

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Missoula, Montana (the "City"), hereby certify that the attached resolution is a true copy of Resolution No. ____, entitled: "**Resolution Relating to up to \$12,462,000 Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2022A (SRF 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 a meeting on March 28, 2022, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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 28th day of March, 2022.

City Clerk

Supplemental Resolution

Relating to up to

\$12,462,000

**Water System Revenue Bond
(DNRC Drinking Water State Revolving Loan Program),
Series 2022A (SRF Bond)**

City of Missoula, Montana

Adopted: March 28, 2022

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

	<u>Page</u>
Recitals.....	1
ARTICLE I DEFINITIONS, RULES OF CONSTRUCTION AND APPENDICES	2
Section 1.1 Definitions.....	2
Section 1.2 Other Rules of Construction	6
Section 1.3 Appendices.....	7
ARTICLE II AUTHORIZATION, FINDINGS, REPRESENTATIONS AND COVENANTS	7
Section 2.1 Authorization and Findings.....	7
Section 2.2 Representations	8
Section 2.3 Covenants.....	11
Section 2.4 Covenants Relating to the Tax-Exempt Status of the State Bonds.....	14
Section 2.5 Maintenance of System; Liens.....	15
Section 2.6 Maintenance of Existence; Merger, Consolidation, Etc.;	
Disposition of Assets	16
ARTICLE III USE OF PROCEEDS; THE 2022A PROJECT.....	16
Section 3.1 Use of Proceeds.....	16
Section 3.2 The 2022A Project	17
Section 3.3 2022A Project Representations and Covenants	18
Section 3.4 Completion or Cancellation or Reduction of Costs of the 2022A	
Project 18	
ARTICLE IV THE 2022A LOAN.....	19
Section 4.1 The 2022A Loan; Disbursement of Loan	19
Section 4.2 Commencement of Loan Term	21
Section 4.3 Termination of Loan Term.....	21
Section 4.4 Loan Closing Submissions.....	21
ARTICLE V REPAYMENT OF 2022A Loan	21
Section 5.1 Repayment of 2022A Loan.....	21
Section 5.2 Additional Payments	22
Section 5.3 Prepayments	23
Section 5.4 Obligations of Borrower Unconditional	23
Section 5.5 Limited Liability	23
ARTICLE VI INDEMNIFICATION OF DNRC AND DEQ	24
ARTICLE VII ASSIGNMENT	24

Section 7.1	Assignment by Borrower	24
Section 7.2	Assignment by DNRC	24
Section 7.3	State Refunding Bonds	24
ARTICLE VIII THE SERIES 2022A BOND		24
Section 8.1	Surplus Net Water Revenues Available.....	24
Section 8.2	Issuance and Sale of the Series 2022A Bond.....	25
Section 8.3	Terms	25
Section 8.4	Negotiability, Transfer and Registration.....	25
Section 8.5	Execution and Delivery.....	26
Section 8.6	Form.....	26
ARTICLE IX SECURITY FOR THE SERIES 2022A BOND.....		26
ARTICLE X TAX MATTERS.....		26
Section 10.1	Use of 2022A Project.....	26
Section 10.2	General Covenant.....	27
Section 10.3	Arbitrage Certification	27
Section 10.4	Arbitrage Rebate.	27
Section 10.5	Information Reporting	27
ARTICLE XI CONTINUING DISCLOSURE.....		27
ARTICLE XII MISCELLANEOUS.....		28
Section 12.1	Notices	28
Section 12.2	Binding Effect.....	29
Section 12.3	Severability	29
Section 12.4	Amendments	29
Section 12.5	Applicable Law	29
Section 12.6	Captions; References to Sections.....	29
Section 12.7	No Liability of Individual Officers, Directors, Council Members or Trustees	29
Section 12.8	Payments Due on Holidays.....	29
Section 12.9	Right of Others To Perform Borrower’s Covenants	29
Section 12.10	Authentication of Transcript.....	30
Section 12.11	Effective Date	30
APPENDIX A – Description of the 2022A Project.....		A-1
APPENDIX B – Form of Series 2022A Bond.....		B-1
APPENDIX C – Additional Representations and Covenants.....		C-1

Resolution No. _____

Resolution Relating to up to \$12,462,000 Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2022A (SRF 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 City of Missoula, Montana (the “Borrower”) has applied to the DNRC for the 2022A Loan (as hereinafter defined) from the Revolving Fund to enable the Borrower to finance, refinance or reimburse itself for a portion of the costs of the 2022A Project (as hereinafter defined) which will carry out the purposes of the Safe Drinking Water Act; and

WHEREAS, the Borrower is authorized under applicable laws, ordinances and regulations to adopt this Supplemental Resolution and to issue the Series 2022A Bond (as hereinafter defined) to evidence the 2022A Loan (as hereinafter defined) for the purposes set forth herein; and

WHEREAS, the DNRC will fund the 2022A Loan 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 MISSOULA, 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, as amended, or as follows:

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

“Administrative Expense Surcharge” means, with respect to the Series 2022A Bond, a surcharge by that name charged by the DNRC to the Borrower at a rate of twenty-five hundredths of one percent (0.25%) per annum on the outstanding principal amount of the 2022A Loan from the date of each advance thereof, payable by the Borrower on each Payment Date.

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

“Bond Fund” means the account created in the Water Revenue Fund pursuant to Section 5.02 of the Original Resolution.

“Bond Register” means, with respect to the Series 2022A Bond, the registration books maintained by the Registrar pursuant to Section 8.4 of this Supplemental Resolution.

“Bonds” means the Series 2019A Bonds, Series 2019B Bonds, and any Future Parity Bonds to be issued on parity therewith pursuant to Section 6.09 of the Original Resolution. The Series 2022A Bond is issued as a SRF Bond and is not a Bond.

“Borrower” means the City.

“Business Day” means any day other than a Saturday, Sunday, a legal holiday in the State, or a day on which banks in the State are authorized or required by law to close.

“City” means the City of Missoula, Montana, or any permitted successor or assign.

“Closing” means the date of delivery of the Series 2022A Bond to the DNRC.

“Code” means the Internal Revenue Code of 1986.

“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 2022A Bond. If no Collateral Documents secure such obligations, any reference to Collateral Documents in this Supplemental Resolution shall be without effect.

“Committed Amount” means the amount of the 2022A 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 Sections 3.2 and 3.4 of this Supplemental Resolution.

“Council” means the City Council of the Borrower.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state and, so long as any SRF Bonds are Outstanding, satisfactory to the DNRC.

“Debt” means, without duplication, in respect of the Water 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.

“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.

“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.

“Estimated Completion Date” means December 31, 2024, the date by which it is estimated by the Borrower that the 2022A Project will be substantially completed.

“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, with respect to the Series 2022A Bond, a surcharge by that name charged by the DNRC to the Borrower at the rate of twenty-five

hundredths of one percent (0.25%) per annum on the outstanding principal amount of the 2022A Loan from the date of each advance thereof, payable by the Borrower on each Payment Date.

“Loan Repayments” means periodic installments of principal and interest by Borrower in repayment of the Series 2022A Bond at the rates and times specified in Article V.

“Municipal Revenue Bond Act” means Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended.

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

“Original Resolution” means Resolution No. 8319, adopted by the City Council on February 25, 2019.

“Payment Date” means, with respect to the 2022A Loan, each January 1 and July 1 during the term of the 2022A Loan on which a payment of interest or principal and interest is due, as determined under this Supplemental Resolution.

“Person” means any Private Person or Public Entity.

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

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

“Project” means an improvement, betterment, reconstruction or extension of the Water System, or any part thereof, including the 2022A Project.

“Public Entity” means a municipality, city, town, county, irrigation district, drainage district, county water and sewer district, a soil conservation district, political or administrative subdivision of State government or other public body established by State law or an Indian tribe that has a federally recognized governing body carrying out substantial governmental duties and powers over any area.

“Registrar” with respect to the Series 2022A Bond has the meaning set forth in Section 8.4 of this Supplemental Resolution.

“Regulations” means the Treasury Regulations, whether final, temporary or proposed, promulgated under the Code or otherwise applicable to the Series 2022A Bond.

“Resolution” means the Original Resolution, as amended and supplemented by Resolution Nos. 8320 and 8579, adopted by the City Council on February 25, 2019 and February 14, 2022, by this Supplemental Resolution, and as it may be further amended and supplemented.

“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 2019A Bonds” means the Borrower’s Water System Revenue Bonds, Series 2019A, issued by the Borrower pursuant to the Original Resolution.

“Series 2019B Bonds” means the Borrower’s Water System Revenue Bonds, Series 2019B, issued by the Borrower pursuant to the Resolution as then in effect.

“Series 2019 Bonds” means the Series 2019A Bonds and the Series 2019B Bonds.

“Series 2022 Bond” means the Borrower’s up to \$3,165,000 Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2022 (SRF Bond) to be issued to the DNRC substantially simultaneously with the Series 2022A Bond.

“Series 2022A Bond” means the Borrower’s up to \$12,462,000 Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2022A (SRF Bond), to be issued to the DNRC to evidence the 2022A Loan.

“SRF Bond Fund” means the fund created in the Water Revenue Fund pursuant to Section 5.03 of the Original Resolution, as amended.

“SRF Bonds” means bonds of the City that are issued pursuant to Section 6.10 of the Original Resolution, as amended, and purchased by the DNRC. As described more fully in Section 6.10 of the Original Resolution, as amended, SRF Bonds are subordinate to the Bonds (including the Series 2019 Bonds) and are payable from Surplus Net Water Revenues in the SRF Bond Fund.

“SRF Debt Service Account” shall mean the Account so named in the SRF Bond Account created under Section 5.03 of the Original Resolution, as amended.

“SRF Reserve Account” shall mean the Account so named in the SRF Bond Account created under Section 5.03 of the Original Resolution, as amended.

“SRF Reserve Requirement” means, as of the date of calculation, an amount equal to the highest cumulative amount of principal of and interest payable on Outstanding SRF Bonds in any one future Fiscal Year.

“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 any obligation the principal of or interest on which is payable after the obligations described in items First through Seventh of Section 4.02 of the Original Resolution, as amended.

“Supplemental Resolution” means this resolution of the Borrower adopted on March 28, 2022.

“Surplus Net Water Revenues” shall mean that portion of the Net Water Revenues in excess of the current requirements of the Bond Fund.

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

“2022A Loan” means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the Committed Amount to provide funds to pay all or a portion of the costs of the 2022A Project.

“2022A 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 2022A Loan, described in Appendix A hereto.

“Undisbursed Committed Amount” means any undisbursed Committed Amount which is not required to pay costs of the 2022A Project upon completion thereof as provided in Section 3.4 of this Supplemental Resolution.

“Water Revenue Fund” means the fund created as described in Section 5.01 of the Original Resolution.

“Water System” means the existing water system of the Borrower and all extensions, improvements and betterments thereof hereafter constructed and acquired, including, without limitation, the 2022A Project.

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 2022A Project;

Appendix B: the form of the Series 2022A Bond; and

Appendix C: additional agreements and representations of the Borrower.

ARTICLE II

AUTHORIZATION, FINDINGS, REPRESENTATIONS AND COVENANTS

Section 2.1 Authorization and Findings.

(a) Authorization. Under the provisions of the Municipal Revenue Bond 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.

(b) The Water System. The Borrower, pursuant to the Municipal Revenue Bond Act and other laws of the State, has acquired and presently owns and operates the Water System.

(c) The 2022A Project. After investigation of the facts and as authorized by the Municipal Revenue Bond Act, this Council has determined it to be necessary and desirable and in the best interests of the Borrower to construct the 2022A Project. In accordance with Section 6.08 of the Original Resolution, the Borrower hereby determines that the extensions, betterments and improvements to the Water System constituting the 2022A Project are economically sound and will properly and advantageously contribute to the conduct of the business of the Water System in an efficient manner.

(d) Outstanding Indebtedness. Pursuant to the Municipal Revenue Bond Act and the Resolution, the Borrower has issued, and there are Outstanding its Series 2019 Bonds, the proceeds of which were used to finance and refinance the acquisition of the Water System. The Series 2019 Bonds are payable from Net Water Revenues of the Water System. In addition, substantially simultaneously with the closing on the Series 2022A Bond, the Borrower expects to issue its Series 2022 Bond, the proceeds of which will be used to finance improvements to the Water System. The Series 2022 Bond is an SRF Bond, and will be payable from the Surplus Net

Water Revenues of the Water System. There are currently no other bonds or notes outstanding secured by Water Revenues, Net Water Revenues or Surplus Net Water Revenues.

(e) Issuance of Additional SRF Bonds. The Borrower reserved the right under the Original Resolution, as amended, to issue SRF Bonds and additional SRF Bonds if certain conditions are met, including that Surplus Net Water Revenues for the last complete Fiscal Year preceding the date of issuance of such SRF Bonds or additional SRF Bonds, adjusted as described in Section 6.10 of the Original Resolution, as amended, shall have equaled at least 125% of the maximum amount of principal and interest payable from the SRF Debt Service Account in any subsequent Fiscal Year during the term of any Outstanding SRF Bonds, on all SRF Bonds then Outstanding and on the additional SRF Bonds proposed to be issued. The Series 2022A Bond is issued as an additional SRF Bond, payable from Surplus Net Water Revenues on a parity with the Series 2022 Bond but on a junior or subordinate basis to the Bonds. The Borrower hereby determines that Surplus Net Water Revenues for Fiscal Year 2021, adjusted as permitted by Section 6.10 of the Original Resolution, as amended, were equal to at least 125% of the maximum amount of principal and interest payable in any subsequent Fiscal Year with respect to the Series 2022 Bond and Series 2022A Bond, and the Mayor, City Clerk and City Finance Director are hereby authorized and directed to deliver a certificate regarding such determination in connection with the Closing. The Borrower hereby determines that it is authorized by the Original Resolution, as amended, to issue the Series 2022A Bond in the maximum principal amount of \$12,462,000, with the terms and conditions set forth herein.

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 Water System and to carry on its current activities with respect to the Water System, to adopt this Supplemental Resolution and to enter into the Collateral Documents and to issue the Series 2022A Bond and to carry out and consummate all transactions contemplated by the Supplemental Resolution, the Series 2022A Bond 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 2022A Bond and the Collateral Documents and the incurrence of the Debt evidenced by the Series 2022A Bond 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 2022A Bond and the Collateral Documents, or the financial condition of the Borrower, or the transactions contemplated by the Resolution, the Series 2022A Bond and the Collateral Documents or the validity and enforceability of the Resolution, the Series 2022A Bond 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 2022A Project, the Series 2022A Bond or any Collateral Documents.

(c) Borrowing Legal and Authorized. The adoption of this Supplemental Resolution, the execution and delivery of the Series 2022A Bond and the Collateral Documents and the consummation of the transactions provided for in this Supplemental Resolution, the Series 2022A Bond and the Collateral Documents and compliance by the Borrower with the provisions of the Resolution, the Series 2022A Bond 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 2022A Bond 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 2022A Bond 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 2022A Bond and the Collateral Documents (including any necessary water rate increase). The Borrower has obtained or will obtain any permits, findings or approvals as necessary for the 2022A Project, the financing or refinancing thereof or the reimbursement of the Borrower for the costs thereof, and the Borrower acknowledges that no proceeds of the 2022A Loan will be advanced to pay costs of any portion of the 2022A Project until such permits, findings and approvals have been received with respect to such portion of the 2022A Project. 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 2022A Bond or entering into the Collateral Documents and the performance of the Borrower's obligations hereunder and thereunder.

(f) Binding Obligation. The Resolution, the Series 2022A Bond 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 2022A Project. The 2022A 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 2022A 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 Water System or will otherwise significantly further the health protection objectives of the Safe Drinking Water Act.

(h) The Water System. The Water 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 Water 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 Water System, the Borrower's status as a Public Entity and Governmental Unit, its ability to own and operate the Water System in the manner it is currently operated or the Borrower's ability to perform its obligations under the Resolution, the Series 2022A Bond and the Collateral Documents and to pledge any revenues or other property pledged to the payment of the Series 2022A Bond.

(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 Water 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 Water 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 Water 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 Water System as presently conducted or the condition (financial or otherwise) of the Water System or the Borrower's ability to perform its obligations under the Resolution, the Series 2022A Bond and the Collateral Documents.

Section 2.3 Covenants. The Borrower hereby covenants to the DNRC and DEQ as follows, which covenants shall apply so long as the Series 2022A Bond or other SRF Bonds are Outstanding:

(a) Insurance. In addition to its covenants in Section 6.05 of the Original Resolution, so long as there are SRF Bonds Outstanding, the Borrower at all times shall keep and maintain with respect to the Water 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. Upon request, 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 Water System or any or all books and records of the Borrower relating to the Water 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 2022A Bond and the Collateral Documents and to realize thereon, and record and file and re-record and refile all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the DNRC to validate, preserve and protect the position of the DNRC under the Resolution, the Series 2022A Bond 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 2022A Bond;

(2) The Borrower shall forthwith, after the execution and delivery of the Series 2022A Bond 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 2022A Bond 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. In addition to its covenants in Section 6.06 of the Original Resolution, so long as there are SRF Bonds Outstanding, the Borrower agrees that for each Fiscal Year it shall furnish to the DNRC and the DEQ, promptly when available:

(1) the preliminary budget for the Water System, with items for the 2022A Project shown separately; and

(2) when adopted, the final budget for the Water System, with items for the 2022A Project shown separately.

The Borrower will cause proper and adequate books of record and account to be kept showing complete and correct entries of all receipts, disbursements and other transactions relating to the Water System, the monthly Water Revenues derived from its operation, and the segregation and application of the Water Revenues in accordance with this Resolution, in such reasonable detail as may be determined by the Borrower in accordance with generally accepted governmental accounting practice and principles. It will cause such books to be maintained on the basis of the same Fiscal Year as that utilized by the Borrower. The Borrower shall, within 270 days after the close of each Fiscal Year, cause to be prepared and supply to the DNRC a financial report with respect to the Water System for such Fiscal Year. The report shall be prepared at the direction of the financial officer of the Borrower in accordance with applicable

generally accepted governmental accounting principles and, in addition to whatever matters may be thought proper by the financial officer to be included therein, shall include the following:

- (1) a statement in detail of the income and expenditures of the Water System for the Fiscal Year, identifying capital expenditures and separating them from Operating Expenses;
- (2) a balance sheet as of the end of the Fiscal Year;
- (3) the number of premises connected to the Water System at the end of the Fiscal Year;
- (4) the amount on hand in each account of the Water Revenue Fund at the end of the Fiscal Year;
- (5) a list of the insurance policies and fidelity bonds in force at the end of the Fiscal Year, setting out as to each the amount thereof, the risks covered thereby, the name of the insurer or surety and the expiration date of the policy or bond; and
- (6) a determination that the report shows full compliance by the Borrower with the provisions of this Resolution during the Fiscal Year covered thereby, including proper segregation of the capital expenditures from Operating Expenses, maintenance of the required balance in the Bond Fund and the SRF Bond Fund and, pursuant to Section 5.03 of the Original Resolution, as amended, receipt of Surplus Net Water Revenues during each Fiscal Year at least equal to 125% of the maximum cumulative amount of principal and interest payable on any Outstanding SRF Bonds in any future Fiscal Year, and sufficient to maintain the SRF Reserve Account at the SRF Reserve Requirement and to pay principal and interest on Subordinate Lien Obligations as and when due, or, if the report should reveal that the revenues have been insufficient for purposes of compliance with this Resolution, or that the methods used in accounting for such revenues are contrary to any provision of this Resolution the report shall include a full explanation thereof together with recommendations for such change in rates or accounting practices or in the operation of the Water System as may be required.

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

(g) 2022A 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 2022A Loan and the 2022A 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 2022A Bond or any other funds of the Borrower in respect of the 2022A Project or the Series 2022A Bond, 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 2022A Loan or the portion of the 2022A Loan 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 2022A 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 2022A Project being refinanced or the cost of which is being reimbursed was acquired by and is now and shall, during the term of the 2022A Loan, be owned by the Borrower and not by any other Person. Any portion of the 2022A Project being financed shall be acquired by and shall, during the term of the 2022A Loan, be owned by the Borrower and not by any other Person. Notwithstanding the previous two sentences, the Borrower may transfer the 2022A 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 2022A 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 2022A Loan, the DNRC will, if necessary to obtain the Opinion of Bond Counsel described in Section 7.05(a) of the Indenture, deliver to the Borrower instructions concerning compliance by the Borrower with the arbitrage rebate requirements of Section 148 of the Code (the “Arbitrage Rebate Instructions”). The Borrower shall comply with the Arbitrage Rebate Instructions, if any, delivered to it by the DNRC at Closing, as such Instructions may be amended or replaced by the DNRC from time to time. The Arbitrage Rebate Instructions may be amended or replaced by new Arbitrage Rebate Instructions delivered by the DNRC and accompanied by an Opinion of Bond Counsel to the effect that the use of said amended or new Arbitrage Rebate Instructions will not adversely affect the excludability of interest on the State Bonds or any Additional State Bonds (except 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 2022A Loan it will not contract with or permit any Private Person to manage the 2022A 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 2022A Project or any portion thereof to any Person other than a 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 2022A Project to a 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 2022A 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 Water System, including the 2022A 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 2022A Project or any other property making up part of the Water System, other than liens securing Debt where a parity or senior lien secures the Series 2022A Bond; 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. In addition to its covenants in Section 6.03 of the Original Resolution, so long as there are SRF Bonds Outstanding, 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 2022A Bond and the Collateral Documents, and (a) such action does not result in any default in the performance or observance of any of the terms, covenants or agreements of the Borrower under the Resolution, the Series 2022A Bond 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 2022A Bond or the State Bonds from gross income for federal income tax purposes and (c) the Borrower delivers to the DNRC on the date of such action an Opinion of Bond Counsel that such action complies with this Section 2.6.

Other than pursuant to the preceding paragraph, so long as there are SRF Bonds Outstanding, the Borrower shall not transfer the Water 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 Water 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 2022A PROJECT

Section 3.1 Use of Proceeds. The Borrower shall apply the proceeds of the 2022A Loan from the DNRC solely as follows:

(a) The Borrower shall apply the proceeds of the 2022A Loan solely to the financing, refinancing or reimbursement of the costs of the 2022A Project, funding deposits to the SRF Reserve Account and paying costs of issuance, as set forth in Appendix A hereto and this Section 3.1. The 2022A Loan will be disbursed in accordance with Article IV hereof and Article VII of the Indenture. If the 2022A Project has not been completed prior to Closing, the Borrower shall, as quickly as reasonably possible, complete the 2022A Project and expend proceeds of the 2022A Loan for the purposes described in this Section 3.1(a).

(b) No portion of the proceeds of the 2022A Loan 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 2022A Loan are to be used to reimburse the Borrower for 2022A 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 2022A Loan 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 2022A Loan shall be used for the purpose of refinancing an obligation the interest on which is exempt from federal income tax or excludable from gross income for purposes of federal income taxation unless the DNRC has received an Opinion of Bond Counsel, satisfactory to it, to the effect that such refinancing will not adversely affect the exclusion of interest on the State Bonds from gross income for purposes of federal income taxation.

Section 3.2 The 2022A Project. Set forth in Appendix A to this Supplemental Resolution is a description of the 2022A 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 2022A Loan (the 2022A Project may consist of more than one facility or activity), and an estimated budget relating to the 2022A Project. The 2022A 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 2022A Project, an increase or decrease in the amount of proceeds of the 2022A Loan which will be required to complete the 2022A Project and whether the change will materially accelerate or delay the construction schedule for the 2022A Project;
- (b) A written consent to such change in the 2022A Project by an Authorized DNRC Officer;
- (c) An Opinion or Opinions of Bond Counsel stating that the 2022A 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 2022A Bond was issued, eligible for financing under the State Act, such amendment will not violate the State Act or the Municipal Revenue Bond Act and such amendment will not adversely affect the exclusion of interest on the State Bonds or the Series 2022A Bond from gross income for purposes of federal income taxation. Such an Opinion of Bond Counsel shall not be required for amendments which do not affect the type of facility to be constructed or activity to be financed.

The Borrower acknowledges that no proceeds of the 2022A Loan will be advanced to pay costs of any portion of the 2022A Project until the Borrower has satisfied all conditions imposed and received all approvals required by DEQ with respect to such portion of the 2022A Project.

The Borrower acknowledges and agrees that an increase in the principal amount of the 2022A Loan 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 Supplemental Resolution authorizing the additional loan and delivery of written certifications by officers of the Borrower to the DEQ, the DNRC and the Trustee to the effect that all representations and covenants contained in the Resolution as it may be so amended or supplemented are true as of the date of closing of the additional loan and compliance with applicable tests for the incurrence of such Debt. No assurance can be given that any additional loan funds will be available under the Program at the time of any such application or thereafter. The Borrower acknowledges and

agrees that neither the DEQ, the DNRC, the Trustee nor any of their agents, employees or representatives shall have any liability to the Borrower and have made no representations to the Borrower as to the sufficiency of the 2022A Loan to pay costs of the 2022A Project or as to the availability of additional funds under the Program to increase the principal amount of the 2022A Loan.

Section 3.3 2022A Project Representations and Covenants. The Borrower hereby represents to and covenants with the DNRC that:

- (a) all construction of the 2022A 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 2022A 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 2022A 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 2022A 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 2022A 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; and
- (f) the 2022A Project is a project of the type permitted to be financed under the Municipal Revenue Bond Act, the State Act and the Program and Section 1452 of the Safe Drinking Water Act; and
- (g) the Borrower will undertake the 2022A Project promptly after the Closing Date and will cause the 2022A 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 2022A Project will be substantially completed by the Estimated Completion Date.

Section 3.4 Completion or Cancellation or Reduction of Costs of the 2022A Project.

- (a) Upon completion of the 2022A Project, the Borrower shall deliver to the DNRC a certificate stating that the 2022A 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 2022A Project, a separate completion certificate shall be delivered for each.

(b) If all or any portion of the 2022A 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 2022A LOAN

Section 4.1 The 2022A Loan; Disbursement of Loan.

(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 \$12,462,000 (the “Committed Amount”) for the purposes of financing, refinancing or reimbursing the Borrower for a portion of the costs of the 2022A Project, funding deposits to the SRF Reserve Account and paying costs of issuance; provided the DNRC shall not be required to loan any proceeds of the State Bonds to the Borrower after the Estimated Completion Date. The Committed Amount may be reduced as provided in Sections 3.2 and Section 3.4 of this Supplemental Resolution.

(b) The DNRC intends to disburse the 2022A Loan through the Trustee. In consideration of the issuance of the Series 2022A Bond by the Borrower, the DNRC shall make, or cause the Trustee to make, a disbursement of all or a portion of the 2022A Loan upon receipt of the following documents:

(1) an Opinion of Bond Counsel as to the validity and enforceability of the Series 2022A Bond and the security therefor and stating in effect that interest on the Series 2022A 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 2022A Bond, fully executed and authenticated;

(3) a certified copy of the 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 2022A Loan;

(5) if all or part of the 2022A 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 2022A Loan to be disbursed at Closing; and

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

(c) In order to obtain a disbursement of a portion of the 2022A Loan to pay costs of the 2022A 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) The 2022A Loan shall be disbursed, subject to the terms and conditions of this Supplemental Resolution.

(e) The Borrower shall submit the request for disbursement in the form required by the DNRC so that it is received in sufficient time for the DNRC to process the information. The Borrower shall not be entitled to, and the DNRC shall have no obligation to make, any advance of amounts under the 2022A Loan until such time as the Borrower shall have set aside and funded the SRF Reserve Account in an amount then required to satisfy the SRF 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 2022A Loan 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 2022A Loan 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 2022A 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 2022A Loan disbursement, the Trustee shall note such disbursement on Schedule A to the Series 2022A Bond.

(j) The Borrower agrees that it will deposit in the SRF Reserve Account upon receipt thereof, any proceeds of the 2022A Loan borrowed for the purpose of increasing the balance in the SRF Reserve Account to the SRF Reserve Requirement. The Borrower further acknowledges and agrees that any portions of the 2022A Loan representing capitalized interest shall be advanced only on Payment Dates and shall be transferred by the Trustee on the Payment Date directly to the Bond Fund. The amount of any such transfer shall be a credit against the interest payments due on the Series 2022A Bond 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 2022A Loan in whole or in part. The DNRC and the Trustee, in their sole and absolute discretion, may make one or more disbursements, in whole or in part, notwithstanding such noncompliance, and without liability to make any subsequent disbursement of the 2022A Loan.

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 proceeds of the 2022A Loan.

Section 4.3 Termination of Loan Term. The Borrower's obligations under this Supplemental Resolution and the Collateral Documents in respect of the Series 2022A Bond shall terminate upon payment in full of all amounts due under the Series 2022A Bond and this Supplemental Resolution in respect thereof; provided, however, that the covenants and obligations provided in Article VI and Section 10.3 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 2022A Loan

Section 5.1 Repayment of 2022A Loan. The Borrower shall repay the amounts lent to it pursuant to Section 4.1 hereof in accordance with this Section 5.1. The Loan Repayments and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the 2022A 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 2022A Loan shall be payable on each January 1 and July 1, beginning on July 1, 2022 and concluding on January 1, 2042; and

- (2) the principal of the 2022A Loan shall be repayable on each January 1 and July 1, beginning on July 1, 2022 and concluding on January 1, 2042, and the amount of each principal payment shall be calculated on the basis of substantially level debt service at an interest rate of 2.50% per annum; provided that principal of the 2022A Loan is payable only in amounts that are multiples of \$1,000.

Loan Repayments and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the 2022A Loan shall be due on the dates specified above and on the dates and in the amounts shown in Schedule B to the Series 2022A Bond, as such Schedule B shall be modified from time to time as provided in this Section 5.1 and below. Schedule B will first be attached to the Series 2022A 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 2022A Bond on and after Closing. Upon each disbursement of 2022A 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 Series 2022A 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 2022A 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 2022A 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.

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 2022A Bond and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge under this Section 5.1 shall be credited against the same payment obligation under the Series 2022A 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 2022A Loan, if the Borrower so chooses, all reasonable expenses of the DNRC and the Trustee in connection with the 2022A Loan, the Collateral Documents and the Series 2022A Bond, including, but not limited to:

- (a) the cost of reproducing this Supplemental Resolution, the Collateral Documents and the Series 2022A Bond;
- (b) the fees and disbursements of Bond Counsel and other Counsel utilized by the DNRC and the Trustee in connection with the 2022A Loan, this Supplemental Resolution, the Collateral Documents and the Series 2022A Bond 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 2022A Bond, whether or not the Series 2022A Bond 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 2022A Bond, 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 2022A Bond, unless (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and, if applicable, Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2022A Bond is prepaid in part pursuant to this Section 5.3, such prepayments shall be applied to principal payments in inverse order of maturity, or, if the DNRC in its sole discretion determines, the remaining principal will be reamortized over the remaining term.

Section 5.4 Obligations of Borrower Unconditional. The obligations of the Borrower to make the payments required by this Supplemental Resolution and the Series 2022A Bond and to perform its other agreements contained in this Supplemental Resolution, the Series 2022A Bond 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 2022A Bond, (b) shall perform all its other agreements in this Supplemental Resolution, the Series 2022A Bond and the Collateral Documents and (c) shall not terminate this Supplemental Resolution, the Series 2022A Bond or the Collateral Documents for any cause, including any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2022A Project or the Water 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 2022A Loan is 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 2022A Loan and other payment obligations of the Borrower hereunder and under the Series 2022A Bond shall be special, limited obligations of the Borrower payable solely out of the Surplus Net Water 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 2022A Bond 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 2022A Bond, and no funds or property of the Borrower

other than the Surplus Net Water Revenues may be required to be used to pay principal of or interest on the Series 2022A Bond.

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 2022A 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 2022A Bond.

Section 7.2 Assignment by DNRC. The DNRC will pledge its rights under and interest in the Resolution, the Series 2022A Bond 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 are refunded by bonds which are not State Bonds, all references in the Resolution to 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 the Refunding Bonds.

ARTICLE VIII

THE SERIES 2022A BOND

Section 8.1 Surplus Net Water Revenues Available. The Borrower is authorized to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the Water System, and to pledge and appropriate to the Series 2022A Bond the Surplus Net

Water Revenues to be derived from the operation of the Water System, including improvements, betterments or extensions thereof hereafter constructed or acquired. The Net Water Revenues to be produced by such rates, charges and rentals during the term of the Series 2022A Bond are expected to be more than sufficient to pay the principal and interest when due on the Series 2019 Bonds, with sufficient Surplus Net Water Revenues remaining to pay the Series 2022A Bond and Series 2022 Bond, to maintain the SRF Reserve Account at the SRF Reserve Requirement, and to provide an adequate allowance for replacement and depreciation of the Water System.

Section 8.2 Issuance and Sale of the Series 2022A Bond. The Council has investigated the facts necessary and hereby finds, determines and declares it to be necessary and desirable for the Borrower to issue the Series 2022A Bond to evidence the 2022A Loan. The Series 2022A Bond is issued to the DNRC without public sale pursuant to Montana Code Annotated, Section 7-7-4433.

Section 8.3 Terms. The Series 2022A Bond shall be issued as a SRF Bond, in the maximum principal amount equal to the original Committed Amount, shall be issued as a single, fully registered bond numbered R-1, shall be dated as of the date of delivery to the DNRC, and shall bear interest at the rate charged by the DNRC on the 2022A Loan. The principal of and interest on the Series 2022A Bond and any Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable from Surplus Net Water Revenues on hand in the SRF Bond Fund on the same dates on which Loan Repayments are payable. Advances of principal of the Series 2022A Bond shall be deemed made when advances of the 2022A Loan are made under Section 4.1, and such advances shall be payable in accordance with Schedule B to the Series 2022A Bond, as it may be revised by the DNRC from time to time in accordance with Section 5.1.

The Borrower may prepay the Series 2022A Bond, in whole or in part, only upon the terms and conditions under which it can prepay the 2022A Loan under Section 5.3.

Section 8.4 Negotiability, Transfer and Registration. The Series 2022A Bond shall be fully registered as to both principal and interest, and shall be initially registered in the name of and payable to the DNRC. While so registered, principal of and interest on the Series 2022A Bond shall be payable to the DNRC at the Office of the Department of Natural Resources and Conservation, 1539 Eleventh Avenue, Helena, Montana 5962 or such other place as may be designated by the DNRC in writing and delivered to the Borrower. The Series 2022A Bond shall be negotiable, subject to the provisions for registration and transfer contained in this Section 8.4. No transfer of the Series 2022A Bond shall be valid unless and until (1) the holder, or its duly authorized attorney or legal representative, has executed the form of assignment appearing on the Series 2022A Bond, and (2) the City Finance Director of the Borrower (or successors, the "Registrar"), as Registrar, has duly noted the transfer on the Series 2022A Bond and recorded the transfer on the registration books of the Registrar. The Registrar may, prior to noting and recording the transfer, require appropriate proof of the transferor's authority and the genuineness of the transferor's signature. The Borrower shall be entitled to deem and treat the Person in whose name the Series 2022A Bond is registered as the absolute owner of the Series 2022A Bond for all purposes, notwithstanding any notice to the contrary, and all payments to the registered holder shall be valid and effectual to satisfy and discharge the Borrower's liability upon such Series 2022A Bond to the extent of the sum or sums so paid.

Section 8.5 Execution and Delivery. The Series 2022A Bond shall be executed on behalf of the Borrower by the manual signatures of the Mayor and the City Clerk. Any or all of such signatures may be affixed at or prior to the date of delivery of the Series 2022A Bond. In the event that any of the officers who shall have signed the Series 2022A Bond shall cease to be officers of the Borrower before the Series 2022A Bond is issued or delivered, their signatures shall remain binding upon the Borrower. Conversely, the Series 2022A Bond may be signed by an authorized official who did not hold such office on the date of adoption of this Supplemental Resolution. The Series 2022A Bond shall be delivered to the DNRC, or its attorney or legal representative.

Section 8.6 Form. The Series 2022A Bond shall be prepared in substantially the form attached as Appendix B.

ARTICLE IX

SECURITY FOR THE SERIES 2022A BOND

The Series 2022A Bond is issued as a SRF Bond under Section 6.10 of the Original Resolution, as amended. The Series 2022A Bond is subordinate and junior in priority of payment to the Series 2019 Bonds and any Future Parity Bonds. The Series 2022A Bond is, equally and ratably with the Series 2022 Bond and any SRF Bonds that may be issued hereafter in accordance with the Resolution, secured by the provisions of the Resolution and payable out of the Surplus Net Water Revenues appropriated to the SRF Debt Service Account in the SRF Bond Fund, without preference or priority among SRF Bonds, all as provided in the Resolution, and secured by the SRF Reserve Account. Upon each advance of proceeds of the Series 2022A Bond, the City Finance Director shall transfer from proceeds of the Series 2022A Bond such amount or amounts to the SRF Reserve Account to cause the balance therein to equal the SRF Reserve Requirement, based on the principal amount of the Series 2022A Bond so advanced. Thereafter, upon each monthly apportionment, from the Surplus Net Water Revenues remaining after the apportionment to the SRF Debt Service Account, the Borrower shall credit to the SRF Reserve Account such additional Surplus Net Water Revenues as may be required to establish and thereafter maintain the balance in an amount equal, as of the date of calculation, to the SRF Reserve Requirement.

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 2022A Bond.

ARTICLE X

TAX MATTERS

Section 10.1 Use of 2022A Project. The 2022A Project and the Water 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 2022A Project or the Water System or security for the payment of the Series 2022A Bond which might cause the Series 2022A Bond

to be considered a “private activity bond” or “private loan bond” within the meaning of Section 141 of the Code.

Section 10.2 General Covenant. The Borrower covenants and agrees with the owners from time to time of the Series 2022A 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 2022A 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 2022A Bond will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

Section 10.3 Arbitrage Certification. The Mayor and the City Clerk, being the officers of the Borrower charged with the responsibility for issuing the Series 2022A 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 2022A Bond, it is reasonably expected that the proceeds of the Series 2022A Bond will be used in a manner that would not cause the Series 2022A Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

Section 10.4 Arbitrage Rebate. The Borrower acknowledges that the Series 2022A Bond is subject to the rebate requirements of Section 148(f) of the Code. The Borrower covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Regulations to preserve the exclusion of interest on the Series 2022A Bond from gross income for federal income tax purposes, unless the Series 2022A Bond qualifies for the exception from the rebate requirement under Section 148(f)(4)(B) of the Code and no “gross proceeds” of the Series 2022A Bond (other than amounts constituting a “bona fide debt service fund”) arise during or after the expenditure of the original proceeds thereof. In furtherance of the foregoing, the City Finance Director is hereby authorized and directed to execute a tax or rebate certificate, substantially in the form to be prepared by Bond Counsel, and the Borrower hereby covenants and agrees to observe and perform the covenants and agreements contained therein, unless amended or terminated in accordance with the provisions thereof.

Section 10.5 Information Reporting. The Borrower shall file with the Secretary of the Treasury, not later than August 15, 2022, a statement concerning the Series 2022A Bond containing the information required by Section 149(e) of the Code.

ARTICLE XI

CONTINUING DISCLOSURE

The Borrower understands and acknowledges that the DNRC is acquiring the Series 2022A Bond under the Program pursuant to which the State issues from time to time State Bonds to provide funds therefor. The Borrower covenants and agrees that, upon written request of the DNRC from time to time, the Borrower will promptly provide to the DNRC all information that

the DNRC reasonably determines to be necessary or appropriate to offer and sell State Bonds or to provide continuing disclosure in respect of State Bonds, whether under Rule 15c2-12 (17 C.F.R. § 240.15c2-12) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or otherwise. Such information shall include, among other things and if so requested, financial statements of the Borrower prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Montana law, as in effect from time to time (such financial statements to relate to a Fiscal Year or any period therein for which they are customarily prepared by the Borrower, and, if for a Fiscal Year and so requested by the DNRC, subject to an audit report and opinion of an accountant or government auditor, as permitted or required by the laws of the State). The Borrower will also provide, with any information so furnished to the DNRC, a certificate of the Mayor and the City Clerk 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 XII

MISCELLANEOUS

Section 12.1 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
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 Missoula
435 Ryman Street
Missoula, Montana 59802
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 12.2 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 12.3 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 12.4 Amendments. So long as there are SRF Bonds Outstanding, the Resolution may not be effectively amended without the written consent of the DNRC.

Section 12.5 Applicable Law. This Supplemental Resolution shall be governed by and construed in accordance with the internal laws of the State without giving effect to the conflicts of law provisions thereof.

Section 12.6 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.

Section 12.7 No Liability of Individual Officers, Directors, Council Members 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 2022A Loan.

Section 12.8 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 2022A Bond, shall not be Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Supplemental Resolution or the Series 2022A Bond.

Section 12.9 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 2022A

Project or the facility or facilities of which the 2022A Project is a part or any other facility which is a part of the Water System in order to effectuate the purposes of this Section.

Section 12.10 Authentication of Transcript. The officers of the Borrower are hereby authorized and directed to furnish to the DNRC and to Bond Counsel certified copies of all proceedings relating to the issuance of the Series 2022A Bond and such other certificates and affidavits as may be required to show the right, power and authority of the Borrower to issue the Series 2022A Bond, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the Borrower as to the truth of the statements of fact purported to be shown thereby.

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

Adopted by the City Council of the City of Missoula, Montana, on this 28th day of March, 2022.

Mayor

Attest: _____
City Clerk

(SEAL)

APPENDIX A

Description of the 2022A Project

The 2022A Project consists of designing, engineering, acquiring and constructing improvements to the Water System, including: (i) purchase and installation of new water meters; (ii) replacement of certain water mains located throughout the City and (iii) related improvements.

Estimated 2022A Project Budget

	Series 2022A Bond	ARPA Min Allocation	Total
Audit Fees	\$ 10,000		\$ 10,000
Loan Reserves	797,725		797,725
Bond Counsel and Related Costs	20,000		20,000
Engineering – Basic Services	484,573		484,573
Representative Services	695,993		695,993
Engineering - Additional Services	56,916		56,916
Meters	3,885,522		3,885,522
Construction	5,458,157	\$3,446,407	8,904,564
Contingency	1,053,114		1,053,114
TOTAL	\$ 12,462,000	\$3,446,407	\$15,908,407

APPENDIX B

[Form of the Series 2022A Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF MISSOULA

CITY OF MISSOULA

WATER SYSTEM REVENUE BOND
(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)
SERIES 2022A
(SRF BOND)

R-1

\$12,462,000

FOR VALUE RECEIVED, CITY OF MISSOULA, 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 Surplus Net Water Revenues in the SRF Bond Fund of its Water Revenue 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, solely from said source, an Administrative Expense Surcharge and 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 July 1, 2022 and concluding January 1, 2042. 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, of interest, of Administrative Expense Surcharge and of Loan Loss Reserve Surcharge shall be as set forth in Schedule B attached hereto. Upon each disbursement of 2022A 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 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.

This Bond is one of an issue of water system revenue bonds, denominated as “SRF 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 \$12,462,000 (the “Series 2022A Bond”). The Series 2022A Bond is issued to finance a portion of the costs of the construction of certain improvements to the water system of the Borrower (the “Water System”), to fund deposits to the SRF Reserve Account and to pay costs of issuance. The Series 2022A 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. 8319, adopted by the City Council on February 25, 2019 (the “Original Resolution”), as amended and supplemented by Resolution Nos. 8320, 8579 and _____, adopted by the City Council on February 25, 2019, February 14, 2022 and March 28, 2022, respectively (the Original Resolution, as so amended and supplemented, the “Resolution”). Terms used with initial capital letters but not defined herein have the meanings given to them in the Resolution. The Series 2022A Bond is issuable only as a single, fully registered bond. **The Series 2022A Bond is issued as a SRF Bond and is payable and secured ratably and equally and on a parity with the Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2022 (the “Series 2022 Bond”) any additional SRF Bonds hereafter issued pursuant to the Resolution, on a second lien basis, subordinate to all Bonds in the manner and to the extent provided in the Resolution.**

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2022A Bond has been issued, the Surplus Net Water Revenues appropriated to the SRF Bond Fund for the payment and security thereof, the conditions upon which additional SRF Bonds may be issued under the Resolution and made payable from the SRF Bond Fund on a parity with the Series 2022A Bond and the Series 2022 Bond (collectively, the “SRF 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 2022A Bond.

The Borrower may prepay the principal of the Series 2022A Bond only if (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest, and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2022A Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity or, if the DNRC in its sole discretion determines, the remaining principal will be reamortized over the remaining term.

The Series 2022A Bond, including interest and any premium for the redemption thereof, is payable solely from the Surplus Net Water Revenues appropriated to the SRF Bond

Fund pledged for the payment thereof and does not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this Series 2022A Bond is registered as the absolute owner hereof, whether this Series 2022A 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 2022A Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will prescribe and collect reasonable rates and charges for all services and facilities afforded by the Water System, including all additions thereto and replacements and improvements thereof, and has created a special Water Revenue Fund into which the Water Revenues will be paid, and a separate and special SRF Bond Fund, within which the City has created the SRF Debt Service Account and the SRF Reserve Account; the Borrower has covenanted that into the SRF Debt Service Account will be paid each month, from Surplus Net Water Revenues, 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 Outstanding SRF Bonds payable semi-annually; that the Borrower has covenanted that into the SRF Reserve Account shall be paid Surplus Net Water Revenues remaining after required credits to the SRF Debt Service Account in the SRF Bond Fund sufficient to establish and maintain a reserve therein equal to, as of the date of calculation, the SRF Reserve Requirement; that the SRF Debt Service Account will be used only to pay the principal of, premium, if any, and interest on the Series 2022A Bond, the Series 2022 Bond and any additional SRF Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the Water System will from time to time be made and kept sufficient, to provide Water Revenues adequate to pay promptly the Operating Expenses, to provide Net Water Revenues adequate to provide for the requirements of the Bond Fund, and to provide Surplus Net Water Revenues during each Fiscal Year not less than 125% maximum cumulative amount of principal and interest payable on Outstanding SRF Bonds in any one future Fiscal Year; that additional SRF Bonds may be issued and made payable from the SRF Bond Fund on a parity with the Series 2022A Bond and Series 2022 Bond upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Surplus Net Water Revenues of the Water System, unless the lien thereof shall be expressly made subordinate to the lien of the Outstanding SRF Bonds on such Surplus Net Water Revenues; that all provisions for the security of the holder of this Series 2022A 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 2022A 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 2022A Bond and the interest hereon are payable solely from the Surplus Net Water Revenues pledged and appropriated to the SRF Bond 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 2022A 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 Missoula, Montana, by its governing body, has caused this Bond to be executed by the signatures of the Mayor and the City Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the ___ day of _____, 2022.

Mayor

(SEAL)

City Clerk

REGISTRATION AND TRANSFER

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

REGISTER

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

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of City Finance Director</u>
_____, 2022	<u>Department of Natural</u> <u>Resources and Conservation</u> <u>1539 Eleventh Avenue</u> <u>Helena, MT 59620</u>	_____

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

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

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

FORM OF ASSIGNMENT

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

By: _____
(Authorized Signature)

For: _____
(Holder)

SCHEDULE 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