

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Shelby, Montana (the "City"), hereby certify that the attached resolution is a true copy of a Resolution No. 1955, entitled: "RESOLUTION RELATING TO \$3,850,000 STORM WATER DRAINAGE SYSTEM REVENUE BOND (DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM), SERIES 2017; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Council of the City at a regular meeting on May 1, 2017, and that the meeting was duly held by the City Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

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

WITNESS my hand officially this \_\_\_\_ day of May, 2017.

\_\_\_\_\_  
Finance Officer

BOND RESOLUTION

relating to

\$3,850,000  
STORM WATER DRAINAGE SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM),  
SERIES 2017

CITY OF SHELBY, MONTANA

Adopted: May 1, 2017

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RESOLUTION NO. 1955

RESOLUTION RELATING TO UP TO \$3,850,000 STORM  
WATER DRAINAGE SYSTEM REVENUE BOND (DNRC  
WATER POLLUTION CONTROL STATE REVOLVING LOAN  
PROGRAM), SERIES 2017; AUTHORIZING THE ISSUANCE  
AND FIXING THE TERMS AND CONDITIONS THEREOF

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

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

WHEREAS, the City of Shelby, Montana (the "Borrower") has applied to the DNRC for a loan (the "2017 Loan") from the Revolving Fund to enable the Borrower to finance or reimburse itself for the costs of the 2017 Project (as hereinafter defined) which will carry out the purposes of the Clean Water Act; and

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

WHEREAS, the DNRC will fund the 2017 Loan (as hereinafter defined) with proceeds of Recycled Money (as hereinafter defined).

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

ARTICLE I

DEFINITIONS, RULES OF CONSTRUCTION AND EXHIBITS

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

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

“Acquisition and Construction Account” means the account within the Storm Water Drainage System Fund established pursuant to Sections 11.1 and 11.2.

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

“Administrative Expense Surcharge” means a surcharge on the 2017 Loan charged by the DNRC to the Borrower equal to twenty-five hundredths of one percent (0.25%) per annum on the outstanding principal amount of the 2017 Loan, payable by the Borrower on the same dates that payments of interest on the 2017 Loan are due.

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

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

“Bond Counsel” means any Counsel 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.

“Bondholder” means the Person in whose name a Bond is registered in the Bond Register.

“Bonds” means the Series 2017 Bond and any additional bonds to be issued on a parity therewith pursuant to Sections 10.1 through 10.3.

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

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

“City” means the City of Shelby, Montana.

“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 Series 2017 Bond to the DNRC.

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

“Collateral Documents” means any security agreement, guaranty or other document or agreement delivered to the DNRC securing the obligations of the Borrower under this Resolution and the Series 2017 Bond. If no Collateral Documents secure such obligations, any reference to Collateral Documents in this Resolution shall be without effect.

“Committed Amount” means the amount committed to be lent by the DNRC to the Borrower pursuant to Section 4.1, as such amount may be reduced pursuant to Sections 3.3 and 3.5.

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

“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.

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

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

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

“Enabling Act” means Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended, which authorizes the Borrower to own and operate the System, to undertake the 2017 Project and to issue the Series 2017 Bond to finance the costs of the 2017 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, DNRC and the EPA concerning the Program.

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

“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.

“Holder” means, in respect of a Bond, the Bondholder.

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

“Loan Loss Reserve Surcharge” means a surcharge equal to twenty-five hundredths of one percent (0.25%) per annum on the outstanding principal amount of the 2017 Loan from the date of each advance thereof, payable by the Borrower on a Payment Date.

“Loan Repayments” mean the periodic payments of principal of and interest on the 2017 Loan, as set out more particularly in Section 5.1 hereof.

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

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

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

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

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

“Project” means the costs of designing, engineering, acquiring, constructing, installing, improving, or enlarging the System, or any part thereof, financed, refinanced or the cost of which is being reimbursed to the Borrower in part with proceeds of Bonds or other funds of the Borrower, including the 2017 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.

“Rebate Account” means the account within in the Storm Water Drainage System Fund established pursuant to Sections 11.1 and 11.8.

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

“Registrar” means, with respect to the Series 2017 Bond, the Finance Officer 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 Series 2017 Bond.

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

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

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

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

“Resolution” means this Resolution No. \_\_\_\_\_ as it may from time to time be amended or supplemented by Supplemental Resolutions.

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

“Series 2017 Bond” means the up to \$3,850,000 Storm Water Drainage System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2017, issued to the DNRC to evidence the 2017 Loan.

“Storm Water Drainage System Debt” means Debt incurred to acquire, construct, extend, improve, add to or otherwise pay expenses of or related to the System, without regard to the

source of payment and security for such Debt (i.e., without regard to whether it is general obligation or revenue Debt).

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

“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.

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

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

“System” means the existing storm water drainage system of the Borrower and all extensions, improvements and betterments thereof hereafter constructed and acquired, including, without limitation, the 2017 Project. The System is separate and apart from the sanitary sewer system of the City.

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

“2017 Loan” or “Loan” means the loan made to the City by the DNRC pursuant to the Program in the maximum amount of the Committed Amount to provide funds to pay a portion of the costs of the 2017 Project, to fund a deposit to the Reserve Account, and to pay the costs of issuing the Series 2017 Bond.

“2017 Project” means the facilities, improvements and activities financed, refinanced or the cost of which is being reimbursed to the Borrower with proceeds of the 2017 Loan, as more particularly described in Appendix A hereto.

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 2017 Project;

Appendix B: the form of the Series 2017 Bond;

Appendix C: additional agreements and representations of the Borrower.

## ARTICLE II

### AUTHORIZATIONS, FINDINGS, REPRESENTATIONS AND COVENANTS

#### Section 2.1. Authorization and Findings.

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

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

(c) Outstanding Bonds. No other bonds or indebtedness are outstanding that are payable from or secured by revenues of the System.

(d) The 2017 Project. After investigation of the facts and as authorized by the Enabling Act, this Council has determined it to be necessary and desirable and in the best interests of the Borrower to acquire and construct the 2017 Project to expand materially the scope and effect of the System.

(e) Recitals. All acts, conditions and things required by the Constitution and laws of the State to be done, to exist, to happen and to be performed prior to the issuance of the Series 2017 Bond have been done, do exist, have happened, and have been performed in due time, form and manner, wherefore it is now necessary for this Council to establish the form and terms of the Series 2017 Bond, to provide for the security thereof and to issue the Series 2017 Bond forthwith.

Section 2.2. Representations. The Borrower represents as follows:

(a) Organization and Authority. The Borrower:

(i) is duly organized and validly existing as a municipal corporation 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 System and to carry on its current activities with respect to the System, to adopt this Resolution and to enter into the Collateral Documents and to issue the Series 2017 Bond and to carry out and consummate all transactions contemplated by this Resolution, the Bond 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 Series 2017 Bond and the Collateral Documents and the incurrence of the Debt evidenced by the Series 2017 Bond in the maximum amount of the Committed Amount.

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

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

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 the charter or similar document, if applicable, of the Borrower or any laws, ordinances, governmental rules or regulations or court or other governmental orders to which the Borrower, its properties or operations are subject.

(d) No Defaults. No event has occurred and no condition exists that, upon execution and delivery of the Bond 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 Series 2017 Bond and the Collateral Documents.

(e) Governmental Consent. The Borrower has obtained or made all permits, findings and approvals required to the date of adoption of this Resolution by any governmental body or officer for the making and performance by the Borrower of its obligations under this Resolution, the Bond and the Collateral Documents or for the 2017 Project, the financing or refinancing thereof or the reimbursement of the Borrower for the costs thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental authority (other than those, if any, already obtained) is required on the part of the Borrower as a condition to adopting this Resolution, issuing the Series 2017 Bond or entering into the Collateral Documents and the performance of the Borrower's obligations hereunder and thereunder. If a utility board or commission manages or controls the System, such board or commission has agreed with the DNRC to abide by the terms of this Resolution and the Collateral Documents, including approving any necessary rate increases.

(f) Binding Obligation. This Resolution, the Series 2017 Bond and any Collateral Document to which the Borrower is a party are the valid and binding special 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 2017 Project. The 2017 Project consists and will consist of the facilities, improvements and activities described in Appendix A, as such Appendix A may be amended from time to time in accordance with this Resolution. The 2017 Project comprises facilities of a type that, as determined by the EPA, will facilitate compliance with the national water pollution control regulations applicable to the System or will otherwise significantly further the health protection objectives of the Clean Water Act.

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

ability to own and operate the System in the manner it is currently operated or the Borrower's ability to perform its obligations under this Resolution, the Series 2017 Bond 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 System or its status as a Public Entity and Governmental Unit; and

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

Section 2.3. Covenants.

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

(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 Bond and the Collateral Documents and to realize thereon, and record and file and re-record and refile all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the DNRC to validate, preserve and protect the position of the DNRC under this Resolution, the Series 2017 Bond and the Collateral Documents.

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

(i) The Borrower shall, at its expense, take all necessary action to maintain and preserve the lien and security interest of this Resolution and the Collateral Documents so long as any amount is owing under this Resolution or the Series 2017 Bond;

(ii) The Borrower shall forthwith, after the execution and delivery of the Series 2017 Bond and thereafter from time to time, cause this Resolution and any Collateral Documents granting a security interest in revenues or real or personal property

and any financing statements or other notices or documents relating thereto to be filed, registered and recorded in such manner and in such places as may be required by law in order to perfect and protect fully the lien and security interest hereof and thereof and the security interest in them granted by this Resolution and, from time to time, shall perform or cause to be performed any other act required by law, including executing or causing to be executed any and all required continuation statements and shall execute or cause to be executed any further instruments that may be requested by the DNRC for such perfection and protection; and

(iii) Except to the extent it is exempt therefrom, the Borrower shall pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of the documents described in subparagraph (ii), and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Series 2017 Bond and the Collateral Documents and the documents described in subparagraph (ii).

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

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

(1) the preliminary budget for the System, with items for the 2017 Project shown separately; and

(2) when adopted, the final budget for the System, with items for the 2017 Project shown separately.

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

(A) A statement in detail of the income and expenditures of the System for the fiscal year, identifying capital expenditures and separating them from operating expenditures;

(B) A balance sheet as of the end of the fiscal year;

(C) The number of premises connected to the System at the end of the fiscal year;

(D) The amount on hand in each account of the Storm Water Drainage System Fund at the end of the fiscal year;

(E) A list of the insurance policies and fidelity bonds in force at the end of the fiscal year, setting out as to each the amount thereof, the risks covered thereby, the name of the insurer or surety and the expiration date of the policy or bond; and

(F) A determination that the report shows full compliance by the Borrower with the provisions of this Resolution during the fiscal year covered thereby, including proper segregation of the capital expenditures from operating expenses, maintenance of the required balance in the Revenue Bond Account (as hereinafter defined), and receipt of Net Revenues during each fiscal year at least equal to 110% of the maximum amount of principal and interest payable on outstanding Bonds in any subsequent fiscal year, or, if the report should reveal that the revenues have been insufficient for compliance with this Resolution, or that the methods used in accounting for such revenues were contrary to any provision of this Resolution, the report shall include a full explanation thereof, together with recommendations for such change in rates or accounting practices or in the operation of the System as may be required.

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

(f) Project Accounts. The Borrower shall maintain 2017 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.

(g) Records. After reasonable notice from the EPA or the DNRC, the Borrower shall make available to the EPA or the DNRC such records as the EPA or the DNRC reasonably requires to review and determine compliance with the Clean Water Act, as provided in Section 606(e) of the Clean Water Act.

(h) Compliance with Clean Water Act. The Borrower has complied and shall comply with all conditions and requirements of the Clean Water Act pertaining to the 2017 Loan and the 2017 Project.

(i) 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 Series 2017 Bond.

(j) Insurance.

(1) General. The Borrower at all times shall keep and maintain with respect to the System property and liability insurance with financially sound and reputable insurers, qualified under the laws of the State, or self-insurance as authorized by State law and shall pay or cause to be paid timely the premiums for all such insurance. Nothing herein shall be construed to prohibit or preclude the Borrower from self-insuring or participating in a self-insurance program in compliance with the provisions of State law. All such insurance policies shall name the DNRC as an additional insured to the extent permitted under the policy or program of insurance of the Borrower. Each policy must provide that it cannot be cancelled by the insurer without giving the Borrower and the DNRC 30 days prior written notice. The Borrower shall give the DNRC prompt notice of each insurance policy it obtains or maintains to comply with this paragraph (j) and of each renewal, replacement, change in coverage or deductible under or amount of or cancellation of each such insurance policy and the amount and coverage and deductibles and carrier of each new or replacement policy. Such notice shall specifically note any adverse change as being an adverse change. The Borrower shall deliver to the DNRC at Closing a certificate providing the information required by this paragraph (j).

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

(3) Liability Insurance. The Borrower at all times shall keep and maintain insurance against liability of the Borrower and its employees for injuries to persons (including death) and damage to property resulting from the construction, operation, maintenance, improvement or extension of the System in amounts not less than \$100,000 for death of or personal injury to any one person,

\$300,000 for all personal injuries and deaths resulting from any one accident and \$300,000 for property damage in any one accident. The premiums for all insurance required by this subparagraph (3) constitute part of the Operating Expenses of the System, but no insurance liabilities of the Borrower in excess of amounts received under such insurance shall constitute a lien or charge on revenues or any other assets herein or otherwise pledged to the Storm Water Drainage System Fund.

(k) Handling of Funds; Surety Bonds. The employees of the Borrower, under the direction and control of the Finance Officer, shall keep books of account and collect the rates, charges and rentals for the services and facilities provided by the System and for other money currently receivable on account thereof. All money collected with respect to the System shall be deposited daily with the Finance Officer. Any failure on the part of the Finance Officer to comply and to enforce compliance on the part of all officers and employees concerned with the provisions of this Resolution, and with the Borrower's other regulations respecting the System, shall constitute malfeasance for which the Finance Officer and the surety on his or her bond shall be personally liable. The Borrower will cause all persons handling money and other assets of the Storm Water Drainage System Fund to be adequately bonded for the faithful performance of their duties by a surety company authorized to do business in the State and to account for and pay over such money to the Borrower. Such bond shall be in the penal sum of \$10,000 or such greater amount as may from time to time be on hand in the Debt Service Account, the Reserve Account and the Replacement and Depreciation Account; provided that the Finance Officer shall be bonded at all times in the amount of at least \$5,000. All amounts received under such bonds shall be applied to the payment of the loss or damage covered thereby. The premiums for all bonds required by this paragraph (k) constitute part of the Operating Expenses of the System, but no such liabilities of the Borrower in excess of amounts received under such bonds shall constitute a lien or charge on revenues or any other assets herein or otherwise pledged to the Storm Water Drainage System Fund.

(l) Cost of Insurance and Accounting. The insurance and surety bond premiums and the cost of the bookkeeping and audits herein provided for and of the billings and collection of revenues shall be payable from the Operating Account.

### ARTICLE III

#### USE OF PROCEEDS; THE 2017 PROJECT

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

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

(b) No portion of the proceeds of the 2017 Loan 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 2017 Loan are to be used to reimburse the Borrower for Project costs paid prior to the date of adoption of this Resolution, the Borrower has complied in respect of such expenditures with the requirements of Section 1.150-2 of the Treasury Department, Income Tax Regulations, as amended or any successor regulation thereto.

(c) Any Debt to be refinanced with proceeds of the 2017 Loan was incurred after March 7, 1985 for a Project the construction or acquisition of which began after March 7, 1985. No proceeds of the 2017 Loan shall be used for the purpose of refinancing an obligation the interest on which is exempt from federal income tax or excludable from gross income for purposes of federal income taxation unless the DNRC has received an Opinion of Bond Counsel, satisfactory to it, to the effect that such refinancing will not adversely affect the exclusion of interest on the State Bonds from gross income for purposes of federal income taxation.

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

(a) A certificate of the Borrower setting forth the amendment to Appendix A and stating the reason therefor, including statements whether the amendment would cause an increase or decrease in the cost of the 2017 Project, an increase or decrease in the amount of 2017 Loan proceeds which will be required to complete the 2017 Project and whether the change will materially accelerate or delay the construction schedule for the 2017 Project;

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

(c) An Opinion or Opinions of Bond Counsel stating that the 2017 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 Series 2017 Bond was 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 Series 2017 Bond from gross income for purposes of federal income taxation. Such an Opinion of Bond Counsel shall not be required for amendments which do not affect the type of facility to be constructed or activity to be financed.

The Borrower acknowledges and agrees that an increase in the principal amount of the 2017 Loan may be made only upon an application to the DEQ, the DNRC and the Trustee, in such form as the DEQ shall specify, which is approved by the DEQ and the DNRC, in their sole and absolute discretion, and adoption by the governing body of the Borrower of a 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 2017 Loan to pay costs of the 2017 Project or as to the availability of additional funds under the Program to increase the principal amount of the 2017 Loan.

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

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

(b) all future construction of the 2017 Project will be done only pursuant to fixed price construction contracts. The Borrower shall obtain a performance and payment bond from the contractor for each construction contract in the amount of 100% of the construction price and ensure that such bond is maintained until construction is completed to the Borrower's, the DNRC's and the DEQ's satisfaction;

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

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

(e) the iron and steel products used in the 2017 Project comply with the "American Iron and Steel" requirements of Section 436 of the Consolidated Appropriations Act of 2017 (P.L. 113-76), as those requirements are further interpreted by applicable EPA guidance;

(f) the 2017 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; and

(g) the Borrower will undertake the 2017 Project promptly after the Closing and will cause the 2017 Project to be completed as promptly as practicable with all reasonable dispatch, except only as completion may be delayed by a cause or event not reasonably within the control of the Borrower; it is estimated by the Borrower that the 2017 Project will be substantially completed by the Estimated Completion Date.

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

(a) Upon completion of the 2017 Project, the Borrower shall deliver to the DNRC a certificate stating that the acquisition and construction of the 2017 Project have been completed,

stating the amount, if any, of the Reserved Amounts, and releasing the remaining amount, if any, of the Committed Amount. If any Reserved Amount is not later needed, the Borrower shall so inform the DNRC and release such amount. If Appendix A describes two or more separate projects as making up the 2017 Project, a separate completion certificate shall be delivered for each.

(b) If all or any portion of the 2017 Project is cancelled or reduced or its costs are reduced or for any other reason the Borrower will not require the full Committed Amount, the Borrower shall promptly notify the DNRC in writing of such fact and release the portion of the Committed Amount which will not be needed.

#### ARTICLE IV

#### THE 2017 LOAN

Section 4.1. The 2017 Loan; Disbursement of 2017 Loan. The DNRC has agreed to lend to the Borrower, from time to time as the requirements of this Section 4.1 are met, an amount up to \$3,850,000 (the "Committed Amount") for the purposes of financing, refinancing or reimbursing the Borrower for the costs of the 2017 Project, funding a deposit to the Reserve Account, and paying the costs of issuance of the Series 2017 Bond; provided the DNRC shall not be required to disburse 2017 Loan proceeds to the Borrower after December 31, 2018. The Committed Amount may be reduced as provided in Sections 3.3 and 3.4. The 2017 Loan shall be disbursed as provided in this Section 4.1. The DNRC intends to disburse the 2017 Loan through the Trustee.

(a) In consideration of the issuance of the Series 2017 Bond by the Borrower, the DNRC shall make, or cause the Trustee to make, a disbursement of all or a portion of the 2017 Loan but only upon receipt of the following documents:

(1) an Opinion of Bond Counsel as to the validity and enforceability of the Series 2017 Bond and the security therefor and stating in effect that interest on the Series 2017 Bond is not includable in gross income for purposes of federal income taxation, in form and substance satisfactory to the DNRC;

(2) the Series 2017 Bond, fully executed and authenticated;

(3) a certified copy of this Resolution;

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

(5) if all or part of a Loan is being made to refinance a Project or reimburse the Borrower for costs of a Project paid prior to the Closing, evidence, satisfactory to the DNRC and the Bond Counsel referred to in subparagraph (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 in a

previous fiscal year of the Borrower, that the Borrower intended at the time it incurred such costs to finance such costs with tax-exempt debt or a loan under a State revolving fund program such as the Program;

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

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

(b) In order to obtain a disbursement of a portion of the 2017 Loan to pay costs of the 2017 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 2017 Loan disbursements will be made to the Borrower only upon proof that cost was incurred. The Borrower shall not be entitled to, and the DNRC shall have no obligation to make, any advance of any amounts under the 2017 Loan until such time as the Borrower shall have funded the Reserve Account in an amount then required to satisfy the Reserve Requirement.

(c) 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.

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

(e) Notwithstanding anything else provided herein, the Trustee shall not be obligated to disburse the 2017 Loan any faster or to any greater extent than it has available EPA Capitalization Grants, State 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.

(f) Upon making each 2017 Loan disbursement, the Trustee shall note such disbursement on Schedule A to the Series 2017 Bond.

(g) The Borrower agrees that it will deposit in the Reserve Account upon receipt any proceeds of the 2017 Loan borrowed for the purpose of causing the balance in the Reserve Account to equal the Reserve Requirement, either on the Closing Date of the 2017 Loan or upon any disbursement date. The Borrower further acknowledges and agrees that any portions of the

2017 Loan representing capitalized interest shall be advanced only on Payment Dates and shall be transferred by the Trustee on the Payment Date directly to the Debt Service Account. The amount of any such transfer shall be a credit against the interest payments due on the Series 2017 Bond and interest thereon shall accrue only from the date of transfer.

(h) Compliance by the Borrower with its representations, covenants and agreements contained in this Resolution and the Collateral Documents shall be a further condition precedent to the disbursement of the 2017 Loan in whole or in part. The DNRC and the Trustee, in their sole and absolute discretion, may make one or more disbursements, in whole or in part, notwithstanding such noncompliance, and without liability to make any subsequent disbursement of the 2017 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 2017 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 Series 2017 Bond and this Resolution; provided, however, that the covenants and obligations provided in Article VII and Section 12.4 shall survive repayment of the Series 2017 Bond.

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

## ARTICLE V

### REPAYMENT OF 2017 LOAN

Section 5.1. Repayment of 2017 Loan. The Borrower shall repay the amounts lent to it pursuant to Section 4.1 hereof, plus interest on the unpaid amounts lent at the rate of two percent (2.00%) per annum, in semiannual Loan Repayments. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of the 2017 Loan, each at the rate of twenty-five hundredths of one percent (0.25%) per annum. For purposes of this Resolution and the Program, the term "interest" on the 2017 Loan shall include the Administrative Expense Surcharge and Loan Loss Reserve Surcharge. The Borrower shall pay all Loan Repayments, Administrative Expense Surcharges and Loan Loss Reserve 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.

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

(a) interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the outstanding principal balance of the 2017 Loan shall be payable on each January 1 and July 1, beginning on July 1, 2018 and concluding on January 1, 2048; and

(b) the principal of the 2017 Loan shall be repayable on each Payment Date, beginning on July 1, 2018 and concluding on January 1, 2048, and the amount of each principal payment shall be calculated on the basis of substantially level debt service at an interest rate of 2.50% per annum; provided that principal of the 2017 Loan is payable only in amounts that are multiples of \$1,000.

The payments of principal of and interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2017 Loan shall be due on the dates and in the amounts shown in Schedule B to the Series 2017 Bond, as such Schedule B shall be modified from time to time as provided below. The portion of each such Loan Repayment consisting of principal and the portion consisting of interest and the amount of each Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be set forth in Schedule B to the Series 2017 Bond. Upon each disbursement of 2017 Loan amounts to the Borrower pursuant to Section 4.1 hereof, the Trustee shall enter or cause to be entered the amount advanced on Schedule A to the Series 2017 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 2017 Project pursuant to Section 4.1(b), interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on such advance shall accrue from the date the advance is made and shall be payable on each Payment Date thereafter. Once the completion certificate for the 2017 Project has been delivered to the DNRC, the Trustee shall revise Schedule B to the Series 2017 Bond in accordance with this Section 5.1 and the Trustee shall send a copy of such Schedule B to the Borrower within one month after delivery of the completion certificate.

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

Any payment of principal, interest, Administrative Expense Surcharge or Loan Loss Reserve Surcharge under this Section 5.1 shall also be credited against the same payment obligation under the Series 2017 Bond.

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

(1) the cost of reproducing this Resolution, the Collateral Documents and the Series 2017 Bond;

(2) the fees and disbursements of Bond Counsel and other Counsel utilized by the DNRC and the Trustee in connection with the 2017 Loan, this

Resolution, the Collateral Documents and the Series 2017 Bond 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 Series 2017 Bond, whether or not the Series 2017 Bond is then outstanding, including all recording and filing fees relating to the Collateral Documents and the pledge of the State's right, title and interest in and to the Series 2017 Bond, 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 not prepay all or any part of the outstanding principal amount of the Series 2017 Bond unless (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment, Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2017 Bond is prepaid in part pursuant to this Section 5.3, such prepayments shall be applied to principal payments in inverse order of maturity.

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

Section 5.5. Limited Liability. All payments of principal of and interest on the 2017 Loan and other payment obligations of the Borrower hereunder and under the Series 2017 Bond shall be special, limited obligations of the Borrower payable solely out of the Net Revenues and shall not be payable out of any other revenues of the Borrower. The obligations of the Borrower under this Resolution and the Series 2017 Bond shall never constitute an indebtedness of the Borrower within the meaning of any state constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the Borrower or a charge against its general credit or taxing power. The taxing powers of the Borrower may not be used to pay principal of or interest on the Series 2017 Bond, and no funds or property of the Borrower other than the Net Revenues may be used to pay principal of or interest on the Series 2017 Bond.

## ARTICLE VI

### OTHER AGREEMENTS OF BORROWER

Section 6.1. Maintenance of System; Liens. The Borrower shall maintain the System, including the 2017 Project, in good condition and make all necessary renewals, replacements, additions, betterments and improvements thereto. The Borrower shall not grant or permit to exist any lien on the 2017 Project or any other property making up part of the System, other than liens securing Debt where a parity lien secures the Series 2017 Bond; provided that this Section 6.1 shall not be deemed to be violated if a mechanic's or contractor's lien is filed against any such property so long as the Borrower uses its best efforts to obtain the discharge of such lien and promptly reports to the DNRC the filing of such lien and the steps it plans to take and does take to discharge of such lien.

Section 6.2. Maintenance of Existence; Merger, Consolidation, Etc.; Disposition of Assets. The Borrower shall maintain its corporate existence, except that it may consolidate with or merge into another Governmental Unit or permit one or more Governmental Units to consolidate with or merge into it or may transfer all or substantially all of its assets to another Governmental Unit and then dissolve if the surviving, resulting or transferee entity (if other than the Borrower) (i) is a Public Entity and (ii) assumes in writing all of the obligations of the Borrower under this Resolution, the Series 2017 Bond and the Collateral Documents, and (a) such action does not result in any default in the performance or observance of any of the terms, covenants or agreements of the Borrower under this Resolution, the Bond and the Collateral Documents, (b) such action does not violate the Act or the Clean Water Act and does not adversely affect the exclusion of interest on the Series 2017 Bond or the State Bonds from gross income for federal income tax purposes, and (c) the Borrower delivers to the DNRC on the date of such action an Opinion of Bond Counsel that such action complies with this Section 6.2.

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

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

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

(b) The Borrower agrees that it will not enter into, or allow any "related person" (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the State Bonds or any other obligations of the DNRC in an amount related to the

amount of the 2017 Loan or the portion of the 2017 Loan derived directly or indirectly from proceeds of the State Bonds.

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

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

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

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

(g) The Borrower may not lease the 2017 Project or any portion thereof to any Person other than a nonexempt person which agrees in writing with the Borrower and the State not to

cause any default to occur under this Resolution, provided the Borrower may lease all or any portion of the 2017 Project to a nonexempt person pursuant to a lease which in the Opinion of Bond Counsel delivered to the DNRC will not cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation.

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

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

Section 6.5. Billing. If the property benefited by the System is connected to the municipal water system and/or municipal sewer system of the Borrower, the Borrower will bill the owner of such property for storm water drainage system services at least monthly. If the property benefited by the System is not connected to either of the municipal water system or municipal sewer system of the Borrower, the Borrower will cause the bill for storm water drainage system services to be placed on the property tax statement of the owner of such property. If the bill is not timely paid, or if the customer fails to comply with all rules and regulations established for the System within a reasonable amount of time after notice of violation thereof (which notice shall be given promptly upon discovery of any such violation), the Borrower shall take appropriate legal action to collect the unpaid charges, including, to the extent now or hereafter authorized by law, making the charge a lien against the real property served by the storm water drainage system for which the charge remains unpaid and causing charges with respect to such properties to be collected in the same manner as taxes levied against property within the Borrower.

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

payment of any Bonds or obligations outstanding against the System, and to apply the gross revenues in conformity with this Resolution and the laws of the State.

Section 6.7. Rate Covenant. While any Bonds are outstanding and unpaid, the rates, charges and rentals for all services and facilities furnished and made available by the System to the Borrower and its inhabitants, and to all customers within or without the boundaries of the Borrower, shall be reasonable and just, taking into consideration the cost and value of the System and the cost of maintaining and operating it, and the amounts necessary for the payment of all Bonds or other obligations and the interest accruing thereon, and the proper and necessary allowances for the depreciation of the System, and no free service shall be provided to any Person. It is covenanted and agreed that the rates, charges and rentals to be charged to all recipients of storm water drainage system services shall be maintained and shall be revised whenever and as often as may be necessary, according to schedules such that the revenues for each fiscal year will be at least sufficient to pay the Operating Expenses, to maintain the balance in the Reserve Account at the Reserve Requirement, to provide reserves for the replacement and depreciation of the System, to maintain the Operating Reserve, and to produce Net Revenues during each fiscal year commencing with the fiscal year ending June 30, 2018, not less than 110% of the maximum annual principal and interest payable on any outstanding Bonds in the current or any future fiscal year.

If at the close of any fiscal year the Net Revenues or Surplus Net Revenues actually received during such year have been less than required hereby, the Borrower will forthwith prepare a schedule of altered rates, charges and rentals which are just and equitable and sufficient to produce Net Revenues and Surplus Net Revenues in such amounts, and place such schedule in operation at the earliest possible date.

The establishment of the above ratio of Net Revenues to principal and interest on the Bonds is deemed necessary for the DNRC to make the 2017 Loan to the Borrower. Net Revenues in excess of the requirements of this Section 6.7 may be used as authorized in Article XI of this Resolution.

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

## ARTICLE VII

### INDEMNIFICATION OF DNRC AND DEQ

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

### ASSIGNMENT

Section 8.1. Assignment by Borrower. The Borrower may not assign its rights and obligations under this Resolution or the Series 2017 Bond, except as provided in Section 6.2.

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

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

## ARTICLE IX

### THE SERIES 2017 BOND

Section 9.1. Authorization. Under the provisions of the Enabling Act, the Borrower is authorized to issue and sell its revenue bonds payable during a term not exceeding forty years

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

Section 9.2. Outstanding Storm Water Drainage System Debt. No bonds or indebtedness are outstanding that are payable from Net Revenues of the System.

Section 9.3. Sources of Funding. A description of the 2017 Project and an estimated budget therefor is set forth on Appendix A. It is proposed that the costs of the 2017 Project and costs of funding the Reserve Account to the Reserve Requirement and of issuing the Series 2017 Bond will be paid from the proceeds of the Series 2017 Bond.

Section 9.4. Net Revenues Available. The Borrower is authorized to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the System, and to pledge and appropriate to the Series 2017 Bond the Net Revenues to be derived from the operation of the System, including improvements, betterments or extensions thereof hereafter constructed or acquired. The Net Revenues to be produced by such rates, charges and rentals during the term of the Series 2017 Bond will be more than sufficient to pay the principal and interest when due on the Series 2017 Bond, and to create and maintain reasonable reserves therefor and to provide an adequate allowance for replacement and depreciation, as herein prescribed.

Section 9.5. Issuance and Sale of the Series 2017 Bond. The Council has investigated the facts necessary and hereby finds, determines and declares it to be necessary and desirable for the Borrower to issue the Series 2017 Bond to evidence the 2017 Loan. The Series 2017 Bond is issued to the DNRC without public sale pursuant to Montana Code Annotated, Section 7-7-4433.

Section 9.6. Terms. The Series 2017 Bond shall be in the maximum principal amount equal to the original Committed Amount, shall be issued as a single, fully registered bond numbered R-1, shall be dated as of the date of delivery to the DNRC, and shall bear interest at the rate charged by the DNRC on the 2017 Loan. The principal of and interest on the Series 2017 Bond shall be payable on the same dates and in the same amounts as principal and interest of the Loan Repayments are payable. Advances of principal of the Series 2017 Bond shall be deemed made when advances of the 2017 Loan are made under Section 4.1, and such advances shall be payable in accordance with Schedule B to the Series 2017 Bond as it may be revised by the DNRC from time to time in accordance with Section 5.1.

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

Section 9.7. Negotiability, Transfer and Registration. The Series 2017 Bond shall be fully registered as to both principal and interest, and shall be initially registered in the name of and payable to the DNRC. While so registered, principal of and interest on the Series 2017 Bond shall be payable to the DNRC at the Office of the Department of Natural Resources and

Conservation, 1625 Eleventh Avenue, Helena, Montana 59620-2301 or such other place as may be designated by the DNRC in writing and delivered to the Borrower. The Series 2017 Bond shall be negotiable, subject to the provisions for registration and transfer contained in this section. No transfer of the Series 2017 Bond shall be valid unless and until (1) the holder, or his duly authorized attorney or legal representative, has executed the form of assignment appearing on the Bond, and (2) the Finance Officer of the Borrower (the "Registrar"), as Bond Registrar, has duly noted the transfer on the Series 2017 Bond and recorded the transfer on the registration books of the Registrar. The Registrar may, prior to noting and recording the transfer, require appropriate proof of the transferor's authority and the genuineness of the transferor's signature. The Borrower shall be entitled to deem and treat the person in whose name the Series 2017 Bond is registered as the absolute owner of the Series 2017 Bond for all purposes, notwithstanding any notice to the contrary, and all payments to the registered holder shall be valid and effectual to satisfy and discharge the Borrower's liability upon such Bond to the extent of the sum or sums so paid.

Section 9.8. Execution and Delivery. The Series 2017 Bond shall be executed on behalf of the Borrower by the manual signatures of the Mayor and the Finance Officer. Any or all of such signatures may be affixed at or prior to the date of delivery of the Series 2017 Bond. The Bond shall be sealed with the corporate seal of the Borrower. In the event that any of the officers who shall have signed the Series 2017 Bond shall cease to be officers of the Borrower before the Bond is issued or delivered, their signatures shall remain binding upon the Borrower. Conversely, the Series 2017 Bond may be signed by an authorized official who did not hold such office on the date of adoption of this Resolution. The Series 2017 Bond shall be delivered to the DNRC, or its attorney or legal representative.

Section 9.9. Form. The Series 2017 Bond shall be prepared in substantially the form attached as Appendix B.

## ARTICLE X

### PRIORITIES AND ADDITIONAL STORM WATER DRAINAGE SYSTEM DEBT

Section 10.1. General Limitations; Issuable in Series. The aggregate principal amount of Bonds that may be authenticated and delivered and outstanding under this Resolution is not limited, except as provided in Articles IX and X and except as may be limited by law.

Bonds may be issued in series as from time to time authorized by the City Council. With respect to the Bonds of any particular series, the Borrower may incorporate in or add to the general title of such Bonds any words, letters or fixtures designed to distinguish that series.

The Bonds shall be special, limited obligations of the Borrower. Principal of, premium, if any, and interest on the Bonds shall be payable solely from Net Revenues (other than to the extent payable out of proceeds of the Bonds). The Bonds shall not be or constitute a pledge of the general credit or taxing powers of the Borrower of any kind whatsoever. Neither the Bonds nor any of the agreements or obligations of the Borrower contained herein shall be construed to constitute an indebtedness of the State or the Borrower within the meaning of any constitutional or statutory provisions whatsoever.

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

Each series of Bonds (except the Series 2017 Bond which is created by Article IX) shall be created by a Supplemental Resolution. The Bonds of each series (other than the Series 2017 Bond, as to which specific provision is made in this Resolution) shall bear such date or dates, shall be payable at such place or places, shall have such stated maturities and redemption dates, shall bear interest at such rate or rates, from such date or dates, shall be payable in such installments and on such dates and at such place or places, and may be redeemable at such price or prices and upon such terms (in addition to the prices and terms herein specified for redemption of all Bonds) as shall be provided in the Supplemental Resolution creating that series, all upon such terms as the Borrower may determine. The Borrower may, at the time of the creation of any series of Bonds or at any time thereafter, make, and the Bonds of that series may contain provision for:

- (a) a sinking, amortization, improvement or other analogous fund;
- (b) limiting the aggregate principal amount of the Bonds of that series and of additional Bonds thereafter to be issued;
- (c) exchanging Bonds of that series, at the option of the Holders thereof, for other Bonds of the same series of the same aggregate principal amount of a different authorized kind or authorized denomination or denominations; or
- (d) registration, transfer and delivery.

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

- (a) Any matured Bonds may be refunded if moneys available for the payment thereof at maturity, within the limitation prescribed in Section 10.01, should at any time be insufficient to make such payment in full.
- (b) Any Bonds may be refunded prior to maturity as and when they become prepayable according to their terms.
- (c) Provision may be made for the payment and refunding of any unmatured Bonds by the deposit with a duly qualified depository bank, as escrow agent, of cash sufficient, or of Government Obligations, the payments of interest on and principal of which are sufficient, to pay the principal amount of and premium, if any, on such Bonds with interest to maturity or to any prior date or dates on which they are prepayable, and have been called for redemption or provision has been irrevocably made for their redemption, on such date or dates.

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

Section 10.3. Other Parity Bonds. The Borrower reserves the right to issue additional Bonds payable from the Revenue Bond Account of the Storm Water Drainage System Fund, on a parity as to both principal and interest with the Series 2017 Bond, if the Net Revenues of the System for the last complete fiscal year preceding the date of issuance of such additional Bonds have equaled at least 110% of the maximum amount of principal and interest payable from said Revenue Bond Account in any subsequent fiscal year during the term of the outstanding Bonds, on all Bonds then outstanding and on the additional Bonds proposed to be issued. For the purpose of the foregoing computation, the Net Revenues for the fiscal year preceding the issuance of additional Bonds shall be those shown by the financial reports caused to be prepared by the Borrower pursuant to Section 2.2(e), except that if the rates and charges for services provided by the System have been changed since the beginning of such preceding fiscal year, then the revenues calculated to be available from the additional rates and charges in effect at the time of issuance of the additional Bonds or finally authorized to go into effect within 60 days thereafter shall be added to the revenues made available during such preceding fiscal year to ascertain the gross revenues, from which there shall be deducted to determine the Net Revenues, the actual operation and maintenance cost plus any additional annual costs of operation and maintenance which the Consultant estimates will be incurred because of the improvement or extension of the System to be constructed from the proceeds of the additional Bonds proposed to be issued. In no event shall any additional Bonds be issued and made payable from the Revenue Bond Account if the Borrower is then in default in any payment of principal of or interest on any outstanding Bonds payable therefrom or if there then exists any deficiency in the balances required by this Resolution to be maintained in any of the accounts of the Storm Water Drainage System Fund, which will not be cured or restored upon the issuance of the additional Bonds. In connection with the issuance of a series of additional Bonds, the Borrower shall cause amounts in the Reserve Account to be increased, from the proceeds of the additional Bonds or from surplus Net Revenues, to an amount equal to the Reserve Requirement during the term of the outstanding Bonds or so much thereof as will not cause the Borrower to violate the provisions of Section 12.2 hereof.

Section 10.4. Subordinate Bonds. Nothing in this Resolution shall preclude the Borrower from issuing additional bonds, notes or other obligations which are expressly made a charge on only the Surplus Net Revenues of the System subordinate to the pledge of Net Revenues to the Revenue Bond Account and the Reserve Account (such additional obligations, the "Subordinate Obligations"); provided, however, no obligations may be issued pursuant to this Section 10.4 if a deficiency exists in the Revenue Bond Account or the Reserve Account which is not to be restored by the issuance of the Subordinate Obligations. Any Surplus Net Revenues segregated to pay such Subordinate Obligations in the Storm Water Drainage System Fund are subject to the prior appropriation thereof to the Operating Account, the Revenue Bond Account, the Reserve Account, or the Note Account if necessary to meet the requirements thereof.