

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Red Lodge, Montana (the "City"), hereby certify that the attached resolution is a true copy of Resolution No. 3518, entitled: "RESOLUTION RELATING TO \$1,623,000 WATER SYSTEM REVENUE BONDS (DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM), CONSISTING OF \$500,000 SUBORDINATE LIEN TAXABLE SERIES 2019A BOND AND \$1,123,000 SERIES 2019B BOND; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Council of the City at its regular meeting on May 14, 2019, and that the meeting was duly held by the City Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: _____
_____; voted against the same: _____
_____; abstained from voting thereon: _____; or
were absent: _____.

WITNESS my hand officially this _____ day of May, 2019.

City Clerk-Treasurer

SUPPLEMENTAL RESOLUTION

Relating to

\$1,623,000

WATER SYSTEM REVENUE BONDS
(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)
CONSISTING OF
\$500,000 SUBORDINATE LIEN TAXABLE SERIES 2019A BOND,
AND \$1,123,000 SERIES 2019B BOND

CITY OF RED LODGE, MONTANA

Adopted: May 14, 2019

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

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RESOLUTION NO. 3518

RESOLUTION RELATING TO \$1,623,000 WATER SYSTEM REVENUE BONDS (DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM), CONSISTING OF \$500,000 SUBORDINATE LIEN TAXABLE SERIES 2019A BOND, AND \$1,123,000 SERIES 2019B BOND; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF

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

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

WHEREAS, the current EPA Capitalization Grant (as hereinafter defined) requires 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 percentage of the total proceeds of such grant be subject to loan forgiveness; and

WHEREAS, the City of Red Lodge, Montana (the “Borrower”) has applied to the DNRC for the 2019 Loans (as hereinafter defined) from the Revolving Fund to enable the Borrower to finance, refinance or reimburse itself for the costs of the 2019 Project (as hereinafter defined) which will carry out the purposes of the Safe Drinking Water Act and to fund a deposit to the General Reserve Subaccount (as hereinafter defined); and

WHEREAS, the Borrower is authorized under the Original Resolution (as hereinafter defined), applicable laws, ordinances and regulations to adopt this Supplemental Resolution and to issue the Series 2019 Bonds (as hereinafter defined) to evidence the 2019 Loans (as hereinafter defined) for the purposes set forth herein; and

WHEREAS, the DNRC will fund: (i) the 2019A Loan (as hereinafter defined) entirely from proceeds of the current EPA Capitalization Grant, and (ii) the 2019B Loan (as hereinafter defined) in part, directly or indirectly, from proceeds of the EPA Capitalization Grant and in part,

directly or indirectly, with proceeds of the State's General Obligation Bonds (Drinking Water State Revolving Fund Program) (the "State Bonds").

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

ARTICLE I

DEFINITIONS, RULES OF CONSTRUCTION AND APPENDICES

Section 1.1 Definitions. Unless a different meaning clearly appears from the context, terms used with initial capital letters but undefined in this Supplemental Resolution shall have the meanings given them in the Original Resolution, the Indenture, or as follows:

"Accountant" or "Accountants" means a Person engaged in the practice of accounting as a certified public accountant or any other Person authorized under State law to audit and certify financial statements of cities and towns in the State, whether or not employed by the Borrower.

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

"Additional Bonds" means any Bonds issued pursuant to Section 8.01 of the Original Resolution.

"Administrative Expense Surcharge" means, (i) in respect of the 2019B Loan, in any event, and (ii) in respect of the 2019A Loan, upon the delivery of a Noncompliance Statement as provided by this Supplemental Resolution, a surcharge equal to twenty-five hundredths of one percent (0.25%) per annum on the outstanding principal amount of the 2019 Loans from the date of each advance thereof, payable by the Borrower on a Payment Date.

"Authorized DNRC Officer" means the Director or Deputy Director of the DNRC, and, when used with reference to an act or document, also means any other individual authorized by resolution of the DNRC to perform such act or sign such document. If authorized by the DNRC, an Authorized DNRC Officer may delegate all or a portion of his authority as an Authorized DNRC Officer to another individual, and such individual shall be deemed an Authorized DNRC Officer for purposes of exercising such authority.

"Bond Counsel" means any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing, selected by the Borrower.

"Bond Register" means, with respect to the Series 2019 Bonds, the registration books maintained by the Registrar pursuant to Section 8.4 of this Supplemental Resolution.

"Bonds" means the Series 1998 Bond, the Series 2008 Bond, the Series 2009 Bond, the Series 2019B Bond, and any Debt to be issued on a parity therewith pursuant to Section 8.01 of the Original Resolution; "Bonds" does not include the Series 2019A Bond.

“Borrower” means the City of Red Lodge, Montana, or its permitted successors and assigns.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks located in the Borrower in which the principal office of the Registrar are not open for business or are authorized by law to close.

“Closing” means the date of delivery of the Series 2019A Bond and the Series 2019B Bond to the DNRC.

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

“Collateral Documents” means any security agreement, guaranty or other document or agreement delivered to the DNRC securing the obligations of the Borrower under this Supplemental Resolution and the Series 2019 Bonds. If no Collateral Documents secure such obligations, any reference to Collateral Documents in this Supplemental Resolution shall be without effect.

“Committed Amount” means, collectively, the 2019A Committed Amount and the 2019B Committed Amount.

“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 2019A Loan, to be completed, executed and delivered by the Borrower to the DNRC pursuant to Section 5.1.2 of this Supplemental Resolution.

“Construction Account” means the account created in the Water System Fund pursuant to Section 9.02 of the Original Resolution.

“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 2019 Project, selected by the Borrower and satisfactory to the DNRC.

“Council” means the City Council of the Borrower or any successor governing body of the Borrower.

“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, in respect to the System, (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.

“Debt Service Account” means the account created in the Water System Fund pursuant to Section 9.04 of the Original Resolution.

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

“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.

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

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

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

“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 2019A Bond is forgiven.

“Fund” means the Water System Fund established pursuant to Section 9.01 of the Original Resolution.

“General Reserve Subaccount” means the subaccount so named in the Reserve Account created under Section 9.05 of the Resolution, as amended hereby.

“General Reserve Requirement” means, as of the date of calculation, an amount equal to one-half the sum of the highest amount of cumulative principal of and interest payable on all outstanding Bonds that are not RD Bonds in any one future fiscal year (giving effect to mandatory sinking fund redemption, if any).

“Government Obligations” means direct obligations of, or obligations the principal of and the interest on which are fully and unconditionally guaranteed as to payment by, the United States of America.

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

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

“Loan Loss Reserve Surcharge” means, (i) in respect of the 2019B Loan, in any event, and (ii) in respect of the 2019A Loan, upon the delivery of a Noncompliance Statement as provided by this Supplemental Resolution, a surcharge equal to twenty-five hundredths of one percent (0.25%) per annum on the outstanding principal amount of the 2019 Loans, from the date of each advance thereof, payable by the Borrower on a Payment Date.

“Loan Repayments” means periodic installments of principal and interest by Borrower in repayment of the Series 2019B Bond, and, if the DNRC delivers a Noncompliance Statement, of the Series 2019A Bond, at the rates and times specified in Article V of this Supplemental Resolution.

“Net Revenues” means (a) the Revenues for a specified period less the Operating Expenses for the same period, and (b) the Pledged Resort Tax Revenues deposited to the Debt Service Account in such specified period.

“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 2019A Bond is not forgiven.

“Operating Expenses” means the current expenses, paid or accrued, of operation, maintenance and minor repair of the System, excluding interest on the Bonds and depreciation, as calculated in accordance with generally accepted accounting principles, 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 deposits to the Short-Lived Asset Replacement Reserve Subaccount.

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

“Original Resolution” means Resolution No. 3252, adopted by the City Council of the City on May 13, 2008.

“Payment Date” means, with respect of the 2019B Loan, each January 1 and July 1 during the term of the 2019B Loan on which a payment of interest or principal and interest is due, as determined under this Supplemental Resolution, and, if a Noncompliance Statement is delivered with respect to the 2019A Loan, each January 1 and July 1 during the term of the 2019A Loan on which a payment of interest or principal and interest is due, as determined under this Supplemental Resolution.

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

“Pledged Resort Tax Revenues” means, from the Resort Tax Revenues, an amount equal to the lesser of (1) \$100,000, or (2) the maximum amount that may be appropriated in a Fiscal Year for capital improvements of the City under the Resort Tax Ordinances of the City as in effect on May 13, 2008 governing the application of Resort Tax Revenues and the Resort Tax Act.

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

“Project” means the costs of designing, engineering, acquiring, constructing, installing, improving, or enlarging the System, or any part thereof, financed, refinanced or the cost of which is being reimbursed to the Borrower in whole or in part with proceeds of the Bonds or other funds of the Borrower, including the 2019 Project.

“RD Bonds” means Bonds purchased pursuant to the United States of America acting through Rural Utilities Service, United States Department of Agriculture program or similar program under which USDA or its successor makes loans for water systems or to refinance such loans. RD Bonds includes the Series 1998 Bond, the Series 2008 Bond, and the Series 2009 Bond.

“RD Reserve Requirement” means, as of the date of calculation, an amount equal to the maximum amount of Principal and Interest Requirements on Outstanding RD Bonds in the current or any future Fiscal Year to be funded as provided in the Original Resolution or a Supplemental Resolution authorizing the issuance of the RD Bonds (giving effect to mandatory sinking fund redemption, if any).

“RD Reserve Subaccount” means the subaccount so named in the Reserve Account created under Section 9.05 of the Original Resolution, as amended hereby.

“Registrar” has the meaning set forth in Section 8.4 of this Supplemental Resolution.

“Regulations” means the Treasury Department, Income Tax Regulations, as amended or any successor regulation thereto, promulgated under the Code or otherwise applicable to the Series 2019 Bonds.

“Repair and Replacement Account” means the Account created in the Water System Fund pursuant to Section 9.06 of the Original Resolution.

“Reserve Account” means the account created in the Water System Fund pursuant to Section 9.05 of the Original Resolution.

“Reserve Requirement” means the sum of the General Reserve Requirement and RD Reserve Requirement.

“Resolution” means the Original Resolution, as amended and supplemented by Resolution No. 327, duly adopted by the Council on November 25, 2008, and as further amended

and supplemented by this Supplemental Resolution and as it may be further amended and supplemented.

“Resort Tax Act” means Montana Code Annotated, Title 7, Chapter 6, Part 15, as heretofore and hereafter amended or supplemented.

“Resort Tax Ordinances” means Ordinance Nos. 832 and 833 as amended by Ordinance Nos. 833 Amended, 833 Second Amended, 833 Third Amended, 833 Fourth Amended, 833 Fifth Amended, Ordinance No. 834, and Ordinance No. 901, all duly adopted by the City, as may further be amended or supplemented from time to time.

“Resort Tax Revenues” means the revenues derived from the resort tax levied by the City pursuant to the Resort Tax Act and the Resort Tax Ordinances.

“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 1998 Bond” means the Borrower’s Amended and Restated Water System Revenue Bond, Series 1998, dated, as originally issued, as of June 18, 2008, issued pursuant to the Original Resolution and held by the USDA.

“Series 2008 Bond” means the Borrower’s Water System Revenue Refunding Bond, Series 2008, dated, as originally issued, as of June 18, 2008, issued pursuant to the Resolution as then in effect and held by the USDA.

“Series 2009 Bond” means the Borrower’s Water System Revenue Bond, Series 2009, dated, as originally issued, as of January 16, 2009, issued pursuant to the Resolution as then in effect and held by the USDA.

“Series 2019 Bonds” means, collectively, the Series 2019A Bond and the Series 2019B Bond.

“Series 2019A Bond” means the \$500,000 Subordinate Lien Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Taxable Series 2019A, issued to the DNRC to evidence the 2019A Loan.

“Series 2019B Bond” means the \$1,123,000 Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2019B, issued to the DNRC to evidence the 2019B Loan.

“Short-Lived Assets” means assets of the System identified as short-lived assets in the application for the RD Loan made by the City to the Original Purchaser.

“Short-Lived Asset Replacement Reserve Subaccount” means the subaccount created in the Operating Account established in Section 9.03 of the Original Resolution.

“State” means the State of Montana.

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

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

“Subordinate Lien Obligations” means the Series 2019A Bond, and any other subordinate obligations issued under Section 4.03 of the Original Resolution

“Supplemental Resolution” means this Resolution No. 3518 of the Borrower adopted on May 14, 2019.

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

“System” means the existing water system of the Borrower and all extensions, improvements and betterments thereof, including, without limitation, the 2019 Project.

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

“2019A Committed Amount” means the amount of the 2019A Loan committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Supplemental Resolution, as such amount may be reduced pursuant to Section 3.2 and Section 3.4 of this Supplemental Resolution.

“2019B Committed Amount” means the amount of the 2019B Loan committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Supplemental Resolution, as such amount may be reduced pursuant to Section 3.2 and Section 3.4 of this Supplemental Resolution.

“2019B First Advance” means the first advance of funds of the 2019B Loan by the DNRC to the Borrower in an amount of at least \$50,001.

“2019 Loans” or “Loan” means, collectively, the 2019A Loan and the 2019B 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 2019 Project and to fund a deposit to the General Reserve Subaccount within the Reserve Account.

“2019A Loan” means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2019A Committed Amount to provide funds to pay a portion of the costs of the 2019 Project.

“2019B Loan” means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2019B Committed Amount to provide funds to pay a portion of the costs of the 2019 Project and to fund deposits to the General Reserve Subaccount within the Reserve Account.

“2019 Project” means the designing, engineering, and construction of the facilities, improvements and activities financed, refinanced or the cost of which is being financed by or reimbursed to the Borrower in part with proceeds of the 2019 Loans, described in Appendix A hereto.

“Undisbursed Committed Amount” means any undisbursed Committed Amount which is not required to pay costs of the 2019 Project upon completion thereof as provided in Section 3.4 of this Supplemental Resolution.

“USDA” means the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture or any successor agency under Public Law 103-354.

“Water System Fund” means the fund created by Section 9.01 of the Original Resolution.

Section 1.2 Other Rules of Construction. For all purposes of this Supplemental 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 Supplemental Resolution and hereby made a part hereof are the following Appendices:

Appendix A: a description of and estimated budget for the 2019 Project;

Appendix B-1: the form of the Series 2019A Bond;

Appendix B-2: the form of the Series 2019B Bond;

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

Appendix D: Compliance Certificate and Request.

ARTICLE II

AUTHORIZATION, FINDINGS, REPRESENTATIONS AND COVENANTS

Section 2.1 Authorization and Findings.

(a) Authorization. Under the provisions of the State 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 a municipal water system or to refund 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 such water system, and are not to create any obligation for the payment of which taxes may be levied except to pay for services provided by the water system to the Borrower.

In addition, under the provisions of the Resort Tax Act, the Borrower is authorized, upon the approval of the electorate of the Borrower, to impose a resort tax on the retail value of goods and services sold within the Borrower by (i) hotels, motels and other lodging or camping facilities; (ii) restaurants, fast food stores, and other food service establishments; (iii) taverns, bars, night clubs, lounges and other public establishments that serve beer, wine, liquor or other alcoholic beverages by the drink; (iv) establishments selling luxuries; and (v) destination ski resorts and other destination recreational facilities, and to expend such revenues for any activity, undertaking or administrative service that the Borrower is authorized by law to perform, or to pledge such repayments to bonds issued to finance public facilities, improvements, or undertakings authorized under Montana Code Annotated, Sections 7-6-1501, 7-6-1506 and 7-6-1507, as amended.

(b) Resort Tax. On November 4, 1997, the electorate of the Borrower approved the levy by the Borrower of a 3.00% resort tax pursuant to the Resort Tax Act, commencing January 1, 1998 for a period of twenty-five years. The resort tax is levied upon certain goods and services sold within the City as identified in the Resort Tax Ordinances and the Resort Tax Revenues are to be appropriated by the City Council pursuant to the Resort Tax Ordinances and the Resort Tax Act, only for the activities, in the proportions, set forth below:

- (1) Property tax reduction for property in the City in an amount equal to 15% of the Resort Tax Revenues derived during the preceding fiscal year;
- (2) Capital improvements to streets, alleys, roads, the municipal water system, the municipal sewer system, and parks and sports recreational facilities, in an amount equal to 79% of Resort Tax Revenues derived during the preceding fiscal year;
- (3) The merchants' and vendors' cost of collecting the resort tax in an amount equal to 5% per year; and
- (4) The Borrower's costs in administering the resort tax in an amount equal to 1% of Resort Tax Revenues per year.

The Borrower has approved the use of the Resort Tax Revenues to pay annual debt service on Bonds issued to finance capital improvements to the System within the meaning of the Resort Tax Ordinances. The Borrower has also approved the use of Resort Tax Revenues to pay annual debt service on the Borrower's sewerage system revenue bonds. The amount of Resort Tax Revenues received in the Fiscal Year ended June 30, 2018, was \$775,843, \$100,000 of has been or will be available to pay for capital improvements to the System or debt service on capital improvements to the System, including the 2019 Project, pursuant to the Resort Tax Ordinances.

The Resort Tax Ordinances are in full force and effect.

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

(d) The 2019 Project. After investigation of the facts and as authorized by the State Act, this Council has determined it to be necessary and desirable and in the best interests of the Borrower to construct the 2019 Project.

(e) Outstanding Bonds. Pursuant to the State Act and the Resolution, the Borrower has issued, and has outstanding, its Series 1998 Bond, Series 2008 Bond, and Series 2009 Bond to finance improvements to the System. The Series 1998 Bond, Series 2008 Bond, and Series 2009 Bond are parity Bonds payable from and secured by Net Revenues of the System. No other bonds or indebtedness are currently outstanding that are payable from Revenues of the System.

(f) Series 2019 Bonds. Based on a certificate executed or to be executed by the Mayor and the City Clerk-Treasurer, or either of them, it is hereby determined that the Borrower is authorized to issue the Series 2019A Bond in the maximum principal amount of \$500,000 and the Series 2019B Bond in the maximum principal amount of \$1,123,000, with the Series 2019B Bond payable from and secured by the Net Revenues. For purposes of the foregoing certificate, principal of and interest on the 2019A Loan are disregarded. The Borrower acknowledges and agrees that if it fails to deliver timely an acceptable Compliance Certificate and Request as provided in Section 5.1 of this Supplemental Resolution as determined in the sole and complete discretion of the DNRC, then principal and interest and surcharges will become due and owing on the Series 2019A Bond as provided in Section 5.1 of this Supplemental Resolution, and the Borrower shall thereupon, and in any event no later than three (3) months after delivery of a Noncompliance Statement, to the extent required by Section 6.09 of the Original Resolution, as amended, adjust its schedule of fees, rates, and charges applicable to the System to cause Net Revenues and Surplus Net Revenues to be produced in an amount at least equal to that required by the Resolution.

(g) Additional Parity Bonds. The Borrower reserved the right under 8.01 of the Original Resolution, as amended hereby, to issue Additional Bonds payable from the Debt Service Account of the Fund on a parity as to both principal and interest with the Outstanding Bonds, 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 Principal and Interest Requirements for any future Fiscal Year (during the term of the then Outstanding Bonds) with respect to the Outstanding Bonds and 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 the Additional Bonds shall be those shown by the financial reports caused to be prepared by the Borrower pursuant to Section 10.06 of the Original Resolution. In no event shall any Additional Bonds be issued and made payable from the Debt Service 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 the Original 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. Based on a certificate executed or to be executed by the Mayor and the City Clerk-Treasurer, it is hereby determined that the Borrower is authorized to issue \$1,123,000 in aggregate principal amount of Additional Bonds pursuant to 8.01 of the Original Resolution payable from and secured by the Net Revenues on a parity with the outstanding Series 1998 Bond, Series 2008 Bond, and Series 2009 Bond.

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 and political subdivision 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 Supplemental Resolution and to enter into the Collateral Documents and to issue the Series 2019 Bonds and to carry out and consummate all transactions contemplated by the Supplemental Resolution, the Series 2019 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 Supplemental Resolution, the Series 2019 Bonds and the Collateral Documents and the incurrence of the Debt evidenced by the Series 2019 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 2019 Bonds and the Collateral Documents, or the financial condition of the Borrower, or the transactions contemplated by the Resolution, the Series 2019 Bonds and the Collateral Documents or the validity and enforceability of the Resolution, the Series 2019 Bonds and the Collateral Documents. If any such litigation should be initiated or threatened, the Borrower will forthwith notify in writing the DNRC, and will furnish the DNRC a copy of all documents, including pleadings, in connection with such litigation. No referendum petition has been filed with respect to any resolution or other action of the Borrower relating to the 2019 Project, the Series 2019 Bonds or any Collateral Documents and the period for filing any such petition will have expired before issuance of the Series 2019 Bonds.

(c) Borrowing Legal and Authorized. The adoption of this Supplemental Resolution, the execution and delivery of the Series 2019 Bonds and the Collateral Documents and the consummation of the transactions provided for in this Supplemental Resolution, the Series 2019 Bonds and the Collateral Documents and compliance by the Borrower with the provisions of the Resolution, the Series 2019 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 charter or similar document, if applicable, 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 2019 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 2019 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 Supplemental Resolution by any governmental body or officer for the making and performance by the Borrower of its obligations under this Supplemental Resolution, the Series 2019 Bonds and the Collateral Documents (including any necessary water rate increase) or for the 2019 Project, the financing or refinancing thereof or the reimbursement of the Borrower for the costs thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental authority (other than those, if any, already obtained) is required on the part of the Borrower as a condition to adopting this Supplemental Resolution, issuing the Series 2019 Bonds or entering into the Collateral Documents and the performance of the Borrower's obligations hereunder and thereunder. If a utility board or commission manages or controls the System, such board or commission has agreed with the DNRC to abide by the terms of the Resolution and the Collateral Documents, including approving any necessary water rate increases.

(f) Binding Obligation. The Resolution, the Series 2019 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 2019 Project. The 2019 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 Article III of this Supplemental Resolution. The 2019 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 2019 Bonds and the Collateral Documents and to pledge any revenues or other property pledged to the payment of the Series 2019 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 2019 Bonds and the Collateral Documents.

Section 2.3 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. Nothing herein shall be construed to prohibit or preclude the Borrower from self-insuring or participating in a self-insurance program in compliance with the provisions of Montana law. All such insurance policies shall name the DNRC as an additional insured to the extent permitted under the policy or program of insurance of the Borrower. 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 2.3(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 2.3(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 the Resolution, the Series 2019 Bonds and the Collateral Documents and to realize thereon, and record and file and re-record and refile all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the DNRC to validate, preserve and protect the position of the DNRC under the Resolution, the Series 2019 Bonds and the Collateral Documents.

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

(1) The Borrower shall, at its expense, take all necessary action to maintain and preserve the lien and security interest of the Resolution and the Collateral Documents so long as any amount is owing under the Resolution or the Series 2019 Bonds;

(2) The Borrower shall forthwith, after the execution and delivery of the Series 2019 Bonds and thereafter from time to time, cause the Resolution and any Collateral Documents granting a security interest in revenues or real or personal property and any financing statements or other notices or documents relating thereto to be filed, registered and recorded in such manner and in such places as may be required by law in order to perfect and protect fully the lien and security interest hereof and thereof and the security interest in them granted by the Resolution and, from time to time, shall perform or cause to be performed any other act required by law, including executing or causing to be executed any and all required continuation statements and shall execute or cause to be executed any further instruments that may be requested by the DNRC for such perfection and protection; and

(3) 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 (2), and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Series 2019 Bonds and the Collateral Documents and the documents described in subparagraph (2).

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

(f) Financial Information. This Section 2.3(f) supplements, and is not intended to limit, the requirements in Section 10.06 of the Original Resolution. The Borrower agrees that for each fiscal year it shall furnish to the DNRC and the DEQ, promptly when available, in addition to those matters specified in Section 6.06 of the Original Resolution:

(1) the preliminary budget for the System, with items for the 2019 Project shown separately; and

(2) when adopted, the final budget for the System, with items for the 2019 Project shown separately.

(g) 2019 Project Accounts. The Borrower shall maintain Project 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 State 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 2019 Loans and the 2019 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) of the State Act.

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 2019 Bonds or any other funds of the Borrower in respect of the 2019 Project or the Series 2019 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 2019 Loans or the portion of the 2019 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 2019 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 2019 Project being refinanced or the cost of which is being reimbursed was acquired by and is now and shall, during the term of the 2019 Loans, be owned by the Borrower and not by any other Person. Any portion of the 2019 Project being financed shall be acquired by and shall, during the term of the 2019 Loans, be owned by the Borrower and not by any other Person. Notwithstanding the previous two sentences, the Borrower may transfer the 2019 Project or a portion thereof to another Governmental Unit which is also a public entity if such transfer is otherwise permitted under the Resolution and if such organization agrees with the DNRC to comply with Section 2.3(h), Section 2.3(i) and Section 2.4 of this Supplemental Resolution and if the DNRC receives an Opinion of Bond Counsel that such transfer will not violate the State Act or the Safe Drinking Water Act or adversely affect the exclusion of interest on the State Bonds from gross income or purposes of federal income taxation. In addition, except as otherwise provided in the Resolution or in any Collateral Documents, the Borrower may sell or otherwise dispose of any portion of the 2019 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 2019 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 2019 Loans it will not contract with or permit any private person to manage the 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 PROJECT

Section 3.1 Use of Proceeds. The Borrower shall apply the proceeds of the 2019 Loans from the DNRC solely as follows:

(a) The Borrower shall apply the proceeds of the 2019 Loans solely to the financing, refinancing or reimbursement of the costs of the 2019 Project and to fund a deposit to the General Reserve Subaccount as set forth in Appendix A hereto and this Section 3.1. The 2019 Loans will be disbursed in accordance with ARTICLE IV hereof and Article VII of the Indenture. If the 2019 Project has not been completed prior to Closing, the Borrower shall, as quickly as reasonably possible, complete the 2019 Project and expend proceeds of the 2019 Loans to pay the costs of completing the 2019 Project.

(b) No portion of the proceeds of the 2019 Loans shall be used to reimburse the Borrower for costs paid prior to the date of adoption of this Supplemental Resolution of a Project the construction or acquisition of which occurred or began earlier than June 1, 1993. In addition, if any proceeds of the 2019 Loans are to be used to reimburse the Borrower for 2019 Project costs paid prior to the date of adoption of this Supplemental Resolution, the Borrower shall have complied with Section 1.150-2 of the Regulations in respect of such costs.

(c) Any Debt to be refinanced with proceeds of the 2019 Loans was incurred after June 1, 1993, or with respect to a Project the construction or acquisition of which began after June 1, 1993. No proceeds of the 2019 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 2019 Project. Set forth in Appendix A to this Supplemental Resolution is a description of the 2019 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 2019 Loans (the 2019 Project may consist of more than one facility or activity), and an estimated budget relating to the 2019 Project. The 2019 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 2019 Project, an increase or decrease in the amount of proceeds of the 2019 Loans which will be required to complete the 2019 Project and whether the change will materially accelerate or delay the construction schedule for the 2019 Project;

(b) A written consent to such change in the 2019 Project by an Authorized DNRC Officer;

(c) An Opinion or Opinions of Bond Counsel stating that the 2019 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 2019 Bonds was issued, eligible for financing under the State 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 2019 Bonds from gross income for purposes of federal income taxation. Such an Opinion of Bond Counsel shall not be required for amendments which do not affect the type of facility to be constructed or activity to be financed.

The Borrower acknowledges and agrees that an increase in the principal amount of the 2019 Loans may be made only upon an application to the DEQ, the DNRC and the Trustee, in such form as the DEQ shall specify, which is approved by the DEQ and the DNRC, in their sole and absolute discretion, and adoption by the governing body of the Borrower of a resolution amendatory of or supplementary to the Resolution authorizing the additional loan and delivery of written certifications by officers of the Borrower to the DEQ, the DNRC and the Trustee to the effect that all representations and covenants contained in the Resolution as it may be so amended or supplemented are true as of the date of closing of the additional loan. 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 2019 Loans to pay costs of the 2019 Project or as to the availability of additional funds under the Program to increase the principal amount of the 2019 Loans.

Section 3.3 2019 Project Representations and Covenants. The Borrower hereby represents to and covenants with the DNRC that:

(a) all construction of the 2019 Project has complied and will comply with all federal and state standards, including, without limitation, EPA regulations and standards;

(b) all future construction of the 2019 Project will be done only pursuant to fixed price construction contracts. The Borrower shall obtain a performance and payment bond from the contractor for each construction contract in the amount of 100% of the construction price and ensure that such bond is maintained until construction is completed to the Borrower's, the DNRC's and the DEQ's satisfaction;

(c) all future construction of the 2019 Project will be done in accordance with plans and specifications on file with the DNRC and the DEQ, provided that changes may be made in such plans and specifications with the written consent of an Authorized DNRC Officer and the DEQ;

(d) all laborers and mechanics employed by contractors and subcontractors on the 2019 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 iron and steel products used in the 2019 Project comply with the “American Iron and Steel” requirements of Section 436 of the Consolidated Appropriations Act of 2014 (P.L. 113-76), as those requirements are further interpreted by applicable EPA guidance;

(f) the 2019 Project is a project of the type permitted to be financed under the State Act, the Act and the Program and Section 1452 of the Safe Drinking Water Act; and

(g) the Borrower will undertake the 2019 Project promptly after the Closing Date and will cause the 2019 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 2019 Project will be substantially completed by September 30, 2019.

Section 3.4 Completion or Cancellation or Reduction of Costs of the 2019 Project.

(a) Upon completion of the 2019 Project, the Borrower shall deliver to the DNRC a certificate stating that the 2019 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 2019 Project, a separate completion certificate shall be delivered for each.

(b) If all or any portion of the 2019 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.

ARTICLE IV

THE 2019 LOANS

Section 4.1 The 2019 Loans; Disbursement of 2019 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) \$500,000 (the “2019A Committed Amount”) for the purposes of financing, refinancing, or reimbursing the Borrower for a portion of the costs of the 2019 Project, and (ii) \$1,123,000 (the “2019B Committed Amount”) for the purposes of financing, refinancing or reimbursing the Borrower for a portion of the costs of the 2019 Project and funding a deposit to the General Reserve Subaccount within the Reserve Account; provided the DNRC shall not be required to loan any proceeds of the State Bonds to the Borrower after the October 31, 2019. The Committed Amount may be reduced as provided in Section 3.2 and Section 3.4 of this Supplemental Resolution.

(b) The DNRC intends to disburse the 2019 Loans through the Trustee. In consideration of the issuance of the Series 2019 Bonds by the Borrower, the DNRC shall make, or cause the Trustee to make, a disbursement of all or a portion of the 2019 Loans upon receipt of the following documents:

(1) an Opinion of Bond Counsel as to the Series 2019A Bond and an Opinion of Bond Counsel as to the validity and enforceability of the Series 2019B Bond and the security therefor and stating in effect that interest on the Series 2019B 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 2019A Bond and the Series 2019B Bond, fully executed and authenticated;

(3) a certified copy of the Original Resolution and this Supplemental Resolution;

(4) any other security instruments or documents required by the DNRC or DEQ as a condition to their approval of the 2019 Loans;

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

(6) the items required by the Indenture for the portion of the 2019 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 a portion of the 2019 Loans to pay costs of the 2019 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.

(d) From and after the 2019B First Advance, the 2019 Loans shall be disbursed, subject to the other terms and conditions of this Supplemental Resolution, in the following order:

(1) First, the total amount of each advance will be split equally between the 2019A Loan and the 2019B Loan, until the entire amount of the 2019A Loan is advanced; provided that the initial advance shall include the 2019B First Advance.

(2) Second, after the 2019A Loan is advanced in full, all advances will be from only the 2019B Loan.

(e) The Borrower shall submit the request for the 2019B First Advance in the form required by the DNRC so that it is received in sufficient time for the DNRC to process the information by the date desired by the Borrower for the making of the 2019B First Advance. The Borrower shall not be entitled to, and the DNRC shall have no obligation to make, the 2019B First Advance or any subsequent advance of amounts under the 2019B 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) For refinancings, a disbursement schedule complying with the requirements of the Safe Drinking Water Act shall be established by the DNRC and the Borrower at Closing.

(g) If all or a portion of the 2019 Loans is made to reimburse a Borrower for Project costs paid by it prior to Closing, the Borrower shall present at Closing the items required by Section 4.1(b) of this Supplemental 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.

(h) Notwithstanding anything else provided herein, the Trustee shall not be obligated to disburse the 2019 Loans any faster or to any greater extent than it has available EPA Capitalization Grants, Bond proceeds and other amounts available therefor in the Revolving Fund. The DNRC shall not be required to do “overmatching” pursuant to Section 5.04(b) of the Indenture, but may do so in its discretion. The Borrower acknowledges that if Project costs are incurred faster than the Borrower projected at Closing, there may be delays in making 2019 Loan disbursements for such costs because of the schedule under which EPA makes EPA Capitalization Grant money available to the DNRC. The DNRC will use its reasonable best efforts to obtain an acceleration of such schedule if necessary.

(i) Upon making each 2019A Loan disbursement and 2019B Loan disbursement, the Trustee shall note such disbursement on Schedule A to the Series 2019A Bond and the Series 2019B Bond, respectively. A Schedule A reflecting the amount of the 2019B First Advance will first be attached to the Series 2019B Bond at Closing.

(j) The Borrower agrees that it will deposit in the General Reserve Subaccount in the Reserve Account upon receipt thereof, on the date of the 2019B First Advance and any subsequent disbursement dates, any proceeds of the 2019B Loan borrowed for the purpose of increasing the balance in the General Reserve Subaccount to the General Reserve Requirement. The Borrower further acknowledges and agrees that any portions of the 2019 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 Debt Service Account. The amount of any such transfer shall be a credit against the interest payments due on the Series 2019 Bonds and interest thereon shall accrue only from the date of transfer.

(k) Compliance by the Borrower with its representations, covenants and agreements contained in the Original Resolution, this Supplemental Resolution and the Collateral Documents shall be a further condition precedent to the disbursement of the 2019 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 2019 Loans.

Section 4.2 Commencement of Loan Term. The Borrower's obligations under this Supplemental Resolution and the Collateral Documents shall commence on the date hereof unless otherwise provided in this Supplemental Resolution. However, the obligation to make payments under ARTICLE V hereof shall commence only upon the first disbursement by the Trustee of the 2019B Loan proceeds.

Section 4.3 Termination of Loan Term. The Borrower's obligations under this Supplemental Resolution and the Collateral Documents in respect of the Series 2019 Bonds shall terminate upon payment in full of all amounts due under the Series 2019 Bonds and this Supplemental Resolution; provided, however, that the covenants and obligations provided in ARTICLE VI and 4.01 of this Supplemental Resolution shall survive the termination of this Supplemental Resolution.

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 2019 LOANS

Section 5.1 Repayment of 2019 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 2019A 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 the Series 2019A Bond bear interest at the rate of zero percent (0.00%) per annum from the date of each advance; provided, however, if the DNRC delivers to the Borrower a Noncompliance Statement, then all principal of the Series 2019A 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 2019A 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 Surcharge on the outstanding principal amounts of the 2019A Loan from the date of each advance thereof. The Series 2019B Bond shall bear interest at the rate of two percent (2.00%) per annum and the Borrower shall pay the Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the outstanding principal amounts of the 2019B Loan from the date of each advance thereof. For purposes of this Supplemental Resolution and the Program, with respect to the 2019A Loan and the 2019B Loan, the term "interest on the 2019 Loans" or "interest on the 2019A Loan" or "interest on the 2019B Loan" when not used in conjunction with a reference to any surcharges, shall include the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge. 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 Surcharge shall be calculated on the basis of a year of 360 days comprising 12 months of 30 days each.

5.1.2. Repayment of 2019A Loan; Principal Forgiveness.

(a) The Borrower is obligated to repay the principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2019A Loan, unless the DNRC forgives the Borrower's obligation to repay the principal of the 2019A 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 Surcharge on the 2019A Loan shall be due on each Payment Date, as follows:

- (1) interest and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the outstanding principal balance of the 2019A Loan shall be payable from and after the date of each advance of principal of the 2019A 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, 2039; and
- (2) the principal of the 2019A 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, 2039, 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.

(b) Notwithstanding Section 5.1.2(a), so long as the Borrower is proceeding diligently to completion of the 2019 Project and the Borrower has executed and delivered the 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 Compliance Certificate and Request is provided to the Borrower by the DNRC, the DNRC will, following review and approval of the 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 2019A Bond or interest or surcharges thereon and the Series 2019A Bond will be marked "CANCELLED" and returned by the DNRC to the Borrower. However, in the event the Borrower fails to deliver timely the Compliance Certificate and Request, or the Borrower cannot submit the Compliance Certificate and Request because it cannot make the certifications required therein, or the 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 2019 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 Noncompliance Statement by the DNRC to the Borrower, all principal advanced or to be advanced under the Series 2019A Bond, together with interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge thereon from the date of each advance, shall be payable as provided in Section 5.1.2 (a).

(c) In addition, in the event the DNRC delivers a Noncompliance Statement (i) the Series 2019A Bond will continue in effect as a Subordinate Lien Obligation, and (ii) the Borrower will forthwith comply with the rate covenant set forth in Section 10.09 of the Original Resolution, as amended, as implemented as described in Article XIII of this Supplemental 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 2019B Loan. The Loan Repayments and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the 2019B Loan required by this Section 5.1 shall be due on each Payment Date, as follows:

- (1) interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the outstanding principal balance of the 2019B Loan shall be payable on each January 1 and July 1, beginning on January 1, 2020 and concluding on July 1, 2039; and
- (2) the principal of the 2019B Loan shall be repayable on each January 1 and July 1, beginning on January 1, 2020, and concluding on July 1, 2039, and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at a rate of 2.50% per annum; provided that principal of the 2019B Loan is payable only in amounts that are multiples of \$1,000.

5.1.4. Details Regarding 2019 Loan Repayments. Loan Repayments and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the 2019B Loan and, if applicable, on the 2019A Loan, shall be due on the dates specified above and on the dates and in the amounts shown in Schedule B to the Series 2019B Bond and, if applicable, on the 2019A Loan, as such Schedule B shall be modified from time to time as provided in Section 5.1.2 and below. Schedule B will first be attached to the Series 2019B Bond and, if applicable, the Series 2019A 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 Surcharge shall be set forth in Schedule B to the Series 2019A Bond and the Series 2019B Bond on and after Closing. Upon each disbursement of 2019 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 2019A Bond and the Series 2019B Bond under “Advances” and the total amount advanced under Section 4.1, including such disbursement, under “Total Amount Advanced.” Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on such advance shall accrue from the date the advance is made and shall be payable on each Payment Date thereafter. Once the completion certificate for the 2019 Project has been prepared and delivered to the DNRC pursuant to Section 3.4 of this Supplemental Resolution, the Trustee shall revise Schedule B to the Series 2019B Bond in accordance with this Section 5.1 and the Trustee shall send a copy of such Schedule B to the Borrower within one month after delivery of the completion certificate.

If the DNRC shall have delivered a Noncompliance Statement, then Schedule B to the Series 2019A Bond shall continue to reflect interest and surcharges on amounts advanced under the Series 2019A Bond at the rate of 2.50% per annum, as may be revised to reflect the full principal amount advanced under the Series 2019A 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 Noncompliance Statement. If the DNRC delivers a Forgiveness Statement, Schedule B to the Series 2019A Bond will be disregarded and of no effect.

Past-due Loan Repayments and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge 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 2019B Bond and, if applicable, the Series 2019A Bond, and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge as to the Series 2019B Bond, and, if applicable, the Series 2019A Bond under this Section 5.1 shall be credited against the same payment obligation under each of the Series 2019B Bond and, as applicable, the Series 2019A 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 2019 Loans, if the Borrower so chooses, all reasonable expenses of the DNRC and the Trustee in connection with the 2019 Loans, the Collateral Documents and the Series 2019 Bonds, including, but not limited to:

- (a) the cost of reproducing this Supplemental Resolution, the Collateral Documents and the Series 2019 Bonds;
- (b) the fees and disbursements of Bond Counsel and other Counsel utilized by the DNRC and the Trustee in connection with the 2019 Loans, this Supplemental Resolution, the Collateral Documents and the Series 2019 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 2019 Bonds, whether or not the Series 2019 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 2019 Bonds, the Collateral Documents and this Supplemental Resolution 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 2019B Bond, and, if applicable, the Series 2019A 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 Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and, if applicable, Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of

principal prepaid. If the Series 2019 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 this Supplemental Resolution and the Series 2019 Bonds and to perform its other agreements contained in this Supplemental Resolution, the Series 2019 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 this Supplemental Resolution and the Series 2019 Bonds, (b) shall perform all its other agreements in this Supplemental Resolution, the Series 2019 Bonds and the Collateral Documents and (c) shall not terminate this Supplemental Resolution, the Series 2019 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 2019 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 Supplemental Resolution. Provided, however, if the 2019 Loans are not made and no funds are disbursed to the Borrower, this Supplemental Resolution may be terminated.

Section 5.5 Limited Liability. All payments of principal of and interest on the 2019 Loans and other payment obligations of the Borrower hereunder and under the Series 2019 Bonds shall be special, limited obligations of the Borrower payable, with respect to the Series 2019B Bond, solely out of the Net Revenues or, with respect to the Series 2019A 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 2019 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 2019 Bonds, and no funds or property of the Borrower other than the Net Revenues or, as appropriate, Surplus Net Revenues may be required to be used to pay principal of or interest on the Series 2019 Bonds.

ARTICLE VI

INDEMNIFICATION OF DNRC AND DEQ

The Borrower shall, to the 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 2019 Project. The Borrower shall also, to the 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 VII

ASSIGNMENT

Section 7.1 Assignment by Borrower. The Borrower may not assign its rights and obligations under the Resolution or the Series 2019 Bonds.

Section 7.2 Assignment by DNRC. The DNRC will pledge its rights under and interest in the Resolution, the Series 2019 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 7.3 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 VIII

THE SERIES 2019 BONDS

Section 8.1 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 2019B Bond the Net Revenues (and in respect of the Series 2019A 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 Net Revenues to be produced by such rates, charges and rentals during the term of the Series 2019B Bond are expected to be more than sufficient to pay the principal and interest when due on the Bonds, and to create and maintain reasonable reserves therefor and to provide an adequate allowance for replacement and depreciation, as prescribed herein. For purposes of the foregoing statement, principal of and interest on the 2019A Loan are 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 2019A Loan evidenced by the Series 2019A Bond as provided in Section 5.1 and the Borrower shall thereupon, and no later than three months after delivery of such a statement, to the extent

required by Section 5.1.2 of this Supplemental Resolution, as implemented as described in Article XIII of this Supplemental Resolution, adjust its schedule of fees, rates, and charges applicable to the System to cause Net Revenues and Surplus Net Revenues to be produced in an amount at least equal to that required by the Resolution.

Section 8.2 Issuance and Sale of the Series 2019 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 2019 Bonds to evidence the 2019 Loans. The Series 2019 Bonds are issued to the DNRC without public sale pursuant to Montana Code Annotated, Section 7-7-4433(2)(a).

Section 8.3 Terms. The Series 2019A Bond and the Series 2019B Bond shall be in the maximum principal amount equal to the original 2019A Committed Amount and 2019B 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 2019A Loan and 2019B Loan, respectively. The principal of and interest on the Series 2019B Bond, and, if applicable, the principal of and interest on the Series 2019A Bond and any Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable on the same dates on which Loan Repayments are payable. Advances of principal of the Series 2019A Bond or Series 2019B Bond shall be deemed made when advances of the 2019A Loan or 2019B Loan, respectively, are made under Section 4.1, and such advances shall be payable in accordance with Schedule B to the Series 2019B Bond, and, if applicable, the Series 2019A 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 2019A Bond is a Subordinate Lien Obligation payable only from the Surplus Net Revenues available in the Water System Fund. The Series 2019B Bond is a Bond.

The Borrower may prepay the Series 2019 Bonds, in whole or in part, only upon the terms and conditions under which it can prepay the 2019 Loans under Section 5.3.

Section 8.4 Negotiability, Transfer and Registration. The Series 2019 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 2019 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 2019 Bonds shall be negotiable, subject to the provisions for registration and transfer contained in this Section. No transfer of the Series 2019 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 2019 Bonds, and (2) the City Clerk-Treasurer of the Borrower (or successors, the "Registrar"), as Bond Registrar, has duly noted the transfer on the Series 2019 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 2019 Bonds is registered as the absolute owner of the Series 2019 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 Series 2019 Bond to the extent of the sum or sums so paid.

Section 8.5 Execution and Delivery. The Series 2019 Bonds shall be executed on behalf of the Borrower by the manual signatures of the Mayor and the City Clerk-Treasurer. Any or all of such signatures may be affixed at or prior to the date of delivery of the Series 2019 Bonds. The Series 2019 Bonds shall be sealed with the corporate seal of the Borrower. In the event that any of the officers who shall have signed the Series 2019 Bonds shall cease to be officers of the Borrower before the Series 2019 Bonds are issued or delivered, their signatures shall remain binding upon the Borrower. Conversely, the Series 2019 Bonds may be signed by an authorized official who did not hold such office on the date of adoption of this Supplemental Resolution. The Series 2019 Bonds shall be delivered to the DNRC, or its attorney or legal representative.

Section 8.6 Form. The Series 2019A Bond shall be prepared in substantially the form attached as Appendix B-1 and the Series 2019B Bond shall be prepared in substantially the form attached as Appendix B-2.

ARTICLE IX

SECURITY FOR THE SERIES 2019 BONDS

The Series 2019B Bond is issued as an Additional Bond under Section 4.01 of the Original Resolution, and shall, with the Series 2008 Bond and any other Additional Bonds issued under the provisions of Section 8.01 of the Original Resolution be equally and ratably secured by the provisions of the Resolution and payable out of the Net Revenues appropriated to the Debt Service Account of the Water System Fund, without preference or priority, all as provided in the Resolution, and secured by the Reserve Account, as further provided in Section 9.05 of the Original Resolution, as amended, and in the following sentence. Upon advancement of principal of the Series 2019B Bond, the City Clerk-Treasurer of the Borrower shall transfer from proceeds of the Series 2019B Bond such amount or amounts to the General Reserve Subaccount in the Reserve Account to cause the balance therein to equal the General Reserve Requirement, treating such principal amount as outstanding. Upon each advance of the Series 2019B Bond, the deposit to the General Reserve Subaccount shall be sufficient to cause the balance in the General Reserve Subaccount to equal the General Reserve Requirement in respect of the Series 2019B Bond so advanced. The Series 2019A Bond is a Subordinate Lien Obligation issued under Section 8.03 of the Original Resolution and payable from the Surplus Net Revenues that are available after required credits to the Operating Account, the Debt Service Account, and the Reserve Account. No payment of principal or interest shall be made on any Subordinate Lien Obligation, including the Series 2019A Bond, if the City is then in default in the payment of principal of or interest on any Bond or if there is a deficiency in the Operating Account or the Debt Service Account or the balance in the Reserve Account is less than the Reserve Requirement. In the event the principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge become payable under the Series 2019A Bond, the Borrower shall cause rates and charges to be increased to produce Net Revenues at least equal to the amount required under Section 10.09 of the Original Resolution, as amended, as implemented as described in Article XIII of this Supplemental Resolution, within three (3) months following

delivery of a Noncompliance Statement. The Borrower shall keep, perform and observe each and every one of its covenants and undertakings set forth in the Resolution for the benefit of the registered holders from time to time of the Series 2019 Bonds.

ARTICLE X

AMENDMENTS

Section 10.1 Consent. Pursuant to the written consent of the USDA, as Holder of the Series 1998 Bond, the Series 2008 Bond, and the Series 2009 Bond, the Original Resolution is hereby amended as follows.

Section 10.2 Definitions. Section 1.01 of the Original Resolution is hereby amended:

(a) to add the following definitions:

“General Reserve Requirement” means, as of the date of calculation, an amount equal to one-half the sum of the highest amount of cumulative principal of and interest payable on all outstanding Bonds that are not RD Bonds in any one future fiscal year (giving effect to mandatory sinking fund redemption, if any).

“General Reserve Subaccount” means the subaccount so named in the Reserve Account created under Section 9.05 of the Resolution.

“RD Bonds” means Bonds purchased pursuant to the United States of America acting through Rural Utilities Service, United States Department of Agriculture program or similar program under which USDA or its successor makes loans for water systems or to refinance such loans. RD Bonds includes the Series 1998 Bond, the Series 2008 Bond, and the Series 2009 Bond.

“RD Reserve Requirement” means, as of the date of calculation, an amount equal to the maximum amount of Principal and Interest Requirements on Outstanding RD Bonds in the current or any future Fiscal Year to be funded as provided in the Original Resolution or a Supplemental Resolution authorizing the issuance of the RD Bonds (giving effect to mandatory sinking fund redemption, if any).

“RD Reserve Subaccount” means the subaccount so named in the Reserve Account created under Section 9.05 of the Resolution.

(b) to amend the following definitions in their entirety:

“Reserve Requirement” means the sum of the General Reserve Requirement and RD Reserve Requirement.

Section 10.3 Section 9.04. Section 9.04 of the Original Resolution is hereby amended to read as follows in its entirety:

“9.04. Debt Service Account. The Debt Service Account is hereby established as a separate account within the Water System Fund. As of each monthly apportionment there shall be credited to the Debt Service Account out of the Net Revenues remaining after the credit to the Operating Account an amount equal to the principal of and interest on the Amended and Restated Series 1998 Bond, the Series 2008 Refunding Bond and the Definitive Bond payable on the next succeeding installment payment date and, if Additional Bonds are Outstanding, an amount equal to not less than one-sixth of the interest due within the next six months on all such Additional Bonds then Outstanding and one-twelfth of the principal, if any, to become due within the next twelve months on all such Additional Outstanding Bonds; provided that the City shall be entitled to reduce a monthly apportionment by the amount of any Pledged Resort Tax Revenues or surplus previously credited and then on hand in the Debt Service Account. The City shall allocate amounts in the Debt Service Account (other than amounts segregated for payments of Bonds no longer Outstanding) to (i) Outstanding Bonds that are other than RD Bonds and (ii) Outstanding RD Bonds, pro rata, in proportion to the Principal and Interest Requirements payable on the Outstanding Bonds that are other than RD Bonds and payable on the RD Bonds, pro rata, in proportion to the Principal and Interest Requirements payable on Outstanding Bonds that are other than RD Bonds and payable on Outstanding RD Bonds, respectively. If the amount so allocated to Outstanding Bonds that are other than RD Bonds is insufficient to pay the principal of, premium, if any, and interest on such Bonds as due, the City Clerk-Treasurer shall transfer from the General Reserve Subaccount the amount of such deficiency, to the extent funds are available in such subaccount. If the amount so allocated to Outstanding RD Bonds is insufficient to pay the principal of, premium, if any, and interest on such Bonds as due, the City Clerk-Treasurer shall transfer from the RD Reserve Subaccount the amount of such deficiency, to the extent funds are available in such subaccount. Money from time to time held in the Debt Service Account shall be disbursed only to meet payments of principal of and interest on the Bonds as such payments become due; provided that on any date when the amount then on hand in the Debt Service Account allocable to a series of Bonds, plus the amount in the Reserve Account allocable to Bonds of such series, are sufficient with other moneys available for the purpose to pay or discharge all Bonds of that series and the interest accrued thereon in full, they may be used for that purpose. If any payment of principal or interest becomes due when money in the Debt Service Account is temporarily insufficient therefor, such payment shall be advanced available funds then on hand in the appropriate subaccount in the Reserve Account, the Repair and Replacement Account or the Surplus Account, in that order.”

Section 10.4 Section 9.05. Section 9.05 of the Original Resolution is hereby amended to read as follows in its entirety:

“9.05. Reserve Account. (a) The Reserve Account is hereby established as a separate account within the Water System Fund. There shall be established two subaccounts in the Reserve Account: the RD Reserve Subaccount and the General Reserve Subaccount.

(b) The RD Reserve Subaccount shall secure all Outstanding RD Bonds. Upon the issuance of the Amended and Restated Series 1998 Bond and the Series 2008 Refunding Bond, the City shall credit \$92,736 to the RD Reserve Subaccount, from amounts held under the "Reserve Account" established under the 1984 Resolution and the 1998 Resolution as provided in Section 9.01 and from other available funds of the City. Commencing with the first monthly apportionment of Revenues after the issuance, respectively, of the Series 2008 Refunding Bond and the Definitive Bond, as described in Section 9.01 above, and in addition to and from the Net Revenues remaining after each monthly credit to the Debt Service Account required by Section 9.04, the City shall credit to the RD Reserve Subaccount a minimum of \$733.00 per month and \$1,834.00 per month, respectively, and such additional amounts as may be necessary to accumulate over a period concluding in the month containing the tenth anniversary of the date of issuance of the Series 2008 Refunding Bond and the Definitive Bond, respectively (or, if earlier, the date on which the amount in the Reserve Account equals one total annual payment of principal of and interest on the Amended and Restated Series 1998 Bond, the Series 2008 Refunding Bond and the Definitive Bond). Thereafter, upon each monthly apportionment, if the balance in the RD Reserve Subaccount is less than the RD Reserve Requirement, all Net Revenues in the Water System Fund remaining after the required credit, on a ratable basis with required credits to the General Reserve Subaccount under Subsection (c), to the RD Reserve Subaccount until the balance therein equals the RD Reserve Requirement.

(c) On the closing date of the Series 2019B Bond and on each date of disbursement of proceeds of the Series 2019B Bond thereafter until the final disbursement of such proceeds, the City shall deposit in the General Reserve Subaccount, from proceeds of the Series 2019B Bond or, to the extent necessary, from other available funds of the City, an amount equal to the product of (i) the initial General Reserve Requirement based on the committed amount of the Loan, times (ii) a fraction the numerator of which is the amount of proceeds of the Series 2019B Bond to be disbursed on said date and the denominator of which is the committed amount of the Loan. On the date of the final disbursement of proceeds of the Series 2019B Bond, the City shall deposit in the General Reserve Subaccount, from proceeds of the Series 2019B Bond or, to the extent necessary, from other available funds of the City, an amount necessary to cause the balance in the Reserve Account to equal the General Reserve Requirement, calculated as of that date and based on the actual principal amount of the Series 2019B Bond.

(d) The General Reserve Subaccount shall secure all Outstanding Bonds other than RD Bonds. Upon each monthly apportionment, from the Net Revenues remaining after the apportionment to the Debt Service Account, the City shall credit to the General Reserve Subaccount, on a ratable basis with required credits to the RD Reserve Subaccount under Subsection (b), 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 General Reserve Requirement. Money in the General Reserve Subaccount shall be used only to pay maturing principal, premium and interest on Bonds that are not RD Bonds when money within the Debt Service Account is insufficient

therefor; provided that on any date when all outstanding Bonds that are not RD Bonds of a series are due or prepayable by their terms, if the amount then on hand in the General Reserve Subaccount 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 General Reserve Subaccount is not less than the General Reserve Requirement, the Town may credit earnings on investment of the General Reserve Subaccount to the Debt Service Account.

(e) If on any Interest Payment Date or Principal Payment Date there shall exist a deficiency in the Debt Service Account to pay Outstanding Bonds, the amount in the Debt Service Account shall be allocated, pro rata, between outstanding RD Bonds and Outstanding Bonds that are not RD Bonds, in proportion to the debt service then payable on such Bonds, respectively. Upon calculation of such deficiencies, the City shall immediately transfer from the RD Reserve Subaccount to the Debt Service Account an amount equal to such deficiency in respect of the Outstanding RD Bonds and from the General Reserve Subaccount to the Debt Service Account the amount of such deficiency in respect of the Outstanding Bonds that are not RD Bonds.

(f) Except as provided in Section 9.09, money held in the RD Reserve Subaccount and the General Reserve Subaccount shall be used only to pay maturing principal and interest of RD Bonds and of Bonds that are not RD Bonds, respectively, when money in the Debt Service Account is insufficient therefor or to pay or defease a an applicable series of Bonds as provided in Section 9 ~~9.04~~. If the only Bonds that are outstanding are either RD Bonds or Bonds that are not RD Bonds, the City may transfer all of the money in the subaccount for the type of Bonds that are no longer outstanding to the subaccount securing Bonds of the type that are outstanding.

If at any time (including, but not limited to, any Principal Payment Date and any Redemption Date), the balance in the RD Reserve Subaccount exceeds the RD Reserve Requirement or the balance in the General Reserve Subaccount exceeds the General Reserve Requirement, the City shall transfer such excess to the Debt Service Account to establish the required balance therein with respect to RD Bond and Bonds that are not RD Bonds, respectively, if any such transfer is necessary, and if not, all amounts in excess of the Reserve Requirement shall be transferred to the Repair and Replacement Account or Surplus Account, as appropriate.

As long as the Purchaser is the holder of the Amended and Restated Series 1998 Bond, the Series 2008 Refunding Bond and the Definitive Bond and no Additional RD Bonds are outstanding, the City may not use or obligate moneys on hand in the RD Reserve Subaccount without the written approval of the Purchaser.”

Section 10.5 Section 10.09. Section 10.09 of the Original Resolution is hereby amended to read as follows in its entirety:

“10.09. Rates and Charges. While any Obligations are Outstanding and unpaid, the rates, charges and rentals for all services and facilities furnished and made available

by the System to the City and its inhabitants, and to all customers within or without the boundaries of the City, 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 Obligations 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. 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 and Pledged Resort Tax 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 amounts in the Short-Lived Asset Replacement Reserve Account, and to produce Net Revenues (including the Pledged Resort Tax Revenues) during each Fiscal Year, not less than 110% of the maximum Principal and Interest Requirements on the Bonds in the current or any future Fiscal Year, to fund the Reserve Account at the Reserve Requirement, and to produce sufficient Surplus Net Revenues to pay the debt service on Subordinate Lien Obligations as and when due.

If at the close of any Fiscal Year the Net Revenues actually received during such Fiscal Year have been less than required hereby, the City 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.”

Section 10.6 Amendments to Resolution. As long the Series 2019 Bonds are outstanding, the terms, conditions and covenants of this Supplemental Resolution may be amended only with the written consent of the City and the DNRC.

ARTICLE XI

TAX MATTERS

Section 11.1 Use of 2019 Project. The 2019 Project and 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 non-governmental person relating to the use of the 2019 Project or the System or security for the payment of the Series 2019B Bond which might cause the Series 2019B Bond, to be considered a “private activity bond” or “private loan bond” within the meaning of Section 141 of the Code.

Section 11.2 General Covenant. The Borrower covenants and agrees with the owners from time to time of the Series 2019B 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 2019B 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 2019B Bond will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

Section 11.3 Arbitrage Certification. The Mayor and the City Clerk-Treasurer, being the officers of the Borrower charged with the responsibility for issuing the Series 2019B Bond pursuant to this Supplemental 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 2019B Bond, it is reasonably expected that the proceeds of the Series 2019B Bond will be used in a manner that would not cause the Series 2019B Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

Section 11.4 Arbitrage Rebate Exemption.

(a) The Borrower hereby represents that the Series 2019B 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 Series 2009B 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 2019 is reasonably expected not to exceed \$5,000,000. To date in 2019, the Borrower has not issued any tax-exempt bonds, except the Series 2019B Bond, and in the calendar years 2014 through 2018, the Borrower issued no tax-exempt bonds, except its \$969,000 Special Improvement District No. 1 Bond, Series 2018, and \$989,000 Sewerage System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2017B.

(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 2019B 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 11.5 Information Reporting. The Borrower shall file with the Secretary of the Treasury, not later than August 15, 2019, a statement concerning the Series 2019B Bond containing the information required by Section 149(e) of the Code.

Section 11.6 “Qualified Tax-Exempt Obligations.” Pursuant to Section 265(b)(3)(B)(ii) of the Code, the Borrower hereby designates the Series 2019B 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 2019, other than the Series 2019B 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 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 2019 in an amount greater than \$10,000,000.

ARTICLE XII

CONTINUING DISCLOSURE

The Borrower understands and acknowledges that the DNRC is acquiring the Series 2019 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 City Clerk-Treasurer 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 XIII

IMPLEMENTATION OF SECTION 10.09 OF ORIGINAL RESOLUTION

For purposes of the calculation described in Section 10.09 of the Original Resolution, as of the date of this Supplemental Resolution, principal of and interest on the Series 2019A Bond shall initially be disregarded and interest on the Series 2019B Bond is calculated at 2.50% per annum. However, in the event the DNRC delivers a Noncompliance Statement, the Borrower shall forthwith (and in any event no later than three (3) months after the delivery of such Noncompliance Statement) cause the rates, charges and rentals charged to all recipients of water services to be revised whenever and as often as may be necessary, according to schedules such that the revenues and Pledged Resort Tax Revenues for each fiscal year will be at least sufficient to pay the Operating Expenses, to maintain the amounts in the Short-Lived Asset Replacement Reserve Subaccount, and to produce Net Revenues (including Pledged Resort Tax Revenues) during each fiscal year commencing with the fiscal year ending June 30 of that fiscal year in which the DNRC shall have delivered such Noncompliance Statement, not less than 110% of the maximum Principal and Interest Requirements payable on the Outstanding Bonds in the current

or any future fiscal year, including, without limitation, the maximum annual principal and interest payable on the Series 1998 Bond, the Series 2008 Bond, the Series 2009 Bond, and Series 2019B Bond calculated at 2.50% per annum, and to produce Surplus Net Revenues adequate to pay the principal of and interest on the Series 2019A Bond as and when due.

The establishment of the ratio of Net Revenues available for the Debt Service Account and the provision for adequate Surplus Net Revenues in the event the Borrower's obligation to repay the principal of the Series 2019A Bond is not forgiven are deemed necessary for the DNRC to make the 2019 Loans to the Borrower upon terms most advantageous. The excess of the Net Revenues over the annual principal and interest and Reserve Requirement may be used as authorized in Section 9 of the Original Resolution. The Series 2019B Bond may be prepaid according to its 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 2019B Bond and thereby reduce the interest cost thereon to the Borrower and to the persons served by the System.

The Series 2019A Bond is a Subordinate Lien Obligation issued under Section 8.03 of the Original Resolution. In the event the principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge become payable under the Series 2019A Bond, the Borrower shall cause rates and charges to be increased to produce Net Revenues (including Pledged Resort Tax Revenues) at least equal to the amount required under Section 10.09 of the Original Resolution, as amended.

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
1539 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
Attn: Corporate Trust Department

Borrower: City of Red Lodge
1 South Platt
P.O. Box 9
Red Lodge, Montana 59068
Attn: City Clerk

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 Supplemental 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 Supplemental 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 Supplemental Resolution may not be effectively amended without the written consent of USDA and the DNRC.

Section 14.5 Applicable Law. This Supplemental 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 Supplemental Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Supplemental Resolution. References to Articles and Sections are to Articles and Sections of this Supplemental 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 Supplemental 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 Supplemental 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 Supplemental

Resolution or the Series 2019 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 Supplemental Resolution or the Series 2019 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 2019 Project or the facility or facilities of which the 2019 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 2019 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 2019 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 Effective Date. This Supplemental Resolution shall take effect immediately.

Adopted by the City Council of the City of Red Lodge, Montana, on this 14th day of May, 2019.

Mayor

Attest: _____
City Clerk-Treasurer

(SEAL)

APPENDIX A

Description of the 2019 Project

The 2019 Project generally consists of engineering, design, and constructing various improvements to the System, including replacing water distribution lines and water services, adding valves and hydrants, and related improvements.

Estimated 2019 Project Budget

	Series 2019A Bond	Series 2019B Bond	City Funds	Total
Personnel Costs	-	-	\$ 1,000	\$ 1,000
Office Costs	-	-	1,500	1,500
Professional Services (Grant Admin.)	-	-	10,000	10,000
Legal Costs	-	-	2,000	2,000
Audit Fees	-	-	5,000	5,000
Loan Reserves	-	\$ 36,069	-	36,069
Bond Counsel and Related Costs	-	-	15,000	15,000
Engineering Design	-	-	120,000	120,000
Construction Engineering Services	-	-	162,500	162,500
Construction	\$500,000	896,283	-	1,396,283
Contingency	-	190,648	-	190,648
TOTAL PROJECT COSTS	\$500,000	\$1,123,000	\$317,000	\$1,940,000

APPENDIX B-1

[Form of the Series 2019A Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF CARBON

CITY OF RED LODGE

SUBORDINATE LIEN WATER SYSTEM REVENUE BOND
(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)
TAXABLE SERIES 2019A

R-1

\$500,000

FOR VALUE RECEIVED, CITY OF RED LODGE, 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 out of available Surplus Net Revenues in the Repair and Replacement Account or the Surplus Account of its Water System Fund (the “Fund”), the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under “Total Amount Advanced,” with interest on each such amount from the date such amount is advanced hereunder at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond from the date of each advance of principal, each at the rate of twenty-five hundredths of one percent (0.25%) per annum, all subject to the effect of the immediately following paragraph. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a “Loan Repayment Date”) commencing 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 2019A Loan is not forgiven and ending on July 1, 2039, all as described in the Resolution (as hereinafter defined). Principal shall be payable on the dates set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B attached hereto under “Total Loan Payment.” The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule B attached hereto. Upon each disbursement of 2019A 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 Supplemental Resolution authorizing the 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 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.

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 THERETO SUPPLIES TO THE BORROWER A FORGIVENESS STATEMENT, THEN THEREUPON INTEREST SHALL BE DEEMED TO ACCRUE ON THE PRINCIPAL OF THIS SERIES 2019A 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 2019A 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 \$500,000 (the "Series 2019A Bond"). The Series 2019A 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"). The Series 2019A 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, Parts 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 3252, adopted by the City Council of the City on May 13, 2008, as amended and supplemented by Resolution No. 3271, adopted by the City Council of the City on November 25, 2008 (as so amended and supplemented, the "Original Resolution"), as amended and supplemented by Resolution No. 3518, adopted by the City Council of the City on May 14, 2019 (the "Supplemental Resolution and together with the Original Resolution, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given to them in the Resolution. The Series

2019A Bond is issuable only as a single, fully registered bond. The Series 2019A Bond is issued as a Subordinate Lien Obligation payable out of available Surplus Net Revenues in the Repair and Replacement Account or the Surplus Account in the Fund of the Borrower. Simultaneously herewith, the Borrower is issuing its Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2019B (the "Series 2019B Bond") which is payable from the Debt Service Account in the Fund of the Borrower on a parity with the Borrower's Amended and Restated Water System Revenue Bond, Series 1998 (the "Series 1998 Bond"), Water System Revenue Refunding Bond, Series 2008 (the "Series 2008 Bond"), and Water System Revenue Bond, Series 2009 (the "Series 2009 Bond"). The Series 1998 Bond, the Series 2008 Bond, the Series 2009 Bond, and the Series 2019B Bond are referred to collectively herein as the "Outstanding Bonds." Following the 2019B First Advance, equal principal amounts of this Series 2019A Bond and the Series 2019B Bond are advanced until all of the principal of this Series 2019A Bond is advanced.

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2019A 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 2019A Bond.

The Borrower may prepay the principal of the Series 2019A 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 Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest, and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2019A Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

This Series 2019A 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 2019A Bond is registered as the absolute owner hereof, whether this Series 2019A 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 2019A 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 Repair and Replacement Account and Surplus Account in that Fund, into which will be paid, subject to the prior lien thereon of the Operating Account, the Debt Service 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 during each fiscal year Net Revenues not less than 110% of the maximum Principal and Interest Requirements payable on the Outstanding Bonds in the current or any future subsequent fiscal year and to produce in each fiscal year adequate Surplus Net Revenues to pay the principal of and interest on the Series 2019A Bond as and when due; that Additional Bonds issued on a parity with the Outstanding Bonds and refunding Bonds may be issued and made payable from the Debt Service 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 any Additional Bonds on such Net Revenues (such as is the case with this Series 2019A Bond); that all provisions for the security of the holder of this Series 2019A 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 2019A 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 2019A Bond and the interest hereon are payable solely out of available Surplus Net Revenues in the Repair and Replacement Account or the Surplus 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 2019A Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Red Lodge, Montana, by its governing body, has caused this Bond to be executed by the signatures of the Mayor and the City Clerk-Treasurer, 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 _____, 2019.

Mayor

(SEAL)

City 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 City Clerk-Treasurer as Registrar, has duly noted the transfer on the Bond and recorded the transfer on the Registrar's registration books. The Borrower shall be entitled to deem and treat the person in whose name this Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of the Bond shall be made only to the order of the registered holder thereof, and all such payments shall be valid and effectual to satisfy and discharge the Borrower's liability upon the Bond to the extent of the sum or sums so paid.

REGISTER

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

Date of Registration	Name and Address of Registered Holder	City Clerk-Treasurer
_____ , 2019	Department of Natural Resources and Conservation 1539 Eleventh Avenue Helena, MT 59620	_____

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

The City Clerk-Treasurer of the City, acting as Registrar, has transferred, on the books of the City, 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.

Date of Transfer	Name of New Registered Holder	Signature of Registrar
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

FORM OF ASSIGNMENT

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

By: _____
(Authorized Signature)

For: _____
(Holder)

SCHEDULE B

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

[Form of the Series 2019B Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF CARBON

CITY OF RED LODGE

WATER SYSTEM REVENUE BOND
(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)
SERIES 2019B

R-1

\$1,123,000

FOR VALUE RECEIVED, CITY OF RED LODGE, 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 Debt Service Account of its Water System Fund, the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under “Total Amount Advanced,” with interest on each such amount from the date such amount is advanced hereunder at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond, each at the rate of twenty-five hundredths of one percent (0.25%) per annum. Principal, interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a “Loan Repayment Date”) commencing January 1, 2020 and concluding July 1, 2039. Each installment shall be in the amount set forth opposite its due date in Schedule B attached hereto under “Total Loan Payment.” The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule B attached hereto. Upon each disbursement of 2019B 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 5.1.4 of the Supplemental Resolution (as hereinafter defined). 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 Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments

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

This Bond is one of an issue of Water System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$1,123,000 (the "Series 2019B Bond"). The Series 2019B 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 fund deposits to the General Reserve Subaccount in the Reserve Account. The Series 2019B 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, Parts 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 3252, adopted by the City Council of the City on May 13, 2008, as amended and supplemented by Resolution No. 3271, duly adopted by the City Council of the City on November 25, 2008 (as so amended and supplemented, the "Original Resolution"), as amended and supplemented by Resolution No. 3518, adopted by the City Council of the City on May 14, 2019 (the "Supplemental Resolution and together with the Original Resolution, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The Series 2019B Bond is issuable only as a single, fully registered bond. The Series 2019B Bond is issued on a parity with the Borrower's Amended and Restated Water System Revenue Bond, Series 1998 (the "Series 1998 Bond"), Water System Revenue Refunding Bond, Series 2008 (the "Series 2008 Bond"), and Water System Revenue Bond, Series 2009 (the "Series 2009 Bond"). The Borrower is also issuing simultaneously herewith its Subordinate Lien Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Taxable Series 2019A. The 2019B First Advance is made as of the date hereof.

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2019B 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 1998 Bond, the Series 2008 Bond, the Series 2009 Bond and the Series 2019B Bond (collectively, the "Outstanding Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the Series 2019B Bond.

The Borrower may prepay the principal of the Series 2019B 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 Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest, and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2019B Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

This Series 2019B Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not

constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this Series 2019B Bond is registered as the absolute owner hereof, whether this Series 2019B 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 2019B Bond may be transferred as hereinafter provided.

This Series 2019B 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 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 Debt Service Account in that Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than the sum of one-sixth of the interest to become due within the next six months and one-twelfth of the principal to become due within the next twelve months with respect to all Bonds payable semiannually from that Account, and an amount equal to the next monthly installment in respect of Bonds payable monthly from that Account; that the Borrower has created a General Reserve Subaccount in the Reserve Account in such fund into which shall be paid additional Net Revenues, after required credits to the Debt Service Account, sufficient to maintain the General Reserve Requirement; that the Debt Service Account will be used only to pay the principal of, premium, if any, and interest on the Outstanding Bonds and any other Additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce during each fiscal year Net Revenues not less than 110% of the maximum annual principal and interest payable on the Outstanding Bonds in the current or any future fiscal year; that Additional Bonds may be issued and made payable from the Debt Service 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; that all provisions for the security of the holder of this Series 2019B 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 2019B 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 2019B Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Debt Service Account and do not constitute a debt of the Borrower within the meaning of any

constitutional or statutory limitation or provision and the issuance of the Series 2019B Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Red Lodge, Montana, by its governing body, has caused this Bond to be executed by the signatures of the Mayor and the City Clerk-Treasurer, 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 _____, 2019.

Mayor

(SEAL)

City 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 City Clerk-Treasurer as Registrar, has duly noted the transfer on the Bond and recorded the transfer on the Registrar's registration books. The Borrower shall be entitled to deem and treat the person in whose name this Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of the Bond shall be made only to the order of the registered holder thereof, and all such payments shall be valid and effectual to satisfy and discharge the Borrower's liability upon the Bond to the extent of the sum or sums so paid.

REGISTER

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

Date of Registration	Name and Address of Registered Holder	City Clerk-Treasurer
_____, 2019	Department of Natural Resources and Conservation 1539 Eleventh Avenue Helena, MT 59620	

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

The City Clerk-Treasurer of the City, acting as Registrar, has transferred, on the books of the City, 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.

Date of Transfer	Name of New Registered Holder	Signature of Registrar

FORM OF ASSIGNMENT

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

By: _____
(Authorized Signature)

For: _____
(Holder)

SCHEDULE B

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

ADDITIONAL REPRESENTATIONS AND COVENANTS

None

APPENDIX D

\$1,623,000
Water System Revenue Bonds
(DNRC Drinking Water State Revolving Loan Program)
consisting of \$500,000 Subordinate Lien Taxable Series 2019A Bond
and \$1,123,000 Series 2019B Bond
City of Red Lodge, Montana

COMPLIANCE CERTIFICATE AND REQUEST

We, _____ and _____, hereby certify that we are on the date hereof the duly qualified and acting Mayor and the City Clerk-Treasurer, respectively, of the City of Red Lodge, Montana (the “Borrower”), and that:

1. Pursuant to Resolution No. 3252, adopted by the City Council of the City on May 13, 2008, as amended and supplemented by Resolutions No. 3271, duly adopted by the City Council on November 25, 2008 (as so amended and supplemented, the “Original Resolution”), as amended and supplemented by Resolution No. 3518, adopted on May 14, 2019, entitled “Resolution Relating to \$1,623,000 Water System Revenue Bonds (DNRC Drinking Water State Revolving Loan Program), Consisting of \$500,000 Subordinate Lien Taxable Series 2019A Bond and \$1,123,000 Series 2019B Bond; Authorizing the Issuance and Fixing the Terms and Conditions Thereof” (the “Supplemental Resolution”), the Borrower issued its Subordinate Lien Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Taxable Series 2019A, dated, as originally issued, as of _____, 2019, in the maximum aggregate principal amount of \$500,000 (the “Series 2019A Bond”), and its Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2019B, dated, as originally issued, as of _____, 2019, in the maximum aggregate principal amount of \$1,123,000 (the “Series 2019B Bond”). The Borrower has reviewed the Supplemental Resolution, including, without limitation, Articles II and III thereof, and the definitions relating thereto. The Borrower acknowledges and agrees that the Series 2019A Bond evidences a loan made to the Borrower from the DNRC from funds made available to the DNRC from an EPA Capitalization Grant, and that this Certificate is being relied upon by the DNRC for ensuring compliance with requirements applicable to the Borrower, the DNRC, and the 2019 Project (as hereinafter defined). Capitalized terms used herein without definition shall have the meanings given them in the Original Resolution, as amended and supplemented by the Supplemental Resolution (as so amended and supplemented, the “Resolution”).

2. The Series 2019A Bond is issued to finance a portion of the costs of construction and installation of various improvements to the System, generally described as the 2019 Project (the “2019 Project”) in the Resolution. Construction of the 2019 Project has complied with all federal and state standards, including, without limitation, EPA regulations and standards. The 2019 Project is expected to be completed and placed in service on or about _____, 20__.

3. Costs of the 2019 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

2019A Committed Amount not advanced or to be advanced upon delivery hereof. The Borrower specifically confirms and agrees that any remaining amounts of the 2019 Loans to be lent to the Borrower, if any, shall be evidenced by the Series 2019B Bond.

4. As of the date hereof, the Borrower has spent the following amounts in connection with the 2019 Project and costs related thereto:

Personnel Costs	
Office Costs	
Professional Services (Grant Admin.)	
Legal Costs	
Audit Fees	
Loan Reserves	
Bond Counsel and Related Costs	
Engineering Design	
Construction Engineering Services	
Construction	
Contingency	
TOTAL PROJECT COSTS	

Of such amounts, \$_____ were paid from advances of proceeds of the Series 2019A Bond.

5. The Trustee has delivered to the Borrower a copy of Schedule B to be attached to the Series 2019A Bond, which reflects the amortization of all advances made or to be made on the date hereof of proceeds of the Series 2019A Bond (i.e., \$_____). The Borrower hereby acknowledges and agrees that Schedule B has been calculated in accordance with the provisions of the Resolution and the Indenture, and that the Series 2019A 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 2019A Bond and interest and surcharges thereon is thereupon forgiven, and if the DNRC delivers a Noncompliance Certificate, amounts advanced under the 2019A Loan evidenced by the Series 2019A Bond shall bear interest from and after the first advance of principal of the Series 2019A Bond 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 Surcharge, all as described in Section 5.1.2 of the Supplemental Resolution authorizing the Series 2019A Bond.

6. The representations of the Borrower contained in Articles II and III of the Supplemental 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 2019 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, and that the iron and steel products used in the 2019 Project comply with the "American Iron and Steel" requirements of Section 436 of the Consolidated Appropriations Act of 2014 (P.L. 113-76), as those requirements are further interpreted by applicable EPA guidance.

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 2019A 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 2019A 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, and (iii) if the DNRC delivers to the Borrower a Noncompliance Certificate, (a) the obligation of the Borrower to repay the principal of the Series 2019A Bond plus interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge thereon shall continue in full force and effect until the principal of the Series 2019A Bond advanced and interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge thereon are paid in full, as set forth in Schedule B delivered pursuant to paragraph 5 above, and as provided in the Series 2019A Bond and the Resolution, and (b) the Borrower shall, as necessary, within the 3-month period specified in the Supplemental 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__.

CITY OF RED LODGE, MONTANA

(SEAL)

By _____
Mayor

By _____
City Clerk-Treasurer