

## APPENDIX A

### Description of the 2017 Project

The 2017 Project generally acquisition of land, wetland mitigation, and engineering in connection with a new lagoon cell and related work.

### Estimated 2017 Project Budget

	SRF \$300,000 2017A Bond	SRF \$348,000 2017B Bond	Total
Debt Service Reserve		\$ 12,182	\$ 12,182
Bond Counsel & Related costs	-	8,000	8,000
Land Acquisition	\$108,640	-	108,640
Engineering-Basic Services	92,160	180,182	272,342
Wetlands	99,200	145,000	244,200
Contingency	-	2,636	2,636
<b>TOTAL PROJECT COSTS</b>	<b>\$300,000</b>	<b>\$348,000</b>	<b>\$648,000</b>

APPENDIX B-1

[Form of the Series 2017A Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF TOOLE

**CITY OF SHELBY**

SUBORDINATE LIEN SEWER SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM)  
TAXABLE SERIES 2017A

R-1

\$300,000

FOR VALUE RECEIVED, THE CITY OF SHELBY, MONTANA (the "Borrower"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely out of available Surplus Net Revenues in the Replacement and Depreciation Account or the Surplus Account of its Sewer System Fund (the "Sewer System Fund"), the sum of the principal amounts entered on Schedule A attached hereto under "Total Amount Advanced," with interest on each such amount from the date such amount is advanced hereunder at the rate of two percent (2.00%) per annum on the unpaid balance until paid, together with an Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond from the date of each advance of principal, each at the rate of twenty-five hundredths of one percent (0.25%) per annum, all subject to the effect of the immediately following paragraph. Principal, interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a "Payment Date") commencing with the Payment Date that is the first to occur following delivery by the DNRC to the Borrower of a statement that the Borrower's obligation to repay the principal amount of the 2017A Loan is not forgiven and ending on July 1, 2037, all as described in the Resolution (as hereinafter defined), subject to earlier redemption. Each installment shall be in the amount set forth opposite its due date in Schedule B attached hereto under "Total Loan Payment." The portion of each such payment consisting of principal, of interest, of Administrative Expense Surcharge and of Loan Loss Reserve Surcharge shall be as set forth in Schedule B attached hereto. Upon each disbursement of 2017A Loan, the DNRC shall enter (or cause to be entered) the principal amount advanced on Schedule A under "Advances" and the total amount advanced under the Resolution (as hereinafter defined), including such advance, under "Total Amount Advanced." The DNRC shall prepare Schedule B and any revised Schedule B, or cause Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the Resolution, and the final Schedule B will reflect repayments under Section 5.1.4 of the Resolution. Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of two and one-half percent (2.50%) per annum. Past-due payments of principal and interest

and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the bond register, in lawful money of the United States of America.

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

This Bond is one of an issue of Sewer System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$300,000 (the "Series 2017A Bond"). The Series 2017A Bond is issued to finance a portion of the costs of the construction of certain improvements to the sewer system of the Borrower (the "System"). The Series 2017A Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Part 44, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 980 of the City adopted by the Council on November 2, 1984, as amended and supplemented by Resolution Nos. 1097, 1201, 1271, 1321, 1542, 1785, 1851, 1914, and \_\_\_\_\_ adopted by the Council on October 10, 1990, November 16, 1992, August 8, 1994, November 5, 2001, November 16, 2009, October 15, 2012, June 22, 2015, and October 10, 2017, respectively (as so amended and supplemented, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given to them in the Resolution. The Series 2017A Bond is issuable only as a single, fully registered bond. The Series 2017A Bond is issued as a Subordinate Obligation payable out of available Surplus Net Revenues in the Replacement and Depreciation Account or the Surplus Account in the Fund of the Borrower. Simultaneously herewith, the Borrower is issuing its Sewer

System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2017B (the "Series 2017B Bond"), which is payable from the Bond Repayment Account in the Fund of the Borrower on a parity with the Borrower's outstanding First Amended and Restated Sewer System Revenue Refunding Bond (DNRC Revolving Loan Program), Series 2001 (the "Series 2001 Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009B (the "Series 2009B Bond"), First Amended and Restated Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009C (the "Series 2009C Bond"), and Sewer System Revenue Bond (USDA-RD Loan Program), Series 2015 (the "Series 2015 Bond") (collectively, the "Outstanding Bonds"). Following the 2017B First Advance, the total amount of each advance on the Series 2017 Bonds will be split equally between the Series 2017A Bond and the Series 2017B Bond, until the entire amount of the Series 2017A Bond is advanced. After the Series 2017A Bond is advanced in full, all advances will be from only the Series 2017B Bond.

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2017A Bond has been issued, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the Series 2017A Bond.

The Borrower may prepay the principal of the Series 2017A Bond only if (i) a Determination Statement has been delivered, (ii) it obtains the prior written consent of the DNRC thereto, and (iii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest, and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2017A Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

This Series 2017A Bond, including interest and any premium, are payable solely from the Surplus Net Revenues available for the payment hereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this Series 2017A Bond is registered as the absolute owner hereof, whether this Series 2017A Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The Series 2017A Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will forthwith construct and complete the improvements to the System hereinabove described; that it will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Sewer System Fund into which the gross revenues of the System will be paid, and a separate and special Replacement and Depreciation Account and Surplus Account in that Fund, into which will be paid, subject to the prior lien thereon of the Bond Repayment Account and the Bond Repayment Reserve Account, Surplus Net Revenues; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of

operating and maintaining the System, to produce in each fiscal year Net Revenues in excess of such current expenses, equal to at least 110% of the maximum amount of principal and interest payable from the Bond Repayment Account in any subsequent fiscal year and to produce in each fiscal year adequate Surplus Net Revenues to pay the principal of and interest on the Series 2017A Bond as and when due; that additional bonds issued on a parity with the Series 2001 Bond, the Series 2009B Bond, the Series 2009C Bond, the Series 2015 Bond, and the Series 2017B Bond (such bonds, the "Bonds") and refunding Bonds may be issued and made payable from the Bond Repayment Account on a parity with the Series 2001 Bond, the Series 2009B Bond, the Series 2009C Bond, the Series 2015 Bond, the Series 2017B Bond, and other parity Bonds, upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the Series 2001 Bond, the Series 2009B Bond, the Series 2009C Bond, the Series 2015 Bond, the Series 2017B Bond, and any additional parity Bonds on such Net Revenues and such obligations are payable only from Surplus Net Revenues (as is the case with this Series 2017A Bond); that all provisions for the security of the holder of this Series 2017A Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this Series 2017A Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed as so required; and that this Series 2017A Bond, premium, if any, and the interest hereon are payable solely out of available Surplus Net Revenues in the Replacement and Depreciation Account or the Surplus Account of the Fund and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the Series 2017A Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Shelby, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor and City Finance Officer, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the \_\_\_\_ day of October, 2017.

---

Mayor

(SEAL)

---

City Finance Officer

REGISTRATION AND TRANSFER

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

REGISTER

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

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

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

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

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

FORM OF ASSIGNMENT

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

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

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



SCHEDULE B

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

APPENDIX B-2

[Form of the Series 2017B Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA  
COUNTY OF TOOLE

**CITY OF SHELBY**

WATER SYSTEM REVENUE BOND  
(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)  
SERIES 2017B

R-1

\$348,000

FOR VALUE RECEIVED, the City of Shelby, Montana (the "Borrower"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely from the Bond Repayment Account of its Sewer System Fund, the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under "Total Amount Advanced," with interest on each such amount from the date such amount is advanced hereunder at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond, each at the rate of twenty-five hundredths of one percent (0.25%) per annum. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a "Loan Repayment Date") commencing on January 1, 2018 and concluding on July 1, 2037. Principal shall be payable on the dates set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B attached hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule B hereto. Upon each disbursement of Loan amounts to the Borrower pursuant to the Resolution described below, the DNRC shall enter (or cause to be entered) the amount advanced on Schedule A under "Advances" and the total amount advanced under the Resolution (as hereinafter defined), including such disbursement, under "Total Amount Advanced." The DNRC shall prepare Schedule B and any revised Schedule B, or cause Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the Resolution, and the final Schedule B will reflect repayments under Section 5.1.4 of the Resolution. Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of 2.50% per annum. Past-due payments of principal and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days

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

This Bond is one of an issue of Sewer System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$348,000 (the "Series 2017B Bond"). The Series 2017B Bond is issued to finance a portion of the costs of the construction of certain improvements to the sewer system of the Borrower (the "System"), to fund deposits to the Bond Repayment Reserve Account, and to pay costs of issuance of the Series 2017B Bond. The Series 2017B Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Part 44, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 980 of the City adopted by the Council on November 2, 1984, as amended and supplemented by Resolution Nos. 1097, 1201, 1271, 1321, 1542, 1785, 1851, 1914, and \_\_\_\_\_ adopted by the Council on October 10, 1990, November 16, 1992, August 8, 1994, November 5, 2001, November 16, 2009, October 15, 2012, June 22, 2015, and October 10, 2017, respectively (as so amended and supplemented, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The Series 2017B Bond is issuable only as a single, fully registered bond. The Series 2017B Bond is issued on a parity with the Borrower's outstanding First Amended and Restated Sewer System Revenue Refunding Bond (DNRC Revolving Loan Program), Series 2001 (the "Series 2001 Bond"), Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009B (the "Series 2009B Bond"), First Amended and Restated Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2009C (the "Series 2009C Bond"), and Sewer System Revenue Bond (USDA-RD Loan Program), Series 2015 (the "Series 2015 Bond"). Simultaneously herewith, the Borrower is issuing its Subordinate Lien Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Taxable Series 2017A (the "Series 2017A Bond"). The 2017B First Advance has been advanced at Closing. Following the 2017B First Advance, the total amount of each advance on the Series 2017 Bonds will be split equally between the Series 2017A Bond and the Series 2017B Bond, until the entire amount of the Series 2017A Bond is advanced. After the Series 2017A Bond is advanced in full, all advances will be from only the Series 2017B Bond.

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2017B Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which additional bonds may be issued under the Resolution and made payable from such Net Revenues on a parity with the Series 2001 Bond, the Series 2009B Bond, the Series 2009C Bond, the Series 2015 Bond, and Series 2017B Bond and any other parity Bond (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the Series 2017B Bond.

The Borrower may prepay the principal of the Series 2017B Bond only if (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest, and

Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2017B Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The Series 2017B Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

This Series 2017B Bond has been designated by the Borrower as a "qualified tax-exempt obligation" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended.

The Borrower may deem and treat the person in whose name this Series 2017B Bond is registered as the absolute owner hereof, whether this Series 2017B Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The Series 2017B Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will forthwith construct and complete the improvements to the System hereinabove described; that it will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Sewer System Fund into which the gross revenues of the System will be paid, and a separate and special Bond Repayment Account in that Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than the sum of one-sixth of the interest to become due within the next six months and one-twelfth of the principal to become due within the next twelve months with respect to all Bonds payable semiannually from that Account and an amount equal to the next installment of principal and interest with respect to all Bonds payable monthly from that Account; that the Borrower has created a General Reserve Subaccount in the Bond Repayment Reserve Account in such fund into which shall be paid additional Net Revenues, after required credits to the Bond Repayment Account sufficient to maintain a reserve therein equal to the General Reserve Requirement on all such Bonds that are not RD Bonds; that the Bond Repayment Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide Gross Revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce in each fiscal year Net Revenues in excess of such current expenses, equal to 110% of the maximum amount of principal and interest payable from the Bond Repayment Account in any subsequent fiscal year; that additional Bonds and refunding Bonds may be issued and made payable from the Bond Repayment Account on a parity with the Series 2001 Bond, the Series 2009B Bond, the Series 2009C Bond, the Series 2015 Bond, the Series 2017B Bond, and other parity Bonds, upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the Series 2001 Bond, the Series 2009B Bond, the Series 2009C Bond, the Series 2015 Bond, the Series 2017B Bond, and additional parity Bonds on such Net Revenues; that all provisions for the security of the holder of this Series 2017B

Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this Series 2017B Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this Series 2017B Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Bond Repayment Account and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the Series 2017B Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Shelby, Montana, by its governing body, has caused this Bond to be executed by the signatures of the Mayor and the City Finance Officer, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the \_\_\_\_ day of October, 2017.

(SEAL)

\_\_\_\_\_  
Mayor

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

REGISTRATION AND TRANSFER

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

REGISTER

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

Date of Registration	Name and Address of Registered Holder	Signature of City Finance Officer
	Department of Natural Resources and Conservation 1539 Eleventh Avenue Helena, MT 59620	

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

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

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

FORM OF ASSIGNMENT

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

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

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



SCHEDULE B

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

APPENDIX C

ADDITIONAL REPRESENTATIONS AND COVENANTS

None

APPENDIX D

\$648,000  
Sewer System Revenue Bonds  
(DNRC Water Pollution Control State Revolving Loan Program)  
Consisting of \$300,000 Subordinate Lien Taxable Series 2017A Bond  
and \$348,000 Series 2017B Bond  
City of Shelby, Montana

COMPLIANCE CERTIFICATE AND REQUEST

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

1. Pursuant to Resolution No. 980 of the City adopted by the Council on November 2, 1984, as amended and supplemented by Resolution Nos. 1097, 1201, 1271, 1321, 1542, 1785, 1851, and 1914, adopted by the Council on October 10, 1990, November 16, 1992, August 8, 1994, November 5, 2001, November 16, 2009, October 15, 2012, and June 22, 2015, respectively (the "Original Resolution"), as further amended and supplemented by Resolution No. \_\_\_\_, adopted October 10, 2017, entitled "Resolution Relating to \$648,000 Sewer System Revenue Bonds (DNRC Water Pollution Control State Revolving Loan Program), Consisting of \$300,000 Subordinate Lien, Taxable Series 2017A Bond and \$348,000 Series 2017B Bond; Authorizing the Issuance and Fixing the Terms and Conditions Thereof" (the "Supplemental Resolution"), the Borrower issued its Subordinate Lien Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Taxable Series 2017A, dated, as originally issued, as of [\_\_\_\_], 2017, in the maximum aggregate principal amount of \$300,000 (the "Series 2017A Bond") and its Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2017B, dated, as originally issued, as of [\_\_\_\_], 2017, in the maximum aggregate principal amount of \$348,000 (the "Series 2017B Bond"). The Borrower has reviewed the Supplemental Resolution, including, without limitation, Articles II and III thereof, and the definitions relating thereto. The Borrower acknowledges and agrees that the Series 2017A Bond evidences a loan made to the Borrower from the DNRC from funds made available to the DNRC from the EPA Capitalization Grant, and that this Certificate is being relied upon by the DNRC for ensuring compliance with requirements applicable to the Borrower, the DNRC, and the 2017 Project (as hereinafter defined). Capitalized terms used herein without definition shall have the meanings given them in the Original Resolution or the Supplemental Resolution.

2. The Series 2017A Bond is issued to finance a portion of the costs of acquisition or construction and installation of various improvements to the System, generally described as the 2017 Project (the "2017 Project") in the Supplemental Resolution. Construction of the 2017 Project has complied with all federal and state standards, including, without limitation, EPA regulations and standards. The 2017 Project is expected to be completed and placed in service on or about \_\_\_\_\_, 20\_\_.

3. Costs of the 2017 Project in the amount of \$\_\_\_\_\_ have been paid as of the date of delivery of this Certificate. The Borrower hereby waives its right to any remaining 2017A Committed Amount not advanced or to be advanced upon delivery hereof. The Borrower specifically confirms and agrees that any remaining amounts of the 2017 Loans to be lent to the Borrower, if any, shall be evidenced by the Series 2017B Bond.

4. As of the date hereof, the Borrower has spent the following amounts in connection with the 2017 Project and costs related thereto:

Debt Service Reserve  
Bond Counsel & Related costs  
Land Acquisition  
Engineering-Basic Services  
Wetlands  
Contingency \_\_\_\_\_  
TOTAL PROJECT COSTS \_\_\_\_\_

Of such amounts, \$\_\_\_\_\_ were paid from advances of proceeds of the Series 2017A Bond.

5. The Trustee has delivered to the Borrower a copy of Schedule B to be attached to the Series 2017A Bond, which reflects the amortization of all advances made or to be made on the date hereof of proceeds of the Series 2017A Bond (i.e., \$\_\_\_\_\_). The Borrower hereby acknowledges and agrees that Schedule B has been calculated in accordance with the provisions of the Resolution and the Indenture, and that the Series 2017A Bond, with said Schedule B attached thereto, has been duly issued pursuant to the Resolution and is a valid and binding obligation of the Borrower in accordance with its terms and the terms of the Resolution; provided, however, if the DNRC delivers a Forgiveness Statement, the Borrower's obligation to repay the principal of the Series 2017A Bond and interest and surcharges thereon is thereupon forgiven, and if the DNRC delivers a Noncompliance Certificate, amounts advanced under the 2017A Loan evidenced by the Series 2017A Bond shall bear interest from and after the first advance of principal of the Series 2017A Bond at the rate of two percent (2.00%) per annum and the Borrower shall pay currently with interest the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge, all as described in Sections 5.1.2 of the Supplemental Resolution authorizing the Series 2017A Bond.

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

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

8. The Borrower is delivering this Certificate to the DNRC, in part, to ensure compliance with EPA regulations and standards. The Borrower certifies that all laborers and

mechanics employed by contractors and subcontractors on the 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, and that 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 2016 (P.L. 113-76), as those requirements are further interpreted by applicable EPA guidance.

9. The Borrower acknowledges and agrees that this Certificate completed by the Borrower in form satisfactory to the DNRC must be executed and delivered to the DNRC by the date that is 30 days after receipt of the form of this Certificate from the DNRC. By submitting this Certificate, the Borrower requests that the DNRC forgive the obligation of the Borrower to repay the principal of the Series 2017A Bond, together with interest and surcharges thereon. The Borrower acknowledges and agrees that (i) the forgiveness of principal of and interest and surcharges on the Series 2017A Bond by the DNRC is contingent on the timely delivery of this Certificate by the Borrower in satisfactory form as determined in the DNRC's sole and complete discretion, (ii) the DNRC has no obligation to grant such forgiveness; and (iii) if the DNRC delivers to the Borrower a Noncompliance Certificate (a) the obligation of the Borrower to repay the principal of the Series 2017A Bond plus interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge thereon shall continue in full force and effect until the principal of the Series 2017A Bond advanced and interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge thereon are paid in full, as set forth in Schedule B delivered pursuant to paragraph 5 above, and as provided in the Series 2017A Bond and the Supplemental Resolution, and (b) the Borrower shall, as necessary, within the 3-month period specified in the Supplemental Resolution, adjust its rates and charges to produce Net Revenues and Surplus Net Revenues required by the rate covenant in the Supplemental Resolution.

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

CITY OF SHELBY, MONTANA

(SEAL)

By \_\_\_\_\_  
Mayor

By \_\_\_\_\_  
City Finance Officer