

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Missoula, Montana (the "City"), hereby certify that the attached resolution is a true copy of a Resolution entitled: "RESOLUTION RELATING TO SPECIAL IMPROVEMENT DISTRICT NO. 544; AUTHORIZING THE EXECUTION AND DELIVERY OF \$2,028,090 SPECIAL IMPROVEMENT DISTRICT NO. 544 BONDS (DNRC REVOLVING LOAN PROGRAM) CONSISTING OF \$29,688 A LOAN BOND, \$359,300 B LOAN BOND, \$1,608,102 C LOAN BOND, AND \$31,000 D LOAN BOND TO PAY COSTS OF IMPROVEMENTS TO THE DISTRICT; CREATING SPECIAL FUNDS AND ACCOUNTS FOR THE ADMINISTRATION OF CERTAIN MONEY DERIVED THEREFROM AND DEFINING THE TERMS AND THE MANNER OF PAYMENT OF THE BONDS" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Council of the City at a meeting on November 23, 2009, and that the meeting was duly held by the City Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council members voted in favor thereof: Childers, Haines, Hellegaard, Hendrickson, Jaffe, Marler, Mitchell, Rye, Strohmaier, Walzer, Wiener and Wilkins; voted against the same: None; abstained from voting thereon: None; or were absent: None.

WITNESS my hand officially this 23<sup>rd</sup> day of November, 2009.

/s/ Martha L. Rehbein  
Martha L. Rehbein  
City Clerk

BOND RESOLUTION

Relating to

\$2,028,090 SPECIAL IMPROVEMENT DISTRICT NO. 544 BONDS  
(DNRC REVOLVING LOAN PROGRAM) CONSISTING OF  
\$29,688 A LOAN BOND, \$359,300 B LOAN BOND, \$1,608,102 C LOAN BOND, AND \$31,000 D LOAN  
BOND

CITY OF MISSOULA, MONTANA

Adopted: November 23, 2009

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## RESOLUTION NUMBER 7494

### RESOLUTION RELATING TO SPECIAL IMPROVEMENT DISTRICT NO. 544; AUTHORIZING THE EXECUTION AND DELIVERY OF \$2,028,090 SPECIAL IMPROVEMENT DISTRICT NO. 544 BONDS (DNRC REVOLVING LOAN PROGRAM) CONSISTING OF \$29,688 A LOAN BOND, \$359,300 B LOAN BOND, \$1,608,102 C LOAN BOND, AND \$31,000 D LOAN BOND TO PAY COSTS OF IMPROVEMENTS TO THE DISTRICT; CREATING SPECIAL FUNDS AND ACCOUNTS FOR THE ADMINISTRATION OF CERTAIN MONEY DERIVED THEREFROM AND DEFINING THE TERMS AND THE MANNER OF PAYMENT OF THE BONDS

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

**WHEREAS**, the 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**, one-time funding has been made available to the Program under the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009) ("ARRA"), a portion of which funding may be disbursed to eligible borrowers for eligible projects, upon satisfaction of certain terms and conditions specified in ARRA, Program documents, and herein; and

**WHEREAS**, City of Missoula, Montana (the "Borrower") has duly and validly created pursuant to Title 7, Chapter 12, Part 41, Montana Code Annotated, and Resolution No. 7444, adopted by this Council on July 13, 2009, special improvement District No. 544 (the "District") to pay the costs of financing certain sanitary sewer system Improvements; and

**WHEREAS**, the Borrower has applied to the DNRC for the 2009 Loans (as hereinafter defined) from the DNRC Revolving Fund to enable the Borrower to finance, refinance or reimburse itself for a portion of the costs of the Improvements (as hereinafter defined) which will carry out the purposes of the Clean Water Act and, other than the Lolo Street Improvements (as hereinafter defined), be implemented in accordance with ARRA; and

**WHEREAS**, the total estimated costs of the Improvements to be financed by the City, including deposits to a reasonably required debt service reserve, deposits to the Revolving Fund (as hereinafter defined), costs of issuance of the bonds, capitalized interest costs and other incidental costs, are \$4,430,202; and

**WHEREAS**, the DNRC has determined that \$3,378,102 of the costs of the Improvements are eligible for financing under the Program, which costs and Improvements for purposes of this Resolution shall be deemed the 2009 Project, consisting of (i) \$2,028,090 to be financed with proceeds from the City's SID 544 Bonds (as hereinafter defined) under this Resolution, and (ii) \$1,350,012 to be financed

with proceeds from the City's 2009 Revenue Bonds, to be issued simultaneously with the SID 544 Bonds; and

**WHEREAS**, costs of the Improvements in excess of the proceeds of the SID 544 Bonds and the 2009 Revenue Bonds are expected to be paid from a Treasure State Endowment Program grant in the amount of \$500,000, an EPA grant in the amount of \$482,100 and a Rural Resources Grant in the amount of \$70,000; and

**WHEREAS**, the Borrower is authorized to issue the SID 544 Bonds under M.C.A. Title 7, Chapter 12, Parts 41 and 42 to evidence the 2009 Loans (as hereinafter defined) for the purposes set forth herein; and

**WHEREAS**, the DNRC will fund the 2009A Loan (as hereinafter defined) and the 2009B Loan (as hereinafter defined) with funds provided by the United States Environmental Protection Agency under ARRA and will fund the 2009C Loan and the 2009D Loan in part, directly or indirectly, with proceeds of the State's General Obligation Bonds (Water Pollution Control State Revolving Fund) (the "State Bonds"), and in part, directly or indirectly, with funds provided by the United States Environmental Protection Agency, and the 2009D Loan will be funded directly or indirectly, with Recycled Money.

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

#### ARTICLE I DEFINITIONS, RULES OF CONSTRUCTION AND APPENDICES

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

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

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

"Administrative Expense Surcharge" means, upon the delivery of an ARRA Noncompliance Statement as provided by this Resolution, a surcharge equal to seventy-five hundredths of one percent (0.75%) per annum on the outstanding principal amount of the 2009 Loans, payable by the Borrower on a Payment Date.

"A Loan Bond" means the \$29,688 Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series A Loan, issued to the DNRC to evidence the 2009A Loan.

"ARRA" means the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009), and all regulations, rules, and interpretations issued by the EPA thereunder.

"ARRA Certificate and Request" means the certificate and request substantially in the form of the attached Appendix D to be executed and delivered by the Borrower to the DNRC pursuant to Section 5.1.2.

"ARRA Forgiveness Statement" means a written statement delivered to the Borrower by the DNRC that the Borrower's obligation to repay the principal of the A Loan Bond is forgiven.

"ARRA Noncompliance Statement" means a written statement delivered to the Borrower by the DNRC that the Borrower's obligation to repay the principal of the A Loan Bond is not forgiven.

“ARRA Statement” means an ARRA Forgiveness Statement or an ARRA Noncompliance Statement.

“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.

“B Loan Bond” means the \$359,300 Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series B Loan, issued to the DNRC to evidence the 2009B Loan.

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

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

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

“C Loan Bond” means the \$1,608,102 Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series C Loan, issued to the DNRC to evidence the 2009C Loan.

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

“Closing” means the date of delivery of the SID 544 Bonds 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 SID 544 Bonds. If no Collateral Documents secure such obligations, any reference to Collateral Documents in this Resolution shall be without effect.

“Committed Amount” means the aggregate amount of the 2009 Loans committed to be lent by the DNRC to the Borrower pursuant to Section 4.1, as such amount may be reduced pursuant to Sections 3.2 and 3.4.

“Construction Account” means the account within the Fund established pursuant to Section 6.2 of this Resolution.

“Construction Contracts” means the binding contracts for construction of the 2009 Project entered into between the Borrower and the construction contractor(s) 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 Improvements or the 2009 Project, selected by the Borrower and satisfactory to the DNRC.

“Council” means the City Council of the Borrower.

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

“D Loan Bond” means the \$31,000 Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series D Loan, issued to the DNRC to evidence the 2009D Loan.

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

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

“District” means Special Improvement District No. 544 of the Borrower.

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

“Enabling Act” means Montana Code Annotated, Title 7, Chapter 7, Part 44 and Chapter 12 Parts 41 and 42, as amended, which authorizes the Borrower to create a Special Improvement district to construct, finance, and undertake the 2009 Project and to issue the SID 544 Bonds to finance a portion of the costs of the 2009 Project.

“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, the DNRC and the EPA concerning the Program.

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

“Estimated Completion Date” means November 30, 2010, the date by which it is estimated by the Borrower that the 2009 Project will be substantially completed.

“Event of Default” means any event described in Section 9.1 hereof.

“Fund” means the Special Improvement District No. 544 Fund established pursuant to Section 6.1 of this Resolution.

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

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

“Improvements” means the Rattlesnake sewer system improvements authorized to be financed in part by Special Improvement District No. 544.

“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.

“Interest Account” means the account within the Fund established pursuant to Section 6.3 of this Resolution.

“Loan” means the Loan or Loans 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 and to fund a deposit to the Revolving Fund.

“Loan Loss Reserve Surcharge” means, upon the delivery of an ARRA Noncompliance Statement as provided by this Resolution, a surcharge equal to seventy-five hundredths of one percent (1.00%) per annum on the outstanding principal amount of the 2009 Loans, payable by the Borrower on a Payment Date.

“Loan Repayments” means periodic installments of principal and interest by Borrower in repayment of the B Loan Bond, C Loan Bond, and D Loan Bond, and if the DNRC delivers an ARRA Noncompliance Statement, of the A Loan Bond, at the rates and times specified in Article V.

“Lolo Street Improvements” means those improvements, funded with the proceeds of the D Loan, set forth as such on Appendix A.

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

“Payment Date” means the date on which a payment of interest or principal and interest on the SID 544 Bonds is due.

“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.

“Principal Account” means the account within the Fund established pursuant to Section 6.3 of this Resolution.

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

“Project” means the Improvements, or any part thereof, financed, refinanced or the cost of which is being reimbursed to the Borrower in whole or in part with proceeds of the SID 544 Bonds, the 2009 Revenue Bonds or other funds of the Borrower, including the 2009 Project.

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

“Recycled Money” means payments and prepayments of principal of any Loan and any other amounts transferred to the Principal Subaccount in the Revenue Subaccount in the State Allocation Account.

“Registrar” means, with respect to the SID 544Bonds, the City Finance Director/Treasurer or any successor appointed pursuant to this Resolution, and, with respect to any other series of Bonds, the Person or Persons designated by or pursuant to this Resolution or a Supplemental Resolution to receive and disburse the principal of, premium, if any, and interest on the Bonds on behalf of the Borrower and to hold and maintain the Bond Register.

“Regulations” means the Treasury Regulations, whether final, temporary or proposed, promulgated under the Code or otherwise applicable to the SID 544 Bonds.

“Reserved Amounts” means any undisbursed Committed Amount which will or may be required to pay any remaining costs of the 2009 Project upon completion thereof as provided in Section 3.4(a).

“Resolution” means this resolution as it may from time to time be amended or supplemented by a supplemental resolution.

“Revolving Fund” means the Special Improvement District Revolving Fund of the Borrower established pursuant to Ordinance No. 601 and Sections 7-12-4221-29 of the Enabling Act.

“SID 544 Bonds” means the City’s \$2,028,090 Special Improvement District No. 544 Bonds (DNRC Revolving Loan Program), consisting of the A Loan Bond, the B Loan Bond, the C Loan Bond and the D Loan Bond.

“State” means the State of Montana.

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

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

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

“2009A Committed Amount” means the amount of the 2009A 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.

“2009A Loan” means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2009A Committed Amount to provide funds to pay a portion of the costs of the 2009 Project payable under the Program.

“2009 ARRA Project” means that portion of the 2009 Project that does not constitute the Lolo Street Improvements.

“2009B Committed Amount” means the amount of the 2009B 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.

“2009B First Advance” means the first advance of funds of the 2009B Loan by the DNRC to the Borrower.

“2009B Loan” means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2009B Committed Amount to provide funds to pay a portion of the costs of the 2009 Project payable under the Program and to fund deposits to the Revolving Fund.

“2009C Committed Amount” means the amount of the 2009C 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.

“2009C First Advance” means the first advance of funds of the 2009C Loan by the DNRC to the Borrower.

“2009C Loan” means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2009C Committed Amount to provide funds to pay a portion of the costs of the 2009 Project payable under the Program, to fund deposits to the Revolving Fund, and to pay costs of issuance.

“2009D Committed Amount” means the amount of the 2009D 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.

“2009D First Advance” means the first advance of funds of the 2009D Loan by the DNRC to the Borrower.

“2009D Loan” means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2009D Committed Amount to provide funds to reimburse the City for costs of the Lolo Street Improvements and to fund deposits to the Revolving Fund.

“2009 Loans” or “Loan” means, collectively, the 2009A Loan, the 2009B Loan, the 2009C Loan, and the 2009D 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 2009 Project, to pay costs of issuance of the SID 544 Bonds, and to fund deposits to the Revolving Fund and the Reserve Account.

“2009 Project” means the designing and engineering of the facilities, improvements and activities acquired, financed, refinanced or the cost of which is being reimbursed to the Borrower in part with proceeds of the 2009 Loans, described in Appendix A hereto.

“2009 Project Readiness Date” means a date that is no later than November 1, 2009.

“2009 Revenue Bonds” means the City’s \$1,350,012 Sewer System Revenue Bonds (DNRC Revolving Loan Program), Series 2009, issued pursuant to Resolution No. 7495, adopted by this Council on November 23, 2009.

“Undisbursed Committed Amount” means any undisbursed Committed Amount which is not required to pay costs of the 2009 Project upon completion thereof as provided in Section 3.4(a) of this Resolution.

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

(a) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted government accounting standards.

(b) Terms in the singular include the plural and vice versa.

(c) All references to time shall refer to Helena, Montana time, unless otherwise provided herein.

(d) All references to mail shall refer to first-class mail postage prepaid.

(e) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(f) "Or" is not exclusive, but is intended to permit or encompass one, more or all of the alternatives conjoined.

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

Appendix A: a description of the 2009 Project;

Appendix B-1: the form of the A Loan Bond;

Appendix B-2: the form of the B Loan Bond;

Appendix B-3: the form of the C Loan Bond;

Appendix B-4: the form of the D Loan Bond;

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

Appendix D: ARRA Certificate and Request.

## ARTICLE II REPRESENTATIONS AND COVENANTS

Section 2.1. Representations. The Borrower represents as follows:

(a) Organization and Authority. The Borrower:

- (i) is duly organized and validly existing as a municipality and political subdivision of the State;
- (ii) has all requisite power and authority and all necessary licenses and permits required as of the date hereof to own and operate the 2009 Project and the System, to adopt this Resolution, to create the District and to enter into the Collateral Documents and to issue the Bond and to carry out and consummate all transactions contemplated by this Resolution, to create the District, the SID 544 Bonds, and the Collateral Documents;
- (iii) is a Governmental Unit and a Public Entity; and
- (iv) has taken all proper action to authorize the execution, delivery and performance of its obligations under this Resolution, the SID 544 Bonds and the Collateral Documents and the issuance the SID 544 Bonds in the maximum amount of the Committed Amount.

(b) Pending Litigation. There is no litigation or proceeding pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower in any court or before or

by any governmental authority or arbitration board or tribunal questioning the validity or regularity of the creation of the District, the contracts for construction of the Project or the undertaking and agreement of the Borrower to levy special assessments therefor and to make good any deficiency in the collection thereof through the levy of taxes for and the making of advances from the Revolving Fund, or the right and power of the Borrower to issue the SID 544 Bonds or in any manner questioning the existence of any condition precedent to the exercise of the Borrower's powers in these matters, or that, if adversely determined, would materially and adversely affect the existence, corporate or otherwise, of the Borrower, or the ability of the Borrower to make all payments and otherwise perform its obligations under this Resolution, the SID 544 Bonds, and the Collateral Documents, or the financial condition of the Borrower or the Revolving Fund, or the transactions contemplated by this Resolution, the SID 544 Bonds, and the Collateral Documents or the validity and enforceability of this Resolution, the SID 544 Bonds, and the Collateral Documents. If any such litigation should be initiated or threatened, the Borrower will forthwith notify in writing the DNRC, and will furnish the DNRC a copy of all documents, including pleadings, in connection with such litigation. No referendum petition has been filed with respect to any resolution or other action of the Borrower relating to the Project, the SID 544 Bonds, or any Collateral Documents and the period for filing any such petition will have expired before issuance of the SID 544 Bonds.

(c) Borrowing Legal and Authorized. The adoption of this Resolution, the execution and delivery of the SID 544 Bonds and the Collateral Documents and the consummation of the transactions provided for in this Resolution, the SID 544 Bonds, and the Collateral Documents and compliance by the Borrower with the provisions of this Resolution, the SID 544 Bonds, and the Collateral Documents:

- (i) are within the powers of the Borrower and have been duly authorized by all necessary action on the part of the Borrower; and
- (ii) do not and will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Borrower pursuant to any ordinance resolution, indenture, loan agreement or other agreement or instrument (other than this Resolution and any Collateral Documents) to which the Borrower is a party or by which the Borrower or its property may be bound, nor will such action result in any violation of the provisions of any charter or similar document, if applicable, or any laws, ordinances, governmental rules or regulations or court or other governmental orders to which the Borrower, its properties or operations are subject.

(d) No Defaults. No event has occurred and no condition exists that, upon execution and delivery of the SID 544 Bonds and the Collateral Documents, would constitute a default under this 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 SID 544 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 SID 544 Bonds and the Collateral Documents or for the 2009 Project, the financing or refinancing thereof or the reimbursement of the Borrower for the costs thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental authority (other than those, if any, already obtained) is required on the part of the Borrower as a condition

to adopting this Resolution, issuing the Bond or entering into the Collateral Documents and the performance of the Borrower's obligations hereunder and thereunder.

(f) Binding Obligation. This Resolution, the SID 544 Bonds, and any Collateral Documents 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 2009 Project. The 2009 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.

(h) Full Disclosure. There is no fact that the Borrower has not previously and specifically disclosed in writing to the DNRC that materially and adversely affects or (so far as the Borrower can now reasonably foresee) will affect, (except for pending or proposed legislation or regulations that are a matter of general public information), the properties, operations and finances of the Project, the City, the District or the Revolving Fund, the Borrower's status as a Public Entity and Governmental Unit, the Borrower's ability to own and operate the 2009 Project upon completion or the Borrower's ability to perform its obligations under this Resolution, the SID 544 Bonds, and the Collateral Documents and to pledge any revenues or other property pledged to the payment of the Bond.

(i) 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 2009 Project, the System or the District or the status of the Borrower 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 2009 Project and 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 2009 Project and 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 2009 Project or the System as presently conducted or the condition (financial or otherwise) of the 2009 Project, the District or the Borrower's ability to perform its obligations under this Resolution, the SID 544 Bonds and the Collateral Documents.

## Section 2.2. Covenants.

(a) Right of Inspection and Notice of Change of Location. The DEQ, the DNRC 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 2009 Project or any or all books and records of the Borrower relating to the 2009 Project.

(b) Further Assurance. The Borrower shall execute and deliver to the DNRC all such documents and instruments and do all such other acts and things as may be necessary or required by the DNRC to enable the DNRC to exercise and enforce its rights under this

Resolution, the SID 544 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 this Resolution, the SID 544 Bonds, and the Collateral Documents.

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

(d) Financial Information. 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 2009 Project, the Fund and the levy and collection of special assessments in the District, in such reasonable detail as may be determined by the Borrower in accordance with generally accepted governmental accounting practice and principles. Such books shall be maintained on the basis of the same fiscal year as that utilized by the Borrower. The Borrower shall also have prepared and supplied to the DNRC, within 270 days after the close of each fiscal year, financial statements prepared in accordance with generally accepted accounting principles as applicable to governmental entities relating to the District. Not less often than every other fiscal year, such financial statements shall be accompanied by an audit report prepared by an independent certified public accountant or an agency of the State.

(e) Project Accounts. The Borrower shall maintain 2009 Project accounts in accordance with generally accepted government accounting standards, and as separate accounts, as required by Section 602(b)(9) of the Clean Water Act.

(f) 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 reasonably requires to review and determine compliance with Title VI of the Clean Water Act, as provided in Section 606(e) of the Clean Water Act.

(g) Compliance with Clean Water Act and ARRA. The Borrower has complied and shall comply with all conditions and requirements of the Clean Water Act pertaining to the 2009 Loans and the 2009 Project. The Borrower understands and agrees that the 2009A Loan and the 2009B Loan are being made with funds made available to the DNRC under ARRA and, except with respect to the Lolo Street Improvements, the Borrower has complied and shall comply with all requirements of ARRA applicable to the 2009 Loans.

(h) Program Covenant. The Borrower agrees that neither it nor any "related person" to the Borrower (within the meaning of Section 147(a)(2) of the Code) shall, whether pursuant to a formal or informal arrangement, acquire bonds issued by the State under the Indenture in an amount related to the amount of the SID 544 Bonds.

### ARTICLE III USE OF PROCEEDS; THE 2009 PROJECT

Section 3.1. Use of Proceeds. The Borrower shall apply the proceeds of the 2009 Loans from the DNRC solely as follows:

(a) The Borrower shall apply the proceeds of the 2009 Loans solely to the financing, refinancing or reimbursement of the costs of the 2009 Project as set forth in Appendix A hereto and this Section 3.1. The 2009 Loans will be disbursed in accordance with Article IV hereof and Article VII of the Indenture. If the 2009 Project has not been completed prior to Closing, the Borrower shall, as quickly as reasonably possible, complete the 2009 Project and expend proceeds of the SID 544 Bonds to pay the costs of completing the 2009 Project.

(b) No portion of the proceeds of the 2009 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 March 7, 1985. In addition, if any proceeds of the 2009 Loans are to be used to reimburse the Borrower for Project costs paid prior to the date of adoption of this Resolution, the Borrower represents that it has adopted such "official intent" as is required under applicable Treasury Regulations promulgated under the Code so that upon allocation of proceeds of the 2009 Loans to such costs such proceeds will be deemed to be expended for purposes of Section 148 of the Code.

(c) Any indebtedness to be refinanced with proceeds of the 2009 Loans, including special improvement district bonds, was incurred after March 7, 1985 for a Project the construction or acquisition of which began after March 7, 1985. No proceeds of the 2009 Loans shall be used for the purpose of refinancing an obligation the interest on which is exempt from federal income tax or excludable from gross income for purposes of federal income taxation unless the DNRC has received an Opinion of Bond Counsel, satisfactory to it, to the effect that such refinancing will not adversely affect the exclusion of interest on the State Bonds from gross income for purposes of federal income taxation.

Section 3.2. The 2009 Project. Set forth in Appendix A to this Resolution is a description of the 2009 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 2009 Loans (the 2009 Project may consist of more than one facility or activity), including the Lolo Street Improvements, and an estimated budget relating to the 2009 Project. The 2009 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 2009 Project or an increase or decrease in the amount of Loan proceeds which will be required to complete the 2009 Project and providing that the change will not delay the full execution and delivery of the Construction Contract to a date that is after the 2009 Project Readiness Date.

(b) A certificate of Independent Consultant that the change to the 2009 Project in no way adversely affects or diminishes the eligibility of the 2009 Project for ARRA funding or the various attributes of the 2009 Project as that relates to ARRA;

(c) A written consent to such change in the 2009 Project by an Authorized DNRC Officer;

(d) An Opinion or Opinions of Bond Counsel stating that the 2009 Project, as constituted after such amendment, is, and was at the time the State Bonds were issued, eligible for financing under the Act and is, and was at the time the SID 544 Bonds were issued, eligible for financing under the Enabling Act, such amendment will not violate the Act or the Enabling Act and such amendment will not adversely affect the exclusion of interest on the State Bonds or the SID 544 Bonds from gross income for purposes of federal income taxation. Such an Opinion of Bond Counsel shall not be required for amendments which do not affect the type of facility to be constructed or activity to be financed; and

The Borrower acknowledges and agrees that an increase in the principal amount of the 2009 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 this 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 this resolution as it may be so amended or supplemented are true as of the date of closing of the additional loan. No

assurance can be given that any additional loan funds will be available under the Program at the time of any such application or thereafter. The Borrower acknowledges and agrees that neither the DEQ, the DNRC, the Trustee nor any of their agents, employees or representatives shall have any liability to the Borrower and have made no representations to the Borrower as to the sufficiency of the Loan to pay costs of the 2009 Project or as to the availability of additional funds under the Program to increase the principal amount of the 2009 Loans.

Section 3.3. 2009 Project Representations and Covenants. The Borrower hereby represents to and covenants with the DNRC that:

- (a) construction of the 2009 ARRA Project did not commence prior to February 17, 2009, and the Construction Contracts relating to the 2009 Project have been fully executed and delivered;
- (b) all construction of the 2009 Project has complied and will comply with all federal and state standards, including, without limitation, EPA regulations and standards and all construction of the 2009 ARRA Project has complied and will comply with all the requirements of ARRA;
- (c) all future construction of the 2009 Project will be done only pursuant to fixed price construction contracts. The Borrower shall obtain a performance and payment bond from the contractor for each construction contract in the amount of 100% of the construction price and ensure that such bond is maintained until construction is completed to the Borrower's, the DNRC's and the DEQ's satisfaction;
- (d) all future construction of the 2009 Project will be done in accordance with plans and specifications on file with the DNRC and the DEQ, provided that changes may be made in such plans and specifications with the written consent of an Authorized DNRC Officer and the DEQ;
- (e) the iron, steel, and manufactured goods used in the 2009 ARRA Project comply with the "buy American" requirements of Section 1605 of ARRA, as those requirements are further interpreted by applicable EPA guidance;
- (f) all laborers and mechanics employed by contractors and subcontractors on the 2009 ARRA 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;
- (g) the 2009 Project is a project of the type permitted to be financed under the Enabling Act, the Act and the Program and Title VI of the Clean Water Act;
- (h) the Borrower will undertake the 2009 Project promptly after the Closing Date and will cause the 2009 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 2009 Project will be substantially completed by the Estimated Completion Date; and
- (i) the Borrower agrees to provide information regarding jobs created and retained as a result of the 2009 ARRA Project and such other information regarding the 2009 ARRA Project, including information for the website [www.montanarecovery.gov](http://www.montanarecovery.gov), to the DNRC and the DEQ upon the request for such information by the DNRC or the DEQ or both, and to post signage at the site of the 2009 ARRA Project that designates the 2009 ARRA Project as an ARRA funded project.

Section 3.4. 2009D Loan; Lolo Street Improvements. The Borrower understands and agrees that the 2009D Loan, from which the Borrower will reimburse a portion of the costs of the Lolo Street Improvements, is being made with funds that constitute Recycled Money under the Indenture and covenants with respect to the Lolo Street Improvements and the 2009D Loan that the Borrower has complied with and will comply with all requirements applicable to the 2009D Loan.

Section 3.5. Completion or Cancellation or Reduction of Costs of the 2009 Project.

(a) Upon completion of the 2009 Project, the Borrower shall deliver to the DNRC a certificate stating that the 2009 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 2009 Project, a separate completion certificate shall be delivered for each.

(b) If all or any portion of the 2009 Project is cancelled or cut back or its costs are reduced or for any other reason the Borrower will not require the full Committed Amounts, the Borrower shall promptly notify the DNRC in writing of such fact and the amount of the Undisbursed Committed Amount.

## ARTICLE IV THE LOAN

Section 4.1. The Loan; Disbursement of Loan.

(a) The DNRC has agreed to lend to the Borrower, from time to time as the requirements of this Section 4.1 are met, an amount up to: (i) \$29,688 (the "2009A Committed Amount") for the purposes of financing a portion of the costs of the 2009 Project, (ii) \$359,300 (the "2009B Committed Amount") for the purposes of financing a portion of the costs of the 2009 Project and funding a deposit to the Revolving Fund, (iii) \$1,608,102 (the "2009C Committed Amount") for the purposes of financing a portion of the costs of the 2009 Project, funding a deposit to the Revolving Fund, and paying costs of issuance of the SID 544 Bonds, (iv) \$31,000 (the "2009D Committed Amount") for the purposes of constructing a portion of the Lolo Street Improvements, reimbursing a portion of the Lolo Street Improvements, and funding a deposit to the Revolving Fund; 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 Amounts may be reduced as provided in Sections 3.2 and 3.4.

(b) The DNRC intends to disburse the 2009 Loans through the Trustee. In consideration of the issuance of the SID 544 Bonds by the Borrower, the DNRC shall make, or cause the Trustee to make, a disbursement of all or a portion of the 2009 Loans upon receipt of the following documents:

- (1) an Opinion of Bond Counsel as to the validity and enforceability of the SID 544 Bonds and the security therefor and stating in effect that interest on the Bond is not includable in gross income for purposes of federal income taxation, in form and substance satisfactory to the DNRC;
- (2) the SID 544 Bonds, 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 2009 Loans;
- (5) if all or part of a Loan is being made to acquire Improvements, 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 March 7, 1985 or the debt was incurred no earlier than March 7, 1985, (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 prior to the date of adoption of this Resolution, the Borrower represents that it has adopted such "official intent" as is required under applicable Treasury Regulations promulgated under the Code so that upon allocation of proceeds of the Loan to such costs such proceeds will be deemed to be expended for purposes of Section 148 of the Code;

- (6) the items required by the Indenture for the portion of the 2009 Loans to be disbursed at Closing; and
- (7) such other certificates, documents and other information as the DNRC, the DEQ or the Bond Counsel giving the opinion referred to in subparagraph (1) may require (including any necessary arbitrage rebate instructions).

(c) In order to obtain a disbursement of a portion of the 2009 Loans to pay costs of the 2009 Project, the Borrower shall submit to the DNRC and the Trustee a signed request for disbursement on the form prescribed by the DNRC, with all attachments required by such form. The Borrower may obtain disbursements only for costs which have been legally incurred and are due and payable. All Loan disbursements will be made to the Borrower only upon proof that cost was incurred.

(d) The 2009 Loans shall be disbursed, subject to the other terms and conditions of this Resolution, in the following order of priority:

(1) First, the entire amount of the 2009D Loan will be disbursed at Closing.

(2) Second, simultaneously with the disbursement of the 2009D Loan, the 2009B First Advance will be advanced at Closing from the 2009B Loan.

(2) Third, after the 2009B First Advance has been disbursed to the Borrower, the entire amount of the 2009A Loan may then be disbursed to the Borrower as and when needed. For the avoidance of doubt, any amounts of the 2009 Loans to be disbursed at Closing in excess of either the 2009B First Advance, or the 2009D Loan, as the case may be, will be disbursed as proceeds of the 2009A Loan to the extent of the 2009A Committed Amount.

(3) Fourth, after the entire principal amount of the 2009A Loan has been disbursed to the Borrower, the full or remaining amount of the 2009B Loan, if any, will be disbursed to the Borrower as and when needed.

(4) Finally, only after the full amount of the 2009A Loan and 2009B Loan has been disbursed to the Borrower, may the Borrower apply to the costs of the 2009 Project any other funds available to it, including grants or other funds, and including amounts under the 2009C Loan, which will thereafter be disbursed to the Borrower, starting with the 2009C First Advance, as and when needed.

(e) The Borrower shall submit the request for the 2009B 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 2009B First Advance.

(f) For refinancings, a disbursement schedule complying with the requirements of the Clean Water Act shall be established by the DNRC and the Borrower at Closing. The Trustee shall disburse 2009 Loan amounts directly to the holder of the debt being refinanced according to such schedule. If the Borrower should repay all or a portion of the debt to be refinanced from other sources or should otherwise not need any portion of the 2009 Loan which was to have been used to refinance such debt, it shall inform the DNRC and the Trustee of such fact pursuant to Section 3.4(b) and a new disbursement schedule shall be drawn up by the DNRC. The DNRC shall obtain a receipt from the holder of the debt being refinanced for each disbursement made to pay or prepay a portion of such debt.

(g) If all or a portion of the 2009 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) 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.

(h) Notwithstanding anything else provided herein, the Trustee shall not be obligated to disburse the 2009 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 Loan disbursements for such costs because of the schedule under which EPA makes EPA Capitalization Grant money available to the DNRC. The DNRC will use its best efforts to obtain an acceleration of such schedule if necessary.

(i) Upon making each 2009A Loan disbursement, 2009B Loan disbursement, 2009C Loan disbursement, and the 2009D Loan disbursement, the Trustee shall note such disbursement on Schedule A to the A Loan Bond, the B Loan Bond, the C Loan Bond, and the D Loan Bond, respectively. A Schedule A reflecting the amount of the 2009B First Advance and the 2009C First Advance will first be attached to the B Loan Bond and C Loan Bond, respectively, at Closing.

(j) The Borrower agrees that it will deposit in the Revolving Fund upon receipt proceeds of the 2009B Loan, the 2009C Loan and the 2009D Loan five percent of the principal amount of such loans, either on the Closing Date of the 2009 Loans or upon any disbursement date. The Borrower further acknowledges and agrees that any portions of the 2009 Loans representing capitalized interest shall be advanced only on Payment Dates and shall be transferred by the Trustee on the Payment Date directly to the Debt Service Account. The amount of any such transfer shall be a credit against the interest payments due on the Bond and interest thereon shall accrue only from the date of transfer.

(k) Compliance by the Borrower with its representations, covenants and agreements contained in this Resolution and the Collateral Documents shall be a further condition precedent to the disbursement of the 2009 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 Loan.

Section 4.2. Commencement of Loan Term. The Borrower's obligations under this Resolution and the Collateral Documents shall commence on the date hereof unless otherwise provided in this Resolution. However, the obligation to make payments under Article V hereof shall commence only upon the first disbursement by the Trustee of 2009 Loan proceeds.

Section 4.3. Termination of Loan Term. The Borrower's obligations under this Resolution and the Collateral Documents shall terminate upon payment in full of all amounts due under the SID 544 Bonds and this Resolution; provided, however, that the covenants and obligations provided in Article VIII and Section 11.4 shall survive the termination of this Resolution.

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

## ARTICLE V REPAYMENT OF 2009 LOANS

Section 5.1. Repayment of 2009 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 an ARRA Statement is delivered by the DNRC to the Borrower and so long as the Borrower's obligation to repay the principal of the 2009A Loan is forgiven as provided in Section 5.1.2 below, amounts disbursed by the DNRC under Section 4.1 hereof that are evidenced (i) by the A Loan Bond bear interest at the rate of zero percent (0.00%) per annum from the date of each advance; and (ii) by the B Loan Bond bear interest at the rate of one and seventy-five hundredths percent (1.75%) per annum; provided, however, if the DNRC delivers to the Borrower an ARRA Noncompliance Statement, then all principal of the A Loan Bond advanced by the DNRC shall be payable and amounts disbursed by the DNRC under Section 4.1 hereof that are evidenced by the A Loan Bond and the B Loan Bond 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 A Loan Bond and B Loan Bond. If the obligation of the Borrower to repay the principal amount of the 2009A Loan is not forgiven under Section 5.1.2 below, for purposes of this Resolution and the Program, with respect to the 2009A Loan and the 2009B Loan, the term "interest on the 2009 Loans" or "interest on the 2009A Loan" or "interest on the Series 2009B Loan" 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 2009A Loan; Principal Forgiveness.

(a) The Borrower will not be obligated to repay the principal of or the interest or the Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2009A Loan, unless the DNRC does not forgive the Borrower's obligation to repay the principal of the 2009A Loan as provided in this paragraph. So long as the Borrower is proceeding diligently to completion of the 2009 Project through the final advance of principal of the 2009B Loan and the Borrower has executed and delivered the ARRA Certificate and Request to the DNRC in form and substance satisfactory to the DNRC within thirty (30) days after the date that the ARRA Certificate and Request is provided to the Borrower by the DNRC, the DNRC will, following review and approval of the ARRA Certificate and Request, deliver to the Borrower an ARRA Forgiveness Statement and the Borrower will thereafter have no obligation to repay amounts advanced under the A Loan Bond or interest or surcharges thereon. In the event the Borrower fails to deliver timely the ARRA Certificate and Request or the Borrower cannot submit the ARRA Certificate and Request because it cannot make the certifications required therein, including without limitation, those related to ARRA, or the ARRA 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, then the DNRC will deliver to the Borrower an ARRA Noncompliance Statement.

(b) In the event the DNRC delivers an ARRA Noncompliance Statement, then the Loan Repayments and the Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2009A Loan required by this Section 5.1 shall be due on each Payment Date following delivery of such a statement, as follows:

- (1) interest and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the outstanding principal balance of the 2009A Loan shall be payable from and after the date of each advance of principal of the 2009A Loan on each Payment Date at the rate of 3.75% per annum, beginning on the first Payment Date following the date of delivery by the DNRC of an ARRA Noncompliance Statement and concluding July 1, 2029; and
- (2) the principal of the 2009A 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 an ARRA Noncompliance Statement, and concluding on July 1, 2029, and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at the rate of 3.75% per annum; provided that principal of the 2009A Loan is payable only in amounts that are multiples of \$1,000.

(c) Interest on amounts advanced under the A Loan Bond will continue at zero percent (0.00%) per annum from the date of the first advance of the A Loan Bond until the DNRC delivers an ARRA Statement.

#### 5.1.3. Repayment of 2009B Loan.

(a) Subject to the provisions of Section 5.1.3(b), the Loan Repayments on the 2009B Loan from and after the 2009B First Advance and all subsequent advances of the 2009B Loan are as follows:

- (1) interest on the outstanding principal balance of the 2009B Loan shall be payable on each Payment Date, beginning on January 1, 2011 and concluding on July 1, 2029 at the rate of 1.75% per annum;
- (2) the Borrower shall have no obligation to pay any Administrative Expense Surcharge or any Loan Loss Reserve Surcharge; and
- (3) the principal of the 2009B Loan shall be repayable on each Payment Date, beginning on January 1, 2011 and concluding on July 1, 2029 and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at the rate of 1.75% per annum; provided that principal of the 2009B Loan is payable only in amounts that are multiples of \$1,000.

(b) Notwithstanding the provisions of Section 5.1.3(a), upon the delivery by the DNRC to the Borrower of an ARRA Noncompliance Statement, Loan Repayments and the Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2009B Loan required by this Section 5.1 shall be due on each Payment Date from and after the delivery of such statement, as follows:

- (1) interest and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the outstanding principal balance of the 2009B Loan shall be payable from and after the date of the 2009B First Advance and each advance of principal of the 2009B Loan thereafter on each Payment Date following the date of delivery of an ARRA Noncompliance Certificate at the rate of 3.75% per annum, beginning on the first Payment Date to occur after the ARRA Noncompliance Certificate has been delivered and concluding on July 1, 2029; and
- (2) the principal of the 2009B Loan shall be repayable on each Payment Date, beginning on the first Payment Date to occur after the date of the delivery of an ARRA Noncompliance Certificate and concluding on July 1, 2029, and the

amount of each principal payment shall be calculated on the basis of a substantially level debt service at the rate of 3.75% per annum, taking into account each Loan Repayment, if any, made pursuant to Section 5.1.3(a), and provided that principal of the 2009B Loan is payable only in amounts that are multiples of \$1,000.

(c) The adjustment to the rate of interest paid on the B Loan Bond resulting from the provisions of Section 5.1.3(b) will not extend the final maturity date of the B Loan Bond and interest at the adjusted rate, including surcharges, shall be payable on each advance of principal of the B Loan Bond from the date of the advance at the rate specified in Section 5.1.3(b); provided that, the Borrower is entitled to a credit against such payments equal to an amount then paid by the Borrower under Section 5.1.3(a).

**5.1.4. Repayment of 2009C Loan.** The Loan Repayments on the 2009C Loan required by this Section 5.1 shall be due on each Payment Date, as follows:

- (1) interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the outstanding principal balance of the 2009C Loan shall be payable on each January 1 and July 1, beginning January 1, 2011 and concluding on that July 1, 2029 at the rate of 3.75% per annum; and
- (2) the principal of the 2009C Loan shall be repayable on each Payment Date, beginning on the January 1 or July 1 that is the first to occur following the date of the 2009C First Advance, but in any event no earlier than January 1, 2011, and concluding on July 1, 2029, and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at a rate of 3.75% per annum; provided that principal of the 2009C Loan is payable only in amounts that are multiples of \$1,000.

**5.1.5. Repayment of 2009D Loan.** The Loan Repayments on the 2009D Loan required by this Section 5.1 shall be due on each Payment Date, as follows:

- (1) interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the outstanding principal balance of the 2009D Loan shall be payable on each January 1 and July 1, beginning on January 1, 2011 and concluding on July 1, 2029 at the rate of 3.75% per annum; and
- (2) the principal of the 2009D Loan shall be repayable on each Payment Date, beginning on January 1, 2011 and concluding on July 1, 2029 and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at the rate of 3.75% per annum; provided that principal of the 2009D Loan is payable only in amounts that are multiples of \$1,000.

**5.1.6. Details Regarding 2009 Loan Repayments.** Loan Repayments and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the 2009C Loan, the 2009D Loan and, if applicable, on the 2009A Loan and the 2009B Loan, shall be due on the dates specified above and on the dates and in the amounts shown in Schedule B to each of the B Loan Bond, the C Loan Bond, the D Loan Bond and, if applicable, the A Loan 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 A Loan Bond, the B Loan Bond and the D Loan Bond at Closing. Schedule B will first be attached to the C Loan Bond following receipt by the DNRC of the information required in connection with the 2009C First Advance. The portion of each such Loan Repayment consisting of principal and the portion consisting of interest shall be set forth on Schedule B to the B Loan 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 A Loan Bond (and the B Loan Bond, if appropriate), the C Loan Bond, and the D Loan Bond.

Upon each disbursement of 2009 Loan amounts to the Borrower pursuant to Section 4.1 hereof, the Trustee shall enter or cause to be entered the amount advanced on Schedule A to the applicable A Loan Bond, the B Loan Bond, the C Loan Bond, and the D Loan Bond under "Advances" and the total amount advanced under Section 4.1, including such disbursement, under "Total Amount Advanced."

If the advance was made to pay costs of the 2009 Project pursuant to Section 4.1(b), interest in respect of the B Loan Bond on such advance shall accrue from the date the advance is made at the rate of 1.75% per annum and shall be payable on each Payment Date thereafter, subject to the operation of the following sentence. If, after the full principal amount of the 2009A Loan and 2009B Loan has been advanced, the DNRC shall have delivered an ARRA Noncompliance Statement, then the Trustee shall revise the Schedule B to the B Loan Bond to reflect interest and surcharges totaling 3.75% per annum in accordance with Section 5.1.3(b), and Schedule B to the A Loan Bond shall continue to reflect interest and surcharges on amounts advanced under the A Loan Bond at 3.75% per annum, as may be revised to reflect the full principal amount advanced under the A Loan 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 ARRA Noncompliance Statement. If the DNRC delivers an ARRA Forgiveness Statement, Schedule B to the A Loan Bond will be disregarded and of no effect and Schedule B to the B Loan Bond will continue to reflect a debt service schedule with payments at 1.75% per annum, and the Trustee shall send a copy of the revised Schedule B to the B Loan Bond showing the full principal amount advanced under the B Loan Bond to the Borrower within one month after the delivery of such ARRA Forgiveness Statement.

Past-due payments of 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 B Loan Bond and, if applicable, the A Loan Bond, and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge as to the A Loan Bond and the B Loan Bond, under this Section 5.1 shall be credited against the same payment obligation under each of the B Loan Bond and, if applicable, the A Loan Bond.

Section 5.2. Additional Payments. The Borrower shall also pay, within 30 days after receipt of a bill therefor, from any legally available funds therefor, including proceeds of the 2009 Loans, if the Borrower so chooses, all reasonable expenses of the DNRC and the Trustee in connection with the 2009 Loans, the Collateral Documents and the SID 544 Bonds, including, but not limited to:

- (1) the cost of reproducing this Resolution, the Collateral Documents and the SID 544 Bonds;
- (2) the fees and disbursements of bond counsel and other counsel utilized by the DNRC and the Trustee in connection with the Loan, this Resolution, the Collateral Documents, the SID 544 Bonds and the enforcement thereof; and
- (3) all taxes and other governmental charges in connection with the execution and delivery of the Collateral Documents or the SID 544 Bonds, whether or not the SID 544 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 SID 544 Bonds, the Collateral Documents and this Resolution and all expenses, including attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof or thereof.

Section 5.3. Prepayments. The Borrower may, but only from the prepayment of special assessments levied in the District to secure the SID 544 Bonds, as provided in Montana Code Annotated, Section 7-12-4206(1) and upon 10 days' prior written notice to the DNRC and the Trustee, prepay the SID 544 Bonds or principal installments thereof without penalty on any Payment Date; provided that such prepayment 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. In such event, The City Finance Director/Treasurer shall call for redemption on the Payment Date the SID 544 Bonds or principal installments thereof of \$1,000, in the order of their registration in an amount which, together with the interest the Administrative Expense Surcharges and Loan Loss Reserve Surcharges accrued thereon to the interest payment date will equal the amount of the Fund on that date. Except as provided in the foregoing sentences of this Section 5.3 or as otherwise required by law, the Borrower may not prepay all or any part of the outstanding principal amount of the SID 544 Bonds unless (i) an ARRA 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 SID 544 Bonds are prepaid in part, such prepayments shall be applied to principal installments thereof in order of the numbers of such principal installments first to the A Loan Bond, if any, then the B Loan Bond, the C Loan Bond, and then the D Loan Bond.

Section 5.4. Obligations of Borrower Unconditional. The obligations of the Borrower to make the payments required by this Resolution and the SID 544 Bonds and to perform its other agreements contained in this Resolution, the SID 544 Bonds and Collateral Documents shall be absolute and unconditional, except as otherwise provided herein or in such documents. The Borrower (a) shall not suspend or discontinue any payments provided for in this Resolution or the SID 544 Bonds, (b) shall perform all its other agreements in this Resolution, the SID 544 Bonds and the Collateral Documents and (c) shall not terminate this Resolution, the SID 544 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 2009 Project, commercial frustration of purpose, any dispute with the DNRC or the EPA, any change in the laws of the United States or of the State or any political subdivision of either or any failure of the DNRC to perform any of its agreements, whether express or implied, or any duty, liability or obligation arising from or connected with this Resolution.

Section 5.5. Limited Liability. All payments of principal of and interest on the SID 544 Bonds shall be special, limited obligations of the Borrower payable solely out of the Fund and shall not be payable out of any other revenues or assets of the Borrower, except the Revolving Fund. The obligations of the Borrower under this Resolution for the SID 544 Bonds shall never constitute an indebtedness of the Borrower within the meaning of any state constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the Borrower or a charge against its general credit or unlimited taxing power.

Section 5.6. 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 SID 544 Bonds or any other funds of the Borrower, directly or indirectly, in a manner that would cause, or take any other action that would cause, any State Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or would otherwise cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation. The Borrower agrees that it will not enter into, or allow any "related person" (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the State Bonds or any other obligations of the DNRC in an amount related to the amount of the Loan or the portion of the Loan derived directly or indirectly from proceeds of the State Bonds.

(b) The Borrower shall not use or permit the use of the 2009 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 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.

(c) Any portion of the 2009 Project being refinanced or the cost of which is being reimbursed was acquired by and is now and shall, during the term of the Loan, be owned by the Borrower and not by any other Person. Any portion of the Project being financed shall be acquired by and shall, during the term of the Loan, be owned by the Borrower and not by any other Person. Notwithstanding the previous two sentences, the Borrower may transfer the 2009 Project or a portion thereof to another Governmental Unit which is also a Public Entity if such transfer is approved in writing by an Authorized DNRC Officer and if such organization agrees with the DNRC to comply with Sections 2.2(f) and 2.2(g) and if the DNRC receive an Opinion of Bond Counsel that such transfer will not violate the Act or the Clean Water Act or adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. In addition, except as otherwise provided herein or in any Collateral Documents, the Borrower may sell or otherwise dispose of any portion of the 2009 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.

(d) At the Closing of the 2009 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 arbitration 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.

(e) The Borrower agrees that, during the term of the Loan, it will not contract with or permit any Private Person to manage the 2009 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.

(f) The Borrower may not lease the 2009 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 this Resolution, provided the Borrower may lease all or any portion of the 2009 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.

(g) The Borrower shall not change the use or nature of the 2009 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.

## ARTICLE VI FUND; REVOLVING FUND; ASSESSMENTS

Section 6.1. Fund. There is hereby created and established the Fund designated as the "Special Improvement District No. 544 Fund," which shall be maintained on the books and records of the Borrower separate and apart from all other funds of the Borrower. Within the Fund there shall be maintained three separate accounts, designated as the "Construction Account," "Principal Account" and "Interest Account," respectively.

Section 6.2. Construction Account. There shall be credited to the Construction Account the proceeds of the sale of the SID 544 Bonds, except for amount representing capitalized interest as provided in Section 6.3 and amounts to be deposited in the Revolving Fund. Any earnings on investment of money in the Construction Account shall be retained therein. All costs and expenses of constructing the Project shall be paid from time to time as incurred and allowed from the Construction Account in accordance with the provisions of this Resolution, and money in the Construction Account shall be used for no other purpose; provided that upon completion of the Project and after all claims and expenses with respect to the Project have been fully paid and satisfied, any money remaining in the Construction Account shall be transferred to the Principal Account and used to redeem the Bond as provided Section 6.3.

Section 6.3. Principal Account and Interest Account. Money in the Principal Account and the Interest Account shall be used only for payment of the principal of and interest (to include, for purposes of this Section, the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge) on the SID 544 Bonds as such payments become due or to redeem the SID 544 Bonds.

The Treasurer shall credit to the Interest Account, upon receipt, any proceeds of the 2009 Loan representing capitalized interest. Upon collection of the installment of principal and interest due on November 30 and May 31 of each fiscal year on the special assessments to be levied with respect to the Project, the Finance Director/Treasurer shall credit to the Interest Account so much of said special assessments as is collected as interest payment and the balance thereof to the Principal Account. Any installment of any special assessment paid prior to its due date with interest accrued thereon to the next succeeding interest payment date shall be credited with respect to principal and interest payments in the same manner as other assessments are credited to the Fund. All money in the Interest Account and the Principal Account shall be used first to pay interest due, and any remaining money shall be used to pay principal of the SID 544 Bonds then due and, if money is available, to redeem the SID 544 Bonds or principal installments thereof in accordance with Section 5.3; provided that any money transferred to the Principal Account from the Construction Account pursuant to Section 6.3 shall be applied to redeem the SID 544 Bonds or principal installments thereof to the extent possible on the next interest payment date for which notice of redemption may properly be given pursuant to Section 5.3. Redemption of the SID 544 Bonds shall be in order of the principal installments it represents as provided in Section 5.3, and interest shall be paid as accrued thereon to the date of redemption, in accordance with the provisions of Montana Code Annotated, Section 7-12-4206.

Section 6.4. Loans from Revolving Fund. The governing body shall annually or more often if necessary issue an order authorizing a loan or advance from the Revolving Fund to the Fund in an amount sufficient to make good any deficiency then existing in the Interest Account and shall issue an order authorizing a loan or advance from the Revolving Fund to the Fund in an amount sufficient to make good any deficiency then existing in the Principal Account in such order and in each case to the extent that money is available in the Revolving Fund. A deficiency shall be deemed to exist in the Principal Account or the Interest Account if the money on deposit therein on any June 15 or December 15 (excluding amounts in the Principal Account representing prepaid special assessments) is less than the amount necessary to pay the principal of the SID 544 Bonds due (other than upon redemption), and interest on the SID 544 Bonds (to include, for purposes of this Section, the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge) on the next succeeding Payment Date.

Pursuant to its Ordinance No. 601, the Borrower has undertaken and agreed to provide funds for the Revolving Fund by levying such tax or making such loan from the General Fund as authorized by Montana Code Annotated, Section 7-12-4222, as amended. In the event that the balance on hand in the Revolving Fund fifteen days prior to any date when interest is due on special improvement district bonds or warrants of the Borrower is not sufficient to make good all deficiencies then existing in the special improvement district funds for which the Borrower has covenanted to make loans from the Revolving Fund, the balance on hand in the Revolving Fund shall be allocated to the funds of the special improvement districts in which such deficiencies then exist in proportion to the amounts of the deficiencies on the respective dates of receipt of such money, until all interest accrued on such special improvement district bonds or warrants of the Borrower has been paid. On any date when all accrued

interest on special improvement district bonds and warrants of the Borrower payable from funds for which the Borrower has covenanted to make loans from the Revolving Fund has been paid, any balance remaining in the Revolving Fund shall be lent or advanced to the special improvement district funds for payment and redemption of bonds to the extent the special improvement district funds are deficient for such purpose, and, if money in the Revolving Fund is insufficient therefor, pro rata, in an amount proportionate to the amount of such deficiency.

The Borrower hereby determines, covenants and agrees to levy the property tax described in the immediately preceding paragraph to provide funds for the Revolving Fund so long as any Bonds are outstanding to the extent required under the provisions of this Resolution and the Act, even though such property tax levy may, under applicable law, require that property tax levies of the Borrower for other purposes be reduced correspondingly.

Section 6.5. Maintenance of Revolving Fund. The Borrower covenants and agrees that so long as the SID 544 Bonds are outstanding, it will maintain the balance in the Revolving Fund, either through loans from its general fund or the levy of property taxes, to the extent permitted by the Enabling Act, at an amount not less than five percent of the principal amount of the outstanding special improvement district bonds and warrants of the Borrower secured thereby.

## ARTICLE VII COVENANTS

The Borrower covenants and agrees with the owners from time to time of the SID 544 Bonds that until the SID 544 Bonds and interest thereon and other amounts due thereunder are fully paid:

Section 7.1. Compliance with Resolution. The Borrower will hold the Fund and the Revolving Fund as trust funds, separate and apart from all of its other funds, and the Borrower, its officers and agents, will comply with all covenants and agreements contained in this resolution. The provisions hereinabove made with respect to the Fund and the Revolving Fund are in accordance with the undertaking and agreement of the Borrower made in connection with the offering of the SID 544 Bonds and the sale of the SID 544 Bonds as set forth in Section 10.1.

Section 7.2. Construction of Project. The Borrower will do all acts and things necessary to enforce the provisions of the construction contracts and bonds and to ensure the completion of the Project for the benefit of the District in accordance with the plans and specifications and within the time therein provided, and will pay all costs thereof promptly as incurred and allowed, out of the Fund and within the amount of the proceeds of the SID 544 Bonds appropriated thereto and the proceeds of the SID 544 Bonds appropriated therefor and from other available funds of the Borrower.

Section 7.3. Levy of Assessments. The Borrower will do all acts and things necessary for the final and valid levy of special assessments upon all assessable real property within the boundaries of the District in accordance with the Constitution and laws of the State of Montana and the Constitution of the United States in an aggregate principal amount not less than the principal amount of the SID 544 Bonds advanced hereunder. Such special assessments shall be levied on the basis or bases prescribed in the Resolution of Intention and, as authorized by Montana Code Annotated, Section 7-12-4190(2), shall be payable in equal semiannual installments of principal and interest. The unpaid installments of the assessments shall bear interest at an annual rate determined each fiscal year equal to the sum of: (i) the average annual interest rate borne by the SID 544 Bonds then outstanding, plus (ii) one-half of one percent (0.50%) per annum. The assessments to be levied will be payable on the 30th day of November in each of the years 2010 through 2028, and on the 31st day of May in the years 2011 through 2029, inclusive, if not theretofore paid, and shall become delinquent on such date unless paid in full. The payment due on any installment date shall be the amount necessary to amortize, over the 20-year term in equal semiannual payments, the principal amount of the assessment, together with interest to accrue thereon over said term at the interest rate thereon; provided that the amount of each such installment shall be adjusted each fiscal year to an amount equal to the amount necessary to amortize fully the then outstanding principal amount of the assessment (excluding any delinquent amounts), plus interest

accrued at the interest rate on the assessments then in effect in the number of installments then remaining until May 31, 2029. The Borrower shall capitalize interest for a period from the closing date of the SID 544 Bonds until the first Payment Date. The cost of the Project shall include, and the special assessments shall take into account, such capitalized interest. The assessments shall constitute a lien upon and against the property against which they are made and levied, which lien may be extinguished only by payment of the assessment with all penalties, costs and interest as provided in Montana Code Annotated, Section 7-12-4191. No tax deed issued with respect to any lot or parcel of land shall operate as payment of any installment of the assessment thereon which is payable after the execution of such deed, and any tax deed so issued shall convey title subject only to the lien of said future installments, as provided in Montana Code Annotated, Section 15-18-214.

Section 7.4. Reassessment. If at any time and for whatever reason any special assessment or tax herein agreed to be levied is held invalid, the Borrower and its governing body, its officers and employees, will take all steps necessary to correct the same and to reassess and re-levy the same, including the ordering of work, with the same force and effect as if made at the time provided by law, ordinance or resolution relating thereto, and will reassess and re-levy the same with the same force and effect as an original levy thereof, as authorized in Montana Code Annotated, Section 7-12-4186, as amended. Any special assessment, or reassessment or re-levy shall, so far as is practicable, be levied and collected as it would have been if the first levy had been enforced including the levy and collection of any interest accrued on the first levy.

If proceeds of the SID 544 Bonds, including investment income thereon, are applied to the redemption of the SID 544 Bonds, as provided in Montana Code Annotated, Sections 7-12-4205 and 7-12-4206, as amended, or if refunding bonds are issued and the principal amount of the SID 544 Bonds is decreased or increased, the Borrower will reduce or increase, respectively, the assessments levied in the District and then outstanding pro rata by the principal amount of such prepayment or the increment above or below the outstanding principal amount of bonds represented by the refunding bonds. The Borrower and its governing body, its officers and employees will reassess and re-levy such assessments, with the same effect as an original levy, in such reduced or increased amounts in accordance with the provisions of Montana Code Annotated, Sections 7-12-4176 through 7-12-4178.

Section 7.5. Waiver of Penalty and Interest. The Borrower covenants not to waive the payment of penalty or interest on delinquent assessments levied on property in the District for costs of the Project, unless the Borrower determines, by resolution of its governing body, that such waiver is in the best interest of the holders of the Series SID 544 Bonds.

## ARTICLE VIII INDEMNIFICATION OF DNRC AND DEQ

The Borrower shall 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 2009 Project. The Borrower shall also 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 IX ASSIGNMENT

Section 9.1. Assignment by Borrower. The Borrower may not assign its rights and obligations under this Resolution or the SID 544 Bonds, except as provided in Section 5.6(c).

Section 9.2. Assignment by DNRC. The DNRC will pledge its rights under and interest in this Resolution, the SID 544 Bonds and the Collateral Documents (except to the extent otherwise provided in the Indenture) as security for the payment of the State Bonds.

Section 9.3. State Refunding Bonds. In the event the State Bonds and Additional State Bonds are refunded by bonds which are not Additional State Bonds, all references in this Resolution to State Bonds and Additional State Bonds shall be deemed to refer to the refunding bonds and any bonds of the State on a parity with such refunding bonds (together, the "Refunding Bonds") or, in the case of a crossover refunding, to the State Bonds and Additional State Bonds and the Refunding Bonds. In the event the State Bonds are refunded by an issue of Additional State Bonds, all references in this Resolution to the State Bonds shall be deemed to refer to such Additional State Bonds or, in the case of a crossover refunding, both the State Bonds and such Additional State Bonds.

## ARTICLE X THE SID 544 Bonds

Section 10.1. Issuance and Sale of the SID 544 Bonds. The Board has investigated the facts necessary and hereby finds, determines and declares it to be necessary and desirable for the Borrower to issue the SID 544 Bonds to evidence the 2009 Loans. The SID 544 Bonds are issued to the DNRC without public sale pursuant to Montana Code Annotated, Section 7-12-2172(2), as amended.

Section 10.2. Terms. The A Loan Bond, the B Loan Bond, the C Loan Bond, and the D Loan Bond shall be in a principal amount equal to the Committed Amount of the 2009A Loan, 2009B Loan, 2009C Loan, and the 2009D Loan, respectively, each shall be issued as a single, fully registered bonds numbered R-1, each 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 2009A Loan, 2009B Loan, 2009C Loan, and 2009D Loan, respectively, and shall be payable over at term of 20 years. The principal of and interest on the A Loan Bond, the B Loan Bond, the C Loan Bond, and the D Loan Bond shall be payable on the same dates and in the same amounts as principal and interest of the Loan Repayments are payable. The principal of the A Loan Bond, the B Loan Bond, the C Loan Bond, and D Loan Bond shall be deemed advanced when the 2009A Loan, 2009B Loan, 2009C Loan, and the 2009D Loan, respectively, have been disbursed under Section 4.1, and principal of and interest on the A Loan Bond, if issued, the B Loan Bond, the C Loan Bond, and the D Loan Bond shall be payable in accordance with Schedule B to the A Loan Bond, if issued, the B Loan Bond, the C Loan Bond, and the D Loan Bond.

The SID 544 Bonds shall be deemed, for purpose of redemption, to be issued in principal installments of \$1,000 each. The Borrower may prepay all or any part of the principal of the SID 544 Bonds but only upon the conditions, at the times, in the amounts, at the prices, upon the notice and with the effect prescribed in Section 5.3.

Section 10.3. Negotiability, Transfer and Registration. The SID 544 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 SID 544 Bonds shall be payable to the DNRC at the Office of the Department of Natural Resources and Conservation, 1625 Eleventh Avenue, Helena, Montana 59620, or such other place as may be designated by the DNRC in writing and delivered to the Borrower. The SID 544 Bonds shall be negotiable, subject to the provisions for registration and transfer contained in this section. No transfer of the SID 544 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 SID 544 Bonds, and (2) the Finance Director/Treasurer of the Borrower (the "Registrar"), as Bond Registrar, has duly noted the transfer on the SID 544 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 SID 544 Bonds are registered as the absolute owner of the Note or Bond for all purposes, notwithstanding any notice to the contrary, and all payments to the registered holder shall be valid and effectual to satisfy and discharge the Borrower's liability upon such SID 544 Bonds to the extent of the sum or sums so paid.

Section 10.4. Execution and Delivery. The SID 544 Bonds shall be executed on behalf of the Borrower by the manual signatures of the Mayor and the City Finance Director/Treasurer. Any or all of such signatures may be affixed at or prior to the date of delivery of the SID 544 Bonds. The SID 544 Bonds shall be sealed with the corporate seal of the Borrower. In the event that any of the officers who shall have signed the SID 544 Bonds shall cease to be officers of the Borrower before the SID 544 Bonds are issued or delivered, their signatures shall remain binding upon the Borrower. Conversely, the SID 544 Bonds may be signed by an authorized officer who did not hold such office on the date of adoption of this Resolution. The SID 544 Bonds shall be delivered to the DNRC, or its attorney or legal representative.

Section 10.5. Form. The A Loan Bond shall be prepared in substantially the form attached as Appendix B-1, the B Loan Bond shall be prepared in substantially the form attached as Appendix B-2, the C Loan Bond shall be prepared in substantially the form attached as Appendix B-3, and the D Loan Bond shall be prepared in substantially the form attached as Appendix B-4.

## ARTICLE XI TAX MATTERS

Section 11.1. Use of 2009 Project. The 2009 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 2009 Project or security for the payment of the SID 544 Bonds which might cause the SID 544 Bonds to be considered a "private activity bond" or "private loan bond" within the meaning of Section 141 of the Code.

Section 11.2. General Covenant. The Borrower covenants and agrees with the owners from time to time of the SID 544 Bonds 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 SID 544 Bonds 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 SID 544 Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

Section 11.3. Arbitrage Certification. The Mayor, the City Clerk and the City Finance Director/Treasurer, being among the officers of the Borrower charged with the responsibility for issuing the Bond pursuant to this Resolution, are authorized and directed to execute and deliver to the DNRC a certificate in accordance with the provisions of Section 148 of the Code, and 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 Bond, it is reasonably expected that the proceeds of the SID 544 Bonds will be used in a manner that would not cause the SID 544 Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code and the Regulations.

Section 11.4. Arbitrage Rebate. The City acknowledges that the SID 544 Bonds are subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Treasury Regulations to preserve the exclusion of interest on the SID 544 Bonds from gross income for federal income tax purposes, unless the SID 544 Bonds qualify for the exception from the rebate requirement under Section 148(f)(4)(B) of the Code and no "gross proceeds" of the SID 544 Bonds (other than amounts constituting a "bona fide debt service fund") arise during or after the expenditure of the original proceeds thereof. In furtherance of the foregoing, the Mayor, the City Clerk and the City Finance Director/Treasurer are hereby authorized and directed to execute a Rebate Certificate, and the City hereby covenants and agrees to observe and perform the covenants and agreements contained therein, unless amended or terminated in accordance with the provisions thereof.

Section 11.5. Information Reporting. The Borrower shall file with the Secretary of the Treasury, not later than February 15, 2010, a statement concerning the SID 544 Bonds containing the information required by Section 149(e) of the Code.

## ARTICLE XII CONTINUING DISCLOSURE

The Borrower understands and acknowledges that the DNRC is acquiring the SID 544 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, City Clerk and City Finance Director/Treasurer to the effect that, to the best of their knowledge, such information does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein to make the statements made, in light of the circumstances under which they are made, not misleading.

## ARTICLE XIII MISCELLANEOUS

Section 13.1. Notices. All notices or other communications hereunder shall be sufficiently sent or given and shall be deemed sent or given when delivered or mailed by certified mail, postage prepaid, to the parties at the following addresses:

DNRC: Department of Natural Resources and Conservation  
1625 Eleventh Avenue  
Helena, Montana 59620  
Attention: Conservation and Resource  
Development Division

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

Borrower: City of Missoula  
435 Ryman  
Missoula, Montana 59802  
Attn: Finance Director/Treasurer

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

Section 13.3. Severability. If any provision of this Resolution shall be determined to be unenforceable at any time, it shall not affect any other provision of this Resolution or the enforceability of that provision at any other time.

Section 13.4. Amendments. This Resolution may not be effectively amended without the written consent of the DNRC.

Section 13.5. Applicable Law. This Resolution shall be governed by and construed in accordance with the laws of the State.

Section 13.6. Captions; References to Sections. The captions in this Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Resolution. References to Articles and Sections are to the Articles and Sections of this Resolution, unless the context otherwise requires.

Section 13.7. No Liability of Individual Officers, Directors or Trustees. No recourse under or upon any obligation, covenant or agreement contained in this Resolution shall be had against any director, officer or employee, as such, past, present or future, of the DNRC or the Trustee, either directly or through the DNRC or the Trustee, or against any officer, or member of the governing body or employee of the Borrower, past, present or future, as an individual so long as such individual was acting in good faith. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such officer or member of the governing body or employee of the DNRC, the Trustee or the Borrower is hereby expressly waived and released by the Borrower and by the DNRC as a condition of and in consideration for the adoption of this Resolution and the making of the Loan.

Section 13.8. 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 SID 544 Bonds, shall not be a 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 SID 544 Bonds.

Section 13.9. 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 from the date of the advance until repaid. The DNRC and the provider of any Collateral Document shall have the right to enter the 2009 Project or the facility or facilities of which the 2009 Project is a part or any other facility which is a part of the Improvements in order to effectuate the purposes of this Section.

Section 13.10. 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 SID 544 Bonds and such other certificates and affidavits as may be required to show the right, power and authority of the Borrower to issue the SID 544 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 purported to be shown thereby.

Section 13.11. Effective Date. This Resolution shall take effect immediately.

**PASSED AND ADOPTED** by the City Council of the Borrower on this 23rd day of November, 2009.

(Seal)

/s/ John Engen

John Engen

Mayor

Attest:

/s/ Martha L. Rehbein

Martha L. Rehbein

City Clerk

## APPENDIX A

### Description of the 2009 Project

The project consists of providing sewer service to approximately 313 unsewered properties within the City, including installing approximately 22,000 linear feet of sewer main, as well as related costs.

### Description of the Lolo Street Improvements

The portion of the 2009 Project that constitute the Lolo Street Improvements consists of installing sewer main and providing sewer service for 4 properties.

### Estimated 2009 Project Budget

Administrative/ Finance Costs	Source: ARRA Forgiveness 2009A Loan	Source: ARRA 1.75% 2009B Loan	Source: 3.75% 2009C Loan	Source: \$3.75% 2009D Loan	Total:
OPG Personnel			4,936.00		4,936.00
City Office Admin			79,940.00		79,940.00
SID Office Admin			11,900.00		11,900.00
Debt Service Reserve		17,965.00	79,000.00	1,471.00	98,436.00
Capitalized Interest			10,950.00		10,950.00
Bond Counsel & Related costs			16,000.00		16,000.00
<b><i>Construction:</i></b>					
SID 544	29,688.00	341,335.00	1,402,812.00		1,773,835.00
Lolo Street				29,529.00	29,529.00
SRF Rounding/Contingency			2,564.00		2,564.00
<b>TOTAL PROJECT COSTS</b>	<b>29,688.00</b>	<b>359,300.00</b>	<b>1,608,102.00</b>	<b>31,000.00</b>	<b>2,028,090.00</b>

APPENDIX B-1

[Form of the Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA

CITY OF MISSOULA

SPECIAL IMPROVEMENT DISTRICT NO. 544 BOND  
(RATTLESNAKE SEWER PROJECT)

(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM), SERIES A LOAN

No. R-1	\$29,688
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FOR VALUE RECEIVED, CITY OF MISSOULA, STATE OF MONTANA (the "Borrower"), a duly organized county 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 its Special Improvement District No. 544 Fund (the "District Fund"), the principal sum equal to the sum of the amounts entered on Schedule A hereto under "Total Amount Advanced," with interest on each such amount from the date such amount is advanced hereunder at the rate of two and percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this A Loan Bond at the rates of seventy-five hundredths of one percent (0.75%) and one percent (1.00%), respectively, per annum, all subject to the terms of the following paragraph. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a "Loan Repayment Date") commencing with the Loan Repayment Date that is the first to occur following delivery by the DNRC to the Borrower of a statement that the Borrower's obligation to repay the principal amount of the 2009A Loan is not forgiven, all as described in the Resolution (as hereinafter defined). Principal shall be payable on the dates set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B attached hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule B hereto. Upon each disbursement of 2009A Loan amounts to the Borrower pursuant to the Resolution described below, the DNRC shall enter (or cause to be entered) the amount advanced on Schedule A under "Advances" and the total amount advanced under the Resolution (as hereinafter defined), including such disbursement, under "Total Amount Advanced." The DNRC shall prepare Schedule B and any revised Schedule B, or cause Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the Resolution. Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of three and seventy-five hundredths percent (3.75%) 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 A Loan Bond shall be made to the registered holder of this A Loan Bond, at its address as it appears on the Note register, in lawful money of the United States of America.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS A LOAN BOND, IN THE EVENT THAT THE BORROWER TIMELY DELIVERS AN ARRA 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 AN ARRA FORGIVENESS STATEMENT, THEN THEREUPON INTEREST SHALL BE DEEMED TO ACCRUE ON THE PRINCIPAL OF THIS A LOAN 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 A LOAN BOND SHALL THEREUPON BE MARKED "CANCELLED" AND RETURNED BY THE HOLDER TO THE BORROWER, AND THIS A LOAN BOND SHALL NO LONGER CONSTITUTE AN OBLIGATION OF THE BORROWER OR OF THE IMPROVEMENTS (AS HEREINAFTER DEFINED). IN ADDITION, UNTIL THE DELIVERY OF AN ARRA STATEMENT BY THE DNRC TO THE BORROWER, INTEREST SHALL BE DEEMED TO ACCRUE ON THE PRINCIPAL OF THIS A LOAN BOND FROM THE DATE OF EACH ADVANCE AT THE RATE OF ZERO PERCENT (0.00%) PER ANNUM.

This Bond constitutes one of an issue of special improvement district 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 \$29,688 (the "A Loan Bond"). This A Loan Bond is issued to finance a portion of the costs of the construction of certain local improvements (the "Project") for the special benefit of property in Special Improvement District No. 544 of the Borrower (the "District"). This A Loan 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 Title 7, Chapter 7, Parts 41 and 42, as amended. Reference is made to Resolution No. \_\_\_\_\_, duly adopted by the governing body of the Borrower on November 23, 2009 (the "Resolution"), for a more complete statement of the terms and conditions upon which this A Loan Bond has been issued. This A Loan Bond is issuable only as a single, fully registered bond. The Borrower is also issuing simultaneously herewith its \$359,300 Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series B Loan, its \$1,608,102 Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series C Loan, and its \$31,000 Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series D Loan.

This A Loan Bond is payable from the collection of a special tax or assessment levied with respect to this A Loan Bond upon all assessable real property within the boundaries of the District, in an aggregate principal amount not less than the Committed Amount (as defined in the Resolution), except as such amount may be reduced or increased in accordance with provisions of the Resolution and Montana law. A Loan Bond assessments constitute a lien against the assessable real estate within the District, and this Bond is not a general obligation of the Borrower.

The Borrower has validly established a Special Improvement District Revolving Fund (the "Revolving Fund") to secure the payment of certain of its special improvement district bonds, including the A Loan Bond. The Borrower has also agreed, to the extent permitted by the Act, to issue orders annually authorizing loans or advances from the Revolving Fund to the District Fund, in amounts sufficient to make good any deficiency in the District Fund to pay principal of or interest on the A Loan Bond, to the extent that funds are available in the Revolving Fund, and to provide funds for the Revolving Fund by annually making a tax levy or loan from its general fund in an amount sufficient for that purpose, subject to the limitation that no such tax levy or loan may in any year cause the balance in the Revolving Fund to exceed five percent of the principal amount of the Borrower's then outstanding special improvement district bonds secured thereby and the durational limitations specified in the Act.

The principal installments of the A Loan Bond are subject to mandatory redemption in order of registration on any interest payment date if, after paying all principal and interest then due on the A Loan Bond, there are funds to the credit of the Fund, from the prepayment of assessments levied in the District or from surplus proceeds of the A Loan Bond not required to pay costs of the Project, for the redemption thereof, and in the manner provided for the redemption of the same. The A Loan Bond is subject to redemption at the option of the Borrower from other sources of funds available therefor on any interest payment date. The redemption price is equal to the amount of the principal installment or installments of the A Loan Bond to be redeemed plus interest, Administration Expense Surcharge and Loan Loss Reserve Surcharge accrued thereon to the date of redemption. The date of redemption shall be fixed by the City Clerk and Recorder/Treasurer, who shall give notice by first-class mail, postage prepaid, to the owner or owners of the A Loan Bond at their addresses shown on the bond register, of the numbers of

the principal installments of the A Loan Bond to be redeemed and the date on which payment will be made, which date shall not be less than 10 days after the date of mailing of notice, on which date so fixed interest shall cease. On the date so fixed interest on the A Loan Bond or the principal installments hereof so redeemed shall cease to accrue.

Except as provided in the previous paragraph or otherwise as required by law, the Borrower may prepay all or any part of the principal of the A Loan Bond but only upon the conditions, in the amounts, at the prices and upon the notice and with the effect provided in the Resolution.

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

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all things required to be done precedent to the issuance of this A Loan Bond have been properly done, happened and been performed in the manner prescribed by the laws of the State of Montana and the resolutions and ordinances of the Borrower, relating to the issuance thereof.

IN WITNESS WHEREOF, the City of Missoula, Missoula County, Montana, by its City Council, has caused this Bond to be executed by the facsimile signatures of the Mayor, Finance Director/Treasurer, and the City Clerk, and by a facsimile of the official seal of the City.

(Facsimile Signature)  
Mayor

(Facsimile Signature)  
Finance Director/Treasurer

(Facsimile Seal)

(Facsimile Signature)  
City Clerk

## REGISTRATION AND TRANSFER

This Bond shall be fully registered as to both principal and interest. No transfer of this Bond shall be valid unless and until (1) the registered holder of the Note, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Bond, and (2) the City Clerk and Recorder/Treasurer of City of Missoula, Montana, as note registrar (the "Registrar"), has duly noted the transfer on the Note 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 Note 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 Note 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 City of Missoula, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of County Clerk and Recorder/Treasurer</u>
, 2009	<u>Department of Natural Resources and Conservation</u> <u>1625 Eleventh Avenue</u> <u>Helena, Montana 59620</u>	<hr/>

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

The City Clerk and Recorder/Treasurer of City of Missoula, Montana, acting as Note 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 Note Registrar</u>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>

FORM OF ASSIGNMENT

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

By: \_\_\_\_\_  
(Authorized Signature)

For: \_\_\_\_\_  
(Holder)

**SCHEDULE A**  
**SCHEDULE OF AMOUNTS ADVANCED**

SCHEDULE B

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

[Form of the Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA

**CITY OF MISSOULA**

SPECIAL IMPROVEMENT DISTRICT NO. 544 BOND  
(RATTLESNAKE SEWER PROJECT)

(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM), SERIES B LOAN

No. R-1	\$359,300
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FOR VALUE RECEIVED, CITY OF MISSOULA, MONTANA (the "Borrower"), a duly organized county 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 its Special Improvement District No. 544 Fund (the "District 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 one and seventy-five hundredths percent (1.75%) per annum on the unpaid balance until paid, subject to the provisions of the immediately following paragraph. Interest shall be payable on each January 1 and July 1 (each a "Loan Repayment Date") commencing January 1, 2011. Principal shall be payable commencing January 1, 2011 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 shall be as set forth in Schedule B hereto. Upon each disbursement of 2009B 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 (as hereinafter defined). Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of 1.75% per annum. Past-due payments of principal and interest shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest 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 PROVISIONS OF THE FOREGOING PARAGRAPH OR ANY OTHER PROVISION TO THE CONTRARY HEREIN, IN THE EVENT THE DNRC DELIVERS TO THE BORROWER AN ARRA NONCOMPLIANCE CERTIFICATE, THEN PRINCIPAL AMOUNTS ADVANCED HEREUNDER SHALL BEAR INTEREST FROM AND AFTER THE DATE OF EACH ADVANCE COMMENCING WITH THE 2009B FIRST ADVANCE (AS DEFINED IN THE RESOLUTION) AT A RATE OF TWO PERCENT (2.00%) PER ANNUM AND THE BORROWER SHALL PAY THE ADMINISTRATIVE EXPENSE SURCHARGE AND LOAN LOSS RESERVE SURCHARGE ON AMOUNTS ADVANCED HEREUNDER FROM AND AFTER THE 2009B FIRST ADVANCE AT THE RATES OF SEVENTY-FIVE HUNDREDTHS OF ONE PERCENT (0.75%) AND ONE PERCENT (1.00%) PER ANNUM, RESPECTIVELY, AND THE IMMEDIATELY FOLLOWING PARAGRAPH WILL THEREUPON GOVERN AND SUPERSEDE THE LOAN REPAYMENT PROVISIONS OF THE INITIAL PARAGRAPH ABOVE.

In the event of delivery of an ARRA Noncompliance Statement, interest at a rate of two percent (2.00%) per annum and an Administrative Surcharge and Loan Loss Reserve Surcharge on each advance of principal of this Bond from and after the 2009B First Advance shall be payable in semiannual installments payable on each Loan Repayment Date commencing with the Loan Repayment Date that is

the first to occur following delivery by the DNRC of an ARRA Noncompliance Statement (as defined in the Resolution described below) and taking into account payments, if any, made on each Loan Repayment Date pursuant to the initial paragraph of this Bond prior to the delivery of such statement, all as described in Section 5.1 of the Resolution. Principal shall be payable on the dates set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B attached hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule B hereto. 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, particularly Section 5.1.6 of the resolution authorizing this Bond. Schedule B under this paragraph shall be calculated and recalculated on a level debt service basis assuming an interest rate of three and seventy-five hundredths percent (3.75%) per annum. Past-due payments of principal, interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond constitutes one of an issue of special improvement district 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 \$359,300 (the "B Loan Bond"). The B Loan Bond is issued to finance a portion of the costs of the construction of certain local improvements (the "Project") for the special benefit of property in Special Improvement District No. 544 of the Borrower (the "District"). The B Loan 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 Title 7, Chapter 7, Parts 41 and 42, as amended. Reference is made to Resolution No. \_\_\_\_\_, duly adopted by the governing body of the Borrower on November 23, 2009 (the "Resolution"), for a more complete statement of the terms and conditions upon which the B Loan Bond has been issued. The B Loan Bond is issuable only as a single, fully registered bond. The Borrower is also issuing simultaneously herewith its \$29,688 Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series A Loan, its \$1,608,102 Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series C Loan, and its \$31,000 Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series D Loan.

This B Loan Bond is payable from the collection of a special tax or assessment levied with respect to this B Loan Bond upon all assessable real property within the boundaries of the District, in an aggregate principal amount not less than the Committed Amount (as defined in the Resolution), except as such amount may be reduced or increased in accordance with provisions of the Resolution and Montana law. B Loan Bond assessments constitute a lien against the assessable real estate within the District, and this Bond is not a general obligation of the Borrower.

The Borrower has validly established a Special Improvement District Revolving Fund (the "Revolving Fund") to secure the payment of certain of its special improvement district bonds, including the B Loan Bond. The Borrower has also agreed, to the extent permitted by the Act, to issue orders annually authorizing loans or advances from the Revolving Fund to the District Fund, in amounts sufficient to make good any deficiency in the District Fund to pay principal of or interest on the B Loan Bond, to the extent that funds are available in the Revolving Fund, and to provide funds for the Revolving Fund by annually making a tax levy or loan from its general fund in an amount sufficient for that purpose, subject to the limitation that no such tax levy or loan may in any year cause the balance in the Revolving Fund to exceed five percent of the principal amount of the Borrower's then outstanding special improvement district bonds secured thereby and the durational limitations specified in the Act.

The principal installments of the B Loan Bond are subject to mandatory redemption in order of registration on any interest payment date if, after paying all principal and interest then due on the B Loan

Bond, there are funds to the credit of the Fund, from the prepayment of assessments levied in the District or from surplus proceeds of the B Loan Bond not required to pay costs of the Project, for the redemption thereof, and in the manner provided for the redemption of the same. The B Loan Bond is subject to redemption at the option of the Borrower from other sources of funds available therefor on any interest payment date. The redemption price is equal to the amount of the principal installment or installments of the B Loan Bond to be redeemed plus interest, Administration Expense Surcharge and Loan Loss Reserve Surcharge accrued thereon to the date of redemption. The date of redemption shall be fixed by the City Clerk and Recorder/Treasurer, who shall give notice by first-class mail, postage prepaid, to the owner or owners of the B Loan Bond at their addresses shown on the bond register, of the numbers of the principal installments of the B Loan Bond to be redeemed and the date on which payment will be made, which date shall not be less than 10 days after the date of mailing of notice, on which date so fixed interest shall cease. On the date so fixed interest on the B Loan Bond or the principal installments hereof so redeemed shall cease to accrue.

Except as provided in the previous paragraph or otherwise as required by law, the Borrower may prepay all or any part of the principal of the B Loan Bond but only upon the conditions, in the amounts, at the prices and upon the notice and with the effect provided in the Resolution.

The Borrower may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this B Loan 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.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all things required to be done precedent to the issuance of this B Loan Bond have been properly done, happened and been performed in the manner prescribed by the laws of the State of Montana and the resolutions and ordinances of the Borrower, relating to the issuance thereof.

IN WITNESS WHEREOF, the City of Missoula, Missoula County, Montana, by its City Council, has caused this Bond to be executed by the facsimile signatures of the Mayor, Finance Director/Treasurer, and the City Clerk, and by a facsimile of the official seal of the City.

(Facsimile Signature)  
Mayor

(Facsimile Signature)  
Finance Director/Treasurer

(Facsimile Seal)

(Facsimile Signature)  
City Clerk

## REGISTRATION AND TRANSFER

This Bond shall be fully registered as to both principal and interest. No transfer of this Bond shall be valid unless and until (1) the registered holder of the B Loan Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Bond, and (2) the City Clerk and Recorder/Treasurer of City of Missoula, Montana, 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 City of Missoula, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of County Clerk and Recorder/Treasurer</u>
, 2009	<u>Department of Natural Resources and Conservation</u> <u>1625 Eleventh Avenue</u> <u>Helena, Montana 59620</u>	_____

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

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

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

FORM OF ASSIGNMENT

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

By: \_\_\_\_\_  
(Authorized Signature)

For: \_\_\_\_\_  
(Holder)

**SCHEDULE A**  
**SCHEDULE OF AMOUNTS ADVANCED**

SCHEDULE B

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Loan Payment</u>
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APPENDIX B-3

[Form of the Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA

CITY OF MISSOULA

SPECIAL IMPROVEMENT DISTRICT NO. 544 BOND  
(RATTLESNAKE SEWER PROJECT)

(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM), SERIES C LOAN

No. R-1	\$1,608,102
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FOR VALUE RECEIVED, CITY OF MISSOULA, MONTANA (the "Borrower"), a duly organized county 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 its Special Improvement District No. 544 Fund (the "District Fund"), the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under "Total Amount Advanced," with interest on each such amount from the date such amount is advanced hereunder at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) and one percent (1.00%), respectively, per annum. Interest and Administrative Expense Surcharge and a Loan Loss Reserve Surcharge shall be payable in semiannual installments each payable on January 1 and July 1 (each a "Loan Repayment Date"), commencing January 1, 2010. Principal shall be payable commencing January 1, 2011 on the dates set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge and the portion consisting of the Loan Loss Reserve Surcharge shall be as set forth in Schedule B hereto. Upon each disbursement of 2009C 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 revised Schedules B, or cause Schedule B and revised Schedules B to be prepared, as provided in Section 5.1 of the Resolution. Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of three and seventy-five hundredths percent (3.75%) per annum. Past-due payments of principal and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum until paid. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond constitutes one of an issue of special improvement district 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 \$1,608,102 (the "C Loan Bond"). The C Loan Bond is issued to finance a portion of the costs of the construction of certain local improvements (the "Project") for the special benefit of property in Special Improvement District No. 544 of the Borrower (the "District"). The C Loan 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 Title 7, Chapter 7, Parts 41 and 42, as amended. Reference is made to Resolution No. \_\_\_\_\_, duly adopted by the governing body of the Borrower on November 23, 2009 (the "Resolution"), for a more complete statement of the terms and conditions upon which the C Loan Bond has been issued. The C Loan Bond is issuable only as a single, fully registered bond. The Borrower is also issuing simultaneously herewith its \$29,688 Special

Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series A Loan, its \$359,300 Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series B Loan, and its \$31,000 Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series D Loan.

This C Loan Bond is payable from the collection of a special tax or assessment levied with respect to this C Loan Bond upon all assessable real property within the boundaries of the District, in an aggregate principal amount not less than the Committed Amount (as defined in the Resolution), except as such amount may be reduced or increased in accordance with provisions of the Resolution and Montana law. Such assessments constitute a lien against the assessable real estate within the District, and this C Loan Bond is not a general obligation of the Borrower.

The Borrower has validly established a Special Improvement District Revolving Fund (the "Revolving Fund") to secure the payment of certain of its special improvement district bonds, including the C Loan Bond. The Borrower has also agreed, to the extent permitted by the Act, to issue orders annually authorizing loans or advances from the Revolving Fund to the District Fund, in amounts sufficient to make good any deficiency in the District Fund to pay principal of or interest on the C Loan Bond, to the extent that funds are available in the Revolving Fund, and to provide funds for the Revolving Fund by annually making a tax levy or loan from its general fund in an amount sufficient for that purpose, subject to the limitation that no such tax levy or loan may in any year cause the balance in the Revolving Fund to exceed five percent of the principal amount of the Borrower's then outstanding special improvement district bonds secured thereby and the durational limitations specified in the Act.

The principal installments of the C Loan Bond are subject to mandatory redemption in order of registration on any interest payment date if, after paying all principal and interest then due on the C Loan Bond, there are funds to the credit of the Fund, from the prepayment of assessments levied in the District or from surplus proceeds of the C Loan Bond not required to pay costs of the Project, for the redemption thereof, and in the manner provided for the redemption of the same. The C Loan Bond is subject to redemption at the option of the Borrower from other sources of funds available therefor on any interest payment date. The redemption price is equal to the amount of the principal installment or installments of the C Loan Bond to be redeemed plus interest, Administration Expense Surcharge and Loan Loss Reserve Surcharge accrued thereon to the date of redemption. The date of redemption shall be fixed by the City Clerk and Recorder/Treasurer, who shall give notice by first-class mail, postage prepaid, to the owner or owners of the C Loan Bond at their addresses shown on the bond register, of the numbers of the principal installments of the C Loan Bond to be redeemed and the date on which payment will be made, which date shall not be less than 10 days after the date of mailing of notice, on which date so fixed interest shall cease. On the date so fixed interest on the C Loan Bond or the principal installments hereof so redeemed shall cease to accrue.

Except as provided in the previous paragraph or otherwise as required by law, the Borrower may prepay all or any part of the principal of the C Loan Bond but only upon the conditions, in the amounts, at the prices and upon the notice and with the effect provided in the Resolution.

The Borrower may deem and treat the person in whose name this C Loan Bond is registered as the absolute owner hereof, whether this C Loan 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.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all things required to be done precedent to the issuance of this C Loan Bond have been properly done, happened and been performed in the manner prescribed by the laws of the State of Montana and the resolutions and ordinances of the Borrower, relating to the issuance thereof.

IN WITNESS WHEREOF, the City of Missoula, Missoula County, Montana, by its City Council, has caused this Bond to be executed by the facsimile signatures of the Mayor, Finance Director/Treasurer, and the City Clerk, and by a facsimile of the official seal of the City.

(Facsimile Signature)  
Mayor

(Facsimile Signature)  
Finance Director/Treasurer

(Facsimile Seal)

(Facsimile Signature)  
City Clerk

## REGISTRATION AND TRANSFER

This Bond shall be fully registered as to both principal and interest. No transfer of this Bond shall be valid unless and until (1) the registered holder of the Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Bond, and (2) the City Clerk and Recorder/Treasurer of City of Missoula, Montana, 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 City of Missoula, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of County Clerk and Recorder/Treasurer</u>
_____, 2009	Department of Natural Resources and Conservation 1625 Eleventh Avenue Helena, Montana 59620	_____

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

The City Clerk and Recorder/Treasurer of City of Missoula, 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.

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

By: \_\_\_\_\_  
(Authorized Signature)

For: \_\_\_\_\_  
(Holder)

**SCHEDULE A**  
**SCHEDULE OF AMOUNTS ADVANCED**

SCHEDULE B

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	Administrative Expense <u>Surcharge</u>	Loan Loss Reserve <u>Surcharge</u>	Total Loan <u>Payment</u>
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APPENDIX B-4

[Form of the Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA

CITY OF MISSOULA

SPECIAL IMPROVEMENT DISTRICT NO. 544 BOND  
(RATTLESNAKE SEWER PROJECT)

(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM), SERIES D LOAN

No. R-1	\$31,000
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FOR VALUE RECEIVED, CITY OF MISSOULA, MONTANA (the "Borrower"), a duly organized county 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 its Special Improvement District No. 544 Fund (the "District Fund"), the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under "Total Amount Advanced," with interest on each such amount from the date such amount is advanced hereunder at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) and one percent (1.00%), respectively, per annum. Interest and Administrative Expense Surcharge and a Loan Loss Reserve Surcharge shall be payable in semiannual installments each payable on January 1 and July 1 (each a "Loan Repayment Date"), commencing January 1, 2010. Principal shall be payable commencing January 1, 2011 on the dates set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge and the portion consisting of the Loan Loss Reserve Surcharge shall be as set forth in Schedule B hereto. Upon any disbursement of 2009D 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 revised Schedules B, or cause Schedule B and revised Schedules B to be prepared, as provided in Section 5.1 of the Resolution. Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of three and seventy-five hundredths percent (3.75%) per annum. Past-due payments of principal and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum until paid. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond constitutes one of an issue of special improvement district 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 \$31,000 (the "D Loan Bond"). The D Loan Bond is issued to finance a portion of the costs of the construction of certain local improvements (the "Project") for the special benefit of property in Special Improvement District No. 544 of the Borrower (the "District"). The D Loan 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 Title 7, Chapter 7, Parts 41 and 42, as amended. Reference is made to Resolution No. \_\_\_\_\_, duly adopted by the governing body of the Borrower on November 23, 2009 (the "Resolution"), for a more complete statement of the terms and conditions upon which the D Loan Bond has been issued. The D Loan Bond is issuable only as a single, fully registered bond. The Borrower is also issuing simultaneously herewith its \$29,688 Special

Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series A Loan, its \$359,300 Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series B Loan, and its \$1,608,102 Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series C Loan.

This D Loan Bond is payable from the collection of a special tax or assessment levied with respect to this D Loan Bond upon all assessable real property within the boundaries of the District, in an aggregate principal amount not less than the Committed Amount (as defined in the Resolution), except as such amount may be reduced or increased in accordance with provisions of the Resolution and Montana law. Such assessments constitute a lien against the assessable real estate within the District, and this D Loan Bond is not a general obligation of the Borrower.

The Borrower has validly established a Special Improvement District Revolving Fund (the "Revolving Fund") to secure the payment of certain of its special improvement district bonds, including the D Loan Bond. The Borrower has also agreed, to the extent permitted by the Act, to issue orders annually authorizing loans or advances from the Revolving Fund to the District Fund, in amounts sufficient to make good any deficiency in the District Fund to pay principal of or interest on the D Loan Bond, to the extent that funds are available in the Revolving Fund, and to provide funds for the Revolving Fund by annually making a tax levy or loan from its general fund in an amount sufficient for that purpose, subject to the limitation that no such tax levy or loan may in any year cause the balance in the Revolving Fund to exceed five percent of the principal amount of the Borrower's then outstanding special improvement district bonds secured thereby and the durational limitations specified in the Act.

The principal installments of the D Loan Bond are subject to mandatory redemption in order of registration on any interest payment date if, after paying all principal and interest then due on the D Loan Bond, there are funds to the credit of the Fund, from the prepayment of assessments levied in the District or from surplus proceeds of the D Loan Bond not required to pay costs of the Project, for the redemption thereof, and in the manner provided for the redemption of the same. The D Loan Bond is subject to redemption at the option of the Borrower from other sources of funds available therefor on any interest payment date. The redemption price is equal to the amount of the principal installment or installments of the D Loan Bond to be redeemed plus interest, Administration Expense Surcharge and Loan Loss Reserve Surcharge accrued thereon to the date of redemption. The date of redemption shall be fixed by the City Clerk and Recorder/Treasurer, who shall give notice by first-class mail, postage prepaid, to the owner or owners of the D Loan Bond at their addresses shown on the bond register, of the numbers of the principal installments of the D Loan Bond to be redeemed and the date on which payment will be made, which date shall not be less than 10 days after the date of mailing of notice, on which date so fixed interest shall cease. On the date so fixed interest on the D Loan Bond or the principal installments hereof so redeemed shall cease to accrue.

Except as provided in the previous paragraph or otherwise as required by law, the Borrower may prepay all or any part of the principal of the D Loan Bond but only upon the conditions, in the amounts, at the prices and upon the notice and with the effect provided in the Resolution.

The Borrower may deem and treat the person in whose name this D Loan Bond is registered as the absolute owner hereof, whether this D Loan 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.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all things required to be done precedent to the issuance of this D Loan Bond have been properly done, happened and been performed in the manner prescribed by the laws of the State of Montana and the resolutions and ordinances of the Borrower, relating to the issuance thereof.

IN WITNESS WHEREOF, the City of Missoula, Missoula County, Montana, by its City Council, has caused this Bond to be executed by the facsimile signatures of the Mayor, Finance Director/Treasurer, and the City Clerk, and by a facsimile of the official seal of the City.

(Facsimile Signature)  
Mayor

(Facsimile Signature)  
Finance Director/Treasurer

(Facsimile Seal)

(Facsimile Signature)  
City Clerk

This Bond shall be fully registered as to both principal and interest. No transfer of this Bond shall be valid unless and until (1) the registered holder of the Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Bond, and (2) the City Clerk and Recorder/Treasurer of City of Missoula, Montana, 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 City of Missoula, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of County Clerk and Recorder/Treasurer</u>
, 2009	<u>Department of Natural Resources and Conservation</u> <u>1625 Eleventh Avenue</u> <u>Helena, Montana 59620</u>	_____

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

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

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

FORM OF ASSIGNMENT

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

By: \_\_\_\_\_  
(Authorized Signature)

For: \_\_\_\_\_  
(Holder)

**SCHEDULE A**  
**SCHEDULE OF AMOUNTS ADVANCED**

SCHEDULE B

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	Administrative Expense <u>Surcharge</u>	Loan Loss Reserve <u>Surcharge</u>	Total Loan <u>Payment</u>
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APPENDIX C  
Additional Representations and Covenants  
NONE

## APPENDIX D

\$2,028,090 Special Improvement District No. 544 Bond  
(Rattlesnake Sewer Project)  
(DNRC Water Pollution Control State Revolving Loan Program), Consisting of  
\$29,688 A Loan Bond,  
\$359,300 B Loan Bond,  
\$1,608,102 C Loan Bond, and  
\$31,000 D Loan Bond  
City of Missoula, Montana

### ARRA CERTIFICATE AND REQUEST

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

1. Pursuant to Resolution No. \_\_\_\_\_, adopted by the Board of County Commissioners on November 23, 2009 (the "Resolution"), the Borrower issued its Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series A Loan, dated, as originally issued, as of \_\_\_\_\_, 2009, in the maximum aggregate principal amount of \$29,688 (the "A Loan Bond") and its Special Improvement District No. 544 Bond (Rattlesnake Sewer Project) (DNRC Water Pollution Control State Revolving Loan Program), Series B Loan, dated, as originally issued, as of \_\_\_\_\_, 2009, in the maximum aggregate principal amount of \$359,300 (the "B Loan Bond"). The A Loan Bond and the B Loan Bond are referred to herein collectively as the "ARRA Bonds." The Borrower has reviewed the Resolution. The Borrower acknowledges and agrees that the ARRA Bonds evidence loans made to the Borrower from the DNRC from funds made available to the DNRC under the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009) ("ARRA"), and that this Certificate is being relied upon by the DNRC for ensuring compliance with ARRA requirements applicable to the Borrower, the DNRC, and the 2009 Project (as hereinafter defined). Capitalized terms used herein without definition shall have the meanings given them in the Resolution.

2. The ARRA Bonds were issued to finance a portion of the costs of engineering, design, easement acquisitions, construction and installation of sanitary sewer trunk lines, pumping stations, force mains and related appurtenances, that will enable District property to connect to the City of Missoula's sewer system; reimbursement of approved costs incurred by private landowners who financed portions of the project, paying costs associated with the sale and security of Special Improvement district bonds to finance the project, including bond counsel, county administration fees, underwriter's discount, funding a district reserve and a deposit to the Special Improvement district revolving fund, and related costs (the "2009 ARRA Project") in the Resolution. Construction of the 2009 ARRA Project has complied with all federal and state standards, including, without limitation, EPA regulations and standards and the requirements of ARRA. The 2009 ARRA Project is expected to be completed and placed in service on or about \_\_\_\_\_, 20\_\_\_\_.

3. Costs of the 2009 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 2009A Committed Amount or 2009B Committed Amount not advanced or to be advanced upon delivery hereof, as described more particularly in the Resolution.

4. As of the date hereof, the Borrower has spent the following amounts in connection with the 2009 Project and costs related thereto:

Acquisition of Improvements  
Land Acquisition/Right of Ways  
Preliminary Costs

RSID Formation	
Project Design & NEPA	
Project Bidding & Mgmt	
Construction Engineering Services	
Construction	
Contingency	
Missoula Co. RSID Admin Fee	
Costs of Issuance	
Underwriter's Discount	
District Reserve	
Revolving Fund	
Capitalized Interest	
Bond Counsel	
<b>TOTALS</b>	_____

Of such amounts, \$388,988 were paid from advances of proceeds of the ARRA Bonds. The Borrower certifies that proceeds of the ARRA Bonds, once made available to the Borrower, were applied to costs of the 2009 Project before other funds available to the Borrower.

5. The Trustee has delivered to the Borrower a copy of Schedule B to be attached to the A Loan Bond and Schedule B to be attached to the B Loan Bond, each of which reflects the amortization of all advances made or to be made on the date hereof of proceeds of the A Loan Bond and the B Loan Bond, respectively (i.e., \$ \_\_\_\_\_ in respect of the A Loan Bond (the sum of the amounts of the A Loan Bond applied to pay costs of the 2009 Project or costs of issuance of the Series 2009 Bonds) and \$ \_\_\_\_\_ in respect of the B Loan Bond (the sum of the amounts of the B Loan Bond applied to pay costs of the 2009 Project or costs of issuance of the Series 2009 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 A Loan Bond and the B Loan 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 an ARRA Forgiveness Statement, the Borrower's obligation to repay the principal of the A Loan Bond and interest and surcharges thereon is thereupon forgiven.

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 ARRA. The Borrower certifies that the iron, steel, and manufactured goods used in the 2009 ARRA Project comply with the "buy American" requirements of Section 1605 of ARRA, as those requirements are further interpreted by applicable EPA guidance. The Borrower further certifies that all laborers and mechanics employed by contractors and subcontractors on the 2009 ARRA 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 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 A Loan 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 A Loan Bond by the DNRC is contingent on the timely delivery of this Certificate by the Borrower in satisfactory form as determined in the DNRC's sole and complete discretion, (ii) the DNRC has no obligation to grant such forgiveness; and (iii) if the DNRC delivers to the Borrower an ARRA Noncompliance Certificate, (a) the obligation of the Borrower to repay the principal of the A Loan 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 A Loan 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 A Loan Bond and the Resolution, and (b) the Borrower shall thereupon be obligated to repay the principal of the B Loan Bond together with interest thereon at two percent (2.00%) per annum and to pay the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on all amounts advanced from and after the 2009B First Advance until the principal of the B Loan 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.

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

CITY OF MISSOULA, MONTANA

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Chair of Board of County Commissioners

Attest:

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County Clerk and Recorder/Treasurer