel the performance of any and all of the covenants required herein to be performed by the Borrower, and its officers and employees, including but not limited to the fixing and maintaining of rates, fees and charges and the collection and proper segregation of gross revenues and the application and use thereof. The owners of a majority in principal amount of such outstanding Bonds shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Bondowners or the exercise of any power conferred on them and the right to waive a default in the performance of any such covenant, and its consequences, except a default in the payment of the principal of, premium, or interest on any Bond when due. However, nothing herein shall impair the absolute and unconditional right of the owner of each such Bond to receive payment of the principal of, premium, if any, and interest on such Bond as such

principal and interest respectively become payable, and to institute suit for any such payment. Any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Borrower with power to charge and collect rates, fees and charges sufficient to provide for the payment of any Bonds or obligations outstanding against the System, and to apply the gross revenues in conformity with this Resolution and the laws of the State.

Section 6.7. Rate Covenant. While any Bonds are outstanding and unpaid, the rates, charges and rentals for all services and facilities furnished and made available by the System to the Borrower and its inhabitants, and to all customers within or without the boundaries of the Borrower, shall be reasonable and just, taking into consideration the cost and value of the System and the cost of maintaining and operating them, and the amounts necessary for the payment of all Bonds and the interest accruing thereon, and the proper and necessary allowances for the depreciation of the System, and no free service shall be provided to any person or corporation. It is covenanted and agreed that the rates, charges and rentals to be charged to all recipients of water services shall be maintained and shall be revised, whenever and as often as may be necessary, according to schedules such that the revenues for each fiscal year will be at least sufficient to pay the current expenses of operation and maintenance as herein defined, to maintain the Operating Reserve herein established, and to produce net revenues during each fiscal year commencing with the fiscal year ending June 30, 2017, not less than 110% of the maximum annual principal and interest payable on any outstanding Bonds in the current or any future fiscal year.

If at the close of any fiscal year the net revenues actually received during such year have been less than required hereby, the Borrower will forthwith prepare a schedule of altered rates, charges and rentals which are just and equitable and sufficient to produce Net Revenues and Surplus Net Revenues in such amount, and will do all things necessary to the end that such schedule will be placed in operation at the earliest possible date.

The establishment of the above ratio of net revenues available for the Revenue Bond Account is deemed necessary for the DNRC to make the Loan to the Borrower upon terms most advantageous. The excess of the Net Revenues over the annual principal and interest and reserve requirements of the Bond may be used as authorized in Section 3 of this Resolution. The Bond may be prepaid according to their terms on any date, and in the estimation of the governing body of the Borrower any excess, prior to that date, of Net Revenues over principal and interest payments actually due and the balance required to be maintained in the Reserve Account, will be needed to pay or to provide reserves for payment of replacements, renewals and improvement costs, in order to provide adequate service for the present population and the increase thereof reasonably to be expected; and after that date, any excess not required for such purposes in the judgment of the governing body of the Borrower may be used to prepay the Bond and thereby reduce the interest cost thereon to the Borrower and to the persons served by the System.

Section 6.8. Appointment of Superintendent. In the event of default on the part of the Borrower in the payment of principal or of interest on any Bond promptly as each falls due, or in the keeping of any covenants herein contained, and if such default shall continue for a period of

60 days, the governing body of the Borrower will appoint a special superintendent for the System, with the power and responsibility to operate the System for the Borrower, and to recommend to the governing body of the Borrower such revisions of the rates and charges and operating policies as may be necessary to comply with this Resolution, and to assure that the Net Revenues will be sufficient to pay all principal of and interest on Bonds, and he shall in all things so operate the System as to comply fully with all the requirements and provisions of this Resolution. The right of the owners of the Bonds to require employment of such a superintendent shall not be exclusive, and in the event of default as herein outlined, such owner or owners shall have the right to proceed at law or in equity, in any form of action which shall to them seem appropriate.

ARTICLE VII

INDEMNIFICATION OF DNRC, DEQ AND TRUSTEE

Section 7.1. Indemnification. The Borrower shall indemnify and hold harmless the DNRC and the DEQ and their officers, employees and agents (each an “Indemnified Party” or, collectively, the “Indemnified Parties”) against and from any and all claims, damages, demands, expenses, liabilities and losses of every kind asserted by or on behalf of any Person arising out of the acts or omissions of the Borrower or its employees, officers, agents, contractors, subcontractors, or consultants in connection with or with regard or in any way relating to the condition, use, possession, conduct, management, planning, design, acquisition, construction, installation or financing of the Project. The Borrower shall also indemnify and save harmless the Indemnified Parties against and from all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any such claim or demand. If any proceeding is brought against an Indemnified Party by reason of any such claim or demand, the Borrower shall, upon notice from the Indemnified Party, defend such proceeding on behalf of the Indemnified Party.

ARTICLE VIII

ASSIGNMENT

Section 8.1. Assignment by Borrower. The Borrower may not assign its rights and obligations under this Resolution or the Bond, except as provided in Section 6.2 hereof.

Section 8.2. Assignment by DNRC. The DNRC will pledge its rights under and interest in this Resolution and the Bond (except to the extent otherwise provided in the Indenture) as security for the payment of the State Bonds and may further assign such interests to the extent permitted by the Indenture, without the consent of the Borrower.

Section 8.3. State Refunding Bonds. In the event the State Bonds and Additional State Bonds are refunded by bonds which are not Additional State Bonds, all references in this

Resolution to State Bonds and Additional State Bonds shall be deemed to refer to the refunding bonds and any bonds of the State on a parity with such refunding bonds (together, the "Refunding Bonds") or, in the case of a crossover refunding, to the State Bonds and Additional State Bonds and the Refunding Bonds. In the event the State Bonds are refunded by an issue of Additional State Bonds, all references in this Resolution to the State Bonds shall be deemed to refer to such Additional State Bonds or, in the case of a crossover refunding, both the State Bonds and such Additional State Bonds.

ARTICLE IX

THE BOND

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

Section 9.2. Outstanding Water Debt. As of the date hereof, the Series 1996 Bond is the only debt of the Borrower outstanding that is payable from the Net Revenues of the System.

Section 9.3. Net Revenues Available. The Borrower is authorized to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the System, and to pledge and appropriate to the Bond the Net Revenues to be derived from the operation of the System, including improvements, betterments or extensions thereof hereafter constructed or acquired. The Net Revenues to be produced by such rates, charges and rentals during the term of the Bond will be more than sufficient to pay the principal and interest when due on Bond and to create and maintain reasonable reserves therefor and to provide an adequate allowance for replacement and depreciation, as herein prescribed.

Section 9.4. Issuance and Sale of the Bond. The Council has investigated the facts necessary and hereby finds, determines and declares it to be necessary and desirable for the Borrower to issue the Bond to evidence the Loan. The Bond is issued to the DNRC without public sale pursuant to Montana Code Annotated, Section 7-7-4433(2)(a). The Bond will bear interest at the rate of 2.50% per annum, while the Series 1996 Bond bears interest at the rate of 4.50% and the refinancing results in a total debt service reduction for the Borrower.

Section 9.5. Terms. The Bond shall be in the maximum principal amount of the Loan, shall be issued as a single, fully registered bond numbered R-1, shall be dated as of the date of delivery to the DNRC, and shall bear interest at the rate charged by the DNRC on the Loan. The principal of and interest on the Bond shall be payable on the same dates and in the same amounts

as principal and interest of the Loan Repayments are payable. Advances of principal of the Series 2017 Bond shall be deemed made when advances of the Loan are made under Section 4.1, and such advances shall be payable in accordance with Schedule B to the Series 2017 Bond, as it may be revised by the DNRC from time to time in accordance with Section 5.1.

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

Section 9.6. Negotiability, Transfer and Registration. The Bond shall be fully registered as to both principal and interest, and shall be initially registered in the name of and payable to the DNRC. While so registered, principal of and interest on the Series 2017 Bond shall be payable to the Trustee at 180 E. 5th Street, St. Paul, Minnesota 55101, Attn: Corporate Trust Services, or such other place as may be designated by the DNRC in writing and delivered to the Borrower. The Bond shall be negotiable, subject to the provisions for registration and transfer contained in this section. No transfer of the Bond shall be valid unless and until (1) the holder, or its duly authorized attorney or legal representative, has executed the form of assignment appearing on the Bond, and (2) the Town Clerk of the Borrower (the "Registrar"), as Bond Registrar, has duly noted the transfer on the Bond and recorded the transfer on the registration books of the Registrar. The Registrar may, prior to noting and recording the transfer, require appropriate proof of the transferor's authority and the genuineness of the transferor's signature. The Borrower shall be entitled to deem and treat the person in whose name the Bond is registered as the absolute owner of the Bond for all purposes, notwithstanding any notice to the contrary, and all payments to the registered holder shall be valid and effectual to satisfy and discharge the Borrower's liability upon such Bond to the extent of the sum or sums so paid.

Section 9.7. Execution and Delivery. The Bond shall be executed on behalf of the Borrower by the manual signatures of the Mayor and the Town Clerk. Any or all of such signatures may be affixed at or prior to the date of delivery of the Bond. The Bond shall be sealed with the corporate seal of the Borrower, if available. In the event that any of the officers who shall have signed the Bond shall cease to be officers of the Borrower before the Bond is issued or delivered, their signatures shall remain binding upon the Borrower. Conversely, the Bond may be signed by an authorized official who does not hold such office on the date of adoption of this Resolution. The Bond shall be delivered to the DNRC, or its attorney or legal representative.

Section 9.8. Form. The Bond shall be prepared in substantially the form attached as Appendix B.

ARTICLE X

PRIORITIES AND ADDITIONAL WATER DEBT

Section 10.1. Priority of Bond Payments. Each Bond issued under this Resolution shall be equally and ratably secured without preference or priority of any one Bond over any other by reason of serial number, date of issue, or otherwise; provided that if at any time the Net Revenues on hand in the Fund are insufficient to pay principal and interest then due on all such Bonds, any and all Net Revenues then on hand shall be first used to pay the interest accrued on all outstanding Bonds, and the balance shall be applied toward payment of the maturing principal of such Bonds to be paid first, and pro rata in payment of Bonds maturing on the same date.

Section 10.2. Refunding Revenue Bonds. The Borrower reserves the right and privilege of refunding any or part of the Bond subject to the following terms and conditions:

(a) Any matured Bond may be refunded if moneys available for the payment thereof at maturity, within the limitation prescribed in Section 10.01, should at any time be insufficient to make such payment in full.

(b) Any Bond may be refunded prior to maturity as and when they become prepayable according to their terms.

(c) Provision may be made for the payment and refunding of any unmatured Bond by the deposit with a duly qualified depository bank, as escrow agent, of cash sufficient, or of securities of the kinds authorized by law, the payments of interest on and principal of which are sufficient, to pay the principal amount of and premium, if any, on such Bond with interest to maturity or to any prior date or dates on which they are prepayable, and have been called for redemption or provision has been irrevocably made for their redemption, on such date or dates.

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

Section 10.3. Other Parity Bonds. The Borrower reserves the right to issue additional Bonds payable from the Revenue Bond Account of the Fund, on a parity as to both principal and interest with the Bond, if the Net Revenues of the System for the last complete fiscal year preceding the date of issuance of such additional Bonds have equaled at least 110% of the maximum amount of principal and interest payable from said Revenue Bond Account in any subsequent fiscal year during the term of the outstanding Bonds, on all Bonds then outstanding and on the additional Bonds proposed to be issued. For the purpose of the foregoing computation, the Net Revenues for the fiscal year preceding the issuance of additional Bonds shall be those shown by the financial reports caused to be prepared by the Borrower pursuant to Section 2.2(f), except that if the rates and charges for services provided by the System have been changed since the beginning of such preceding fiscal year, then the rates and charges in effect at

the time of issuance of the additional Bonds or finally authorized to go into effect within 60 days thereafter shall be applied to the quantities of service actually rendered and made available during such preceding fiscal year to ascertain the gross revenues, from which there shall be deducted to determine the Net Revenues, the actual operation and maintenance cost plus any additional annual costs of operation and maintenance which the Consultant estimates will be incurred because of the improvement or extension of the System to be constructed from the proceeds of the additional Bonds proposed to be issued. In no event shall any additional Bonds be issued and made payable from the Revenue Bond Account if the Borrower is then in default in any payment of principal of or interest on any outstanding Bonds payable therefrom or if there then exists any deficiency in the balances required by this Resolution to be maintained in any of the accounts of the Fund, which will not be cured or restored upon the issuance of the additional Bonds. In connection with the issuance of a series of additional Bonds, the Borrower shall cause the reserve amount in the Reserve Account to be increased, from the proceeds of the additional Bonds or from surplus Net Revenues, to an amount equal to the Reserve Requirement during the term of the outstanding Bonds or so much thereof as will not cause the Borrower to violate the provisions of Section 12.2 hereof.

Section 10.4. Subordinate Bonds. Nothing in this Resolution shall preclude the Borrower from issuing additional Bonds which are expressly made a charge on only the Surplus Net Revenues of the System subordinate to the pledge of Net Revenues to the Revenue Bond Account.

ARTICLE XI

WATER SYSTEM FUND

Section 11.1. Bond Proceeds and Revenues Pledged and Appropriated. A special Water System Fund is hereby created and shall be maintained as a separate and special bookkeeping account on the official books of the Borrower until all Bonds and interest and redemption premiums due thereon have been fully paid, or the Borrower's obligations with reference to such Bonds has been discharged as provided in this Resolution. All proceeds of Bonds issued hereunder and all other funds presently on hand derived from the operation of the System are irrevocably pledged and appropriated to the Fund. In addition, there is hereby irrevocably pledged and appropriated to the Fund all gross revenues and receipts from rates, fees, charges and rentals imposed for connections with and for the availability, benefit and use of the System and from any sales of property acquired for the System and all income received from the investment of such gross revenues, including investment of amounts in the Reserve Account and the Operating Reserve established in the Operating Account, but excluding any special assessments or taxes levied for construction of any part of the System and the proceeds of any grant or loan from the State or the United States, and any investment income thereon, to the extent such exclusion is a condition to such grant or loan. The Fund shall be subdivided into separate accounts as designated and described in Sections 11.2 through 11.7, to segregate income and expenses received, paid and accrued for the respective purposes described in those sections.

The gross revenues received in this Fund shall be apportioned monthly, commencing as of the date of closing.

Section 11.2. Acquisition and Construction Account. The Acquisition and Construction Account shall be used only to pay as incurred and allowed costs which under accepted accounting practice are capital costs of the Project and of such future reconstructions, improvements, betterments or extensions of the System as may be authorized in accordance with law, including but not limited to payments due for work and materials performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, reimbursement of any advances made from other Borrower funds, and all other expenses incurred in connection with the acquisition, construction and financing of any such undertaking. To the Acquisition and Construction Account shall be credited as received all proceeds of Bonds issued hereunder (except proceeds of refunding Bonds appropriated to the payment of outstanding Bonds and amounts required to be credited to the Revenue Bond Account), all other funds appropriated by the Borrower for the System and any other funds appropriated by the Borrower to the Acquisition and Construction Account for improvements to the System, and all income received from the investment of the Acquisition and Construction Account. Upon completion of a capital improvement or program of capital improvements for the System, except the Project, the balance remaining in the Acquisition and Construction Account shall be credited to the reserve balance in the Revenue Bond Account to the extent required to establish the required balance therein and, to the extent not so required, to the Replacement and Depreciation Account.

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

Borrower to be necessary to meet contingencies arising in the operation and maintenance of the System. Money in the Operating Account shall be used solely for the payment of current operating expenses of the System.

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

Section 11.5. Reserve Account. The Borrower agrees to establish and maintain a Reserve Account in the Fund. On the Closing Date, the Borrower shall deposit in the Reserve Account from other available funds of the Borrower, the initial Reserve Requirement based on the Committed Amount of the Loan. If the date of the final disbursement of proceeds of the Bond, the Borrower has not drawn all of the Committed Amount, then the Borrower will reduce the amount in the Reserve Account in an amount necessary to cause the balance in the Reserve Account to equal the Reserve Requirement, calculated as of that date and based on the actual principal amount of the Bond. Thereafter, upon each monthly apportionment, from the Net Revenues remaining after the apportionment to the Revenue Bond Account, the Borrower shall credit to the Reserve Account such additional Net Revenues as may be required to establish and thereafter maintain the balance in an amount equal, as of the date of calculation, to the Reserve Requirement. Money in the Reserve Account shall be used only to pay maturing principal, premium and interest when money within the Revenue Bond Account is insufficient therefor; provided that on any date when all outstanding Bonds of a series are due or prepayable by their terms, if the amount then on hand in the Reserve Account allocable to such Bonds and available for such appropriation is sufficient with money available for the purpose to pay all such Bonds and the interest accrued thereon in full, it may be used for that purpose; and provided, further, that so long as the amount on hand in the Reserve Account is not less than the Reserve Requirement, the Borrower may credit earnings on investment of the Reserve Account to the Replacement and Depreciation Account.

Section 11.6. Replacement and Depreciation Account. There shall next be set aside and credited, upon each monthly apportionment, to the Replacement and Depreciation Account Surplus Net Revenues of the System, as the governing body of the Borrower shall determine to be required for the accumulation of a reasonable allowance for depreciation of the System and for replacement or renewal of worn out, obsolete or damaged properties and equipment thereof. Money in this account shall be used only for the purposes above stated or, if so directed by the

governing body of the Borrower, to redeem Bonds which are prepayable according to their terms, to pay principal or interest when due thereon as required in Section 11.4 or to pay the cost of improvements to the System; provided that in the event construction and installation of additional improvements or additions to the System are financed other than from proceeds of Bonds payable from the Revenue Bond Account, surplus net revenues from time to time received may be segregated and paid into one or more separate and additional accounts for the repayment of such indebtedness and interest thereon, in advance of payments required to be made into the Replacement and Depreciation Account.

Section 11.7. Surplus Account. Any amount of the surplus net revenues from time to time remaining after the above required applications thereof shall be credited to the Surplus Account (or such other account in the Fund as the Borrower may establish for bookkeeping purposes to account for surplus money in accordance with the purposes of this Resolution), and the money from time to time in that account, when not required to restore a current deficiency in the Revenue Bond Account as provided in Section 11.4, may be used for any of the following purposes and not otherwise:

- (a) To redeem bonds payable from the Net Revenues when and as such bonds become prepayable according to their terms; or
- (b) To purchase Bonds on the open market, whether or not the Bonds or other such Bonds may then be prepayable according to their terms; or
- (c) To be held as a reserve for redemption of bonds payable from the Net Revenues which are not then but will later be prepayable according to their terms; or
- (d) To pay for repairs of or for the construction and installation of improvements or additions to the System; or
- (e) To restore the Operating Reserve or increase the same when determined to be necessary by the governing body of the Borrower.

No money shall at any time be transferred from the Surplus Account or any other account of the Fund to any other fund of the Borrower, nor shall such moneys at any time be loaned to other municipal funds or invested in warrants, special improvement bonds or other obligations payable from other funds, except as provided in Section 11.8.

Section 11.8. Deposit and Investment of Funds. The finance officer of the Borrower shall cause all money appropriated to the Fund to be deposited as received with one or more depository banks duly qualified in accordance with the provisions of Montana Code Annotated, Section 7-6-201, in a deposit account or accounts. The balance in such accounts, except such portion thereof as shall be guaranteed by federal deposit insurance, shall at all times be secured to its full amount by bonds or securities of the types set forth in said Section 7-6-201. Any of such moneys not necessary for immediate use may be deposited with such depository banks in

savings or time deposits. No money shall at any time be withdrawn from such deposit accounts except for the purposes of the Fund as defined and authorized in this Resolution; except that money from time to time on hand in the Fund may at any time, in the discretion of the governing body of the Borrower, be invested in securities which are direct, general obligations of, or obligations the prompt payment of the principal of and the interest on which is fully and unconditionally guaranteed by, the United States of America, bank repurchase agreements with respect to such obligations, certificates of deposits of national banks having a combined capital and surplus of at least \$1,000,000 or in the Montana short-term investment program administered by the Board of Investments, which investments mature and bear interest at the times and in the amounts estimated to be required to provide cash when needed for the purposes of the respective accounts; provided that funds on hand in the Reserve Account, the Replacement and Depreciation Account and the Surplus Account may be invested in said securities maturing not later than five years from the date of the investment; and provided, further, that money on hand in the Surplus Account of the Fund may, in the discretion of the governing body of the Borrower, be invested in any securities which are direct, general obligations of the Borrower. Income received from the deposit or investment of moneys in said accounts shall be credited to the account from whose moneys the deposit was made or the investment was purchased, and handled and accounted for in the same manner as other moneys in that account.

ARTICLE XII

TAX MATTERS

Section 12.1. Use of System. The System will be owned and operated by the Borrower and available for use by members of the general public on a substantially equal basis. The Borrower shall not enter into any lease, use or other agreement with any nongovernmental person relating to the use of the System or security for the payment of the Bond which might cause the Bond to be considered a "private activity bond" or "private loan bond" within the meaning of Section 141 of the Code.

Section 12.2. General Covenant. The Borrower covenants and agrees with the owners from time to time of the Bond that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Bond to become includable in gross income for federal income tax purposes under the Code and the Regulations, and covenants to take any and all actions within its powers to ensure that the interest on the Bond will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

Section 12.3. Arbitrage Certification. The Mayor and the Town Clerk, being the officers of the Borrower charged with the responsibility for issuing the Bond Pursuant to this Resolution, are authorized and directed to execute and deliver to the DNRC a certificate in accordance with the provisions of Section 148 of the Code, and Sections 1.148-1 through 1.148-11 of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Bond, it is reasonably expected that the proceeds of the Bond

will be used in a manner that would not cause the Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

Section 12.4. Arbitrage Rebate Exemption.

(a) The Borrower hereby represents that the Bond qualifies for the exception for small governmental units to the arbitrage rebate provisions contained in Section 148(f) of the Code. Specifically, the Borrower represents:

(1) Substantially all (not less than 95%) of the proceeds of the Bond (except for amounts to be applied to the payment of costs of issuance) will be used for local governmental activities of the Borrower.

(2) The aggregate face amount of all “tax-exempt bonds” (including warrants, contracts, leases and other indebtedness, but excluding private activity bonds) issued by or on behalf of the Borrower and all subordinate entities thereof during calendar year 2017 is reasonably expected not to exceed \$5,000,000. To date in 2017, the Borrower has issued no such tax-exempt bonds. The Borrower does intend to issue, in calendar year 2017, its \$171,800 Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program) Series 2017B Bond and it \$912,000 Wastewater System Revenue Bond.

(b) If notwithstanding the provisions of paragraph (a) of this Section 12.4, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Bond, the Borrower hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f).

Section 12.5. Information Reporting. The Borrower shall file with the Secretary of the Treasury, within the appropriate reporting time frames, a statement concerning the Bond containing the information required by Section 149(e) of the Code.

Section 12.6. “Qualified Tax-Exempt Obligations”. Pursuant to Section 265(b)(3)(B)(ii) of the Code, the Borrower hereby designates the Bond as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code. The Borrower has not designated any obligations in 2017 other than the Bond under Section 265(b)(3). The Borrower hereby represents that it does not anticipate that obligations bearing interest not includable in gross income for purposes of federal income taxation under Section 103 of the Code (including refunding obligations as provided in Section 265(b)(3) of the Code and including “qualified 501(c)(3) bonds” but excluding other “private activity bonds,” as defined in Section 141(a) and 145(a) of the Code) will be issued by or on behalf of the Borrower and all “subordinate entities” of the Borrower in 2017 in an amount greater than \$10,000,000.

ARTICLE XIII

CONTINUING DISCLOSURE

The Borrower understands and acknowledges that the DNRC is acquiring the Bond under the Program pursuant to which the State issues from time to time State Bonds to provide funds therefor. The Borrower covenants and agrees that, upon written request of the DNRC from time to time, the Borrower will promptly provide to the DNRC all information that the DNRC reasonably determines to be necessary or appropriate to offer and sell State Bonds or to provide continuing disclosure in respect of State Bonds, whether under Rule 15c2-12 (17 C.F.R. § 240.15c2-12) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or otherwise. Such information shall include, among other things and if so requested, financial statements of the Borrower prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Montana law, as in effect from time to time (such financial statements to relate to a fiscal year or any period therein for which they are customarily prepared by the Borrower, and, if for a fiscal year and so requested by the DNRC, subject to an audit report and opinion of an accountant or government auditor, as permitted or required by the laws of the State). The Borrower will also provide, with any information so furnished to the DNRC, a certificate of the Mayor and the Town Clerk of the Borrower to the effect that, to the best of their knowledge, such information does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein to make the statements made, in light of the circumstances under which they are made, not misleading.

ARTICLE XIV

MISCELLANEOUS

Section 14.1. Notices. All notices or other communications hereunder shall be sufficiently sent or given and shall be deemed sent or given when delivered or mailed by certified mail, postage prepaid, to the parties at the following addresses:

DNRC: Department of Natural Resources and Conservation
P.O. Box 201601
Helena, Montana 59620
Attention: Anna Miller

Trustee: U.S. Bank Trust National Association
ATTN: Corporate Trust Department
1420 Fifth Ave, Seventh Floor
Seattle, Washington 98101

Borrower: Town of Fromberg
Attn: Mayor
P.O. Box 236
Fromberg, MT 59029

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

Section 14.2. Binding Effect. This Resolution shall inure to the benefit of and shall be binding upon the DNRC, the Borrower and their respective successors and assigns.

Section 14.3. Severability. If any provision of this Resolution shall be determined to be unenforceable at any time, it shall not affect any other provision of this Resolution or the enforceability of that provision at any other time.

Section 14.4. Amendments. This Resolution may not be effectively amended without the written consent of the DNRC.

Section 14.5. Applicable Law. This Resolution shall be governed by and construed in accordance with the laws of the State.

Section 14.6. Captions; References to Sections. The captions in this Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Resolution. References to Articles and Sections are to the Articles and Sections of this Resolution, unless the context otherwise requires.

Section 14.7. No Liability of Individual Officers, Directors or Trustees. No recourse under or upon any obligation, covenant or agreement contained in this Resolution shall be had against any director, officer or employee, as such, past, present or future, of the DNRC or the Trustee, either directly or through the DNRC or the Trustee, or against any officer, or member of the governing body or employee of the Borrower, past, present or future, as an individual so long as such individual was acting in good faith. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such officer or member of the governing body or employee of the DNRC, the Trustee or the Borrower is hereby expressly waived and released by the Borrower and by the DNRC as a condition of and in consideration for the adoption of this Resolution and the making of the Loan.

Section 14.8. Payments Due on Holidays. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Resolution or the Bond, shall not be Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Resolution or the Bond.

Section 14.9. Right of Others to Perform Borrower's Covenants. In the event the Borrower shall fail to make any payment or perform any act required to be performed hereunder,

then and in each such case the DNRC may (but shall not be obligated to) remedy such default for the account of the Borrower and make advances for that purpose. No such performance or advance shall operate to release the Borrower from any such default and any sums so advanced by the DNRC shall be paid immediately to the party making such advance and shall bear interest at the rate of 10 percent from the date of the advance until repaid. The DNRC shall have the right to enter the Series 1996 Project or the facility or facilities of which the Series 1996 Project is a part or any other facility which is a part of the System in order to effectuate the purposes of this Section.

Section 14.10. Authentication of Transcript. The officers of the Borrower are hereby authorized and directed to furnish to the DNRC and to Bond Counsel certified copies of all proceedings relating to the issuance of the Bond and such other certificates and affidavits as may be required to show the right, power and authority of the Borrower to issue the Bond, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the Borrower as to the truth of the statements purported to be shown thereby.

Section 14.11. Repeal and Effective Date.

- (a) Repeal. All provisions of other resolutions and other actions and proceedings of the Borrower and this Council that are in any way inconsistent with the terms and provisions of this Resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this Resolution.
- (b) Effective Date. This Resolution shall take effect immediately.

PASSED AND ADOPTED by the Town of Fromberg, Montana, on this 24th day of July, 2017.

Attest:

By: 
Its: Clerk

By: 
Its: Mayor

APPENDIX A

Description of the Refinancing

- (1.) On or before August 3, 2017, the Town Clerk will transfer \$18,602.83 from its existing Water Enterprise Fund Bond Reserve Account to the Town's Bond Repayment Account for the Series 1996 Bond and, the Town Clerk will transfer \$16,069 from the Series 1996 Bond Reserve Account to the Reserve Account created in Section 11.5 hereof and will have available from the Bond Reserve Account \$7,880.17 for bond counsel services for the refinancing.
- (2.) On August 3, 2017, DNRC through the Trustee, will wire transfer to the Town's Account # _____ at _____ Bank the sum of \$481,000 (which is equal to the principal of and interest due on the Series 1996 Bond on August 3, 2017).
- (3.) On or before August 3, 2017, U.S.D.A. Rural Utilities Services will automatically withdraw through an ACH, the sum of \$499,602.83 from the Town Account # _____ as payment in full of the Series 1996 Bond.

Description of Refinanced Series 1996 Project

The construction of a water storage tank, gallery improvements, well development, valves, hydrants and meters.

APPENDIX B

[Form of the Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF CARBON
TOWN OF FROMBERG WATER SYSTEM REFUNDING REVENUE BOND
(DNRC DRINKING WATER REVOLVING LOAN PROGRAM), SERIES 2017

No. R-1

\$481,000

FOR VALUE RECEIVED, the Town of Fromberg, Carbon County, Montana (the "Borrower"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely from the Revenue Bond Account of its Water System Fund, the principal sum equal to the sum of the amounts entered on Schedule A 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 an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond each at the rate of 0.25% per annum. Interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge at the collective rate of 2.50% shall be payable in semiannual installments payable on each January 1, and July 1 (each a "Loan Repayment Date") commencing January 1, 2018. Principal shall be payable on the dates set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest and the portion consisting of Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be as set forth in Schedule B hereto. Upon each disbursement of 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 the "Total Amount Advanced." The DNRC shall prepare Schedule B as provided in Section 5.1 of the Resolution. Schedule B shall be calculated 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 Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond constitutes a series in the maximum authorized principal amount of \$481,000 (the "Bond"), issued to refinance costs of the construction of certain improvements to the water system of the Borrower (the "System") and to pay certain project administrative costs and costs of issuance of the Bond. The Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Part 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower. The Bond is issuable only as a single, fully registered bond.

Reference is made to Resolution No. 466, duly adopted by the governing body of the Borrower on July 24, 2017 wherein the Borrower authorized the issuance of the Bond, ("the Resolution"). The Resolution should be reviewed for a more complete statement of the terms and conditions upon which the Bond has been issued, the net revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which additional bonds may be issued under the Resolution and made payable from such net revenues on a parity with the Bond, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the City, and the rights of the owners of the Bond.

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

The Bond, including interest and any premium for the redemption thereof, is payable solely from the net revenues pledged for the payment thereof and does not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

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

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

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower has duly authorized and will forthwith undertake the improvements to the System hereinabove described, has fixed and established and will collect reasonable rates and charges for the services and facilities afforded by the System, and has created a special Water System Enterprise Fund into which the gross revenues of the System, including all additions thereto and replacements and improvements thereof, will be paid, and a separate and special Revenue Bond Account in that fund, into which will be paid each month, from and as a first and prior lien on the net revenues of the System then on hand, an amount equal to not less than the sum of one-sixth of the interest due within the next six months and one-twelfth of the principal due within the next twelve months with respect to all outstanding Bonds payable from that account, and a Reserve Account in that fund into which shall be paid additional net revenues sufficient to maintain a reserve therein equal to, as of the date of calculation, one-half the maximum aggregate principal and interest payable on all outstanding Bonds, including the Bond, in the current or any future fiscal years (the "Reserve Requirement"); that the Revenue Bond Account and the Reserve Account will be used only to pay the principal of, premium, if any, and interest on the Bonds issued pursuant to the authority herein recited; that the rates and charges for the System will from time to time be made and kept sufficient to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System, to pay subordinate obligations, if any, and to provide reserves for the replacement and depreciation of the System and to produce in each fiscal year net revenues in excess of such current expenses equal to 110% of the maximum amount of principal and interest payable from the Revenue Bond Account in any subsequent fiscal year and to maintain the balance in the Reserve Account at the Reserve Requirement; that additional bonds and refunding bonds may be issued and made payable from the Revenue Bond Account on a parity with the Bond upon certain conditions set forth in the Resolution but no obligation will be otherwise incurred and made payable from the net revenues of the System, whether or not such obligation shall also constitute a general obligation and indebtedness of the Borrower, unless the lien thereof shall be expressly made subordinate to the lien of the Bond on such net revenues; that all provisions for the security of this Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed as so required; and that this Bond and the premium, if any, and interest hereon are payable solely from the net revenues of the System pledged and appropriated to the Revenue Bond Account and does not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Town of Fromberg, Montana, by its governing body, has caused this Bond to be executed by the signatures of the Mayor and the Town Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the 3rd day of August, 2017.

SAMPLE
Town Clerk

SAMPLE
Mayor

(SEAL)

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 Town Clerk 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.

THE FOLLOWING ENTRIES ARE TO BE MADE ONLY BY THE BOND

REGISTRAR UPON REGISTRATION OF EACH TRANSFER

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

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

FORM OF ASSIGNMENT

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

By: _____
(authorized signature)

For: _____
(Holder)

SCHEDULE OF AMOUNTS ADVANCED

[illegible]

SCHEDULE B

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