

RESOLUTION NO. 2024-6

RESOLUTION RELATING TO THE ISSUANCE BY THE TOWN OF PHILIPSBURG OF ITS \$2,594,671 WASTEWATER SYSTEM REVENUE BONDS (DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM), CONSISTING OF \$750,000 SUBORDINATE LIEN TAXABLE SERIES 2024A BOND AND \$1,844,671 SERIES 2024B BOND; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF

WHEREAS, pursuant to the Water Pollution Control State Revolving Fund Act, Montana Code Annotated, Title 75, Chapter 5, Part 11, 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 water pollution control 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 water pollution control state revolving fund under the federal Clean Water Act (the "Clean 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 Clean Water Act and according to rules adopted by the DEQ and the DNRC; and

WHEREAS, the Town of Philipsburg (the "Borrower"), by its Resolution No. 2016-9 dated October 13, 2016, authorized the issuance of its \$425,000 Wastewater Revenue Bond, Series 2016 (the "Series 2016 Bond") issued by Montana Board of Investments ("MBOI") through its INTERCAP Program and pledged the revenue of the Borrower's wastewater system to the payment of the Series 2016 Bond to make certain improvements to the Town's Wastewater System; and

WHEREAS, the Borrower, by Resolution No. 2018-6 dated April 3, 2018, authorized the issuance of its \$77,000 Wastewater Revenue Bond, Series 2018 (the "Series 2018 Bond") issued by Montana Board of Investments through its INTERCAP Program and pledged the revenue of the Borrower's wastewater system to the payment of the Series 2018 Bond on a parity lien basis with the Series 2016 Bond to make certain improvements to the Town's Wastewater System; and

WHEREAS, the 2023 EPA Capitalization Grant (as hereinafter defined) requires that loans under the Program funded in whole or in part by such grant in the aggregate and not on a loan-by-loan basis be structured in such a way that a dollar amount in the aggregate equal to at least 15% of the total proceeds of such grant be subject to loan forgiveness; and

WHEREAS, the Borrower has applied to the DNRC for the 2024 Loans (as hereinafter defined) from the Revolving Fund to enable the Borrower to finance or reimburse itself for the costs of the 2024 Project (as hereinafter defined) which will carry out the purposes of the Clean Water Act; and

WHEREAS, the Borrower is authorized under applicable laws, ordinances and regulations to adopt this Resolution and to issue the Series 2024 Bonds (as hereinafter defined) to evidence the 2024 Loans (as hereinafter defined) for the purposes set forth herein; and

WHEREAS, the DNRC will fund: (i) the 2024A Loan (as hereinafter defined) from proceeds of a portion of the 2021 EPA Capitalization Grants, and (ii) the 2024B Loan (as hereinafter defined) in part, directly or indirectly, with recycled proceeds of State Bonds (as hereinafter defined) and in part, directly or indirectly, with funds provided by the United States Environmental Protection Agency under the Clean Water Act; and

WHEREAS, the Borrower and DNRC agree to the issuance of the Series 2024B Bond on a parity lien basis with the Series 2016 Bond and the Series 2018 Bond.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COMMISSION OF THE TOWN OF PHILIPSBURG, MONTANA, AS FOLLOWS:

## ARTICLE I

### DEFINITIONS, RULES OF CONSTRUCTION AND APPENDICES

Section I.1 Definitions. In this Resolution, unless a different meaning clearly appears from the context or separately defined herein, the meanings of words with initial capitalization are as follows::

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

“Acquisition and Construction Account” means the account created in the Wastewater System Fund pursuant to Section 11.1 hereof.

“Act” means Montana Code Annotated, Title 7, Chapter 7, Parts 44, 45 and 46, as amended, which authorizes the Borrower to own and operate the System and to finance or refinance improvements to the System.

“Administrative Expense Surcharge” means, (i) in respect of the 2024B Loan, in any event, and (ii) in respect of the 2024A Loan, upon the delivery of a Noncompliance Statement as provided by this Resolution, a surcharge equal to twenty-five hundredths of one percent (0.25%) per annum on the outstanding principal amount of the 2024 Loans from the date of each advance thereof, payable by the Borrower on a Payment Date.

“Authorized DNRC Officer” means the Director or Deputy Director of the DNRC, and, when used with reference to an act or document, also means any other individual authorized by resolution of the Department of Natural Resources and Conservation to perform such act or sign

such document. If authorized by the Department of Natural Resources and Conservation, an Authorized DNRC Officer may delegate all or a portion of his authority as an Authorized DNRC Officer to another individual, and such individual shall be deemed an Authorized DNRC Officer for purposes of exercising such authority.

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

“Bonds” means the Series 2024B Bond, and any Additional Bonds to be issued on a parity therewith; “Bonds” does not include the Series 2024A Bond.

“Borrower” means the Town of Philipsburg, Montana and its permitted successors or assigns hereunder.

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

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

“Closing” means, with respect to the Series 2024A Bond, the date of delivery thereof to the DNRC.

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

“Collateral Documents” means any security agreement, guaranty or other document or agreement delivered to the DNRC securing the obligations of the Borrower under this Resolution and the Series 2024 Bonds. If no Collateral Documents secure such obligations, any reference to Collateral Documents in this Resolution shall be without effect.

“Committed Amount” means the amount of the 2024 Loans committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Resolution, as such amount may be reduced pursuant to Sections 3.2 and 3.4 of this Resolution.

“Construction Contract” means the binding contract for construction of the 2024 Project entered into between the Borrower and \_\_\_\_\_ of \_\_\_\_\_ for \$ \_\_\_\_\_ in compliance with all laws of the State, including those regarding the construction of public projects.

“Consultant” means a nationally recognized consultant or firm of consultants, or an independent engineer or firm of independent engineers, or an Accountant, which in any case is qualified and has skill and experience in the preparation of financial feasibility studies or projections for facilities similar to the System or the 2024 Project, selected by the Borrower and satisfactory to the DNRC.

“Commission” means the Town Commission of the Town of Philipsburg, Montana.

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

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

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

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

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

“DNRC Compliance Certificate and Request” means the certificate and request substantially in the form of the attached Appendix D delivered by the DNRC to the Borrower following the final advance of principal of the 2024A Loan, to be completed, executed and delivered by the Borrower to the DNRC pursuant to Section 5.1.2 of this Resolution.

“DNRC Forgiveness Statement” means a written statement delivered to the Borrower by the DNRC in response to a Compliance Certificate and Request that the Borrower’s obligation to repay the principal of the Series 2024A Bond is forgiven.

“DNRC Noncompliance Statement” means a written statement delivered to the Borrower by the DNRC that the Borrower’s obligation to repay the principal of the Series 2024A Bond is not forgiven.

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

“EPA Agreements” means all capitalization grant agreements and other written agreements between the DEQ, 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 Clean Water Act.

“Estimated Completion Date” means December 31, 2025, the date by which it is estimated by the Borrower that the 2024 Project will be substantially completed.

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

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

“Loan” means a 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 Project under the Program and to fund a deposit to the Reserve Account.

“Loan Loss Reserve Surcharge” means a surcharge on the 2024 Loans charged by DNRC to the Borrower equal to twenty-five hundredths of one percent (0.25%) per annum on the outstanding principal amount of the 2024 Loans from the date of each advance thereof, payable by the Borrower on a Payment Date, except as otherwise provided for the 2024A Loan in Section 5.1 hereof.

“Loan Repayments” means periodic installments of principal and interest by Borrower in repayment of the Series 2024B Bond and if the DNRC delivers a DNRC Noncompliance Statement, for the Series 2024A Bond, at the rates and times specified in Article V of this Resolution.

“MBOI” means the Montana Board of Investments.

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

“Operating Account” means the account created in the Wastewater System Fund pursuant to Section 11.1 of this Resolution.

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

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

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

“Payment Date” means, with respect the 2024B Loan, each January 1 and July 1, commencing January 1, 2025 for the 2024B Loan, during the term of the Series 2024B Bond on which a payment of interest or principal and interest is due, as determined under this Resolution, and, if a Noncompliance Statement is delivered with respect to the 2024A Loan, each January 1 and July 1 during the term of the Series 2024A Bond on which a payment of interest or principal and interest is due, as determined under this Resolution.

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

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

“Project” means an improvement, betterment, reconstruction or extension of the System, including the 2024 Project.

“Public Entity” means a State agency, Town, town, municipality, irrigation district, county water and sewer district, a soil conservation district 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.

“Regulations” means the Treasury Department, Income Tax Regulations, as amended or any successor regulation thereto, promulgated under the Code or otherwise applicable to the Series 2024 Bonds.

“Replacement and Depreciation Account” means the Account created in the Wastewater System Fund pursuant to Section 11.1 of this Resolution.

“Reserve Account” means the account described in the Wastewater System Fund pursuant to Section 11.1 of this Resolution.

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

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

“Resolution” means this Resolution, and other resolutions.

“Revenue Bond Account” means the account described in the Wastewater System Fund pursuant to Section 11.1 of this Resolution.

“Series 2016 Bond” means the \$425,000 Wastewater Revenue Bond issued Montana Board of Investments through its INTERCAP Program.

“Series 2018 Bond” means the \$77,000 Wastewater Revenue Bond issued Montana Board of Investments through its INTERCAP Program.

“Series 2024 Bonds” means, collectively, the Series 2024A Bond and the Series 2024B Bond.

“Series 2024A Bond” means the \$750,000 Subordinate Lien Wastewater System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Taxable Series 2024A, issued to the DNRC to evidence the 2024A Loan.

“Series 2024B Bond” means the \$1,844,671 Wastewater System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2024B, issued to the DNRC to evidence the 2024B Loan.

“Series 2024 Revenue Bond Subaccount” means the subaccount created in the Debt Service Account of the Wastewater Fund pursuant to Section 11.1 of this Resolution.

“Series 2024 Reserve Subaccount” means the subaccount created in the Reserve Account of the Wastewater System Fund pursuant to Section 11.1 of this Resolution.

“State” means the State of Montana.

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

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

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

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

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

“System” means the Wastewater System of the Borrower and all extensions, improvements and betterments thereof heretofore or hereafter constructed and acquired.

“Town” means the Borrower and its permitted successors or assigns hereunder.

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

“2023 EPA Capitalization Grant” means that EPA Capitalization Grant made available to the Program from 2020 federal appropriations.

“2024A Committed Amount” means the amount of the 2024A Loan committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Resolution, as such amount may be reduced pursuant to Section 3.2 and Section 3.4 of this Resolution.

“2024B Committed Amount” means the amount of the 2024B Loan committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Resolution, as such amount may be reduced pursuant to Section 3.2 and Section 3.4 of this Resolution.

“2024B First Advance” means the first advance of funds of the 2024 Loans, which shall be made from the proceeds of the 2024B Loan by the DNRC to the Borrower in the amount of at least \$50,001.

“2024 Loans” or “Loan” means, collectively, the 2024A Loan and the 2024B 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 2024 Project and to pay costs of issuance of the Series 2024 Bonds.

“2024A Loan” means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2024A Committed Amount to provide funds to pay a portion of the costs of the 2024 Project payable under the Program and to pay costs of issuance.

“2024B Loan” means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2024B Committed Amount to provide funds to pay a portion of the costs of the 2024 Project payable under the Program and to pay costs of issuance.

“2024 Project” means the improvement to the wastewater system described in Appendix A hereto.

“Undisbursed Committed Amount” means any undisbursed Committed Amount which is not required to pay costs of the 2024 Project upon completion thereof as provided in Section 3 of this Resolution.

“Wastewater System Fund” means the fund described in Section 11.1 of this Resolution.

Section I.2 Other Rules of Construction. For all purposes of this Resolution, except where the context clearly indicates otherwise:

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

Section I.3 Appendices. Attached to this Resolution and hereby made a part hereof are the following Appendices:

Appendix A: a description of the 2024 Project;

Appendix B-1: the form of the Series 2024A Bond;

Appendix B-2: the form of the Series 2024B Bond;

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

Appendix D: DNRC Compliance Certificate and Request.

## ARTICLE II

### AUTHORIZATION, FINDINGS, REPRESENTATIONS AND COVENANTS

#### Section II.1 Authorization and Findings.

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

The Town finds that acquisition of the Project is authorized by law, is not contrary to any covenant, agreement, or obligation of the Town, is in the best interest of the residents of the Town, and complies with the additional improvement parity bonds requirements of the Series 2016 Bond.

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

(c) The 2024 Project. After investigation of the facts and as authorized by the Act, this Commission has determined it to be necessary and desirable and in the best interests of the Borrower to acquire and construct the 2024 Project.

(d) The total cost of the 2024 Project and costs of issuance of the Series 2024 Bonds and funding the reserve is estimated to be \$7,632,672, which is anticipated to be funded in accordance with the resources outlined in Appendix A. The Borrower covenants with the DNRC that from and after the 2024B First Advance it will spend the Committed Amount on costs of the 2024 Project before applying its own funds, if any, to costs of the 2024 Project.

#### Section II.2 Representations. The Borrower represents as follows:

(a) **Organization and Authority.** The Borrower:

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

(2) has all requisite power and authority and all necessary licenses and permits required as of the date hereof to own and operate the System and to carry on its current activities with respect to the System, to adopt this Resolution and to enter into the Collateral Documents and to issue the Series 2024 Bonds and to carry out and consummate all transactions contemplated by the Resolution, the Series 2024 Bonds and the Collateral Documents;

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

(4) has taken all proper action to authorize the execution, delivery and performance of its obligations under this Resolution, the Series 2024 Bonds and the Collateral Documents and the incurrence of the Debt evidenced by the Series 2024 Bonds in the maximum amount of the Committed Amount.

(b) Litigation. There is no litigation or proceeding pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower in any court or before or by any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the existence, corporate or otherwise, of the Borrower, or the ability of the Borrower to make all payments and otherwise perform its obligations under the Resolution, the Series 2024 Bonds and the Collateral Documents, or the financial condition of the Borrower, or the transactions contemplated by the Resolution, the Series 2024 Bonds and the Collateral Documents or the validity and enforceability of the Resolution, the Series 2024 Bonds and the Collateral Documents. No referendum petition has been filed with respect to any resolution or other action of the Borrower relating to the 2024 Project, the Series 2024 Bonds or any Collateral Documents and the period for filing any such petition will have expired before issuance of the Series 2024 Bonds.

(c) Borrowing Legal and Authorized. The adoption of this Resolution, the execution and delivery of the Series 2024 Bonds and the Collateral Documents and the consummation of the transactions provided for in this Resolution, the Series 2024 Bonds and the Collateral Documents and compliance by the Borrower with the provisions of the Resolution, the Series 2024 Bonds and the Collateral Documents:

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

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

court or other governmental orders to which the Borrower, its properties or operations are subject.

(d) No Defaults. No event has occurred and no condition exists that, upon execution and delivery of the Series 2024 Bonds and the Collateral Documents, would constitute a default under the Resolution or the Collateral Documents. The Borrower is not in violation of any term of any agreement, bond resolution, trust indenture, charter or other instrument to which it is a party or by which it or its property may be bound which violation would materially and adversely affect the transactions contemplated hereby or the compliance by the Borrower with the terms hereof or of the Series 2024 Bonds and the Collateral Documents.

(e) Governmental Consent. The Borrower has obtained or made all permits, findings and approvals required to the date of adoption of this Resolution by any governmental body or officer for the making and performance by the Borrower of its obligations under this Resolution, the Series 2024 Bonds and the Collateral Documents (including any necessary water rate increase) or for the 2024 Project, the financing or refinancing thereof or the reimbursement of the Borrower for the costs thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental authority (other than those, if any, already obtained) is required on the part of the Borrower as a condition to adopting this Resolution, issuing the Series 2024 Bonds or entering into the Collateral Documents and the performance of the Borrower's obligations hereunder and thereunder.

(f) Binding Obligation. This Resolution, the Series 2024 Bonds and any Collateral Document to which the Borrower is a party are the valid and binding special, limited obligations and agreements of the Borrower, enforceable against the Borrower in accordance with their terms, except to the extent that the enforceability thereof may be limited by laws relating to bankruptcy, moratorium, reorganization, insolvency or similar laws affecting creditors' rights and general principles of equity.

(g) The 2024 Project. The 2024 Project consists and will consist of the facilities, improvements and activities described in Appendix A, as such Appendix A may be amended from time to time in accordance with the provisions of Article III of this Resolution. The 2024 Project comprises facilities of a type that, as determined by the EPA, will facilitate compliance with the national clean water regulations applicable to the System or will otherwise significantly further the health protection objectives of the Clean Water Act.

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

(i) Full Disclosure. There is no fact that the Borrower has not specifically disclosed in writing to the DNRC that materially and adversely affects or (so far as the Borrower can now foresee), except for pending or proposed legislation or regulations that are a matter of general public information, that will materially and adversely affect the properties, operations and

finances of the System, the Borrower's status as a Public Entity and Governmental Unit, its ability to own and operate the System in the manner it is currently operated or the Borrower's ability to perform its obligations under the Resolution, the Series 2024 Bonds and the Collateral Documents and to pledge any revenues or other property pledged to the payment of the Series 2024 Bonds.

(j) Compliance With Law. The Borrower:

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

(2) has obtained all licenses, permits, franchises or other governmental authorizations necessary to the ownership of the System and the operation thereof and agrees to obtain all such licenses, permits, franchises or other governmental authorizations as may be required in the future for the System and the operation thereof, which failure to obtain might materially and adversely affect the ability of the Borrower to conduct the operation of the System as presently conducted or the condition (financial or otherwise) of the System or the Borrower's ability to perform its obligations under the Resolution, the Series 2024 Bonds and the Collateral Documents.

Section II.3 Covenants.

(a) Insurance. The Borrower at all times shall keep and maintain with respect to the System property and casualty insurance and liability insurance with financially sound and reputable insurers, or self-insurance as authorized by State law, against such risks and in such amounts, and with such deductible provisions, as are customary in the State in the case of entities of the same size and type as the Borrower and similarly situated and shall carry and maintain, or cause to be carried and maintained, and pay or cause to be paid timely the premiums for all such insurance. All such insurance policies shall name the DNRC as an additional insured to the extent permitted under the policy or program of insurance of the Borrower. Each policy must provide that it cannot be cancelled by the insurer without giving the Borrower and the DNRC 30 days' prior written notice. The Borrower shall give the DNRC prompt notice of each insurance policy it obtains or maintains to comply with this Section 2.3(a) and of each renewal, replacement, change in coverage or deductible under or amount of or cancellation of each such insurance policy and the amount and coverage and deductibles and carrier of each new or replacement policy. Such notice shall specifically note any adverse change as being an adverse change. The Borrower shall deliver to the DNRC at Closing a certificate providing the information required by this Section 2.3(a).

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

(c) Further Assurance. The Borrower shall execute and deliver to the DNRC all such documents and instruments and do all such other acts and things as may be necessary or required by the DNRC to enable the DNRC to exercise and enforce its rights under the Resolution, the Series 2024 Bonds and the Collateral Documents and to realize thereon, and record and file and re-record and refile all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the DNRC to validate, preserve and protect the position of the DNRC under the Resolution, the Series 2024 Bonds and the Collateral Documents.

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

(1) The Borrower shall, at its expense, take all necessary action to maintain and preserve the lien and security interest of the Resolution and the Collateral Documents so long as any amount is owing under the Resolution or the Series 2024 Bonds;

(2) The Borrower shall forthwith, after the execution and delivery of the Series 2024 Bonds and thereafter from time to time, cause the Resolution and any Collateral Documents granting a security interest in revenues or real or personal property and any financing statements or other notices or documents relating thereto to be filed, registered and recorded in such manner and in such places as may be required by law in order to perfect and protect fully the lien and security interest hereof and thereof and the security interest in them granted by the Resolution and, from time to time, shall perform or cause to be performed any other act required by law, including executing or causing to be executed any and all required continuation statements and shall execute or cause to be executed any further instruments that may be requested by the DNRC for such perfection and protection; and

(3) Except to the extent it is exempt therefrom, the Borrower shall pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of the documents described in subparagraph (2), and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Series 2024 Bonds and the Collateral Documents and the documents described in subparagraph (2).

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

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

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

The Borrower will cause proper and adequate books of record and account to be kept showing complete and correct entries of all receipts, disbursements and other transactions relating to the System, the monthly gross revenues derived from its

operation, and the segregation and application of the gross revenues in accordance with the Resolution, in such reasonable detail as may be determined by the Borrower in accordance with generally accepted governmental accounting practice and principles. It will cause such books to be maintained on the basis of the same Fiscal Year as that utilized by the Borrower. The Borrower shall, within 180 days after the close of each Fiscal Year, cause to be prepared and supply to the DNRC a financial report with respect to the System for such Fiscal Year. The report shall be prepared at the direction of the financial officer of the Borrower in accordance with applicable generally accepted governmental accounting principles and, in addition to whatever matters may be thought proper by the financial officer to be included therein, shall include the following:

- (i) A statement in detail of the income and expenditures of the System for the Fiscal Year, identifying capital expenditures and separating them from operating expenditures;
- (ii) A balance sheet as of the end of the Fiscal Year;
- (iii) The number of premises connected to the System at the end of the Fiscal Year;
- (iv) The amount on hand in each account of the Fund at the end of the Fiscal Year;
- (v) 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
- (vi) A determination that the report shows full compliance by the Borrower with the provisions of the Resolution during the Fiscal Year covered thereby, including proper segregation of the capital expenditures from operating expenses, maintenance of the required balance in the Reserve Account, and receipt of Net Revenues during each Fiscal Year at least equal to 110% of the maximum amount of principal and interest payable on outstanding Bonds (calculated assuming the DNRC has delivered a Forgiveness Statement) in any subsequent Fiscal Year, or, if the report should reveal that the revenues have been insufficient for compliance with the Resolution, or that the methods used in accounting for such revenues were contrary to any provision of the Resolution, the report shall include a full explanation thereof, together with recommendations for such change in rates or accounting practices or in the operation of the System as may be required.

The Borrower shall also have prepared and supplied to the DNRC and the DEQ, within 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 System. The audit report shall include an analysis of the Borrower's compliance with the provisions of the Resolution.

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

(h) Records. After reasonable notice from the EPA or the DNRC, the Borrower shall make available to the EPA or the DNRC such records as the EPA or the DNRC reasonably requires to review and determine compliance with the Clean Water Act, as provided in Section 75-5-1113(1)(c) of the Act.

(i) Compliance with Clean Water Act. The Borrower has complied and shall comply with all conditions and requirements of the Clean Water Act pertaining to the 2024 Loans and the 2024 Project. The Borrower understands and agrees that the 2024A Loan and the 2024B Loan are being made with funds made available to the DNRC. The Borrower has complied and shall comply with all Program requirements applicable to the 2024 Loans.

(j) Compliance with DEQ Requirements. The Borrower shall comply with plan, specification and other requirements for public wastewater systems established by the DEQ, as required by the Act.

Section II.4 Property Insurance. The Borrower will cause all buildings, properties, fixtures and equipment constituting a part of the System to be kept insured with a reputable insurance carrier or carriers, qualified under the laws of the State, in such amounts as are ordinarily carried, and against loss or damage by such hazards and risks as are ordinarily insured against, by public bodies owning and operating properties of a similar character and size; provided that if at any time the Borrower is unable to obtain insurance, it will obtain insurance in such amounts and against risks as are reasonably obtainable. The proceeds of all such insurance shall be available for the repair, replacement or reconstruction of damaged or destroyed property, and until paid out in making good such loss or damage, are pledged as security for the Bonds. All insurance proceeds received in excess of the amount required for restoration of the loss or damage compensated thereby shall be and become part of the revenues appropriated to the Fund. If for any reason insurance proceeds are insufficient for the repair, replacement and reconstruction of the insured property, the Borrower shall supply the deficiency from revenues on hand in the Replacement and Depreciation Account and the Surplus Account.

Section II.5 Liability Insurance and Surety Bonds. The Borrower will carry insurance against liability of the Borrower and its employees for injuries to persons (including death) and damage to property resulting from the construction, operation, maintenance, improvement or extension of the System in amounts not less than \$100,000 for death of or personal injury to any one person, \$300,000 for all personal injuries and deaths resulting from any one accident and \$300,000 for property damage in any one accident. It will also cause all persons handling money and other assets of the Fund to be adequately bonded for the faithful performance of their duties and to account for and pay over such money to the Borrower. Such bond shall be in the penal sum of \$10,000 or such greater amount as may from time to time be on hand in the Debt Service Account, the Reserve Account and the Replacement and Depreciation Account. All amounts

received under such insurance and bonds shall be applied to the payment of the loss or damage covered thereby. The premiums for all insurance and bonds required by this Section 2.4 and Section 2.3 constitute part of the Operating Expenses of the System, but no insurance liabilities of the Borrower in excess of amounts received under such insurance and bonds shall constitute a lien or charge on revenues or any other assets herein or otherwise pledged to the Fund..

Section II.6 Disposition of Property. The Borrower will not mortgage, lease, sell or otherwise dispose of any real or personal properties of the System, unless:

(a) Prior to or simultaneous with such mortgage, lease, sale or other disposition, all of the Bonds then Outstanding shall be discharged as provided herein; or

(b) (i) The properties to be mortgaged, leased sold or otherwise disposed of are unserviceable, inadequate, obsolete or no longer required for use in connection with the System; and (ii) the mortgage, lease, sale or other disposition will not prevent the Borrower from complying with the provisions of this Resolution; and (iii) all proceeds of the mortgage, lease, sale or other disposition of such properties are deposited into the Fund.

Section II.7 Cost of Insurance and Accounting. The insurance and fidelity bond premiums and the cost of the bookkeeping and audits herein provided for and of the billings and collection of the Revenues shall be payable from the Operating Account.

Section II.8 Handling of Funds. The employees of the Borrower, under the direction and control of the Clerk, shall keep books of account and collect the rates, charges and rentals for the services and facilities provided by the System and for other money currently receivable on account thereof. All money collected with respect to the System shall be deposited daily with the Clerk. The Clerk shall be bonded at all times with a surety company authorized to do business in the State, in the amount of at least \$5,000, to assure the faithful carrying out of such duties. Any failure on the part of the Clerk to comply and to enforce compliance on the part of all officers and employees concerned with the provisions of this Resolution, and with the Borrower's other regulations respecting the System, shall constitute malfeasance for which the Clerk and the surety on his or her bond shall be personally liable.

Section II.9 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 2024 Bonds or any other funds of the Borrower in respect of the 2024 Project or the Series 2024 Bonds, directly or indirectly, in a manner that would cause, or take any other action that would cause, any State Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or would otherwise cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation.

(b) The Borrower agrees that it will not enter into, or allow any "related person" (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the State Bonds or any other obligations of the DNRC in an amount related to the amount of the 2024 Loans or the portion of the 2024 Loans derived directly or indirectly from proceeds of the State Bonds or that would otherwise cause any State Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code.

(c) The Borrower shall not use or permit the use of the 2024 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 2024 Project being refinanced or the cost of which is being reimbursed was acquired by and is now and shall, during the term of the 2024 Loans, be owned by the Borrower and not by any other Person. Any portion of the 2024 Project being financed shall be acquired by and shall, during the term of the 2024 Loans, be owned by the Borrower and not by any other Person. Notwithstanding the previous two sentences, the Borrower may transfer the 2024 Project or a portion thereof to another Governmental Unit which is also a Public Entity if such transfer is otherwise permitted under the Resolution and if such organization agrees with the DNRC to comply with Section 2.3(h), Section 2.3(i) and Section 2.4 of this Resolution and if the DNRC receives an Opinion of Bond Counsel that such transfer will not violate the State Act or the Clean 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 2024 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 Clean Water Act.

(e) At the Closing of the 2024 Loans, the DNRC will, if necessary to obtain the Opinion of Bond Counsel described in Section 7.05(a) of the Indenture, deliver to the Borrower instructions concerning compliance by the Borrower with the arbitrage rebate requirements of Section 148 of the Code (the "Arbitrage Rebate Instructions"). The Borrower shall comply with the Arbitrage Rebate Instructions, if any, delivered to it by the DNRC at Closing, as such Instructions may be amended or replaced by the DNRC from time to time. The Arbitrage Rebate Instructions may be amended or replaced by new Arbitrage Rebate Instructions delivered by the DNRC and accompanied by an Opinion of Bond Counsel to the effect that the use of said amended or new Arbitrage Rebate Instructions will not adversely affect the excludability of interest on the State Bonds or any Additional State Bonds (except State Bonds the interest on which the State did not intend to be excluded from gross income for federal income tax purposes) from gross income of the recipients thereof for federal income tax purposes.

(f) The Borrower agrees that during the term of the 2024 Loans it will not contract with or permit any Private Person to manage the 2024 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 Clean 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 2024 Project or any portion thereof to any Person other than a Nonexempt Person which agrees in writing with the Borrower and the State not to cause any default to occur under the Resolution; provided the Borrower may lease all or any portion of the 2024 Project to a Nonexempt Person pursuant to a lease which in the Opinion of

Bond Counsel delivered to the DNRC will not cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation.

(h) The Borrower shall not change the use or nature of the 2024 Project if (i) such change will violate the Clean 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 II.10 Maintenance of System; Liens. The Borrower shall maintain the System, including the 2024 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 2024 Project or any other property making up part of the System, other than liens securing Debt where a parity or senior lien secures the Series 2024 Bonds; provided that this Section 2.10 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 II.11 Maintenance of Existence; Merger, Consolidation, Etc.; Disposition of Assets. The Borrower shall maintain its corporate existence, except that it may consolidate with or merge into another Governmental Unit or permit one or more Governmental Units to consolidate with or merge into it or may transfer all or substantially all of its assets to another Governmental Unit and then dissolve if the surviving, resulting or transferee entity (if other than the Borrower) (i) is a Public Entity and (ii) assumes in writing all of the obligations of the Borrower under the Resolution, the Series 2024 Bonds and the Collateral Documents, and (a) such action does not result in any default in the performance or observance of any of the terms, covenants or agreements of the Borrower under the Resolution, the Series 2024 Bonds and the Collateral Documents, (b) such action does not violate the State Act or the Clean Water Act and does not adversely affect the exclusion of interest on the Series 2024 Bonds or the State Bonds from gross income for federal income tax purposes and (c) the Borrower delivers to the DNRC on the date of such action an Opinion of Bond Counsel that such action complies with this Section 2.11.

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

### ARTICLE III

#### USE OF PROCEEDS; THE 2024 PROJECT

Section III.1 Use of Proceeds. The Borrower shall apply the proceeds of the 2024 Loans from the DNRC solely as follows:

(a) The Borrower shall apply the proceeds of the 2024 Loans solely to the financing or reimbursement of the costs of the 2024 Project as set forth in Appendix A hereto and this Section 3.1. The 2024 Loans will be disbursed in accordance with Article IV hereof and Article VII of the Indenture. If the 2024 Project has not been completed prior to Closing, the Borrower shall, as quickly as reasonably possible, complete the 2024 Project and expend proceeds of the 2024 Loans to pay the costs of completing the 2024 Project.

(b) No portion of the proceeds of the 2024 Loans shall be used to reimburse the Borrower for costs paid prior to the date of adoption of this Resolution of a Project the construction or acquisition of which occurred or began earlier than June 1, 1993. In addition, if any proceeds of the 2024 Loans are to be used to reimburse the Borrower for 2024 Project costs paid prior to the date of adoption of this Resolution, the Borrower shall have complied with Section 1.150-2 of the Regulations in respect of such costs.

(c) Any Debt to be refinanced with proceeds of the 2024 Loans was incurred after June 1, 1993 for a Project the construction or acquisition of which began after June 1, 1993. No proceeds of the 2024 Loans shall be used for the purpose of refinancing an obligation the interest on which is exempt from federal income tax or excludable from gross income for purposes of federal income taxation unless the DNRC has received an Opinion of Bond Counsel, satisfactory to it, to the effect that such refinancing will not adversely affect the exclusion of interest on the State Bonds from gross income for purposes of federal income taxation.

Section III.2 The 2024 Project. Set forth in Appendix A to this Resolution is a description of the 2024 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 2024 Loans (the 2024 Project may consist of more than one facility or activity), and an estimated budget relating to the 2024 Project. The 2024 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 2024 Project, an increase or decrease in the amount of 2024 Loans proceeds which will be required to complete the 2024 Project and providing that the change will not delay the construction schedule for the 2024 Project;

(b) A written consent to such change in the 2024 Project by an Authorized DNRC Officer;

(c) An Opinion or Opinions of Bond Counsel stating that the 2024 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 2024 Bonds were issued, eligible for financing under the Act, such amendment will not violate the State Act or the Act and such amendment will not adversely affect the exclusion of interest on the State Bonds or the Series 2024B Bond from gross income for purposes of federal income taxation. Such an Opinion of Bond Counsel shall not be required for amendments which do not affect the type of facility to be constructed or activity to be financed; and

(d) In the event the change to the 2024 Project has the effect of reducing the amount of the Committed Amount, the written consent of the Borrower to reallocation of the Committed Amount between the 2024A Loan and the 2024B Loan, if required by the DNRC, as described in Section 5.6 below.

The Borrower acknowledges and agrees that an increase in the principal amount of the 2024 Loans may be made only upon an application to the DEQ, the DNRC and the Trustee, in such form as the DEQ shall specify, which is approved by the DEQ and the DNRC, in their sole and absolute discretion, and adoption by the governing body of the Borrower of a resolution amendatory of or supplementary to the Resolution authorizing the additional loan and delivery of written certifications by officers of the Borrower to the DEQ, the DNRC and the Trustee to the effect that all representations and covenants contained in the Resolution as it may be so amended or supplemented are true as of the date of closing of the additional loan 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 2024 Loans to pay costs of the 2024 Project or as to the availability of additional funds under the Program to increase the principal amount of the 2024 Loans.

Section III.3 2024 Project Representations and Covenants. The Borrower hereby represents to and covenants with the DNRC that:

(a) all construction of the 2024 Project has complied and will comply with all federal and state standards, including, without limitation, EPA regulations and standards;

(b) all construction of the 2024 Project has and will be done only pursuant to fixed price construction contracts. The Borrower has obtained a performance and payment bond from the contractor for each construction contract in the amount of 100% of the construction price and will ensure that such bond is maintained until construction is completed to the Borrower's, the DNRC's and the DEQ's satisfaction;

(c) all construction of the 2024 Project has and will be done in accordance with plans and specifications on file with the DNRC and the DEQ, provided that changes may be made in such plans and specifications with the written consent of an Authorized DNRC Officer and the DEQ;

(d) all laborers and mechanics employed by contractors and subcontractors on the 2024 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 2024 Project is a project of the type permitted to be financed under the Act, the State Act and the Program and Section 1452 of the Clean Water Act; and

(f) the Borrower has started the 2024 Project and will finance the Project from Series 2024 Bond proceeds, and will cause the 2024 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 2024 Project will be substantially completed by the Estimated Completion Date.

- (g) The useful life of the Project is not less than the term of the Series 2024 Bonds.

#### Section III.4 Completion or Cancellation or Reduction of Costs of the 2024 Project.

(a) Upon completion of the 2024 Project, the Borrower shall deliver to the DNRC a certificate stating that the 2024 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 2024 Project, a separate completion certificate shall be delivered for each.

(b) If all or any portion of the 2024 Project is cancelled or cut back or its costs are reduced or for any other reason the Borrower will not require the full Committed Amount, the Borrower shall promptly notify the DNRC in writing of such fact and the amount of the Undisbursed Committed Amount.

(c) If there is any Undisbursed Committed Amount, the DNRC reserves the right to reallocate the amount equal to the Committed Amount as reduced by the Undisbursed Committed Amount between the 2024A Loan, the 2024B Loan.

### ARTICLE IV

#### THE 2024 LOANS

##### Section IV.1 The 2024 Loans; Disbursement of 2024 Loans.

(a) The DNRC has agreed to lend to the Borrower, from time to time as the requirements of this Section 4.1 are met, an amount up to (i) \$750,000 (the “2024A Committed Amount”) and (ii) \$1,844,671 (the “2024B Committed Amount”) for the purposes of financing or reimbursing the Borrower for a portion of the costs of the 2024 Project; provided the DNRC shall not be required to loan any proceeds of the State Bonds to the Borrower after the Estimated Completion Date. The Committed Amount may be reduced as provided in Section 3.2 and Section 3.4 of this Resolution and subject to the operation of Section 5.6.

(b) The DNRC intends to disburse the 2024 Loans through the Trustee. In consideration of the issuance of the Series 2024 Bonds by the Borrower, the DNRC shall make, or cause the Trustee to make, a disbursement of all or a portion of the 2024 Loans upon receipt of the following documents:

- (1) an Opinion of Bond Counsel as to the Series 2024A Bond and an Opinion of Bond Counsel as to the validity and enforceability of the Series 2024B Bond and the security therefor and stating in effect that interest on the Series 2024B 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 2024A Bond, the Series 2024B Bond, fully executed and authenticated;

(3) a certified copy of this Resolution;

(4) any other security instruments or documents required by the DNRC or DEQ as a condition to their approval of the 2024 Loans;

(5) if all or part of the 2024 Loans is being made to refinance a Project or reimburse the Borrower for the costs of a Project paid prior to the Closing, evidence, satisfactory to the DNRC and the Bond Counsel referred to in (1) above, (A) that the acquisition or construction of the Project was begun no earlier than June 1, 1993 or the debt was incurred no earlier than June 1, 1993, (B) of the Borrower's title to the Project, (C) of the costs of such Project and that such costs have been paid by the Borrower and (D) if such costs were paid before adoption of this Resolution that the Borrower has complied with Section 1.150-2 of the Regulations;

(6) the items required by the Indenture for the portion of the 2024 Loans to be disbursed at their respective Closings; and

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

(c) In order to obtain a disbursement of the 2024 Loans to pay costs of the Project, the Borrower shall submit to the DNRC and the Trustee a signed request for disbursement on the form prescribed by the DNRC, with all costs which have been legally incurred and are due and payable. All Loan disbursements will be made to the Borrower only upon proof that cost was legally incurred. The disbursements of the 2024 Loans will be requested by the Borrower in the form required by the DNRC so that it is received by the DNRC by the date that is no later than ten Business Days prior to the date desired by the Borrower for the closing of the Series 2024 Bonds.

(d) From and after the 2024B First Advance, the 2024 Loans shall be disbursed, subject to the other terms and conditions of this Resolution, in the following order:

(1) First, at the Closing, the 2024B First Advance, in the amount of at least \$50,001, will be advanced from the 2024B Loan.

(2) Second, after the 2024B First Advance has been disbursed to the Borrower, the entire amount of the 2024A Loan may then be disbursed to the Borrower as and when needed. For the avoidance of doubt, any amounts of the 2024 Loans to be disbursed at Closing in excess of the 2024B First Advance will be disbursed as proceeds of the 2024A Loan to the extent of the 2024A Committed Amount.

(3) Third, after the entire principal amount of the 2024A Loan has been disbursed to the Borrower, the remaining amount of the 2024B Loan will be disbursed to the Borrower as and when needed.

(e) The Borrower shall submit the request for the 2024B First Advance in the form required by the DNRC so that it is received by the DNRC in sufficient time for the DNRC to process the information by the date desired by the Borrower for the making of the 2024B First Advance. The Borrower shall not be entitled to, and the DNRC shall have no obligation to make, the 2024B First Advance or any subsequent advance of amounts under the 2024B Loan until such time as the Borrower shall have set aside and funded the Series 2024 Reserve Subaccount in an amount then required to satisfy the Reserve Requirement.

(f) If all or a portion of the 2024 Loans is made to reimburse a Borrower for Project costs paid by it prior to Closing, the Borrower shall present at Closing the items required by Section 4.1(b) of this 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 Clean Water Act established by the DNRC and the Borrower at the Closing.

(g) Notwithstanding anything else provided herein, the Trustee shall not be obligated to disburse the 2024 Loans any faster or to any greater extent than it has available EPA Capitalization Grants, Bond proceeds and other amounts available therefor in the Revolving Fund. The DNRC shall not be required to do “overmatching” pursuant to Section 5.04(b) of the Indenture, but may do so in its discretion. The Borrower acknowledges that if Project costs are incurred faster than the Borrower projected at Closing, there may be delays in making 2024 Loans 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 best efforts to obtain an acceleration of such schedule if necessary.

(h) Upon making each 2024A Loan disbursement and 2024B Loan disbursement, the Trustee shall note such disbursement on Schedule A to the Series 2024A Bond and Series 2024B Bond, respectively. A Schedule A reflecting the amount of the 2024B First Advances will be attached to the Series 2024B Bond at its Closing.

(i) The Borrower agrees that it will deposit in the Series 2024 Reserve Subaccount, from available System funds, on the date of the 2024B First Advance and any subsequent disbursement dates, any proceeds of the 2024B Loan borrowed for the purpose of increasing the balance in the Series 2024 Reserve Subaccount to the Reserve Requirement. The Borrower further acknowledges and agrees that any portions of the 2024 Loans representing capitalized interest shall be advanced only on Payment Dates and shall be transferred by the Trustee on the Payment Date directly to the Series 2024 Revenue Bond Subaccount. The amount of any such transfer shall be a credit against the interest payments due on the Series 2024 Bonds and interest thereon shall accrue only from the date of transfer.

(j) Compliance by the Borrower with its representations, covenants and agreements contained in this Resolution and the Collateral Documents shall be a further condition precedent to the disbursement of the 2024 Loans in whole or in part. The DNRC and the Trustee, in their sole and absolute discretion, may make one or more disbursements, in whole or in part, notwithstanding such noncompliance, and without liability to make any subsequent disbursement of the 2024 Loans.

Section IV.2 Commencement of 2024 Loan Terms. The Borrower's obligations under this Resolution and the Collateral Documents shall commence on the date hereof unless otherwise provided in this Resolution. However, the obligation to make payments under Article V hereof shall commence only upon the first disbursement by the Trustee of the 2024B Loan proceeds.

Section IV.3 Termination of 2024 Loan Terms. The Borrower's obligations under this Resolution and the Collateral Documents in respect of the Series 2024 Bonds shall terminate upon payment in full of all amounts due under the Series 2024 Bonds and this Resolution; provided, however, that the covenants and obligations provided in Article VII and Section 12.3 of this Resolution shall survive the termination of this Resolution.

Section IV.4 2024 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 2024 LOANS

Section V.1 Repayment of 2024 Loans. The Borrower shall repay the amounts lent to it pursuant to Section 4.1 hereof in accordance with this Section 5.1.

5.1.1. Interest and Surcharges. Until a Determination Statement is delivered by the DNRC to the Borrower and so long as the Borrower's obligation to repay the principal of the 2024A Loan is forgiven as provided in Section 5.1.2 below, amounts disbursed by the DNRC under Section 4.1 hereof that are evidenced by (i) the Series 2024A Bond bear interest at the rate of zero percent (0.00%) per annum from the date of each advance; and (ii) the Series 2024B Bond bears interest at the rate of two percent (2.00%) per annum on the unpaid balance plus a Loan Loss Reserve Surcharge and an Administrative Expense Surcharge on the outstanding principal amount of the Series 2024B Bond at the rate of twenty-five hundredths of one-percent (0.25%) and twenty-five hundredths of one percent (0.25%) respectively, per annum; provided, however, if the DNRC delivers to the Borrower a Noncompliance Statement, then all principal of the Series 2024A Bond advanced by the DNRC shall be payable and amounts disbursed by the DNRC under Section 4.1 hereof that are evidenced by the Series 2024A Bond shall bear interest at the rate of two percent (2.00%) per annum and in addition the Borrower shall pay the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge from the date of each advance under the Series 2024A Bond. If the obligation of the Borrower to repay the principal amount of the 2024A Loan is not forgiven under Section 5.1.2 below, for purposes of this Resolution and the Program, with respect to the 2024A Loan, the term "interest on the 2024A Loan" when not used in conjunction with a reference to any surcharges, shall include the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge. The Borrower shall pay all Loan Repayments and surcharges in lawful money of the United States of America to the DNRC. Interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge shall be calculated on the basis of a year of 360 days comprising 12 months of 30 days each.

5.1.2. Repayment of 2024A Loan; Principal Forgiveness.

(a) The Borrower is obligated to repay the principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2024A Loan, unless the DNRC forgives the Borrower's obligation to repay the principal of the 2024A Loan as provided in Section 5.1.2(b). Subject to the provisions of Section 5.1.2(b), the Loan Repayments and the Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2024A 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 2024A Loan shall be payable from and after the date of each advance of principal of the 2024A Loan on each Payment Date at the rate of 2.50% per annum, beginning on the first Payment Date following the date of delivery by the DNRC of a Noncompliance Statement and concluding on July 1, 2055; and
- (2) the principal of the 2024A Loan shall be repayable on each Payment Date, beginning on the Payment Date that is the first to occur following delivery by the DNRC of a Noncompliance Statement, and concluding on July 1, 2055, and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at the rate of 2.50% per annum; provided that principal of the 2024A Loan is payable only in amounts that are multiples of \$1,000.

(b) Notwithstanding Section 5.1.2(a), so long as the Borrower is proceeding diligently to completion of the 2024 Project through the final advance of principal of the 2024B Loan and the Borrower has executed and delivered the DNRC Compliance Certificate and Request to the DNRC in form and substance satisfactory to the DNRC and the DEQ within thirty (30) days after the date that the DNRC Compliance Certificate and Request is provided to the Borrower by the DNRC, the DNRC will, following review and approval of the DNRC Compliance Certificate and Request, deliver to the Borrower a Forgiveness Statement and the Borrower will thereafter have no obligation to repay amounts advanced under the Series 2024A Bond or interest or surcharges thereon and the Series 2024A Bond will be marked "CANCELLED" and returned by the DNRC to the Borrower. However, in the event the Borrower fails to deliver timely the DNRC Compliance Certificate and Request, or the Borrower cannot submit the DNRC Compliance Certificate and Request because it cannot make the certifications required therein, or the DNRC Compliance Certificate and Request is delivered in a form that deviates materially from that attached hereto as Appendix D as determined in the sole and complete discretion of the DNRC or the DEQ, or the DNRC or the DEQ determine at any time that the 2024 Project or any portion thereof or of the work relating thereto fails to comply with Program requirements, then the DNRC will deliver to the Borrower a Noncompliance Statement. Upon delivery of a DNRC Noncompliance Statement by the DNRC to the Borrower, all principal advanced or to be advanced under the Series 2024A Bond, together with interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge thereon from the date of each advance, shall be payable as provided in Section 5.1.2 (a). Notwithstanding Section 5.1.2(a), until the delivery by the DNRC to the Borrower of a Determination Statement, the obligation of the Borrower to repay the principal advanced under Series 2024A Bond shall be deferred until the Payment Date first occurring after delivery of a Determination Statement and,

until such time, interest on amounts advanced under the Series 2024A Bond will be deemed to be at the rate of zero percent (0.00%) per annum.

(c) In addition, in the event the DNRC delivers a DNRC Noncompliance Statement (i) the Series 2024A Bond will continue in effect as a Subordinate Obligation, and (ii) the Borrower will forthwith comply with the rate covenant set forth in Section 6.7 of this Resolution, and, if necessary, increase the rates and charges of the System to satisfy such rate covenant as soon as practicable and in any event no later than three (3) months after the date of delivery to the Borrower by the DNRC of a Noncompliance Statement.

5.1.3. Repayment of 2024B Loan. The Loan Repayments on the 2024B Loan from and after the 2024B First Advances and all subsequent advances of the 2024B Loan are as follows:

- (1) interest on the outstanding principal balance of the 2024B Loan shall be payable on each Payment Date, with respect to the 2024B Loan, beginning on January 1, 2025 and concluding on July 1, 2055 at the rate of 2.00% per annum;
- (2) the Borrower shall also pay on each Payment Date, beginning January 1, 2024 for the Series 2024B Bond, the Administrative Expense Surcharge of twenty-five hundredths of one-percent (0.25%) per annum and the Loan Loss Reserve Surcharge of twenty-five hundredths of one percent (0.25%) per annum; and
- (3) the principal of the 2024B Loan shall be repayable on each Payment Date, beginning on January 1, 2025 and concluding on July 1, 2055, 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 2024B Loan is payable only in amounts that are multiples of \$1,000.

5.1.4. Details Regarding 2024 Loan Repayments. Loan Repayments and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the Series 2024B Loan and, if applicable, on the 2024A Loan, shall be due on the dates specified above and on the dates and in the amounts shown in Schedule B to the Series 2024B Bond and, if applicable, the Series 2024A Bond, as such Schedule B shall be modified from time to time as provided in Sections 5.1.2 and 5.1.3 and below. Schedule B will first be attached to the Series 2024A Bond and the Series 2024B 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 on Schedule B to the Series 2024B Bond and the portion of each Loan Repayment consisting of principal and the portion consisting of interest and the amount of each Administrative Expense Surcharge and the amount of each Loan Loss Reserve Surcharge shall be set forth in Schedule B to the Series 2024A Bond (if appropriate). Upon each disbursement of 2024 amounts to the Borrower pursuant to Section 4.1 hereof, the Trustee shall enter or cause to be entered the amount advanced on Schedule A to the applicable Series 2024A Bond and the Series 2024B Bond under

“Advances” and the total amount advanced under Section 4.1, including such disbursement, under “Total Amount Advanced.”

Interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge in respect of the Series 2024B Bond on such advance shall accrue from the date the advance is made at the rate of 2.50% per annum and shall be payable on each Payment Date thereafter. If the DNRC shall have delivered a DNRC Noncompliance Statement, then the Schedule B to the Series 2024A Bond shall reflect interest and surcharges on amounts advanced under the Series 2024A Bond at 2.50% per annum, as may be revised to reflect the full principal amount advanced under the Series 2024A Bond, the initial Payment Date, and the periodic total loan payment, and the Trustee shall send a copy of such schedules to the Borrower within one month after delivery by the DNRC of the DNRC Noncompliance Statement. If the DNRC delivers a DNRC Forgiveness Statement, Schedule B to the Series 2024A Bond will be disregarded and of no effect.

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

Any payment of principal and interest as to the Series 2024B Bond and, if applicable, the Series 2024A Bond, and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge as to the Series 2024A Bond and the Series 2024B Bond, if applicable, under this Section 5.1 shall be credited against the same payment obligation under the Series 2024B Bond and, if applicable, the Series 2024A Bond.

Section V.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 2024 Loans, if the Borrower so chooses, all reasonable expenses of the DNRC and the Trustee in connection with the 2024 Loans, the Collateral Documents and the Series 2024 Bonds, including, but not limited to:

(a) the cost of reproducing this Resolution, the Collateral Documents and the Series 2024 Bonds;

(b) the fees and disbursements of bond counsel and other Counsel utilized by the DNRC and the Trustee in connection with the 2024 Loans, the Resolution, the Collateral Documents and the Series 2024 Bonds and the enforcement thereof; and

(c) all taxes and other governmental charges in connection with the execution and delivery of the Collateral Documents or the Series 2024 Bonds, whether or not the Series 2024 Bonds are then outstanding, including all recording and filing fees relating to the Collateral Documents and the pledge of the State’s right, title and interest in and to the Series 2024 Bonds, the Collateral Documents and the Resolution (and with the exceptions noted therein) and all expenses, including attorneys’ fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof or thereof.

Section V.3 Prepayments. The Borrower may not prepay all or any part of the outstanding principal amount of the Series 2024B Bond and, if applicable, the Series 2024A Bond, unless (i)

a Determination Statement has been delivered, (ii) it obtains the prior written consent of the DNRC thereto, and (iii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and, if applicable, Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2024 Bonds are prepaid in part pursuant to this Section 5.3, such prepayments shall be applied to principal payments in inverse order of maturity.

Section V.4 Obligations of Borrower Unconditional. The obligations of the Borrower to make the payments required by the Resolution and the Series 2024 Bonds and to perform its other agreements contained in the Resolution, the Series 2024 Bonds and Collateral Documents shall be absolute and unconditional, except as otherwise provided herein or in such documents. The Borrower (a) shall not suspend or discontinue any payments provided for in the Resolution and the Series 2024 Bonds, (b) shall perform all its other agreements in the Resolution, the Series 2024 Bonds and the Collateral Documents and (c) shall not terminate the Resolution, the Series 2024 Bonds or the Collateral Documents for any cause, including any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2024 Project or the System, commercial frustration of purpose, any dispute with the DNRC or the EPA, any change in the laws of the United States or of the State or any political subdivision of either or any failure of the DNRC to perform any of its agreements, whether express or implied, or any duty, liability or obligation arising from or connected with the Resolution.

Section V.5 Limited Liability. All payments of principal of and interest on the 2024 Loans and other payment obligations of the Borrower hereunder and under the Series 2024 Bonds shall be special, limited obligations of the Borrower payable, with respect to the Series 2024B Bond, solely out of the Net Revenues and, with respect to the Series 2024A Bond, solely out of Surplus Net Revenues and shall not, except at the option of the Borrower and as permitted by law, be payable out of any other revenues of the Borrower. The obligations of the Borrower under the Resolution and the Series 2024 Bonds shall never constitute an indebtedness of the Borrower within the meaning of any state constitutional provision or statutory or charter limitation and shall never constitute or give rise to a pecuniary liability of the Borrower or a charge against its general credit or taxing power. The taxing powers of the Borrower may not be used to pay principal of or interest on the Series 2024 Bonds, and no funds or property of the Borrower other than the Net Revenues or Surplus Net Revenues, as applicable, may be required to be used to pay principal of or interest on the Series 2024 Bonds.

Section V.6 Reallocation of 2024 Loans. The Borrower understands that the principal amounts of the 2024 Loans have been sized based on the understanding and expectation that the 2024 Project costs at least \$2,154,083 and that the Borrower will request disbursement of the full amount of the 2024A Loan and the 2024B Loan. Notwithstanding any provision to the contrary herein, the Borrower acknowledges and agrees that in the event there is any Undisbursed Committed Amount, then the DNRC reserves the right in its sole and complete discretion to reallocate loan amounts as between the 2024 Loans on the basis of the amounts of the 2024 Loans that the Borrower would have been entitled to had the 2024 Loans initially equaled the Committed Amount less the Undisbursed Committed Amount. The reallocation between the 2024 Loans will reflect the same proportions of the 2024 Loans originally allocated to the 2024 Loans. Upon making such reallocation, the DNRC shall deliver to the Borrower a replacement

Series 2024A Bond and the Series 2024B Bond reflecting adjusted principal amounts, which bonds shall supersede and render of no effect the original bonds and be payable on the same dates as described in the original bonds, but in an adjusted amount owing on each Payment Date because of the reallocation of principal amounts. The Borrower shall execute and deliver the replacement Series 2024A Bond and the Series 2024B Bond to the DNRC within thirty (30) days after delivery of such bonds to the Borrower by the DNRC. Contemporaneous with the delivery of the replacement Series 2024A Bond and the Series 2024B Bond to the DNRC by the Borrower, the Borrower shall determine whether the Net Revenues of the System total at least 110% of the maximum principal of and interest payable on the Series 2024 Bonds outstanding in any Fiscal Year, and, if they do not, the Borrower shall increase its rates and charges to satisfy the rate covenant set forth in Section 6.7 below, within three (3) months after the date of delivery of the replacement Series 2024A and the Series 2024B to the DNRC by the Borrower.

## ARTICLE VI

### OTHER AGREEMENTS OF BORROWER

Section VI.1 Maintenance of System: Liens. The Borrower shall maintain the System in good condition and make all necessary renewals, replacements, additions, betterments and improvements thereto. The Borrower shall not grant or permit to exist any lien on the property making up part of the System, other than liens securing Debt where a parity lien secures the Series 2024 Bonds; provided that this Section 6.1 shall not be deemed to be violated if a mechanics or contractors lien is filed against any such property so long as the Borrower uses its best efforts to obtain the discharge of such lien and promptly reports to the DNRC the filing of such lien and the steps it plans to take and does take to discharge of such lien.

Section VI.2 Maintenance of Existence: Merger. Consolidation. Etc.: Disposition of Assets. The Borrower shall maintain its corporate existence, except that it may consolidate with or merge into another Governmental Unit or permit one or more Governmental Units to consolidate with or merge into it or may transfer all or substantially all of its assets to another Governmental Unit and then dissolve if the surviving, resulting or transferee entity (if other than the Borrower) (i) is a Public Entity and (ii) assumes in writing all of the obligations of the Borrower under this Resolution and the Series 2024 Bonds and any Collateral Documents and (a) such action does not result in any default in the performance or observance of any of the terms, covenants or agreements of the Borrower under this Resolution and the Bond, and (b) such action does not violate the Act or the Clean Water Act and does not adversely affect the exclusion of interest on the Series 2024 Bonds or the State Bonds from gross income for federal income tax purposes, and (c) the Borrower delivers to the DNRC on the date of such action an Opinion of Bond Counsel that such action complies with this Section 6.2.

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

Section VI.3 Covenants Relating to the Tax-Exempt Status of the State Bonds.

(a) The Borrower covenants and agrees that it will not use or permit to be used any of the proceeds of the Series 2024 Bonds or any other funds of the Borrower with respect to the 2024 Project, directly or indirectly, in a manner that would cause, or take any other action that would cause, any State Bonds to be an “arbitrage bond” within the meaning of Section 148 of the Code or would otherwise cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation.

(b) The Borrower agrees that it will not enter into, or allow any “related person” (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the State Bonds or any other obligations of the DNRC in an amount related to the amount of the 2024 Loans or the portion of the 2024 Loans derived directly or indirectly from proceeds of the State Bonds or that would otherwise cause any State Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code.

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

(d) Any portion of the 2024 Project being refinanced or the cost of which is being reimbursed was acquired by and is now and shall, during the term of the 2024 Loans, be owned by the Borrower and not by any other Person. Any portion of the 2024 Project being financed shall be acquired by and shall, during the term of the 2024 Loans, be owned by the Borrower and not by any other Person. Notwithstanding the previous two sentences, the Borrower may transfer the System or a portion thereof to another Governmental Unit which is also a Public Entity if such transfer is otherwise permitted hereunder and if such organization agrees with the DNRC to comply with Sections 2.2(h), 2.2(i) and 6.3 hereof and if the DNRC receives an Opinion of Bond Counsel to the effect that such transfer will not violate the Act or the Clean Water Act or adversely affect the exclusion of interest on the State Bonds from gross income or purposes of federal income taxation. In addition, except as otherwise provided herein, the Borrower may sell or otherwise dispose of any portion of the Project which has become obsolete or outmoded or is being replaced or for other reasons is not needed by the Borrower or beneficial to the general public or necessary to carry out the purposes of the Clean Water Act.

(e) At the Closing of the 2024 Loans the DNRC will, if necessary to obtain the Opinion of Bond Counsel described in Section 7.05(a) of the Indenture, deliver to the Borrower instructions concerning compliance by the Borrower with the arbitrage rebate requirements of Section 148 of the Code (the “Arbitrage Rebate Instructions”). The Borrower shall comply with the Arbitrage Rebate Instructions, if any, delivered to it by the DNRC at Closing, as such Instructions may be amended or replaced by the DNRC from time to time. The Arbitrage Rebate Instructions may be amended or replaced by new Arbitrage Rebate Instructions delivered by the DNRC and accompanied by an Opinion of Bond Counsel to the effect that the use of said amended or new Arbitrage Rebate Instructions will not adversely affect the excludability of

interest on the State Bonds or any Additional State Bonds (except Additional State Bonds the interest on which the State did not intend to be excluded from gross income for federal income tax purposes) from gross income of the recipients thereof for federal income tax purposes.

(f) The Borrower agrees that during the term of the 2024 Loans it will not contract with or permit any Private Person to manage the Project or any portion thereof except according to a written management contract and upon delivery to the DNRC of an opinion of Bond Counsel to the effect that the execution and delivery of such management contract will not violate the Act or the Clean Water Act or adversely affect the exclusion of interest on the State Bonds from gross income or purposes of federal income taxation.

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

(h) The Borrower shall not change the use or nature of the System if (i) such change will violate the Clean 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 VI.4 Competing Service. The Borrower will not establish or authorize the establishment of any other system for the public supply of service or services in competition with any or all of the services supplied by the facilities of the System.

Section VI.5 Billing. The charges for water services shall be billed at least quarterly, and if the bill is not paid within 60 days of the date of billing, or if the customer fails to comply with all rules and regulations established for the System within 60 days after notice of violation thereof (which notice shall be given promptly upon discovery of any such violation), the water service to the premises involved shall be discontinued and shall not be resumed until payment of all past due bills for water service and compliance with all such rules and regulations. The Borrower shall take appropriate legal action to collect the unpaid charges, including, to the extent now or hereafter authorized by law, making the charge a lien against the real property served by the water connection for which the charge remains unpaid and causing charges with respect to such properties to be collected in the same manner as taxes levied against property within the Borrower.

Section VI.6 Remedies. The DNRC, so long as it owns the Series 2024 Bonds, or the owners of not less than 25% in principal amount of the outstanding Bonds issued and secured under the provisions of this Resolution shall have the right, either at law or in equity, through suit, action or other proceedings, to protect and enforce the rights of all owners of such Bonds and to compel the performance of any and all of the covenants required herein to be performed by the Borrower, and its officers and employees, including but not limited to the fixing and maintaining of rates, fees and charges and the collection and proper segregation of gross revenues and the application and use thereof. The owners of a majority in principal amount of such outstanding

Bonds shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Bondowners or the exercise of any power conferred on them and the right to waive a default in the performance of any such covenant, and its consequences, except a default in the payment of the principal of, premium, or interest on any Bond when due. However, nothing herein shall impair the absolute and unconditional right of the owner of each such Bond to receive payment of the principal of, premium, if any, and interest on such Bond as such principal and interest respectively become payable, and to institute suit for any such payment. Any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Borrower with power to charge and collect rates, fees and charges sufficient to provide for the payment of any Bonds or obligations outstanding against the System, and to apply the gross revenues in conformity with this Resolution and the laws of the State.

Section VI.7 Rate Covenant. While any Bonds are outstanding and unpaid, the rates, charges and rentals for all services and facilities furnished and made available by the System to the Borrower and its inhabitants, and to all customers within or without the boundaries of the Borrower, shall be reasonable and just, taking into consideration the cost and value of the System and the cost of maintaining and operating them, and the amounts necessary for the payment of all Bonds and the interest accruing thereon, and the proper and necessary allowances for the Reserve Account and depreciation of the System, and no free service shall be provided to any person or corporation. In accordance with DNRC's Program requirements, as provided in Administrative Rules of Montana 36.23.111(1)(c), the Borrower covenants that the rates, charges and rentals to be charged to all recipients of wastewater services shall be maintained and shall be revised, whenever and as often as may be necessary, according to schedules such that the revenues for each fiscal year will be at least sufficient to pay the current expenses of operation and maintenance as herein defined, to maintain the Operating Reserve herein established, to maintain the Reserve Requirement, to pay the principal and interest on any Subordinate Obligations, to provide reserves for the replacement and depreciation of the System and to produce Net Revenues during each fiscal year commencing with the fiscal year ending June 30, 2024, not less than 110% of the maximum annual principal and interest payable on any outstanding Revenue Bonds in the current or any future fiscal year and to produce Surplus Net Revenues during each fiscal year commencing with the fiscal year in which the DNRC delivers a DNRC Noncompliance Statement in an amount at least sufficient to pay the principal of and interest on the Series 2024A Bond as and when due.

For purposes of construing the foregoing sentence, principal of and interest on the Series 2024A Bond shall initially be disregarded. However, in the event the Borrower's obligation to repay the principal of the Series 2024A Bond is not forgiven as described in Section 5.1.2 of this Resolution, the Borrower shall forthwith, and, in any event, within three months after the date of delivery by the DNRC to the Borrower of an DNRC Noncompliance Statement, cause the rates, charges and rentals to be charged to all recipients of wastewater services to be maintained and to be revised whenever and as often as may be necessary, according to schedules such that (i) Revenues for each Fiscal Year will be at least sufficient to pay the principal of and interest on all Bonds payable from the Revenues derived in such Fiscal Year, to establish and maintain the Reserve Requirement, to pay promptly the reasonable and current Operating Expenses, to pay the principal of and interest on any Subordinate Obligations (including, without limitation, all Outstanding principal of the Series 2024A Bond with interest thereon at 2.50% per annum) and to provide reserves for the repair and replacement of the System, and (ii) Net Revenues for each

Fiscal Year commencing after June 30, 2024 will be equal to at least 110% of the maximum Principal and Interest of Revenue Bonds for all future Fiscal Years during which any Revenue Bonds will be outstanding. The establishment of the percentage of Net Revenues and the provision of adequate Net Revenues to pay Subordinate Obligations contained above in this paragraph have been deemed necessary in order to sell the Bonds and Subordinate Obligations upon terms most advantageous to the Borrower.

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

The Series 2024A Bond is a Subordinate Lien Taxable Obligation payable from Surplus Net Revenues as described in Section 10.3 of this Resolution. Any Revenues or Net Revenues segregated to pay such Subordinate Obligations in the Fund are subject to the prior appropriation thereof to the Operating Account, the Revenue Bond Account or the Reserve Account if necessary to meet the requirements thereof.

The establishment of the above ratio of Net Revenues available for the Revenue Bond Account and the provision for adequate Surplus Net Revenues in the event the Borrower's obligation to repay the principal of the Series 2024A Bond is not forgiven are deemed necessary for the DNRC to make the 2024 Loans to the Borrower upon terms most advantageous. The excess of the Net Revenues over the annual principal and interest and Reserve Requirements of the Series 2024 Bonds may be used as authorized in Section 11.6 and 11.7 of this Resolution. The Series 2024 Bonds may be prepaid according to their terms on any date, and in the estimation of the governing body of the Borrower any excess, prior to that date, of Net Revenues over principal and interest payments actually due and the balance required to be maintained in the Reserve Account, will be needed to pay or to provide reserves for payment of replacements, renewals and improvement costs, in order to provide adequate service for the present population and the increase thereof reasonably to be expected; and after that date, any excess not required for such purposes in the judgment of the governing body of the Borrower may be used to prepay the Series 2024A Bond and thereby reduce the interest cost thereon to the Borrower and to the persons served by the System.

Section VI.8 Appointment of Superintendent. In the event of default on the part of the Borrower in the payment of principal of or interest on any Bond promptly as each falls due, or in the keeping of any covenants herein contained, and if such default shall continue for a period of 60 days, the governing body of the Borrower will appoint a special superintendent for the System, with the power and responsibility to operate the System for the Borrower, and to recommend to the governing body of the Borrower such revisions of the rates and charges and operating policies as may be necessary to comply with this Resolution, and to assure that the Net Revenues will be sufficient to pay all principal of and interest on Bonds, and he shall in all things so operate the System as to comply fully with all the requirements and provisions of this Resolution. The right of the owners of the Bonds to require employment of such a superintendent shall not be exclusive, and in the event of default as herein outlined, such owner or owners shall

have the right to proceed at law or in equity, in any form of action which shall to them seem appropriate.

## ARTICLE VII

### INDEMNIFICATION OF DNRC AND DEQ

The Borrower shall, to the full extent permitted by law, indemnify and save harmless the DNRC and the DEQ and their officers, employees and agents (each an "Indemnified Party" or, collectively, the "Indemnified Parties") against and from any and all claims, damages, demands, expenses, liabilities and losses of every kind asserted by or on behalf of any Person arising out of the acts or omissions of the Borrower or its employees, officers, agents, contractors, subcontractors, or consultants in connection with or with regard or in any way relating to the condition, use, possession, conduct, management, planning, design, acquisition, construction, installation or financing of the 2024 Project. The Borrower shall also, to the full extent permitted by law, indemnify and save harmless the Indemnified Parties against and from all costs, reasonable attorneys' fees, expenses and liabilities incurred in any action or proceeding brought by reason of any such claim or demand. If any proceeding is brought against an Indemnified Party by reason of such claim or demand, the Borrower shall, upon notice from an Indemnified Party, defend such proceeding on behalf of the Indemnified Party.

## ARTICLE VIII

### ASSIGNMENT

Section VIII.1 Assignment by Borrower. The Borrower may not assign its rights and obligations under the Resolution or the Series 2024 Bonds.

Section VIII.2 Assignment by DNRC. The DNRC will pledge its rights under and interest in the Resolution, the Series 2024 Bonds and the Collateral Documents (except to the extent otherwise provided in the Indenture) as security for the payment of the State Bonds and may further assign such interests to the extent permitted by the Indenture, without the consent of the Borrower.

Section VIII.3 State Refunding Bonds. In the event the State Bonds and Additional State Bonds are refunded by bonds which are not Additional State Bonds, all references in the Resolution to State Bonds and Additional State Bonds shall be deemed to refer to the refunding bonds and any bonds of the State on a parity with such refunding bonds (together, the "Refunding Bonds") or, in the case of a crossover refunding, to the State Bonds and Additional State Bonds and the Refunding Bonds. In the event the State Bonds are refunded by an issue of Additional State Bonds, all references in the Resolution to the State Bonds shall be deemed to refer to such Additional State Bonds or, in the case of a crossover refunding, both the State Bonds and such Additional State Bonds.

## ARTICLE IX

### THE SERIES 2024 BONDS

Section IX.1 Authorization. Under the provisions of the Act, the Borrower is authorized to issue and sell its revenue bonds for the design, construction and financing of the 2024 Project with such Bonds payable during a term not exceeding 20 years.

Section IX.2 Outstanding Wastewater Debt. The Town currently has outstanding its Series 2016 Bond and 2018 Bond.

Section IX.3 Net Revenues Available. The Borrower is authorized to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the System, and to pledge and appropriate to the Series 2024B Bond the Net Revenues (and, in respect of the Series 2024A Bond, if necessary, the Surplus Net Revenues) to be derived from the operation of the System, including improvements, betterments or extensions thereof hereafter constructed or acquired. The Borrower agrees to establish its rates and charges such that the Net Revenues available are sufficient to pay (after payment of the System Operation and Maintenance expenses and meeting the Reserve Requirement) 110% of the maximum principal of and interest on the outstanding Bonds issued under the Resolution and the Series 2016B Bond, in the current or any future fiscal year. The Net Revenues to be produced by such rates, charges and rentals during the term of the Series 2024 Bonds are expected to be more than sufficient to pay the principal and interest when due on the Series 2024B Bond and to create and maintain reasonable reserves therefor and to provide an adequate allowance for replacement and depreciation, as prescribed herein. For purposes of the foregoing statement, principal of and interest on the 2024A Loan is disregarded. The Borrower acknowledges and agrees that if the DNRC delivers a Noncompliance Statement to the Borrower as provided in Section 5.1.2 as determined in the sole and complete discretion of the DNRC, then principal and interest and surcharges will become due and owing on the 2024A Loan evidenced by the Series 2024A Bond as provided in Section 5.1 and the Borrower shall thereupon, and no later than three (3) months after delivery of such a statement, to the extent required by Section 6.7 hereof, adjust its schedule of fees, rates, and charges applicable to the System to cause Net Revenues and Surplus Net Revenues to be produced in an amount at least equal to at least 110% of the maximum principal and interest payments payable on outstanding Bonds in the current or any future fiscal year.

Section IX.4 Issuance and Sale of the Series 2024 Bonds. The Commission has investigated the facts necessary and hereby finds, determines and declares it to be necessary and desirable for the Borrower to issue the Series 2024 Bonds to evidence the 2024 Loans. The Series 2024 Bonds are issued to the DNRC without public sale pursuant to Montana Code Annotated, Section 7-7-4433(2)(a).

Section IX.5 Terms. The Series 2024A Bond and the Series 2024B Bond shall be in the maximum principal amount equal to the original 2024A Committed Amount and the 2024B Committed Amount, respectively, shall each be issued as a single, fully registered bond numbered R-1, shall be dated as of the date of delivery to the DNRC, and shall bear interest at the rate charged by the DNRC on the 2024A Loan and 2024B Loan, respectively. The principal of and interest on the Series 2024B Bond, and, if applicable, the principal of and interest on the Series 2024A Bond and any Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the Series 2024A Bond and the Series 2024B Bond shall be payable on the same dates and in the same amounts on which Loan Repayments are payable. Advances of principal of the Series 2024A Bond and Series 2024B Bond shall be deemed made when advances of the

2024A Loan and the 2024B Loan, respectively, are made under Section 4.1, and such advances shall be payable in accordance with Schedule B to the Series 2024B Bond and, if applicable, the Series 2024A Bond, as the case may be, as it may be revised by the DNRC from time to time in accordance with Section 5.1. The Series 2024A Bond is a Subordinate Obligation payable only from the Surplus Net Revenues.

The Borrower may prepay the Series 2024 Bonds, in whole or in part, only upon the terms and conditions under which it can prepay the 2024 Loans under Section 5.3.

Section IX.6 Negotiability, Transfer and Registration. The Series 2024 Bonds shall be fully registered as to both principal and interest, and shall be initially registered in the name of and payable to the DNRC. While so registered, principal of and interest on the Series 2024 Bonds shall be payable to the DNRC at the Office of the Department of Natural Resources and Conservation, 1539 Eleventh Avenue, Helena, Montana 59620-1601 or such other place as may be designated by the DNRC in writing and delivered to the Borrower. The Series 2024 Bonds shall be negotiable, subject to the provisions for registration and transfer contained in this Section. No transfer of the Series 2024 Bonds shall be valid unless and until (1) the holder, or his duly authorized attorney or legal representative, has executed the form of assignment appearing on the Series 2024 Bonds, and (2) the Town Clerk of the Borrower (or successors, the "Registrar"), as Bond Registrar, has duly noted the transfer on the Series 2024 Bonds and recorded the transfer on the registration books of the Registrar. The Registrar may, prior to noting and recording the transfer, require appropriate proof of the transferor's authority and the genuineness of the transferor's signature. The Borrower shall be entitled to deem and treat the Person in whose name the Series 2024 Bonds is registered as the absolute owner of the Series 2024 Bonds for all purposes, notwithstanding any notice to the contrary, and all payments to the registered holder shall be valid and effectual to satisfy and discharge the Borrower's liability upon such Bond to the extent of the sum or sums so paid.

Section IX.7 Execution and Delivery. The Series 2024 Bonds shall be executed on behalf of the Borrower by the manual signatures of the Mayor and Town Clerk. Any or all of such signatures may be affixed at or prior to the date of delivery of the Series 2024 Bonds. The Series 2024 Bonds shall be sealed with the corporate seal of the Borrower, if such seal exists. In the event that any of the officers who shall have signed the Series 2024 Bonds shall cease to be officers of the Borrower before the Series 2024 Bonds are issued or delivered, their signatures shall remain binding upon the Borrower. Conversely, the Series 2024 Bonds may be signed by an authorized official who did not hold such office on the date of adoption of this Resolution. The Series 2024 Bonds shall be delivered to the DNRC, or its attorney or legal representative.

Section IX.8 Form. The Series 2024A Bond shall be prepared in substantially the form attached as Appendix B-1 and the Series 2024B Bond shall be prepared in substantially the form attached as Appendix B-2.

Section IX.9 Acquisition and Construction Account. To the Acquisition and Construction Account shall be credited as received the portion of the proceeds of Series 2024 Bonds for costs of the 2024 Project and for costs of issuance of the Series 2024 Bonds and any other funds appropriated by the Borrower to the Acquisition and Construction Account for improvements to

the System, and all income received from the investment of the Acquisition and Construction Account.

## ARTICLE X

### ADDITIONAL WASTEWATER DEBT

Section X.1 Other Revenue Bonds. The Borrower reserves the right to issue Additional Bonds payable from the Revenue Bond Account of the Fund on a parity as to both principal and interest with the Series 2024B Bond, if the Net Revenues of the System for the last complete fiscal year preceding the date of issuance of such Additional Bonds have equaled at least 110% of the maximum amount of principal and interest payable from said Revenue Bond Account in any subsequent fiscal year during the term of the outstanding Bonds, on all Bonds then outstanding and on the Additional Bonds proposed to be issued and payable from the Revenue Bond Account. For the purpose of the foregoing computation, the Net Revenues for the fiscal year preceding the issuance of Additional Bonds shall be those shown by the financial reports caused to be prepared by the Borrower pursuant to Section 2.3(f), except that if the rates and charges for services provided by the System have been changed since the beginning of such preceding fiscal year, then the rates and charges in effect at the time of issuance of the Additional Bonds or finally authorized to go into effect within 60 days thereafter shall be applied to the quantities of service actually rendered and made available during such preceding fiscal year to ascertain the gross revenues, from which there shall be deducted to determine the net revenues, the actual operation and maintenance cost plus any additional annual costs of operation and maintenance which the Consultant estimates will be incurred because of the improvement or extension of the System to be constructed from the proceeds of the Additional Bonds proposed to be issued. In no event shall any Additional Bonds be issued and made payable from the Revenue Bond Account if the Borrower is then in default in any payment of principal of or interest on any outstanding Bonds payable therefrom or if there then exists any deficiency in the balances required by this Resolution to be maintained in any of the accounts of the Fund, which will not be cured or restored upon the issuance of the Additional Bonds. In connection with the issuance of a series of Additional Bonds, the Borrower shall cause the Reserve in the Revenue Bond Account to be increased, from the proceeds of the Additional Bonds or from surplus Net Revenues, to an amount equal to the Reserve Requirement during the term of the outstanding Bonds or so much thereof as will not cause the Borrower to violate the provisions of Section 12.2 hereof.

Section X.2 Subordinate Bonds. Nothing in this Resolution shall preclude the Borrower from issuing Subordinate Obligations which are expressly made a charge on only the Surplus Net Revenues of the System and subordinate to the pledge of Net Revenues to the Revenue Bond Account and Reserve Account; provided, however, no obligations may be issued pursuant to this Section 10.3 if a deficiency exists in the Revenue Bond Account or the Reserve Account which is not to be restored by the issuance of the Subordinate Obligations.

Section X.3 Refunding Revenue Bonds. The Borrower reserves the right and privilege of refunding any or all of the Bonds subject to the following terms and conditions:

(a) Any matured Bonds may be refunded if moneys available for the payment thereof at maturity, within the limitation prescribed in Section 10.1, should at any time be insufficient to make such payment in full.

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

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

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

## ARTICLE XI

### WASTEWATER SYSTEM FUND

Section XI.1 Bond Proceeds and Revenues Pledged and Appropriated. A special Wastewater System Fund has been created and will be maintained as a separate and special bookkeeping account on the official books of the Borrower until all Bonds (including the Series 2024A Bond, if applicable) and interest and redemption premiums due thereon have been fully paid, or the Borrower's obligations with reference to such Bonds has been discharged as provided in this Resolution. All proceeds of Series 2024 Bonds issued hereunder and all other funds presently on hand derived from the operation of the System are irrevocably pledged and appropriated to the Fund. In addition, there is hereby irrevocably pledged and appropriated to the Fund all gross revenues and receipts from rates, fees, charges and rentals imposed for connections with and for the availability, benefit and use of the System and from any sales of property acquired for the System and all income received from the investment of such gross revenues, including investment of the Reserve established in the Revenue Bond Account and the Operating Reserve established in the Operating Account, levied for construction of any part of the System and the proceeds of any grant or loan from the State or the United States, and any investment income thereon, to the extent such exclusion is a condition to such grant or loan. The Fund shall be subdivided into separate accounts as designated and described in Sections 11.2 through 11.8, to segregate income and expenses received, paid and accrued for the respective purposes described in those sections. The gross revenues received in this Fund shall be apportioned monthly, commencing as of the date of Closing.

Section XI.2 Acquisition and Construction Account. The Acquisition and Construction Account shall be used only to pay as incurred and allowed costs which under accepted accounting practice are capital costs of the 2024 Project and of such future reconstructions, improvements, betterments or extensions of the System as may be authorized in accordance with law, including but not limited to payments due for work and materials performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, reimbursement of any advances made from other Borrower funds, and all other expenses incurred in connection with the acquisition, construction and financing of any such undertaking. To the Acquisition and Construction Account shall be credited as received all proceeds of Series 2024 Bonds and other Bonds issued hereunder (except proceeds of refunding Bonds appropriated to the payment of outstanding Bonds and amounts required to be credited to the Revenue Bond Account), all other funds appropriated by the Borrower for the System and any other funds appropriated by the Borrower to the Acquisition and Construction Account for improvements to the System, and all income received from the investment of the Acquisition and Construction Account.

Section XI.3 Operating Account. On each monthly apportionment there shall first be set aside and credited to the Operating Account, as a first charge on the gross revenues, such amount as may be required over and above the balance then held in the account to pay the reasonable and necessary operating expenses of the System which are then due and payable, or are to be paid prior to the next monthly apportionment. The term "operating expenses" shall mean the current expenses, paid or accrued, of operation, maintenance and current repair of the System and its facilities, as calculated in accordance with sound accounting practice, and shall include, without limitation, administrative expenses of the Borrower relating solely to the System, premiums for insurance on the properties thereof, labor and the cost of materials and supplies used for current operation and for maintenance, and charges for the accumulation of appropriate reserves for current expenses which are not recurrent monthly but may reasonably be expected to be incurred in accordance with sound accounting practices. Such expenses shall not include any allowance for interest expense or depreciation, renewals or replacements of capital assets of the System and shall not include any portion of the salaries or wages paid to any officer or employee of the Borrower, except such portion as shall represent reasonable compensation for the performance of duties necessary to the operation of the System. There shall also be credited to this account forthwith upon the delivery of the Series 2024 Bonds and from available funds other than the proceeds therefrom a sum equal to the estimated average monthly operating expenses of the System to establish an Operating Reserve, which sum shall be maintained by additional transfers upon each monthly apportionment whenever necessary, or may be augmented by transfers of additional amounts from the Surplus Account described below if determined by the governing body of the Borrower to be necessary to meet contingencies arising in the operation and maintenance of the System. Money in the Operating Account shall be used solely for the payment of current operating expenses of the System.

Section XI.4 Series 2024 Revenue Bond Subaccount. Upon each monthly apportionment there shall be set aside and credited to the Series 2024 Revenue Bond Subaccount of the Debt Service Account out of the Net Revenues an amount equal to not less than the sum of one-sixth of the interest due within the next six months plus one-twelfth of the principal to become due within the next twelve months with respect to outstanding Bonds payable from the Revenue Bond Account; provided that the Borrower shall be entitled to reduce a monthly credit by the amount of any

surplus previously credited and then on deposit in the Series 2024 Revenue Bond Subaccount. Money from time to time held in the Series 2024 Revenue Bond Subaccount shall be disbursed only to meet payments of principal of, premium, if any, and interest on the Bonds payable therefrom as such payments become due. If any payment of principal or interest becomes due when moneys in the Serie 2024 Revenue Bond Subaccount are temporarily insufficient therefor, such payment shall be advanced out of any Net Revenues theretofore segregated and then on hand in the Series 2024 Reserve Subaccount, the Replacement and Depreciation Account or the Surplus Account.

Section XI.5 Series 2024 Reserve Subaccount. The Borrower agrees to establish and maintain a Series 2024 Reserve Subaccount in the Reserve Account of the Fund. Upon each monthly apportionment, from the Net Revenues remaining after the apportionment to the Series 2024 Revenue Bond Subaccount, the Borrower shall credit to the Series 2024 Reserve Subaccount such additional Net Revenues as may be required to establish and thereafter maintain the balance in an amount equal, as of the date of calculation, to the Reserve Requirement. Money in the Series 2024 Reserve Subaccount shall be used only to pay maturing principal, premium and interest on Bonds when money within the Series 2024 Revenue Bond Subaccount is insufficient therefor; provided that on any date when all outstanding Bonds of a series are due or prepayable by their terms, if the amount then on hand in the Series 2024 Reserve Subaccount allocable to such Bonds and available for such appropriation is sufficient with money available for the purpose to pay all such Bonds and the interest accrued thereon in full, it may be used for that purpose; and provided, further, that so long as the amount on hand in the Series 2024 Reserve Subaccount is not less than the Reserve Requirement, the Borrower may credit earnings on investment of the Series 2024 Reserve Subaccount to the Replacement and Depreciation Account.

Section XI.6 Replacement and Depreciation Account. There shall next be set aside and credited, upon each monthly apportionment, to the Replacement and Depreciation Account Surplus Net Revenues of the System, as the governing body of the Borrower shall determine to be required for the accumulation of a reasonable allowance for repair and depreciation of the System and for replacement or renewal of worn out, obsolete or damaged properties and equipment thereof. Money in this account shall be used only for the purposes above stated or, if so directed by the governing body of the Borrower, to redeem Bonds which are prepayable according to their terms, to pay principal or interest when due thereon as required in Section 11.5, or to pay the cost of improvements to the System; provided that in the event construction and installation of additional improvements or additions to the System are financed other than from proceeds of Bonds payable from the Revenue Bond Account, surplus net revenues from time to time received may be segregated and paid into one or more separate and additional accounts for the repayment of such indebtedness and interest thereon, in advance of payments required to be made into the Replacement and Depreciation Account.

Section XI.7 Surplus Account. Any amount of the Surplus Net Revenues from time to time remaining after the above required applications thereof shall be credited to the Surplus Account (or such other account in the Fund as the Borrower may establish for bookkeeping purposes to account for surplus money in accordance with the purposes of this Resolution), and the money from time to time in that account, when not required to restore a current deficiency in the

Revenue Bond Account as provided in Section 11.4, may be used for any of the following purposes and not otherwise:

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

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

Section XI.8 Deposit and Investment of Funds. The finance officer of the Borrower shall cause all money appropriated to the Fund to be deposited as received with one or more depository banks duly qualified in accordance with the provisions of Montana Code Annotated, Section 7-6-201, in a deposit account or accounts. The balance in such accounts, except such portion thereof as shall be guaranteed by federal deposit insurance, shall at all times be secured to its full amount by bonds or securities of the types set forth in said Section 7-6-201. Any of such moneys not necessary for immediate use may be deposited with such depository banks in savings or time deposits. No money shall at any time be withdrawn from such deposit accounts except for the purposes of the Fund as defined and authorized in this Resolution; except that money from time to time on hand in the Fund may at any time, in the discretion of the governing body of the Borrower, be invested in securities which are direct, general obligations of, or obligations the prompt payment of the principal of and the interest on which is fully and unconditionally guaranteed by, the United States of America, bank repurchase agreements with respect to such obligations, certificates of deposits of national banks having a combined capital and surplus of at least \$1,000,000 or in the Montana short-term investment program administered by the Board of Investments, which investments mature and bear interest at the times and in the amounts estimated to be required to provide cash when needed for the purposes of the respective accounts; provided that funds on hand in the Reserve Account, the Replacement and Depreciation Account and the Surplus Account may be invested in said securities maturing not later than five years from the date of the investment; and provided, further, that money on hand in the Surplus Account of the Fund may, in the discretion of the governing body of the Borrower,

be invested in any securities which are direct, general obligations of the Borrower. Income received from the deposit or investment of moneys in said accounts shall be credited to the account from whose moneys the deposit was made or the investment was purchased, and handled and accounted for in the same manner as other moneys in that account.

## ARTICLE XII

### TAX MATTERS

Section XII.1 Use of 2024 Project. The 2024 Project will be owned and operated by the Borrower and available for use by members of the general public on a substantially equal basis. The Borrower shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the 2024 Project or the System or security for the payment of the Series 2024B Bond which might cause the Series 2024B Bond to be considered a “private activity bond” or “private loan bond” within the meaning of Section 141 of the Code.

Section XII.2 General Covenant. The Borrower covenants and agrees with the owners from time to time of the Series 2024B 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 2024B 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 2024B Bond will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

Section XII.3 Arbitrage Certification. The Mayor and the Town Clerk, being the officers of the Borrower charged with the responsibility for issuing the Series 2024B Bond pursuant to the Resolution, are authorized and directed to execute and deliver to the DNRC a certificate in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(b) of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Series 2024B Bond, it is reasonably expected that the proceeds of the Series 2024B Bond will be used in a manner that would not cause the Series 2024B Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

Section XII.4 Arbitrage Rebate.

The arbitrage rebate provisions of Section 148(f) of the Code may apply to the Series 2024B Bond, the Borrower hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f). The Town, by Resolution No. 1047 has adopted a policy concerning compliance with IRS requirements for tax-exempt bonds issued by the Town and the Town covenants to follow such policy.

Section XII.5 Information Reporting. The Borrower shall file with the Secretary of the Treasury, not later than 45 days after the end of the calendar quarter in which each of the Series 2024B Bond is issued, a statement concerning the Series 2024B Bond, respectively, containing the information required by Section 149(e) of the Code.

Section XII.6 Qualified Tax-Exempt Obligations. Pursuant to Section 265(b)(3)(B)(ii) of the Code, the Borrower hereby designates the Series 2024B Bond as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code. The Borrower has not so designated any other obligations in 2024. The Borrower hereby represents that it does not anticipate that obligations bearing interest not includable in gross income for purposes of federal income taxation under Section 103 of the Code (including refunding obligations as provided in Section 265(b)(3) of the Code and including “qualified 501(c)(3) bonds” but excluding other “private activity bonds” as defined in Section 141(a) and 145 (a) of the Code) will be issued by or on behalf of the Borrower and all “subordinate entities” of the Borrower in 2024 in an amount greater than \$10,000,000. The Borrower will, through its non-arbitrage certificate, confirm the previous sentence at Closing of the Series 2024 Bonds.

### ARTICLE XIII

#### CONTINUING DISCLOSURE

The Borrower understands and acknowledges that the DNRC is acquiring the Series 2024 Bonds under the Program pursuant to which the State issues from time to time State Bonds to provide funds therefor. The Borrower covenants and agrees that, upon written request of the DNRC from time to time, the Borrower will promptly provide to the DNRC all information that the DNRC reasonably determines to be necessary or appropriate to offer and sell State Bonds or to provide continuing disclosure in respect of State Bonds, whether under Rule 15c2-12 (17 C.F.R. § 240.15c2-12) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or otherwise. Such information shall include, among other things and if so requested, financial statements of the Borrower prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Montana law, as in effect from time to time (such financial statements to relate to a Fiscal Year or any period therein for which they are customarily prepared by the Borrower, and, if for a Fiscal Year and so requested by the DNRC, subject to an audit report and opinion of an accountant or government auditor, as permitted or required by the laws of the State). The Borrower will also provide, with any information so furnished to the DNRC, a certificate of the Mayor and the Town Clerk of the Borrower to the effect that, to the best of their knowledge, such information does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein to make the statements made, in light of the circumstances under which they are made, not misleading.

### ARTICLE XIV

#### MISCELLANEOUS

Section XIV.1 Notices. All notices or other communications hereunder shall be sufficiently sent or given and shall be deemed sent or given when delivered or mailed by certified mail, postage prepaid, to the parties at the following addresses:

DNRC: Department of Natural Resources and Conservation

1539 Eleventh Avenue  
P. O. Box 201601  
Helena, Montana 59620-1601  
Attn: Conservation and Resource  
Development Division

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

Borrower: Town of Philipsburg  
300 S. Merrill Avenue  
Philipsburg, Montana 59330  
Attn: Town 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 XIV.2 Binding Effect. This Resolution shall inure to the benefit of and shall be binding upon the DNRC, the Borrower and their respective successors and assigns.

Section XIV.3 Severability. If any provision of this Resolution shall be determined to be unenforceable at any time, it shall not affect any other provision of the Resolution or the enforceability of that provision at any other time.

Section XIV.4 Amendments. This Resolution may not be effectively amended without the written consent of DNRC.

Section XIV.5 Applicable Law. This Resolution shall be governed by and construed in accordance with the internal laws of the State.

Section XIV.6 Captions; References to Sections. The captions in this Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Resolution.

Section XIV.7 No Liability of Individual Officers, Directors or Trustees. No recourse under or upon any obligation, covenant or agreement contained in this Resolution shall be had against any director, officer or employee, as such, past, present or future, of the DNRC, the DEQ or the Trustee, either directly or through the DNRC, the DEQ or the Trustee, or against any officer, or member of the governing body or employee of the Borrower, past, present or future, as an individual so long as such individual was acting in good faith. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such officer or member of the governing body or employee of the DNRC, the Trustee or the Borrower is hereby expressly waived and released by the Borrower and by the DNRC as a condition of and in consideration for the adoption of this Resolution and the making of the 2024 Loans.

Section XIV.8 Payments Due on Holidays. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Resolution or the Series 2024 Bonds, shall not be Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Resolution or the Series 2024 Bonds.

Section XIV.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 2024 Project or the facility or facilities of which the 2024 Project is a part or any other facility which is a part of the System in order to effectuate the purposes of this Section.

Section XIV.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 2024 Bonds and such other certificates and affidavits as may be required to show the right, power and authority of the Borrower to issue the Series 2024 Bonds, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the Borrower as to the truth of the statements of fact purported to be shown thereby.

Section XIV.11 Date. This Resolution shall take effect immediately.

Adopted by the Town Commission of the Town of Philipsburg, Montana, on this 2nd day of May, 2024.

Daniel Reddish  
Mayor

ATTEST:

Rachel Parret  
Town Clerk

(Seal of the Town)



APPENDIX A

Description of the 2024 Project

The 2024 Project generally consists of the costs of the planning, design and financing and the construction costs for wastewater system improvements.

Estimated 2024 Project Budget

<u>Category</u>	<u>Project Costs</u>
Professional Services	\$50,000
Audit Fees	21,000
Loan Reserves	42,125
Bond Counsel Fees	25,000
Geotechnical Investigation	31,107
Treatment Preselect	20,000
RPR	201,800
Construction	6,007,140
Contingency	796,400
	<hr/>
	\$7,632,672

The Series 2024 Project is expected to be funded as follows:

Estimated Sources of Funds

<u>Category</u>	<u>Project Costs</u>
Series 2024A Bond	\$750,000
Series 2024B Bond	\$1,844,671
ARPA Fiscal Recovery Funds	59,120
ARPA Minimum Allocation Funds	60,576
ARPA Competitive Grant	2,000,000
Montana Coal Endowment Program	750,000
WRDA (2022) Grant	925,000
WRDA (2024)	585,000
DNRC RDG Grant	316,668
Borrower Contribution	341,634
	<hr/>
	\$7,632,672

APPENDIX B-1

[Form of the Series 2024A Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF GRANITE

**TOWN OF PHILIPSBURG**

SUBORDINATE LIEN WASTEWATER SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM)  
TAXABLE Series 2024A

R-1

\$750,000

FOR VALUE RECEIVED, THE TOWN OF PHILIPSBURG, MONTANA (the “Borrower”), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the “DNRC”), or its registered assigns, solely out of available Surplus Net Revenues remaining in the Surplus Account of its Wastewater System Fund, the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under “Total Amount Advanced,” with interest on each such amount from the date such amount is advanced hereunder at the rate of two percent (2.00%) per annum on the unpaid balance until paid, together with a Loan Loss Reserve Surcharge and an Administrative Expense Surcharge on the outstanding principal amount of this Bond from the date of each advance of principal at the rate of twenty-five hundredths of one percent (0.25%) and twenty-five hundredths of one percent (0.25%) per annum, respectively, all subject to the effect of the immediately following paragraph. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments on each January 1 and July 1 (each a “Loan Repayment Date”) commencing with the Loan Repayment Date that is the first to occur following delivery by the DNRC to the Borrower of a statement that the Borrower’s obligation to repay the principal amount of the 2024A Loan is not forgiven and ending on the July 1, 2055, all as described in the Resolution (as hereinafter defined), subject to earlier redemption. Principal shall as well be payable on such dates, as set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B hereto under “Total Loan Payment.” The portion of each such payment consisting of principal, the portion consisting of interest and the portion consisting of Administrative Expense Surcharge and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule B attached hereto. Upon each disbursement of 2024A Loan amounts to the Borrower pursuant to the Resolution described below, the DNRC shall enter (or cause to be entered) the amount advanced on Schedule A under “Advances” and the total amount advanced under the Resolution (as hereinafter defined), including such disbursement, under “Total Amount Advanced.” The DNRC shall prepare Schedule B and any revised Schedule B, or cause Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the resolution authorizing this

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

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS BOND, IN THE EVENT THAT THE BORROWER TIMELY DELIVERS A COMPLIANCE CERTIFICATE AND REQUEST (AS DEFINED IN THE RESOLUTION) IN FORM AND SUBSTANCE SATISFACTORY TO THE DNRC AND THE DNRC IN RESPONSE THERETO SUPPLIES TO THE BORROWER A FORGIVENESS STATEMENT, THEN THEREUPON INTEREST SHALL BE DEEMED TO ACCRUE ON THE PRINCIPAL OF THIS Series 2024A BOND FROM THE DATE OF EACH ADVANCE AT THE RATE OF ZERO PERCENT (0.00%) PER ANNUM AND THE BORROWER'S OBLIGATION TO REPAY PRINCIPAL ADVANCED HEREUNDER SHALL BE FORGIVEN, AND THE BORROWER SHALL HAVE NO OBLIGATION TO REPAY THE DNRC OR ITS REGISTERED ASSIGNS ANY AMOUNTS ADVANCED HEREUNDER OR INTEREST OR ANY SURCHARGE THEREON. THIS BOND SHALL THEREUPON BE MARKED "CANCELLED" AND RETURNED BY THE HOLDER TO THE BORROWER, AND THIS BOND SHALL NO LONGER CONSTITUTE AN OBLIGATION OF THE BORROWER OR OF THE SYSTEM (AS HEREINAFTER DEFINED). IN ADDITION, UNTIL THE DELIVERY OF A DETERMINATION STATEMENT BY THE DNRC TO THE BORROWER, THE OBLIGATION OF THE BORROWER TO REPAY THE OUTSTANDING PRINCIPAL AMOUNT HEREOF SHALL BE DEFERRED UNTIL THE LOAN REPAYMENT DATE FIRST OCCURRING AFTER DELIVERY OF A NONCOMPLIANCE STATEMENT AND INTEREST SHALL BE DEEMED TO ACCRUE ON THE PRINCIPAL OF THIS Series 2024A BOND FROM THE DATE OF EACH ADVANCE UNTIL DELIVERY OF SUCH A NONCOMPLIANCE STATEMENT AT THE RATE OF ZERO PERCENT (0.00%) PER ANNUM.

This Bond is one of an issue of Wastewater System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time and constitutes a series in the maximum authorized principal amount of \$750,000 (the "Series 2024A Bond"). The Series 2024A Bond is issued to finance a portion of the costs of the construction of certain improvements to the Wastewater System of the Borrower (the "System") and to pay costs of issuance of the Series 2024A Bond. The Series 2024A Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Part 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, by Resolution No. \_\_\_\_\_, adopted on May 2, 2024 (the "Resolution"). Terms used with initial capital letters but not defined herein shall have the meanings given them in the Resolution. The Series 2024A Bond is issuable only as a single, fully registered bond. The Series 2024A Bond is issued as a Subordinate Obligation payable from Surplus Net Revenues in the Surplus Account in the Fund

of the Borrower. The Borrower has its Series 2016 \$425,000 Wastewater Revenue Bond issued to Montana Board of Investments through its INTERCAP Program and its Series 2018 \$77,000 Wastewater Revenue Bond issued Montana Board of Investments through its INTERCAP Program. Following the 2024B First Advance, principal amounts of this Series 2024A Bond are advanced until all of the principal of this Series 2024A Bond is advanced and then the remaining amounts of principal of the Series 2024B Bond will be advanced.

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2024A Bond has been issued, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the Series 2024A Bond.

The Borrower may prepay the principal of the Series 2024A Bond only if (i) a Determination Statement has been delivered, (ii) it obtains the prior written consent of the DNRC thereto, and (iii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2024A Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

This Series 2024A Bond, including interest and any premium for the redemption thereof, are payable solely from the Surplus Net Revenues available for the payment hereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this Series 2024A Bond is registered as the absolute owner hereof, whether this Series 2024A 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 2024A Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will forthwith construct and complete the improvements to the System hereinabove described; that it will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Wastewater System Fund into which the gross revenues of the System will be paid, and a separate and special Surplus Account in that Fund, into which will be paid, subject to the prior lien thereon of the Operating Account, Revenue Bond Account, and the Reserve Account, Surplus Net Revenues; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System, to produce in each Fiscal Year Net Revenues in excess of such current expenses, equal to at least 110% of the maximum amount of principal and interest payable from the Revenue Bond Account in any subsequent Fiscal Year and to produce in each Fiscal Year adequate Surplus Net Revenues to pay the principal of and interest on Subordinate Obligations including the Series 2024A Bond, as and when due; that Additional Bonds issued on a parity

with the Outstanding Bonds (such bonds, collectively, with the Outstanding Bonds, the “Bonds”) and refunding Bonds may be issued and made payable from the Revenue Bond Account on a parity with the Outstanding Bonds, and other parity Bonds, upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the Outstanding Bonds and Additional Bonds on such Net Revenues (such as is the case with this Series 2024A Bond); that all provisions for the security of the holder of this Series 2024A 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 2024A 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 2024A Bond and the interest hereon are payable solely out of available Net Revenues in the Surplus Account of the Fund and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the Series 2024A Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Town of Philipsburg, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor and Town Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the \_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_

Mayor

(SEAL)

\_\_\_\_\_

Town Clerk

REGISTRATION AND TRANSFER

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

REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the Town of Philipsburg, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of Town Clerk</u>
_____, 2024	<u>Department of Natural 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 Town Clerk of the Town of Philipsburg, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this Bond to the new registered holder noted next to such date, except for amounts of principal and interest theretofore paid.

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

FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_  
\_\_\_\_\_ the within Bond and does hereby  
irrevocably constitute and appoint \_\_\_\_\_  
attorney to transfer the Bond on the books kept for the registration thereof, with full power of  
substitution in the premises.

Dated: \_\_\_\_\_

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



SCHEDULE B

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

[Form of the Series 2024B Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF GRANITE

**TOWN OF PHILIPSBURG**

WASTEWASTEWATER SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM)  
SERIES 2024B

R-1

\$1,844,671

FOR VALUE RECEIVED, THE TOWN OF PHILIPSBURG, MONTANA (the “Borrower”), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the “DNRC”), or its registered assigns, solely from the Revenue Bond Account of its Wastewater System Fund, the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under “Total Amount Advanced,” with interest on each such amount from the date such amount is advanced hereunder at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay a Loan Loss Reserve Surcharge and an Administrative Expense Surcharge on the outstanding principal amount of this Bond at the rate of twenty-five hundredths of one-percent (0.25%) and twenty-five hundredths of one percent (0.25%) respectively, per annum. Interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable on each January 1 and July 1 (each a “Loan Repayment Date”) commencing January 1, 2024 and ending on July 1, 2043. Principal shall be payable on the dates set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B attached hereto under “Total Loan Payment.” The portion of each such payment consisting of principal and the portion consisting of interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be as set forth in Schedule B hereto. Upon each disbursement of 2024B Loan amounts to the Borrower pursuant to the Resolution described below, the DNRC shall enter (or cause to be entered) the amount advanced on Schedule A under “Advances” and the total amount advanced under the Resolution (as hereinafter defined), including such disbursement, under “Total Amount Advanced.” The DNRC shall prepare Schedule B and any revised Schedule B, or cause Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the resolution authorizing this Bond. Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of 2.50% per annum. Past-due payments of principal and interest and Administrative Expense and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest and Administrative Expense 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 Wastewater System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$1,844,671 (the "Series 2024B Bond"), issued to finance a portion of the costs of construction of certain improvements to the Wastewater System of the Borrower (the "System") and to pay costs of issuance of the Series 2024B Bond. The Series 2024B Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Part 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, on \_\_\_\_\_, 2024 (the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given to them in the Resolution. The Series 2024B Bond is issuable only as a single, fully registered bond. The Borrower is also issuing simultaneously herewith its \$750,000 Subordinate Lien Wastewater System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Taxable Series 2024A (the "Series 2024A Bond") The Borrower has its Series 2016 \$425,000 Wastewater Revenue Bond issued to Montana Board of Investments through its INTERCAP Program and its Series 2018 \$77,000 Wastewater Revenue Bond issued Montana Board of Investments through its INTERCAP Program, which are issued on a parity with the Series 2024B Bond.

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2024B Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which additional bonds may be issued under the Resolution and made payable from such Net Revenues on a parity with the Series 2024B Bond or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the Series 2024B Bond.

The Borrower may prepay the principal of the Series 2024B Bond only if a Determination Statement has been delivered, it obtains the prior written consent of the DNRC thereto, and no Loan Repayment, Administrative Expense Surcharge or Loan Loss Reserve 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 2024B Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

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

The Borrower may deem and treat the person in whose name this Series 2024B Bond is registered as the absolute owner hereof, whether this Series 2024B 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 2024B Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower has duly authorized and will forthwith undertake the improvements to the System hereinabove described, has fixed and established and will collect reasonable rates and charges for the services and facilities afforded by the System, and has created a special Wastewater System Fund into which the revenues of the System will be paid, and a separate and special Series 2024 Revenue Bond Subaccount in the Debt Service Account of that fund, into which will be paid each month; from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than the sum of one-sixth of the interest due within the next six months and one-twelfth of the principal due within the next twelve months with respect to all Bonds payable from that Account; that the Borrower has created a Series 2024 Reserve Subaccount in the Reserve Account in such fund into which shall be paid additional Net Revenues, after required credits to the Series 2024 Revenue Bond Subaccount sufficient to establish and maintain a reserve therein equal to, as of the date of calculation, the Reserve Requirement (as defined in the Resolution); that the Series 2024 Revenue Bond Subaccount will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient to (i) produce Net Revenues for each Fiscal Year in an amount at least sufficient to pay the principal of and interest on all Bonds payable from the Net Revenues derived in such Fiscal Year, to establish and maintain the Reserve Requirement, to pay promptly the reasonable and current Operating Expenses, to pay the principal of and interest on any Subordinate Obligations out of Surplus Net Revenues and to provide reserves for the repair and replacement of the System, and (ii) Net Revenues for each Fiscal Year will be equal to at least 110% of the maximum principal and interest requirements for all future Fiscal Years during which any Bonds will be Outstanding; that Additional Bonds and refunding Bonds may be issued and made payable from the Revenue Bond Account on a parity with the Series 2024B Bond upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues unless the lien thereof shall be expressly made subordinate to the lien of the Series 2024B Bond; that all provisions for the security of this Series 2024B 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 2024B Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed as so required; and that this Series 2024B Bond and the premium, if any, and interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the Borrower within the meaning of any constitutional, statutory or charter limitation or provision and the issuance of the Series 2024B Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional, statutory or charter limitation.

IN WITNESS WHEREOF, the Town of Philipsburg, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor and Town Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the \_\_\_\_ day of \_\_\_\_\_, 2024.

(SEAL)

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Mayor

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Town Clerk

REGISTRATION AND TRANSFER

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

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of Town Clerk</u>
_____, 2024	<u>Department of Natural Resources and Conservation</u> <u>1539 Eleventh Avenue</u> Helena, MT 59620	_____

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

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

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

FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_  
\_\_\_\_\_ the within Bond and does hereby  
irrevocably constitute and appoint \_\_\_\_\_  
attorney to transfer the Bond on the books kept for the registration thereof, with full power of  
substitution in the premises.

Dated: \_\_\_\_\_

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



SCHEDULE B

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

ADDITIONAL REPRESENTATIONS AND COVENANTS

None

APPENDIX D

\$2,594,671  
Wastewater System Revenue Bonds  
(DNRC Water Pollution Control State Revolving Loan Program)  
Consisting Of  
\$750,000 Subordinate Lien Taxable Series 2024A Bond  
And  
\$1,844,671 Series 2024B Bond

COMPLIANCE CERTIFICATE AND REQUEST

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

1. Pursuant to Resolution No. \_\_\_\_\_, adopted by this Commission on May \_\_\_\_, 2024 (the "2024 Resolution"), entitled "Resolution Relating to \$2,594,671 Wastewater System Revenue Bonds (DNRC Water Pollution Control State Revolving Loan Program), consisting of \$750,000 Subordinate Lien Taxable Series 2024A Bond and \$1,844,671 Series 2024B Bond; Authorizing the Issuance and Fixing the Terms and Conditions Thereof" (the "Resolution"), the Borrower issued its Subordinate Lien Wastewater System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Taxable Series 2024A, dated, as originally issued, as of \_\_\_\_\_, 2024, in the maximum aggregate principal amount of \$750,000 (the "Series 2024A Bond") and its Wastewater System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2024B, dated, as originally issued, as of \_\_\_\_\_, 2024, in the maximum aggregate principal amount of \$1,844,671 (the "Series 2024B Bond"). The Borrower has reviewed the Resolution, including, without limitation, Articles II and III of the 2024 Resolution, and the definitions relating thereto. The Borrower acknowledges and agrees that the Series 2024A Bond evidences loans made to the Borrower from the DNRC from funds made available to the DNRC from the 2021 EPA Capitalization Grant, and that this Certificate is being relied upon by the DNRC for ensuring compliance with requirements applicable to the Borrower, the DNRC, and the 2024 Project (as hereinafter defined). Capitalized terms used herein without definition shall have the meanings given them in the Resolution.

2. The Series 2024A Bond is issued to finance a portion of the costs of construction and installation of various improvements to the System, generally described as the 2024 Project (the "2024 Project") in the Resolution. Construction of the 2024 Project has complied with all federal and state standards, including, without limitation, EPA regulations and standards. The 2024 Project is expected to be completed and placed in service on or about \_\_\_\_\_.

3. Costs of the 2024 Project in the amount of \$\_\_\_\_\_ have been paid as of the date of delivery of this Certificate. The Borrower hereby waives its right to any remaining 2024A Committed Amount or 2024B Committed Amount not advanced or to be advanced upon delivery hereof. The Borrower specifically confirms and agrees that any remaining amounts of the 2024 Loans to be lent to the Borrower, if any, shall be evidenced by the Series 2024B Bond.

4. As of the date hereof, the Borrower has spent the following amounts in connection with the 2024 Project and costs related thereto:

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

Of such amounts, \$\_\_\_\_\_ were paid from advances of proceeds of the Series 2024A Bond.

5. The Trustee has delivered to the Borrower a copy of Schedule B to be attached to the Series 2024A Bond and Schedule B to be attached to the Series 2024B Bond, each of which reflects the amortization of all advances made or to be made on the date hereof of proceeds of the Series 2024A Bond and the Series 2024B Bond, respectively (i.e., \$\_\_\_\_\_ in respect of the Series 2024A Bond (the sum of the amounts of the Series 2024A Bond applied to pay costs of the 2024 Project or costs of issuance of the Series 2024 Bonds) and \$\_\_\_\_\_ in respect of the Series 2024B Bond (the sum of the amounts of the Series 2024B Bond applied to pay costs of the 2024 Project or costs of issuance of the Series 2024 Bonds or deposited in the Reserve Account as described in paragraph 6 hereof)), as required under Section 7.08(a) of the Indenture. The Borrower hereby acknowledges and agrees that each Schedule B has been calculated in accordance with the provisions of the Resolution and the Indenture, and that each of the Series 2024A Bond and the Series 2024B Bond, with said Schedule B attached thereto, has been duly issued pursuant to the Resolution and is a valid and binding obligation of the Borrower in accordance with its terms and the terms of the Resolution; provided, however, if the DNRC delivers a Forgiveness Statement, the Borrower's obligation to repay the principal of the Series 2024A Bond and interest and surcharges thereon is thereupon forgiven, and if the DNRC delivers a Noncompliance Certificate, amounts advanced under the 2024B Loan evidenced by the Series 2024A Bond shall bear interest from and after the 2024A First Advanced at the rate of two percent (2.00%) per annum and the Borrower shall pay currently with interest the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge, all as described in Section 5.1.2 of the Resolution.

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

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

8. The Borrower is delivering this Certificate to the DNRC, in part, to ensure compliance with EPA regulations and standards. The Borrower certifies that all laborers and mechanics employed by contractors and subcontractors on the 2024 Project have been and will be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the United States Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code.

9. The Borrower acknowledges and agrees that this Certificate completed by the Borrower in form satisfactory to the DNRC must be executed and delivered to the DNRC by the date that is 30 days after receipt of the form of this Certificate from the DNRC. By submitting this Certificate, the Borrower requests that the DNRC forgive the obligation of the Borrower to repay the principal of the Series 2024A Bond, together with interest and surcharges thereon. The Borrower acknowledges and agrees that (i) the forgiveness of principal of and interest and surcharges on the Series 2024A Bond by the DNRC is contingent on the timely delivery of this Certificate by the Borrower in satisfactory form as determined in the DNRC's sole and complete discretion, (ii) the DNRC has no obligation to grant such forgiveness; (iii) if the DNRC delivers to the Borrower a Noncompliance Certificate, (a) the obligation of the Borrower to repay the principal of the Series 2024A Bond plus interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge thereon shall continue in full force and effect until the principal of the Series 2024A Bond advanced and interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge thereon are paid in full, as set forth in Schedule B delivered pursuant to paragraph 5 above, and as provided in the Series 2024A Bond and the Resolution, and (b) the Borrower shall, as necessary, within the 3-month period specified in the 2024 Resolution, adjust its rates and charges to produce Net Revenues and Surplus Net Revenues required by the rate covenant in the Resolution.

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

TOWN OF PHILIPSBURG, MONTANA

\_\_\_\_\_  
Mayor

*Rachel Tarrel*  
\_\_\_\_\_  
Town Clerk

(SEAL)



(a) The Borrower is obligated to repay the principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2024A Loan, unless the DNRC forgives the Borrower's obligation to repay the principal of the 2024A Loan as provided in Section 5.1.2(b). Subject to the provisions of Section 5.1.2(b), the Loan Repayments and the Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2024A 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 2024A Loan shall be payable from and after the date of each advance of principal of the 2024A Loan on each Payment Date at the rate of 2.50% per annum, beginning on the first Payment Date following the date of delivery by the DNRC of a Noncompliance Statement and concluding on July 1, 2054; and
- (2) the principal of the 2024A Loan shall be repayable on each Payment Date, beginning on the Payment Date that is the first to occur following delivery by the DNRC of a Noncompliance Statement, and concluding on July 1, 2054, and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at the rate of 2.50% per annum; provided that principal of the 2024A Loan is payable only in amounts that are multiples of \$1,000.

(b) Notwithstanding Section 5.1.2(a), so long as the Borrower is proceeding diligently to completion of the 2024 Project through the final advance of principal of the 2024B Loan and the Borrower has executed and delivered the DNRC Compliance Certificate and Request to the DNRC in form and substance satisfactory to the DNRC and the DEQ within thirty (30) days after the date that the DNRC Compliance Certificate and Request is provided to the Borrower by the DNRC, the DNRC will, following review and approval of the DNRC Compliance Certificate and Request, deliver to the Borrower a Forgiveness Statement and the Borrower will thereafter have no obligation to repay amounts advanced under the Series 2024A Bond or interest or surcharges thereon and the Series 2024A Bond will be marked "CANCELLED" and returned by the DNRC to the Borrower. However, in the event the Borrower fails to deliver timely the DNRC Compliance Certificate and Request, or the Borrower cannot submit the DNRC Compliance Certificate and Request because it cannot make the certifications required therein, or the DNRC Compliance Certificate and Request is delivered in a form that deviates materially from that attached hereto as Appendix D as determined in the sole and complete discretion of the DNRC or the DEQ, or the DNRC or the DEQ determine at any time that the 2024 Project or any portion thereof or of the work relating thereto fails to comply with Program requirements, then the DNRC will deliver to the Borrower a Noncompliance Statement. Upon delivery of a DNRC Noncompliance Statement by the DNRC to the Borrower, all principal advanced or to be advanced under the Series 2024A Bond, together with interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge thereon from the date of each advance, shall be payable as provided in Section 5.1.2 (a). Notwithstanding Section 5.1.2(a), until the delivery by the DNRC to the Borrower of a Determination Statement, the obligation of the Borrower to repay the principal advanced under Series 2024A Bond shall be deferred until the Payment Date first occurring after delivery of a Determination Statement and,



until such time, interest on amounts advanced under the Series 2024A Bond will be deemed to be at the rate of zero percent (0.00%) per annum.

(c) In addition, in the event the DNRC delivers a DNRC Noncompliance Statement (i) the Series 2024A Bond will continue in effect as a Subordinate Obligation, and (ii) the Borrower will forthwith comply with the rate covenant set forth in Section 6.7 of this Resolution, and, if necessary, increase the rates and charges of the System to satisfy such rate covenant as soon as practicable and in any event no later than three (3) months after the date of delivery to the Borrower by the DNRC of a Noncompliance Statement.

5.1.3. Repayment of 2024B Loan. The Loan Repayments on the 2024B Loan from and after the 2024B First Advances and all subsequent advances of the 2024B Loan are as follows:

- (1) interest on the outstanding principal balance of the 2024B Loan shall be payable on each Payment Date, with respect to the 2024B Loan, beginning on January 1, 2025 and concluding on July 1, 2054 at the rate of 2.00% per annum;
- (2) the Borrower shall also pay on each Payment Date, beginning January 1, 2025 for the Series 2024B Bond, the Administrative Expense Surcharge of twenty-five hundredths of one-percent (0.25%) per annum and the Loan Loss Reserve Surcharge of twenty-five hundredths of one percent (0.25%) per annum; and
- (3) the principal of the 2024B Loan shall be repayable on each Payment Date, beginning on January 1, 2025 and concluding on July 1, 2054, 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 2024B Loan is payable only in amounts that are multiples of \$1,000.

5.1.4. Details Regarding 2024 Loan Repayments. Loan Repayments and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge, on the Series 2024B Loan and, if applicable, on the 2024A Loan, shall be due on the dates specified above and on the dates and in the amounts shown in Schedule B to the Series 2024B Bond and, if applicable, the Series 2024A Bond, as such Schedule B shall be modified from time to time as provided in Sections 5.1.2 and 5.1.3 and below. Schedule B will first be attached to the Series 2024A Bond and the Series 2024B 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 on Schedule B to the Series 2024B Bond and the portion of each Loan Repayment consisting of principal and the portion consisting of interest and the amount of each Administrative Expense Surcharge and the amount of each Loan Loss Reserve Surcharge shall be set forth in Schedule B to the Series 2024A Bond (if appropriate). Upon each disbursement of 2024 amounts to the Borrower pursuant to Section 4.1 hereof, the Trustee shall enter or cause to be entered the amount advanced on Schedule A to the applicable Series 2024A Bond and the Series 2024B Bond under



APPENDIX B-1

[Form of the Series 2024A Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF GRANITE

**TOWN OF PHILIPSBURG**

SUBORDINATE LIEN WASTEWATER SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM)  
TAXABLE Series 2024A

R-1

\$750,000

FOR VALUE RECEIVED, THE TOWN OF PHILIPSBURG, MONTANA (the "Borrower"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely out of available Surplus Net Revenues remaining in the Surplus Account of its Wastewater System Fund, the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under "Total Amount Advanced," with interest on each such amount from the date such amount is advanced hereunder at the rate of two percent (2.00%) per annum on the unpaid balance until paid, together with a Loan Loss Reserve Surcharge and an Administrative Expense Surcharge on the outstanding principal amount of this Bond from the date of each advance of principal at the rate of twenty-five hundredths of one percent (0.25%) and twenty-five hundredths of one percent (0.25%) per annum, respectively, all subject to the effect of the immediately following paragraph. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments on each January 1 and July 1 (each a "Loan Repayment Date") commencing with the Loan Repayment Date that is the first to occur following delivery by the DNRC to the Borrower of a statement that the Borrower's obligation to repay the principal amount of the 2024A Loan is not forgiven and ending on the July 1, 2054, all as described in the Resolution (as hereinafter defined), subject to earlier redemption. Principal shall as well be payable on such dates, as set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest and the portion consisting of Administrative Expense Surcharge and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule B attached hereto. Upon each disbursement of 2024A Loan amounts to the Borrower pursuant to the Resolution described below, the DNRC shall enter (or cause to be entered) the amount advanced on Schedule A under "Advances" and the total amount advanced under the Resolution (as hereinafter defined), including such disbursement, under "Total Amount Advanced." The DNRC shall prepare Schedule B and any revised Schedule B, or cause Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the resolution authorizing this



APPENDIX B-2

[Form of the Series 2024B Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF GRANITE

**TOWN OF PHILIPSBURG**

WASTEWASTEWATER SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM)  
SERIES 2024B

R-1

\$1,850,000

FOR VALUE RECEIVED, THE TOWN OF PHILIPSBURG, MONTANA (the "Borrower"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely from the Revenue Bond Account of its Wastewater System Fund, the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under "Total Amount Advanced," with interest on each such amount from the date such amount is advanced hereunder at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay a Loan Loss Reserve Surcharge and an Administrative Expense Surcharge on the outstanding principal amount of this Bond at the rate of twenty-five hundredths of one-percent (0.25%) and twenty-five hundredths of one percent (0.25%) respectively per annum. Interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable on each January 1 and July 1 (each a "Loan Repayment Date") commencing January 1, 2025 and ending on July 1, 2054. Principal shall be payable on the dates set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B attached hereto under "Total Loan Payment." The portion of each such payment consisting of principal and the portion consisting of interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be as set forth in Schedule B hereto. Upon each disbursement of 2024B Loan amounts to the Borrower pursuant to the Resolution described below, the DNRC shall enter (or cause to be entered) the amount advanced on Schedule A under "Advances" and the total amount advanced under the Resolution (as hereinafter defined), including such disbursement, under "Total Amount Advanced." The DNRC shall prepare Schedule B and any revised Schedule B, or cause Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the resolution authorizing this Bond. Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of 2.50% per annum. Past-due payments of principal and interest and Administrative Expense and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest and Administrative Expense and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30

