

RESOLUTION NO. 21-04

RESOLUTION RELATING TO \$1,400,000 SEWER SYSTEM REVENUE BONDS (DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM), CONSISTING OF \$350,000 SUBORDINATE LIEN, TAXABLE SERIES 2021B BOND AND \$1,050,000 SERIES 2021C BOND; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF

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

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

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

WHEREAS, Big Sky County Water & Sewer District No. 363, Montana (the "District") has applied to the DNRC for the SRF Loans (as hereinafter defined) from the Revolving Fund to enable the District to reimburse itself for a portion of the costs of the WRRF Project Engineering (as hereinafter defined) which will carry out the purposes of the Clean Water Act, to fund a deposit to the Subordinate Reserve Account with respect to the Series 2021C Bond (each, as hereinafter defined), and to pay costs of issuance of the Series 2021 SRF Bonds (as hereinafter defined); and

WHEREAS, the DNRC has offered to make loans in the total principal amount of \$1,400,000 available to the District, with one loan in the amount of \$350,000 contemplated to be forgiven in the event the District satisfies certain conditions; and

WHEREAS, the District contemplates issuing bonds in two series, a Series 2021B Bond in the maximum principal amount of \$350,000 and a Series 2021C Bond in the maximum principal amount of \$1,050,000; and

WHEREAS, provided that the District complies with certain conditions for principal forgiveness, the District's obligation to repay the Series 2021B Bond will be forgiven; and

WHEREAS, pursuant to Montana Code Annotated, Title 7, Chapter 13, Parts 22 and 23 (the "Act"), the District may by resolution of its Board of Directors issue its revenue bonds to finance the WRRF Project Engineering without need for authorization by the electors of the District; however, the repayment of bonds so authorized may not be secured by a deficiency tax levy for the repayment of such bonds if the revenue of the District is inadequate to pay principal of and interest on such bonds; and

WHEREAS, the Series 2021B Bond and the Series 2021C Bond are issued without an election by approval of the Board of Directors of the District evidenced in this resolution pursuant to Section 7-13-2333 of the Act; and

WHEREAS, the District is authorized under applicable laws, ordinances and regulations to adopt this Supplemental Resolution and to issue the Series 2021 SRF Bonds to evidence the SRF Loans for the purposes set forth herein; and

WHEREAS, the DNRC will fund: (i) the 2021B Loan entirely from proceeds of the EPA Capitalization Grant, and (ii) the 2021C Loan, directly or indirectly, with proceeds of State Bonds (as hereinafter defined).

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363, MONTANA, AS FOLLOWS:

## ARTICLE I

### DEFINITIONS, RULES OF CONSTRUCTION AND APPENDICES

Section 1.1. **Definitions.** Unless a different meaning clearly appears from the context, terms used with initial capital letters but undefined in this Supplemental Resolution shall have the meanings given them in the Original Resolution, the Indenture, or as follows:

"Act" means Montana Code Annotated, Title 7, Chapter 13, Parts 22 and 23, as heretofore and hereafter amended or supplemented.

"Additional Bonds" means any Bonds issued pursuant to Sections 4.01 through 4.03 of the Original Resolution.

"Administrative Expense Surcharge" means, (i) in respect of the 2021C Loan, in any event, and (ii) in respect of the 2021B Loan, upon the delivery of a Noncompliance Statement as provided by this Supplemental Resolution, a surcharge equal to twenty-five hundredths of one percent (0.25%) per annum on the outstanding principal amount of the SRF Loans payable on Payment Dates.

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

“Board” means the Board of Directors of the District.

“Bond Counsel” means any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing, selected by the District.

“Bond Register” means the registration books maintained by the Registrar.

“Bonds” means the Series 2021A Bond and any Additional Bonds; “Bonds” does not include the Series 2021B Bond or the Series 2021C Bond.

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

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

“Closing” means the date of delivery of the Series 2021B Bond and the Series 2021C Bond to the DNRC.

“Code” means the Internal Revenue Code of 1986.

“Collateral Documents” means any security agreement, guaranty or other document or agreement delivered to the DNRC securing the obligations of the District under this Supplemental Resolution and the Series 2021 SRF Bonds. If no Collateral Documents secure such obligations, any reference to Collateral Documents in this Supplemental Resolution shall be without effect.

“Committed Amount” means, collectively, the amount of the 2021B Committed Amount and the 2021C Committed Amount.

“Compliance Certificate and Request” means the certificate and request substantially in the form of the attached Appendix D.

“Construction Account” means the account of that name created in Section 5.02 of the Original Resolution.

“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, in respect of the System, (1) indebtedness of the District for borrowed money or for the deferred purchase price of property or services; (2) the obligation of the District as lessee under leases which should be recorded as capital leases under generally accepted accounting principles; and (3) obligations of the District 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.

“Debt Service Account” means the account in the Sewer System Fund created pursuant to Section 5.04 of the Original Resolution.

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

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

“District” means the Big Sky County Water & Sewer District No. 363, Montana.

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

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

“EPA Agreements” means all capitalization grant agreements and other written agreements between the DEQ, the DNRC and the EPA concerning the Program.

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

“Forgiveness Statement” means a written statement delivered to the District by the DNRC in response to a Compliance Certificate and Request that the District’s obligation to repay the principal of the Series 2021B Bond is forgiven.

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

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

“Loan Loss Reserve Surcharge” means, (i) in respect of the 2021C Loan, in any event, and (ii) in respect of the 2021B Loan, upon the delivery of a Noncompliance Statement as provided by this Supplemental Resolution, a surcharge equal to twenty-five hundredths of one percent (0.25%) per annum on the outstanding principal amount of the SRF Loans payable by the District on Payment Dates.

“Loan Repayments” means the periodic payments of principal of and interest on the 2021C Loan, and, if the DNRC delivers a Noncompliance Statement, the 2021B Loan, as set out more particularly in Article V of this Supplemental Resolution.

“Net Revenues” means the Gross Revenues for a specified period less the Operating Expenses for the same period.

“Noncompliance Statement” means a written statement delivered to the District by the DNRC that the District’s obligation to repay the principal of the Series 2021B Bond is not forgiven.

“Operating Account” means the account created in the Sewer System Fund established pursuant to Section 5.03 of the Original Resolution.

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

“Original Resolution” means the resolution of the District adopted on May 18, 2021, pursuant to which the District authorized the issuance of the Series 2021A Bond.

“Payment Date” means, with respect to the 2021C Loan, each January 1 and July 1 during the term of the Series 2021C Bond on which a payment of interest or principal and interest is due, as determined under this Supplemental Resolution and the Series 2021C Bond and, if a Noncompliance Statement is delivered with respect to the 2021B Loan, each January 1 and July 1 during the term of the Series 2021B Bond on which a payment of interest or principal and interest is due, as determined under this Supplemental Resolution and the Series 2021B Bond.

“Person” means any Private Person or Public Entity.

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

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

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

“Public Entity” means a State agency, city, town, 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.

“Registrar” means, with respect to the Series 2021 SRF Bonds, the Secretary or any successor appointed pursuant to this Supplemental Resolution.

“Regulations” means the Treasury Regulations, whether final, temporary or proposed, promulgated under the Code or otherwise applicable to the Series 2021 SRF Bonds.

“Replacement and Depreciation Account” means the account created in the Sewer System Fund established pursuant to Section 5.08 of the Original Resolution.

“Reserve Account” means the account in the Sewer System Fund created pursuant to Section 5.05 of the Original Resolution.

“Resolution” means the Original Resolution, as amended and supplemented by this Supplemental Resolution and as it may be further amended and supplemented in accordance with its terms.

“Revolving Fund” means the Water Pollution Control State Revolving Fund created pursuant to the State Act.

“Series 2021 SRF Bonds” means, collectively, the Series 2021B Bond and the Series 2021C Bond.

“Series 2021A Bond” means the District’s Sewer System Revenue Bond (Resort Tax Revenue Supported), Series 2021A, authorized to be issued in the maximum principal amount of \$42,715,929 pursuant to the Original Resolution.

“Series 2021B Bond” means the \$350,000 Subordinate Lien Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Taxable Series 2021B, to be issued to the DNRC to evidence the 2021B Loan.

“Series 2021C Bond” means the \$1,050,000 Subordinate Lien Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2021C, to be issued to the DNRC to evidence the 2021C Loan.

“Sewer System Fund” means the fund created by the Original Resolution.

“SRF Loans” or “SRF Loan” means, collectively, the 2021B Loan and 2021C Loan made to the District by the DNRC pursuant to the Program in the maximum amount of the Committed Amount to provide funds to pay all or a portion of the costs of the WRRF Project Engineering, to fund deposits to the Subordinate Reserve Account, and to pay costs of issuance of the Series 2021 SRF Bonds.

“State” means the State of Montana.

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

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

“Subordinate Debt Service Account” means the subaccount in the Subordinate Obligations Account described in Section 5.06 of the Original Resolution.

“Subordinate Obligations” means the Series 2021B Bond, the Series 2021C Bond, and any other Subordinate Obligations issued under Section 4.04 of the Original Resolution.

“Subordinate Obligations Account” means the account in the Sewer System Fund created pursuant to Section 5.06 of the Original Resolution.

“Subordinate Reserve Account” means the subaccount in the Subordinate Obligations Account described in Section 5.06 of the Original Resolution. The Series 2021B Bond is not secured by the Subordinate Reserve Account; the Series 2021C Bond is secured by the Subordinate Reserve Account.

“Subordinate Reserve Requirement” means, as of the date of calculation, an amount equal to one-half of the maximum Principal and Interest Requirements on Outstanding Subordinate Obligations that are secured by the Subordinate Reserve Account for any one future Fiscal Year (giving effect to mandatory sinking fund redemption, if any). The Series 2021B Bond is not secured by the Subordinate Reserve Account; the Series 2021C Bond is secured by the Subordinate Reserve Account.

“Supplemental Resolution” means this resolution of the District adopted on May 18, 2021, or any other resolution supplemental to the Resolution in accordance with its terms.

“Surplus Account” means the account created in the Sewer System Fund established pursuant to Section 5.09 of the Original Resolution.

“Surplus Net Revenues” means Net Revenues remaining after required deposits to the Debt Service Account and Reserve Account.

“System” means the sewer system of the Borrower and all extensions, improvements and betterments thereof or hereafter constructed and acquired, including, without limitation, the WRRF Project Engineering.

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

“2021B Committed Amount” means the amount of the 2021B Loan committed to be lent by the DNRC to the District pursuant to Section 4.1 of this Supplemental Resolution, as such amount may be reduced pursuant to Section 3.2 and Section 3.4 of this Supplemental Resolution.

“2021B Loan” means the loan made to the District by the DNRC pursuant to the Program in the maximum amount of the 2021B Committed Amount to provide funds to reimburse the District for a portion of the costs of the WRRF Project Engineering and to pay costs of issuance.

“2021C Committed Amount” means the amount of the 2021C Loan committed to be lent by the DNRC to the District pursuant to Section 4.1 of this Supplemental Resolution, as such amount may be reduced pursuant to Section 3.2 and Section 3.4 of this Supplemental Resolution.

“2021C First Advance” means the first advance of funds of the 2021C Loan by the DNRC to the District in an amount of at least \$12,501.

“2021C Loan” means the loan made to the District by the DNRC pursuant to the Program in the maximum amount of the 2021C Committed Amount to provide funds to reimburse the District for a portion of the costs of the WRRF Project Engineering, to fund deposits to the Subordinate Reserve Account, and to pay costs of issuance.

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

“WRRF Project Engineering” means the engineering design of the WRRF Project, costs of which are being reimbursed to the District with proceeds of the SRF Loans.

“WRRF Project” means the WRRF Project Engineering and construction of the facilities, improvements and activities described in Appendix A hereto.

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

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

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

Appendix A: a description of the WRRF Project and the WRRF Project Engineering and budget for the WRRF Project Engineering;

Appendix B-1: the form of the Series 2021B Bond;

Appendix B-2: the form of the Series 2021C Bond;

Appendix C: additional agreements and, representations and covenants of the District;  
and

Appendix D: Compliance Certificate and Request.

## ARTICLE II

### AUTHORIZATION, FINDINGS, REPRESENTATIONS AND COVENANTS

#### Section 2.1. Authorization and Findings.

(a) Authorization. Under the Act, the District is authorized, by resolution of the Board and without need for authorization by the electors of the District, to sell and issue 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 bonds issued for such purposes; provided that the repayment of bonds so authorized may not be secured by a deficiency tax levy for the repayment of such bonds if the revenue of the District is inadequate to pay principal of and interest on such bonds. The Series 2021 SRF Bonds are issued pursuant to Section 7-13-2333 of the Act, by the authorization of the Board pursuant to this Supplemental Resolution, and are not issued pursuant to an election. The Series 2021B Bond and the Series 2021C Bond are Subordinate Obligations, payable only from Surplus Net Revenues and are not secured by the deficiency tax levy under Section 7-13-2302 of the Act.

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

(c) The WRRF Project Engineering; the WRRF Project. This Board previously determined it to be necessary and desirable and in the best interests of the District to construct the WRRF Project and has undertaken the WRRF Project Engineering. The Series 2021 SRF Bonds are issued to reimburse the District for a portion of the costs of the WRRF Project Engineering, to fund deposits to the Subordinate Reserve Account for the Series 2021C Bond and to pay costs of issuance.

(d) Authorized Bonds. Pursuant to the Act and the Resolution, the District has authorized the issuance of its Series 2021A Bond, which is a Bond payable from and secured by Net Revenues of the System and from the WRRF Contribution in the manner as described in the Original Resolution. No other bonds or indebtedness are currently outstanding that are payable from Gross Revenues, Net Revenues or the WRRF Contribution.

(e) Subordinate Obligations. In Section 4.04 of the Original Resolution, the District reserved the right to issue Subordinate Obligations having a lien on the Net Revenues subordinate to the lien thereon of the Bonds. It is hereby determined that the District will have sufficient Surplus Net Revenues to pay principal of and interest on the Series 2021C Bond as the same become due, and therefore the District is authorized to issue up to \$1,050,000 in principal amount of Subordinate Obligations under Section 4.04 of the Original Resolution, payable from Surplus Net Revenues, to reimburse the District for a portion of the costs of the WRRF Project Engineering, to fund deposits to the Subordinate Reserve Account for the Series 2021C Bond and to pay costs of issuance, and the President of the Board and the Secretary of the District are

hereby authorized and directed to provide a certificate at the time of closing on the Series 2021C Bond to that effect. For purposes of the foregoing determination, principal of and interest on the Series 2021B Bond are disregarded. The District acknowledges and agrees that if a Noncompliance Statement is delivered, then principal and interest and surcharges will become due and owing on the Series 2021B Bond as provided in Section 5.1 of this Supplemental Resolution, and the District shall thereupon, and in any event no later than three (3) months after delivery of a Noncompliance Statement, to the extent required by Section 6.07 of the Original Resolution, adjust its schedule of fees, rates, and charges applicable to the System to cause Net Revenues and Surplus Net Revenues to be produced in an amount at least equal to that required by the Resolution.

Section 2.2. Representations. The District represents as follows:

(a) Organization and Authority. The District:

(i) is duly organized and validly existing as a 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 Supplemental Resolution and to enter into the Collateral Documents and to issue the Series 2021 SRF Bonds and to carry out and consummate all transactions contemplated by this Supplemental Resolution, the Series 2021 SRF Bonds and the Collateral Documents;

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

(iv) has taken all proper action to authorize the execution, delivery and performance of its obligations under this Supplemental Resolution, the Series 2021 SRF Bonds and the Collateral Documents and the incurrence of the Debt evidenced by the Series 2021 SRF Bonds in the maximum amount of the Committed Amount.

(b) Litigation. There is no litigation or proceeding pending, or, to the knowledge of the District, threatened, against or affecting the District 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 District, or the ability of the District to make all payments and otherwise perform its obligations under this Supplemental Resolution, the Series 2021 SRF Bonds and the Collateral Documents, or the financial condition of the District, or the transactions contemplated by this Supplemental Resolution, the Series 2021 SRF Bonds and the Collateral Documents or the validity and enforceability of this Supplemental Resolution, the Series 2021 SRF Bonds and the Collateral Documents. If any such litigation should be initiated or threatened, the District 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 District relating to the WRRF Project Engineering, the Series 2021 SRF Bonds or any Collateral Documents.

(c) Borrowing Legal and Authorized. The adoption of this Supplemental Resolution, the execution and delivery of the Series 2021 SRF Bonds and the Collateral Documents and the consummation of the transactions provided for in this Supplemental Resolution, the Series 2021 SRF Bonds and the Collateral Documents and compliance by the District with the provisions of this Supplemental Resolution, the Series 2021 SRF Bonds and the Collateral Documents:

(i) are within the powers of the District and have been duly authorized by all necessary action on the part of the District; 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 District pursuant to any ordinance, resolution, indenture, loan agreement or other agreement or instrument (other than this Supplemental Resolution and any Collateral Documents) to which the District is a party or by which the District or its property may be bound, nor will such action result in any violation of the provisions of any charter or similar document, if applicable, of the District or any laws, ordinances, governmental rules or regulations or court or other governmental orders to which the District, its properties or operations are subject.

(d) No Defaults. No event has occurred and no condition exists that, upon execution and delivery of the Series 2021 SRF Bonds and the Collateral Documents, would constitute a default under this Supplemental Resolution or the Collateral Documents. The District 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 District with the terms hereof or of the Series 2021 SRF Bonds and the Collateral Documents.

(e) Governmental Consent. The District has obtained or made all permits, findings and approvals required to the date of adoption of this Supplemental Resolution by any governmental body or officer for the making and performance by the District of its obligations under this Supplemental Resolution, the Series 2021 SRF Bonds and the Collateral Documents or for the WRRF Project Engineering, the financing or refinancing thereof or the reimbursement of the District 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 District as a condition to adopting this Supplemental Resolution, issuing the Series 2021 SRF Bonds or entering into the Collateral Documents and the performance of the District's obligations hereunder and thereunder.

(f) Binding Obligation. This Supplemental Resolution, the Series 2021 SRF Bonds and any Collateral Document to which the District is a party are the valid and binding special, limited obligations and agreements of the District, enforceable against the District 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 WRRF Project Engineering. The WRRF Project Engineering consists and will consist of the activities described in Appendix A, as such Appendix A may be amended from time to time in accordance with Article III of this Supplemental Resolution.

(h) Full Disclosure. There is no fact that the District has not specifically disclosed in writing to the DNRC that materially and adversely affects or (so far as the District 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 District's status as a Public Entity and Governmental Unit, its ability to own and operate the System in the manner currently operated or the District's ability to perform its obligations under this Supplemental Resolution, the Series 2021 SRF Bonds and the Collateral Documents and to pledge any revenues or other property pledged to the payment of the Series 2021 SRF Bonds.

(i) Compliance With Law. The District:

(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 District to conduct the operation of the System as presently conducted or the condition (financial or otherwise) of the System or the District's ability to perform its obligations under this Supplemental Resolution, the Series 2021 SRF Bonds and the Collateral Documents.

Section 2.3. Covenants.

(a) Insurance. In addition to the requirements of Sections 6.03 and 6.04 of the Original Resolution, the District at all times shall keep and maintain with respect to the System property and casualty insurance and liability insurance with financially sound and reputable insurers, or self-insurance as authorized by State law, against such risks and in such amounts, and with such deductible provisions, as are customary in the State in the case of entities of the same size and type as the District and similarly situated and shall carry and maintain, or cause to be carried and maintained, and pay or cause to be paid timely the premiums for all such insurance. All such insurance policies shall name the DNRC as an additional insured to the extent permitted under the policy or program of insurance of the District. Each policy must provide that it cannot be cancelled by the insurer without giving the District and the DNRC 30 days' prior written notice. The District shall give the DNRC prompt notice of each insurance policy it obtains or maintains to comply with this Section 2.3(a) and of each renewal, replacement, change in coverage or deductible under or amount of or cancellation of each such insurance policy and the amount and coverage and deductibles and carrier of each new or replacement policy. Such notice shall specifically note any adverse change as being an adverse

change. Upon request, the District shall deliver to the DNRC at Closing a certificate providing the information required by this Section 2.3(a).

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

(c) Further Assurance. The District 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 Supplemental Resolution, the Series 2021 SRF Bonds and the Collateral Documents and to realize thereon, and record and file and re-record and refile all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the DNRC to validate, preserve and protect the position of the DNRC under this Supplemental Resolution, the Series 2021 SRF Bonds and the Collateral Documents.

(d) Maintenance of Security; Recordation of Interest.

(i) The District shall, at its expense, take all necessary action to maintain and preserve the lien and security interest of this Supplemental Resolution and the Collateral Documents so long as any amount is owing under this Supplemental Resolution or the Series 2021 SRF Bonds;

(ii) The District shall forthwith, after the execution and delivery of the Series 2021 SRF Bonds and thereafter from time to time, cause this Supplemental 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 Supplemental 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 District 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 2021 SRF Bonds and the Collateral Documents and the documents described in subparagraph (ii).

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

(f) Financial Information. This Section 2.3(f) supplements, and is not intended to limit, the requirements in Section 6.06 of the Original Resolution. The Borrower agrees that for each Fiscal Year it shall furnish to the DNRC and the DEQ, promptly when available:

(i) the preliminary budget for the System, with items for the WRRF Project Engineering shown separately; and

(ii) when adopted, the final budget for the System, with items for the WRRF Project Engineering shown separately.

(g) Project Accounts. The District shall maintain Project accounts in accordance with generally accepted government accounting standards, and as separate accounts, as required by the Clean Water Act.

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

(i) Compliance with Clean Water Act. The District has complied and shall comply with all conditions and requirements of the Clean Water Act pertaining to the SRF Loans and the WRRF Project Engineering and shall maintain sufficient financial, managerial and technical capability to continue to effect such compliance.

(j) Compliance with DEQ Requirements. The District shall comply with the plans, specifications and other requirements for public sewer systems established by the DEQ, as required by Section 75-5-1113(1)(g) of the State Act.

Section 2.4. Covenants Relating to the Tax-Exempt Status of the State Bonds.

(a) The District covenants and agrees that it will not use or permit to be used any of the proceeds of the Series 2021 SRF Bonds or any other funds of the District in respect of the WRRF Project Engineering or the Series 2021 SRF Bonds, directly or indirectly, in a manner that would cause, or take any other action that would cause, any State Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or would otherwise cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation. The District 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 SRF Loans or the portion of the SRF Loans derived directly or indirectly from proceeds of the State Bonds or that would otherwise cause any State Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code.

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

(d) Any portion of the WRRF Project Engineering being refinanced or the cost of which is being reimbursed was acquired by and is now and shall, during the term of the SRF Loans, be owned by the District and not by any other Person. Any portion of the WRRF Project Engineering being financed shall be acquired by and shall, during the term of the SRF Loans, be owned by the District and not by any other Person. Notwithstanding the previous two sentences, the District may transfer the WRRF Project Engineering or a portion thereof to another Governmental Unit which is also a Public Entity if such transfer is otherwise permitted under the Resolution and if such organization agrees with the DNRC to comply with Section 2.3(h), Section 2.3(i) and Section 2.4 of this Supplemental Resolution and if the DNRC receives an Opinion of Bond Counsel that such transfer will not violate the State Act or the Clean Water Act or adversely affect the exclusion of interest on the State Bonds from gross income or purposes of federal income taxation. In addition, except as otherwise provided in the Resolution or in any Collateral Documents, the District may sell or otherwise dispose of any portion of the WRRF Project Engineering which has become obsolete or outmoded or is being replaced or for other reasons is not needed by the District or beneficial to the general public or necessary to carry out the purposes of the Clean Water Act.

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

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

(g) The District may not lease the WRRF Project Engineering or any portion thereof to any Person other than a nonexempt Person which agrees in writing with the District and the State not to cause any default to occur under the Resolution; provided the District may lease all or any portion of the WRRF Project Engineering 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 District shall not change the use or nature of the WRRF Project Engineering 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 2.5. Maintenance of System; Liens. The District shall maintain the System, including the WRRF Project Engineering, in good condition and make all necessary renewals, replacements, additions, betterments and improvements thereto. The District shall not grant or permit to exist any lien on the WRRF Project Engineering or any other property making up part of the System, other than liens securing Debt where a parity or senior lien secures the Series 2021 SRF Bonds; provided that this Section 2.5 shall not be deemed to be violated if a mechanic's or contractor's lien is filed against any such property so long as the District uses its best efforts to obtain the discharge of such lien and promptly reports to the DNRC the filing of such lien and the steps it plans to take and does take to discharge of such lien.

Section 2.6. Maintenance of Existence; Merger, Consolidation, Etc.; Disposition of Assets. The District 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 District) (i) is a Public Entity and (ii) assumes in writing all of the obligations of the District under the Resolution, the Series 2021 SRF Bonds and the Collateral Documents, and (a) such action does not result in any default in the performance or observance of any of the terms, covenants or agreements of the District under the Resolution, the Series 2021 SRF Bonds and the Collateral Documents, (b) such action does not violate the State Act or the Clean Water Act and does not adversely affect the exclusion of interest on the Series 2021C Bond or the State Bonds from gross income for federal income tax purposes and (c) the District delivers to the DNRC on the date of such action an Opinion of Bond Counsel that such action complies with this Section 2.6.

Other than pursuant to the preceding paragraph, the District 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 District delivers to the DNRC an Opinion of Bond Counsel to that effect and, in addition, the DNRC consents to such transfer.

### ARTICLE III

#### USE OF PROCEEDS; THE WRRF PROJECT ENGINEERING

Section 3.1. Use of Proceeds. The District shall apply the proceeds of the SRF Loans solely as follows:

(a) The District shall apply the proceeds of the SRF Loans solely to reimburse itself for a portion of the costs of the WRRF Project Engineering, to fund a deposit to the Subordinate Reserve Account for the Series 2021C Bond and to pay costs of issuance, as set forth in Appendix A hereto and this Section 3.1. The SRF Loans will be disbursed in accordance with Article IV hereof and Article VII of the Indenture. If the WRRF Project Engineering has not been completed prior to Closing, the District shall, as quickly as reasonably possible, complete

the WRRF Project Engineering and expend proceeds of the SRF Loans to pay a portion of the costs of completing the WRRF Project Engineering.

(b) No portion of the proceeds of the SRF Loans shall be used to reimburse the District for costs paid prior to the date of adoption of this Supplemental Resolution of a Project, the construction or acquisition of which occurred or began earlier than March 7, 1985. In addition, if any proceeds of the SRF Loans are to be used to reimburse the District for Project costs paid prior to the date of adoption of this Supplemental Resolution, the District shall have complied in respect of such expenditures with the requirements of Section 1.150-2 of the Regulations, as amended or any successor regulation thereto.

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

Section 3.2. The WRRF Project Engineering. Set forth in Appendix A to this Supplemental Resolution is a description of the WRRF Project Engineering, which describes the activities to be funded from the SRF Loans (the WRRF Project Engineering may consist of more than one facility or activity), and a budget relating to the WRRF Project Engineering. The WRRF Project Engineering may be changed and the description thereof in Appendix A may be amended from time to time by the District but only after delivery to the DNRC of the following:

(a) A certificate of the District 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 WRRF Project Engineering, an increase or decrease in the amount of proceeds of the SRF Loans which will be required to complete the WRRF Project Engineering and whether the change will materially accelerate or delay the WRRF Project Engineering;

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

(c) An Opinion or Opinions of Bond Counsel stating that the WRRF Project Engineering, as constituted after such amendment, is, and was at the time the State Bonds were issued, eligible for financing under the State Act and is, and was at the time the Series 2021 SRF Bonds were issued, eligible for financing under the Act, such amendment will not violate the State Act or the Act and such amendment will not adversely affect the exclusion of interest on the State Bonds or the Series 2021 SRF Bonds from gross income for purposes of federal income taxation. Such an Opinion of Bond Counsel shall not be required for amendments which do not affect the type of facility to be constructed or activity to be financed.

The District acknowledges and agrees that an increase in the principal amount of the SRF Loans may be made only upon an application to the DEQ, the DNRC and the Trustee, in such form as the DEQ shall specify, which is approved by the DEQ and the DNRC, in their sole and

absolute discretion, and adoption by the governing body of the District of a Supplemental Resolution authorizing the additional loan and delivery of written certifications by officers of the District to the DEQ, the DNRC and the Trustee to the effect that all representations and covenants contained in the Resolution as it may be so amended or supplemented are true as of the date of closing of the additional loan and compliance with applicable tests for the incurrence of such Debt. No assurance can be given that any additional loan funds will be available under the Program at the time of any such application or thereafter. The District 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 District and have made no representations to the District as to the sufficiency of the SRF Loans to pay costs of the WRRF Project Engineering or as to the availability of additional funds under the Program to increase the principal amount of the SRF Loans.

Section 3.3. Project Representations and Covenants. The District hereby represents to and covenants with the DNRC that, to the extent the WRRF Project Engineering includes any construction or materials and to the extent the following apply to the WRRF Project Engineering:

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

(b) the WRRF Project Engineering is a project of the type permitted to be financed under the State Act, the Act and the Program and Title VI of the Clean Water Act; and

(c) the WRRF Project Engineering is substantially complete.

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

(a) Upon completion of the WRRF Project Engineering, the District shall deliver to the DNRC a certificate stating that the WRRF Project Engineering is complete and stating the remaining amount, if any, of the Committed Amount. If Appendix A describes two or more separate projects as making up the WRRF Project Engineering, a separate completion certificate shall be delivered for each.

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

#### ARTICLE IV

#### THE SRF LOANS

Section 4.1. The SRF Loans; Disbursement of SRF Loans.

(a) The DNRC has agreed to lend to the District, from time to time as the requirements of this Section 4.1 are met, an amount up to (i) \$350,000 (the "2021B Committed Amount") and (ii) \$1,050,000 (the "2021C Committed Amount") for the purposes of reimbursing the District for a portion of the costs of the WRRF Project Engineering, funding a

deposit to the Subordinate Reserve Account for the Series 2021C Bond and paying costs of issuance of the Series 2021 SRF Bonds; provided the DNRC shall not be required to disburse any proceeds of the SRF Loans to the District after August 31, 2021. The Committed Amount may be reduced as provided in Sections 3.2 and 4.1 of this Supplemental Resolution.

(b) The DNRC intends to disburse the SRF Loans through the Trustee. In consideration of the issuance of the Series 2021 SRF Bonds by the District, the DNRC shall make, or cause the Trustee to make, a disbursement of all or a portion of the SRF Loans upon receipt of the following documents:

(1) an Opinion of Bond Counsel as to the Series 2021B Bond and an Opinion of Bond Counsel as to the validity and enforceability of the Series 2021C Bond and the security therefor and stating in effect that interest on the Series 2021C Bond is not includable in gross income of the owner thereof for purposes of federal income taxation, in form and substance satisfactory to the DNRC;

(2) the Series 2021B Bond and the Series 2021C Bond, fully executed and authenticated;

(3) a certified copy of the Original Resolution and this Supplemental Resolution;

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

(5) if all or part of a SRF Loan is being made to reimburse the District for the costs of a Project paid prior to the Closing, evidence, satisfactory to the DNRC and the Bond Counsel referred to in (1) above, (A) that the acquisition or construction of the Project was begun no earlier than March 7, 1985 or the debt was incurred no earlier than March 7, 1985, (B) of the District's title to the Project, (C) of the costs of such Project and that such costs have been paid by the District and (D) if such costs were paid before adoption of this Supplemental Resolution that the District has complied with Section 1.150-2 of the Regulations;

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

(7) such other certificates, documents and other information as the DNRC, the DEQ or Bond Counsel may require (including any necessary arbitrage rebate instructions).

(c) In order to obtain a disbursement of a portion of the SRF Loans to reimburse the District for costs of the WRRF Project Engineering, the District 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 District may obtain disbursements only for costs which have been legally incurred and are due and payable. All SRF Loan disbursements will be made to the District only upon proof that cost was incurred.

(d) Reserved.

(e) The District shall submit the request for the 2021C First Advance in the form required by the DNRC so that it is received in sufficient time for the DNRC to process the information by the date desired by the District for the making of the 2021C First Advance.

(f) For refinancings, a disbursement schedule complying with the requirements of the Clean Water Act shall be established by the DNRC and the District at Closing.

(g) If all or a portion of the SRF Loans is made to reimburse the District for Project costs paid by it prior to Closing, the District shall present at Closing the items required by Section 4.1(b) of this Supplemental Resolution relating to such costs. The Trustee shall disburse such amounts to the District pursuant to a disbursement schedule complying with the requirements of the Clean Water Act established by the DNRC and the District at the Closing.

(h) Notwithstanding anything else provided herein, the Trustee shall not be obligated to disburse the SRF Loans any faster or to any greater extent than it has available EPA Capitalization Grants, Bond proceeds and other amounts available therefor in the Revolving Fund. The DNRC shall not be required to do "overmatching" pursuant to Section 5.04(b) of the Indenture, but may do so in its discretion. The District acknowledges that if Project costs are incurred faster than the District projected at Closing, there may be delays in making SRF Loan disbursements for such costs because of the schedule under which EPA makes EPA Capitalization Grant money available to the DNRC. The DNRC will use its reasonable best efforts to obtain an acceleration of such schedule if necessary.

(i) Upon making each 2021B Loan disbursement and 2021C Loan disbursement, the Trustee shall note such disbursement on Schedule A to the Series 2021B Bond and the Series 2021C Bond, respectively. A Schedule A reflecting the amount of the 2021C First Advance will first be attached to the Series 2021C Bond at Closing.

(j) The District agrees that it will deposit in the Subordinate Reserve Account in the Subordinate Obligations Account upon receipt thereof, on the date of the 2021C First Advance and any subsequent disbursement dates, any proceeds of the 2021C Loan borrowed for the purpose of increasing the balance in the Subordinate Reserve Account in the Subordinate Obligations Account to the Subordinate Reserve Requirement. The District further acknowledges and agrees that any portions of the SRF Loans representing capitalized interest shall be advanced only on Payment Dates and shall be transferred by the Trustee on the Payment Date directly to the Subordinate Debt Service Account. The amount of any such transfer shall be a credit against the interest payments due on the Series 2021 SRF Bonds and interest thereon shall accrue only from the date of transfer.

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

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

Section 4.3. Termination of Loan Term. The District's obligations under this Supplemental Resolution and the Collateral Documents in respect of the Series 2021 SRF Bonds shall terminate upon payment in full of all amounts due under the Series 2021 SRF Bonds and this Supplemental Resolution; provided, however, that the covenants and obligations provided in Article VI and Section 10.4 of this Supplemental Resolution shall survive the termination of this Supplemental Resolution.

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

## ARTICLE V

### REPAYMENT OF SRF LOANS

Section 5.1. Repayment of SRF Loans. The District shall repay the amounts lent to it pursuant to Section 4.1 hereof in accordance with this Section 5.1.

5.1.1. Interest and Surcharges. Until a Determination Statement is delivered by the DNRC to the District and so long as the District's obligation to repay the principal of the 2021B Loan is forgiven as provided in Section 5.1.2 below, amounts disbursed by the DNRC under Section 4.1 hereof that are evidenced by the Series 2021B Bond bear interest at the rate of zero percent (0.00%) per annum from the date of each advance; provided, however, if the DNRC delivers to the District a Noncompliance Statement, then all principal of the Series 2021B Bond advanced by the DNRC shall be payable and amounts disbursed by the DNRC under Section 4.1 hereof that are evidenced by the Series 2021B Bond shall bear interest at the rate of two percent (2.00%) per annum and in addition the District shall pay the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge from the date of each advance under the Series 2021B Bond. The 2021C Loan shall bear interest at the rate of two percent (2.00%) per annum and the District shall pay the Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the outstanding principal amounts of the 2021C Loan. For purposes of this Supplemental Resolution and the Program, with respect to the 2021B Loan (if a Noncompliance Statement is delivered) and the 2021C Loan, the term "interest on the SRF Loans" or "interest on the 2021B Loan" or "interest on the 2021C Loan" when not used in conjunction with a reference to any surcharges, shall include the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge. The District shall pay all Loan Repayments and surcharges in lawful money of the United States of America to the DNRC. Interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge shall be calculated on the basis of a year of 360 days comprising 12 months of 30 days each.

5.1.2. Repayment of 2021B Loan; Principal Forgiveness.

(a) The District is obligated to repay the principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2021B Loan, unless the DNRC forgives the District's obligation to repay the principal of the 2021B Loan as provided in Section 5.1.2(b). Subject to the provisions of Section 5.1.2(b), the Loan Repayments and the Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2021B Loan shall be due on each Payment Date, as follows:

(1) interest and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the outstanding principal balance of the 2021B Loan shall be payable from and after the date of each advance of principal of the 2021B Loan on each Payment Date at the rate of 2.50% per annum, beginning on the first Payment Date following the date of delivery by the DNRC of a Noncompliance Statement and concluding on July 1, 2041; and

(2) the principal of the 2021B Loan shall be payable on each Payment Date, beginning on the Payment Date that is the first to occur following delivery by the DNRC of a Noncompliance Statement, and concluding on July 1, 2041, and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at the rate of 2.50% per annum.

(b) Notwithstanding Section 5.1.2(a), so long as the District is proceeding diligently to completion of the WRRF Project Engineering and the District has executed and delivered the Compliance Certificate and Request to the DNRC in form and substance satisfactory to the DNRC and the DEQ within thirty (30) days after the date that the Compliance Certificate and Request is provided to the District by the DNRC, the DNRC will, following review and approval of the Compliance Certificate and Request, deliver to the District a Forgiveness Statement and the District will thereafter have no obligation to repay amounts advanced under the Series 2021B Bond or interest or surcharges thereon and the Series 2021B Bond will be marked "CANCELLED" and returned by the DNRC to the District. However, in the event the District fails to deliver timely the Compliance Certificate and Request, or the District cannot submit the Compliance Certificate and Request because it cannot make the certifications required therein, or the Compliance Certificate and Request is delivered in a form that deviates materially from that attached hereto as Appendix D as determined in the sole and complete discretion of the DNRC or the DEQ, or the DNRC or the DEQ determine at any time that the WRRF Project Engineering or any portion thereof or of the work relating thereto fails to comply with Program requirements, then the DNRC will deliver to the District a Noncompliance Statement. Upon delivery of a Noncompliance Statement by the DNRC to the District, all principal advanced or to be advanced under the Series 2021B Bond, together with interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge thereon from the date of each advance, shall be payable as provided in Section 5.1.2(a).

(c) In addition, in the event the DNRC delivers a Noncompliance Statement (i) the Series 2021B Bond will continue in effect as a Subordinate Obligation, and (ii) the District will forthwith comply with the rate covenant set forth in Section 6.07 of the Original Resolution and, if necessary, increase the rates and charges of the System to satisfy such rate covenant as soon as practicable and in any event no later than three (3) months after the date of delivery to the District by the DNRC of a Noncompliance Statement.

5.1.3. Repayment of 2021C Loan.

(a) The Loan Repayments and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the 2021C Loan required by this Section 5.1 shall be due on each Payment Date, as follows:

(1) interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the outstanding principal balance of the 2021C Loan shall be payable on each January 1 and July 1, beginning on January 1, 2022 and concluding on July 1, 2041; and

(2) the principal of the 2021C Loan shall be payable on each January 1 and July 1, beginning on January 1, 2022 and concluding on July 1, 2041, and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at a rate of 2.50% per annum; provided that principal of the 2021C Loan is payable only in amounts that are multiples of \$1,000.

5.1.4. Details Regarding SRF Loan Repayments. Loan Repayments and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the 2021C Loan and, if applicable, on the 2021B Loan, shall be due on the dates specified above and on the dates and in the amounts shown in Schedule B to the Series 2021B Bond and the Series 2021C Bond, as such Schedule B shall be modified from time to time as provided in Section 5.1.2 and below. Schedule B will first be attached to the Series 2021C Bond and, as appropriate, the Series 2021B Bond, at Closing. The portion of each such Loan Repayment consisting of principal and the portion consisting of interest and the amount of each Administrative Expense Surcharge and the amount of each Loan Loss Reserve Surcharge shall be set forth in Schedule B to the Series 2021B Bond and the Series 2021C Bond on and after Closing. Upon each disbursement of SRF Loan amounts to the District pursuant to Section 4.1 hereof, the Trustee shall enter or cause to be entered the amount advanced on Schedule A to the applicable Series 2021B Bond and the Series 2021C Bond, as applicable, under "Advances" and the total amount advanced under Section 4.1, including such disbursement, under "Total Amount Advanced." Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on such advance shall accrue from the date the advance is made and shall be due and payable on the dates in the amounts shown in Schedule B to each of the Series 2021B Bond and Series 2021C Bond, as such Schedule B shall be modified from time to time as provided herein.

If the DNRC shall have delivered a Noncompliance Statement, then Schedule B to the Series 2021B Bond shall continue to reflect interest and surcharges on amounts advanced under the Series 2021B Bond at the rate of 2.50% per annum, as may be revised to reflect the full principal amount advanced under the Series 2021B Bond, the initial Payment Date, and the periodic total loan payment, and the Trustee shall send a copy of such schedules to the District within one month after delivery by the DNRC of the Noncompliance Statement. If the DNRC delivers a Forgiveness Statement, Schedule B to the Series 2021B Bond will be disregarded and of no effect.

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

Any payment of principal and interest as to the Series 2021C Bond and, if applicable, the Series 2021B Bond, and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge as to the Series 2021C Bond, and, if applicable, the Series 2021B Bond under this Section 5.1 shall be credited against the same payment obligation under each of the Series 2021C Bond and, as applicable, the Series 2021B Bond.

Section 5.2. Additional Payments. The District shall also pay, within 30 days after receipt of a bill therefor, from any legally available funds therefor, including proceeds of the SRF Loans, all reasonable expenses of the DNRC and the Trustee in connection with the SRF Loans, the Collateral Documents and the Series 2021 SRF Bonds, including, but not limited to:

- (1) the cost of reproducing this Supplemental Resolution, the Collateral Documents and the Series 2021 SRF Bonds;
- (2) the fees and disbursements of Bond Counsel and other Counsel utilized by the DNRC and the Trustee in connection with the SRF Loans, this Supplemental Resolution, the Collateral Documents and the Series 2021 SRF Bonds and the enforcement thereof; and
- (3) all taxes and other governmental charges in connection with the execution and delivery of the Collateral Documents or the Series 2021 SRF Bonds, whether or not the Series 2021 SRF Bonds are then outstanding, including all recording and filing fees relating to the Collateral Documents and the pledge of the State's right, title and interest in and to the Series 2021 SRF Bonds, the Collateral Documents and this Supplemental Resolution and all expenses, including attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof or thereof.

Section 5.3. Prepayments. The District may not prepay all or any part of the outstanding principal amount of the Series 2021C Bond and, if applicable, the Series 2021B Bond, unless (i) a Determination Statement has been delivered, (ii) it obtains the prior written consent of the DNRC thereto, and (iii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2021 SRF Bonds are prepaid in part pursuant to this Section 5.3, such prepayments shall be applied to principal payments in inverse order of maturity or, if the DNRC determines in its discretion, the remaining principal amount following such prepayment will be reamortized over the remaining term of the Series 2021 SRF Bonds.

Section 5.4. Obligations of District Unconditional. The obligations of the District to make the payments required by this Supplemental Resolution and the Series 2021 SRF Bonds and to perform its other agreements contained in this Supplemental Resolution, the Series 2021

SRF Bonds and Collateral Documents shall be absolute and unconditional, except as otherwise provided herein or in such documents. The District (a) shall not suspend or discontinue any payments provided for in this Supplemental Resolution and the Series 2021 SRF Bonds, (b) shall perform all its other agreements in this Supplemental Resolution, the Series 2021 SRF Bonds and the Collateral Documents and (c) shall not terminate this Supplemental Resolution, the Series 2021 SRF Bonds or the Collateral Documents for any cause, including any acts or circumstances that may constitute failure of consideration, destruction of or damage to the WRRF Project Engineering 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 Supplemental Resolution.

Section 5.5. Limited Liability. All payments of principal of and interest on the SRF Loans and other payment obligations of the District hereunder and under the Series 2021 SRF Bonds shall be special, limited obligations of the District payable with respect to the Series 2021B Bond and the Series 2021C Bond solely out of Surplus Net Revenues and shall not, except at the option of the District and as permitted by law, be payable out of any other revenues of the District. The obligations of the District under this Resolution and the Series 2021 SRF Bonds shall never constitute an indebtedness of the District within the meaning of any State constitutional provision or statutory or charter limitation and shall never constitute or give rise to a pecuniary liability of the District or a charge against its general credit or taxing power. The taxing powers of the District may not be used to pay principal of or interest on the Series 2021 SRF Bonds, and no funds or property of the District other than the Surplus Net Revenues may be required to be used to pay principal of or interest on the Series 2021 SRF Bonds. The Series 2021 SRF Bonds are not secured by the deficiency tax levy under Section 7-13-2302 of the Act.

## ARTICLE VI

### INDEMNIFICATION OF DNRC AND DEQ

The District 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 District 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 WRRF Project Engineering. The District 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 District shall, upon notice from an Indemnified Party, defend such proceeding on behalf of the Indemnified Party.

## ARTICLE VII

### ASSIGNMENT

Section 7.1. Assignment by District. The District may not assign its rights and obligations under the Resolution or the Series 2021 SRF Bonds.

Section 7.2. Assignment by DNRC. The DNRC will pledge its rights under and interest in the Resolution, the Series 2021 SRF Bonds and the Collateral Documents (except to the extent otherwise provided in the Indenture) as security for the payment of the State Bonds and may further assign such interests to the extent permitted by the Indenture, without the consent of the District.

Section 7.3. State Refunding Bonds. In the event the State Bonds are refunded by bonds which are not State Bonds, all references in the Resolution to State Bonds shall be deemed to refer to the refunding bonds and any bonds of the State on a parity with such refunding bonds (together, the "Refunding Bonds") or, in the case of a crossover refunding, to the State Bonds and the Refunding Bonds.

## ARTICLE VIII

### THE SERIES 2021 SRF BONDS

Section 8.1. Surplus Net Revenues Available. The District is authorized to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the System. The Gross Revenues, Net Revenues and Surplus Net Revenues to be produced by such rates, charges and rentals will be at least sufficient to meet the requirements of the Resolution and the Surplus Net Revenues will be more than sufficient to pay the principal and interest when due on the outstanding Series 2021C Bond, and, if applicable, the Series 2021B Bond, to maintain the Subordinate Reserve Account at the Subordinate Reserve Requirement and to provide an adequate allowance for replacement and depreciation, as prescribed herein and in the Original Resolution. The District acknowledges and agrees that if the DNRC delivers a Noncompliance Statement to the District as provided in Section 5.1.2 as determined in the sole and complete discretion of the DNRC, then principal and interest and surcharges will become due and owing on the 2021B Loan evidenced by the Series 2021B Bond as provided in Section 5.1 and the District shall thereupon, and no later than three (3) months after delivery of such a statement, to the extent required by Section 6.07 of the Original Resolution, adjust its schedule of fees, rates, and charges applicable to the System to cause Net Revenues and Surplus Net Revenues to be produced in an amount at least equal to that required by the Resolution.

Section 8.2. Issuance and Sale of the Series 2021 SRF Bonds. The Board has investigated the facts necessary and hereby finds, determines and declares it to be necessary and desirable for the District to issue the Series 2021 SRF Bonds to evidence the SRF Loans. The Series 2021 SRF Bonds are issued to the DNRC without public sale pursuant to Montana Code Annotated, Section 7-13-2329.

Section 8.3. Terms. The Series 2021B Bond and the Series 2021C Bond shall be in the maximum principal amount equal to the original 2021B Committed Amount and 2021C Committed Amount, respectively, shall each be issued as a single, fully registered bond numbered R-1, shall be dated as of the date of delivery to the DNRC, and shall bear interest at the rate charged by the DNRC on the 2021B Loan and 2021C Loan, respectively. The principal of and interest on the Series 2021B Bond and the Series 2021C 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 2021B Bond and the Series 2021C Bond shall be deemed made when advances of the 2021B Loan and the 2021C Loan, respectively, are made under Section 4.1, and such advances shall be payable in accordance with Schedule B to the Series 2021B Bond and the 2021C Bond, as applicable, as may be revised by the DNRC from time to time in accordance with Section 5.1. The Series 2021B Bond and the Series 2021C Bond are Subordinate Obligations payable only from the Surplus Net Revenues available in the Sewer System Fund.

The District may prepay the Series 2021 SRF Bonds, in whole or in part, only upon the terms and conditions under which it can prepay the SRF Loans under Section 5.3.

Section 8.4. Negotiability, Transfer and Registration. The Series 2021 SRF Bonds shall be fully registered as to both principal and interest, shall be initially registered in the name of and payable to the DNRC, and shall be dated the date of delivery. While so registered, principal of and interest on the Series 2021 SRF Bonds shall be payable to the DNRC at the Office of the Department of Natural Resources and Conservation, 1539 Eleventh Avenue, Helena, Montana 59620 or such other place as may be designated by the DNRC in writing and delivered to the District. The Series 2021 SRF Bonds shall be negotiable, subject to the provisions for registration and transfer contained in this Section. No transfer of the Series 2021 SRF Bonds shall be valid unless and until (1) the holder, or his duly authorized attorney or legal representative, has executed the form of assignment appearing on the Series 2021 SRF Bonds, and (2) the Secretary of the District or successors, as Registrar, has duly noted the transfer on the Series 2021 SRF Bonds and recorded the transfer on the registration books of the Registrar. The Registrar may, prior to noting and recording the transfer, require appropriate proof of the transferor's authority and the genuineness of the transferor's signature. The District shall be entitled to deem and treat the Person in whose name the Series 2021 SRF Bonds are registered as the absolute owner of the Series 2021 SRF Bonds for all purposes, notwithstanding any notice to the contrary, and all payments to the registered holder shall be valid and effectual to satisfy and discharge the District's liability upon such Series 2021 SRF Bonds to the extent of the sum or sums so paid.

Section 8.5. Execution and Delivery. The Series 2021 SRF Bonds shall be executed on behalf of the District by the manual signatures of the President of the Board of Directors and the Secretary. Any or all of such signatures may be affixed at or prior to the date of delivery of the Series 2021 SRF Bonds. In the event that any of the officers who shall have signed the Series 2021 SRF Bonds shall cease to be officers of the District before the Series 2021 SRF Bonds are issued or delivered, their signatures shall remain binding upon the District. Conversely, the Series 2021 SRF Bonds may be signed by an authorized official who did not hold such office on the date of adoption of this Supplemental Resolution. The Series 2021 SRF Bonds shall be delivered to the DNRC, or its attorney or legal representative.

Section 8.6. Form. The Series 2021B Bond shall be prepared in substantially the form attached as Appendix B-1 and the Series 2021C Bond shall be prepared in substantially the form attached as Appendix B-2.

## ARTICLE IX

### SECURITY FOR THE SERIES 2021 SRF BONDS

Section 9.1. Subordinate Obligations. The Series 2021B Bond and the Series 2021C Bond are Subordinate Obligations issued under Section 4.04 of the Original Resolution and are payable only from Surplus Net Revenues. No payment of principal or interest shall be made on any Subordinate Obligation, including the Series 2021B Bond and the Series 2021C Bond, if the District is then in default in the payment of principal of or interest on any Bond or if there is a deficiency in the Operating Account or the Debt Service Account or the balance in the Reserve Account is less than the Reserve Requirement. The Series 2021B Bond is not secured by the Subordinate Reserve Account, but the Series 2021C Bond is secured by the Subordinate Reserve Account, as described in Section 9.3 hereof. The Series 2021 SRF Bonds are not secured by the deficiency tax provided for in Section 7-13-2302, M.C.A.

In the event the principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge become payable under the Series 2021B Bond, the District shall cause rates and charges to be increased to produce Net Revenues and Surplus Net Revenues at least equal to the amount required under Section 6.07 of the Original Resolution, as amended hereby, within three (3) months following delivery of a Noncompliance Statement. The District shall keep, perform and observe each and every one of its covenants and undertakings set forth in the Resolution for the benefit of the registered holders from time to time of the Series 2021 SRF Bonds.

Section 9.2. Covenants. The District covenants and agrees with the holders from time to time of the Series 2021 SRF Bonds that the representations contained in Article II are correct; and that until the Series 2021 SRF Bonds are fully discharged as provided in the Resolution, it will continue to hold, maintain and operate the System as a public convenience, free from all liens thereon or on the income therefrom other than the liens herein granted or authorized, and will maintain, expend and account for its Sewer System Fund and the several accounts therein as provided in the Resolution, and will not incur a further lien or charge on the income or revenues of the System except upon the conditions and in the manner prescribed in the Resolution, and will perform and cause all officers and employees of the District to perform and enforce each and all of the additional covenants and agreements set forth in the Resolution. The District further covenants to cause the System to be properly maintained.

Section 9.3. Funding of Subordinate Reserve Account. Upon advancement of principal of the Series 2021C Bond, the Secretary of the District shall transfer from proceeds of the Series 2021C Bond such amount or amounts to the Subordinate Reserve Account in the Subordinate Obligations Account to cause the balance therein to equal the Reserve Requirement, treating such principal amount as outstanding. Upon each advance of the Series 2021C Bond, the deposit to the Subordinate Reserve Account shall be sufficient to cause the balance in the Subordinate Reserve Account to equal the Subordinate Reserve Requirement in respect of the principal

amount of the Series 2021C Bond so advanced. Thereafter, if the Subordinate Reserve Requirement is not satisfied, from the Surplus Net Revenues remaining after the apportionment to the Subordinate Obligations Account, the District shall credit to the Subordinate Reserve Account such additional Surplus Net Revenues as may be required to establish and thereafter maintain the balance in an amount equal, as of the date of calculation, to the Subordinate Reserve Requirement. The Series 2021B Bond is not secured by the Subordinate Reserve Account.

## ARTICLE X

### TAX MATTERS

Section 10.1. Use of Project. The WRRF Project to which the WRRF Project Engineering relates will be owned and operated by the District and available for use by members of the general public on a substantially equal basis. The District shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the WRRF Project or security for the payment of the Series 2021C Bond which might cause the Series 2021C Bond to be considered a “private activity bond” or “private loan bond” within the meaning of Section 141 of the Code.

Section 10.2. General Covenant. The District covenants and agrees with the owners from time to time of the Series 2021C Bond that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Series 2021C Bond to become includable in gross income for federal income tax purposes under the Code and the Regulations, and covenants to take any and all actions within its powers to ensure that the interest on the Series 2021C Bond will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

Section 10.3. Arbitrage Certification. The President of the Board of Directors and the Secretary, being the officers of the District charged with the responsibility for issuing the Series 2021C Bond pursuant to this Supplemental Resolution, are authorized and directed to execute and deliver to the DNRC a certificate in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(b) of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Series 2021C Bond, it is reasonably expected that the proceeds of the Series 2021C Bond will be used in a manner that would not cause the Series 2021C Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

Section 10.4. Arbitrage Rebate. The District acknowledges that the Series 2021C Bond is subject to the rebate requirements of Section 148(f) of the Code. The District covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Regulations to preserve the exclusion of interest on the Series 2021C Bond from gross income for federal income tax purposes, unless the Series 2021C Bond qualifies for the exception from the rebate requirement under Section 148(f)(4)(B) of the Code and no “gross proceeds” of the Series 2021C Bond (other than amounts constituting a “bona fide debt service fund”) arise during or after the expenditure of the original proceeds thereof. In furtherance of the foregoing, the Secretary and the President of the Board are hereby authorized and directed to execute a Rebate Certificate,

substantially in the form to be prepared by Bond Counsel, and the District hereby covenants and agrees to observe and perform the covenants and agreements contained therein, unless amended or terminated in accordance with the provisions thereof.

Section 10.5. Information Reporting. The District shall file with the Secretary of the Treasury a statement concerning the Series 2021C Bond containing the information required by Section 149(e) of the Code.

## ARTICLE XI

### CONTINUING DISCLOSURE

The District understands and acknowledges that the DNRC is acquiring the Series 2021 SRF Bonds under the Program pursuant to which the State issues from time to time State Bonds to provide funds therefor. The District covenants and agrees that, upon written request of the DNRC from time to time, the District will promptly provide to the DNRC all information that the DNRC reasonably determines to be necessary or appropriate to offer and sell State Bonds or to provide continuing disclosure in respect of State Bonds, whether under Rule 15c2-12 (17 C.F.R. § 240.15c2-12) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or otherwise. Such information shall include, among other things and if so requested, financial statements of the District prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Montana law, as in effect from time to time (such financial statements to relate to a Fiscal Year or any period therein for which they are customarily prepared by the District, and, if for a Fiscal Year and so requested by the DNRC, subject to an audit report and opinion of an accountant or government auditor, as permitted or required by the laws of the State). The District will also provide, with any information so furnished to the DNRC, a certificate of the President of the Board of Directors and the Secretary of the District to the effect that, to the best of their knowledge, such information does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein to make the statements made, in light of the circumstances under which they are made, not misleading.

## ARTICLE XII

### MISCELLANEOUS

Section 12.1. Notices. All notices or other communications hereunder shall be sufficiently sent or given and shall be deemed sent or given when delivered or mailed by certified mail, postage prepaid, to the parties at the following addresses:

DNRC:                      Department of Natural Resources  
                                    and Conservation  
                                    1539 Eleventh Avenue  
                                    P.O. Box 201601  
                                    Helena, Montana 59620

Attn: Conservation and  
Resource Development Division

Trustee: U.S. Bank National Association  
c/o Corporate Trust Services  
1420 - 5th Avenue, 7th Floor  
Seattle, Washington 98101

District: Big Sky County Water & Sewer District  
No. 363, Montana  
P.O. Box 160670  
Big Sky, MT 59716  
Attn: Secretary

Any of the above parties may, by notice in writing given to the others, designate any further or different addresses to which subsequent notices or other communications shall be sent.

Section 12.2. Binding Effect. This Supplemental Resolution shall inure to the benefit of and shall be binding upon the DNRC, the District and their respective successors and assigns.

Section 12.3. Severability. If any provision of this Supplemental Resolution shall be determined to be unenforceable at any time, it shall not affect any other provision of the Resolution or the enforceability of that provision at any other time.

Section 12.4. Amendments. This Supplemental Resolution may be amended only in accordance with Section 7 of the Original Resolution and, so long as either of the Series 2021 SRF Bonds are Outstanding, with the written consent of the DNRC.

Section 12.5. Applicable Law. This Supplemental Resolution shall be governed by and construed in accordance with the laws of the State.

Section 12.6. Captions; References to Sections. The captions in this Supplemental Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Supplemental Resolution. References to Articles and Sections are to Articles and Sections of this Supplemental Resolution, unless the context otherwise requires.

Section 12.7. No Liability of Individual Officers, Directors, Trustees, or Council Members. No recourse under or upon any obligation, covenant or agreement contained in this Supplemental Resolution shall be had against any director, officer or employee, as such, past, present or future, of the DNRC, the DEQ or the Trustee, either directly or through the DNRC, the DEQ or the Trustee, or against any officer, or member of the governing body or employee of the District, past, present or future, as an individual so long as such individual was acting in good faith. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such officer or member of the governing body or employee of the DNRC, the Trustee or the District is hereby expressly waived and released by the District and by the DNRC as a condition of and in consideration for the adoption of this Supplemental Resolution and the making of the SRF Loans.

Section 12.8. Payments Due on Holidays. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Supplemental Resolution or the Series 2021 SRF Bonds, shall not be Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Supplemental Resolution or the Series 2021 SRF Bonds.

Section 12.9. Right of Others to Perform District's Covenants. In the event the District shall fail to make any payment or perform any act required to be performed hereunder, then and in each such case the DNRC or the provider of any Collateral Document may (but shall not be obligated to) remedy such default for the account of the District and make advances for that purpose. No such performance or advance shall operate to release the District from any such default and any sums so advanced by the DNRC or the provider of any Collateral Document shall be paid immediately to the party making such advance and shall bear interest at the rate of ten percent (10.00%) per annum from the date of the advance until repaid. The DNRC and the provider of any Collateral Document shall have the right to enter the WRRF Project Engineering or the facility or facilities of which the WRRF Project Engineering are a part or any other facility which are a part of the System in order to effectuate the purposes of this Section.

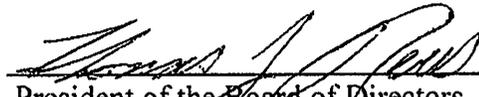
Section 12.10. Authentication of Transcript. The officers of the District are hereby authorized and directed to furnish to the DNRC and to Bond Counsel certified copies of all proceedings relating to the issuance of the Series 2021 SRF Bonds and such other certificates and affidavits as may be required to show the right, power and authority of the District to issue the Series 2021 SRF Bonds, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the District as to the truth of the statements of fact purported to be shown thereby.

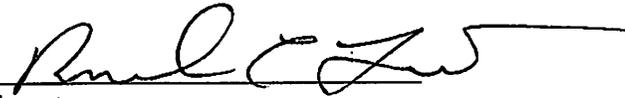
Section 12.11. Repeals and Effective Date.

(a) Repeal. All provisions of other resolutions and other actions and proceedings of the Borrower and this Council that are in any way inconsistent with the terms and provisions of this Resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this Resolution.

(b) Effective Date. This Supplemental Resolution shall take effect immediately.

Passed and adopted by the Board of Directors of the District this 18th of May, 2021.

  
\_\_\_\_\_  
President of the Board of Directors

Attest:   
\_\_\_\_\_  
Secretary

## APPENDIX A

### Description of the WRRF Project and WRRF Project Engineering

The WRRF Project consists of improvements to the District's System including upgrading and expanding its water resource recovery facility to better serve existing connections and accommodate build-out within the District's boundaries, with such improvements to include treatment technology upgrades, including biological nutrient removal and membrane bioreactor treatment, and related improvements. The WRRF Project accommodates a future phase of improvements to further expand the treatment capacity of the water resource recovery facility.

The WRRF Project Engineering consists of engineering design of the WRRF Project.

### WRRF Project Engineering Budget

	Series 2021B Bond	Series 2021C Bond	Total:
Loan Reserves		\$ 33,819	\$ 33,819
Bond Counsel & Related costs	\$ 1,080	3,105	4,185
Final Engineering Design	348,920	1,013,076	1,361,996
<b>TOTAL PROJECT COSTS</b>	<b>\$350,000</b>	<b>\$1,050,000</b>	<b>\$1,400,000</b>

APPENDIX B-1

[Form of the Series 2021B Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA

**BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363**

SUBORDINATE LIEN SEWER SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM)  
TAXABLE SERIES 2021B

R-1

\$350,000

FOR VALUE RECEIVED, BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363, MONTANA (the "District"), a duly organized 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 Subordinate Obligations 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. In addition, the District shall pay 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, 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 District of a statement that the Borrower's obligation to repay the principal amount of the 2021B Loan is not forgiven and ending on July 1, 2041, all as described in the Resolution (as hereinafter defined). 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 attached hereto. Upon each disbursement of 2021B Loan amounts, the DNRC shall enter (or cause to be entered) the amount advanced on Schedule A under "Advances" and the total amount advanced under the Resolution (as hereinafter defined), including such disbursement, under "Total Amount Advanced." The DNRC shall prepare Schedule B and any revised Schedule B, or cause Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the Supplemental Resolution, and the final Schedule B will reflect repayments under Section 5.1.4 of the Supplemental 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 SERIES 2021B BOND, IN THE EVENT THAT THE DISTRICT 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 DISTRICT A FORGIVENESS STATEMENT, THEN THEREUPON INTEREST SHALL BE DEEMED TO ACCRUE ON THE PRINCIPAL OF THIS SERIES 2021B BOND FROM THE DATE OF EACH ADVANCE AT THE RATE OF ZERO PERCENT (0.00%) PER ANNUM AND THE DISTRICT'S OBLIGATION TO REPAY PRINCIPAL ADVANCED HEREUNDER SHALL BE FORGIVEN, AND THE DISTRICT SHALL HAVE NO OBLIGATION TO REPAY THE DNRC OR ITS REGISTERED ASSIGNS ANY AMOUNTS ADVANCED HEREUNDER OR INTEREST OR ANY SURCHARGE THEREON. THIS SERIES 2021B BOND SHALL THEREUPON BE MARKED "CANCELLED" AND RETURNED BY THE HOLDER TO THE DISTRICT, AND THIS SERIES 2021B BOND SHALL NO LONGER CONSTITUTE AN OBLIGATION OF THE DISTRICT OR OF THE SYSTEM (AS HEREINAFTER DEFINED). IN ADDITION, UNTIL THE DELIVERY OF A DETERMINATION STATEMENT BY THE DNRC TO THE DISTRICT, THE OBLIGATION OF THE DISTRICT 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 SERIES 2021B 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 constitutes a series of Subordinate Lien Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Taxable Series 2021B, issued in the maximum authorized principal amount of \$350,000 (the "Series 2021B Bond"). The Series 2021B Bond is issued to reimburse the District for a portion of the costs of the engineering of certain improvements to the sewer system of the District (the "System") and to pay a portion of the costs of issuance of the Series 2021 SRF Bonds. The Series 2021B 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 13, Parts 22 and 23, as amended, and ordinances and resolutions duly adopted by the governing body of the District, including a resolution of the District adopted on May 18, 2021 (the "Original Resolution"), as amended and supplemented by a resolution adopted May 18, 2021 (the Original Resolution, as so amended and supplemented, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given to them in the Resolution. The Series 2021B Bond is issuable only as a single, fully registered bond. The Series 2021B Bond is issued as a Subordinate Obligation payable out of available Surplus Net Revenues in the Sewer System Fund of the District. The Series 2021B Bond is not issued pursuant to an election and is not secured by a deficiency tax levy under Section 7-13-2302, Montana Code Annotated. The Series 2021B Bond is not secured by the Subordinate Reserve Account.

Simultaneously herewith, the District is issuing its Subordinate Lien Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2021C (the "Series 2021C Bond"), which is a Subordinate Obligation payable out of available Surplus Net Revenues. The District has issued and has outstanding its Sewer System Revenue Bond (Resort Tax Revenue Supported), Series 2021A (the "Series 2021A Bond"). The Series 2021A Bond is a Bond payable from Net Revenues of the District and the WRRF Contribution.

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2021B Bond has been issued, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the District, and the rights of the owners of the Series 2021B Bond.

The District may prepay the principal of the Series 2021B 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 2021B Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity, or, if the DNRC determines in its discretion, the remaining principal amount following such prepayment will be reamortized over the remaining term of this Series 2021A Bond.

This Series 2021B Bond, including interest and any premium for the redemption thereof, are payable solely from the Surplus Net Revenues available for the payment hereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The District may deem and treat the person in whose name this Series 2021B Bond is registered as the absolute owner hereof, whether this Series 2021B Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the District shall not be affected by any notice to the contrary. The Series 2021B Bond may be transferred as hereinafter provided.

*The deficiency tax levy provided in Section 7-13-2302, M.C.A., is not available for the repayment of and does not secure this Series 2021B Bond.*

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the District 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 Subordinate Debt Service Account in the Subordinate Obligations Account in the Sewer System Fund into which will be paid, subject to the prior lien thereon of the Debt Service Account and the Reserve Account, Surplus Net Revenues; that the rates and charges for the System will from time to time be made and kept sufficient, to provide Gross Revenues adequate to pay promptly the reasonable and current Operating Expenses, to produce during each Fiscal Year Net Revenues equal not less than 115% of the maximum annual principal and interest payable on any outstanding Bonds in any future Fiscal Year and to maintain the Reserve Account to the Reserve Requirement, and to produce in each Fiscal Year adequate

Surplus Net Revenues to pay the principal of and interest on Subordinate Obligations, including the Series 2021B Bond, as and when due, and to maintain the Subordinate Reserve Account at the Subordinate Reserve Requirement; that Additional Bonds may be issued and made payable from the Debt Service Account on a parity with the Outstanding Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the Outstanding Bonds and any Additional Bonds on such Net Revenues (such as is the case with this Series 2021B Bond and the Series 2021C Bond); that all provisions for the security of the holder of this Series 2021B 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 District to be done, to exist, to happen and to be performed in order to make this Series 2021B Bond a valid and binding special obligation of the District 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 2021B Bond and the interest hereon are payable solely out of available Surplus Net Revenues in the Subordinate Debt Service Account and do not constitute a debt of the District within the meaning of any constitutional or statutory limitation or provision and the issuance of the Series 2021B Bond does not cause either the general or the special indebtedness of the District to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Big Sky County Water & Sewer District No. 363, Montana, by its Board of Directors, has caused this Series 2021B Bond to be executed by the signatures of the President of the Board of Directors and the Secretary and has caused this Bond to be dated as of the 1st day of June, 2021.

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President, Board of Directors

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Secretary

**REGISTRATION AND TRANSFER**

This Series 2021B Bond shall be fully registered as to both principal and interest. No transfer of this Series 2021B Bond shall be valid unless and until (1) the registered holder of the Series 2021B Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Series 2021B Bond, and (2) the District Secretary as Registrar, has duly noted the transfer on the Series 2021B Bond and recorded the transfer on the Registrar's registration books. The District shall be entitled to deem and treat the person in whose name this Series 2021B Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of the Series 2021B 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 District's liability upon the Series 2021B Bond to the extent of the sum or sums so paid.

**REGISTER**

The ownership of the unpaid principal balance of this Series 2021B Bond and the interest accruing thereon is registered on the books of the Big Sky County Water & Sewer District No. 363, 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 District Secretary
June 1, 2021	Department of Natural Resources and Conservation 1539 Eleventh Avenue Helena, MT 59620	_____

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

The District Secretary of the Big Sky County Water & Sewer District No. 363, Montana, acting as Registrar, has transferred, on the books of the District, on the date last noted below, ownership of the principal amount of and the accrued interest on this Series 2021B 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 Registrar

FORM OF ASSIGNMENT

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

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

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



SCHEDULE B

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

[Form of the Series 2021C Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA

**BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363**

SUBORDINATE LIEN SEWER SYSTEM REVENUE BOND  
(DNRC WATER POLLUTION CONTROL STATE REVOLVING LOAN PROGRAM),  
SERIES 2021C

No. R 1

\$1,050,000

FOR VALUE RECEIVED, BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363, MONTANA (the "District"), a duly organized political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely from Surplus Net Revenues in the Subordinate Obligations 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 District 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. 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, commencing January 1, 2022 and concluding July 1, 2041. 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 attached hereto. Upon each disbursement of 2021C Loan amounts to the District pursuant to the Resolution described below, the DNRC shall enter (or cause to be entered) the amount advanced on Schedule A under "Advances" and the total amount advanced under the Resolution (as hereinafter defined), including such disbursement, under "Total Amount Advanced." The DNRC shall prepare Schedule B and any revised Schedule B, or cause Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the Supplemental Resolution (as hereinafter defined). Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of two and one-half percent (2.50%) per annum. Past-due payments of principal and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be

calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond constitutes a series of Subordinate Lien Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2021C, issued in the maximum authorized principal amount of \$1,050,000 (the "Series 2021C Bond"). The Series 2021C Bond is issued to reimburse the District for a portion of the costs of the engineering design of certain improvements to the sewer system of the District (the "System"), to fund deposits to the Subordinate Reserve Account and to pay a portion of the costs of issuance of the Series 2021 SRF Bonds. The Series 2021C 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 13, Parts 22 and 23, as amended, and resolutions duly adopted by the governing body of the District, including a resolution of the District adopted on May 18, 2021, as amended and supplemented by a resolution adopted May 18, 2021 (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 2021C Bond is issuable only as a single, fully registered bond. The Series 2021C Bond is secured by the Surplus Net Revenues of the System on hand in the Subordinate Debt Service Account and the Subordinate Reserve Account; provided that the Series 2021C Bond is not issued pursuant to an election and is not secured by a deficiency tax levy under Section 7-13-2302, Montana Code Annotated. Simultaneously herewith, the District is issuing its Subordinate Lien Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Taxable Series 2021B (the "Series 2021B Bond"), which is a Subordinate Obligation payable out of available Surplus Net Revenues (but not secured by the Subordinate Reserve Account). The District has authorized the issuance of its Sewer System Revenue Bond (Resort Tax Revenue Supported), Series 2021A (the "Series 2021A Bond"). The Series 2021A Bond is a Bond payable from Net Revenues of the District and the WRRF Contribution, as described in the Resolution. The 2021C First Advance is made as of the date hereof.

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2021C Bond has been issued, the Surplus Net Revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the District, and the rights of the owners of the Series 2021C Bond.

The District may prepay the principal of the Series 2021C 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 2021C Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity, or, if the DNRC determines in its discretion, the remaining principal amount following such prepayment will be reamortized over the remaining term of this Series 2021C Bond.

This Series 2021C Bond, including interest and any premium for the redemption hereof, are payable solely from the Surplus Net Revenues pledged for the payment thereof and do not constitute a debt of the District within the meaning of any constitutional or statutory limitation or provision.

The District may deem and treat the person in whose name this Series 2021C Bond is registered as the absolute owner hereof, whether this Series 2021C Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the District shall not be affected by any notice to the contrary. The Series 2021C Bond may be transferred as hereinafter provided.

*The deficiency tax levy provided in Section 7-13-2302, M.C.A., is not available for the repayment of and does not secure this Series 2021C Bond.*

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the District 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 Subordinate Debt Service Account in the Subordinate Obligations Account in the Sewer System Fund into which will be paid, subject to the prior lien thereon of the Debt Service Account and the Reserve Account, Surplus Net Revenues; that the rates and charges for the System will from time to time be made and kept sufficient, to provide Gross Revenues adequate to pay promptly the reasonable and current Operating Expenses, to produce during each Fiscal Year Net Revenues equal not less than 115% of the maximum annual principal and interest payable on any outstanding Bonds in any future Fiscal Year and to maintain the Reserve Account to the Reserve Requirement, and to produce in each Fiscal Year adequate Surplus Net Revenues to pay the principal of and interest on Subordinate Obligations, including the Series 2021C Bond, as and when due, and to maintain the Subordinate Reserve Account at the Subordinate Reserve Requirement; that Additional Bonds may be issued and made payable from the Debt Service Account on a parity with the Outstanding Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the Outstanding Bonds and any Additional Bonds on such Net Revenues (such as is the case with this Series 2021C Bond and the Series 2021B Bond); that all provisions for the security of the holder of this Series 2021C 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 District to be done, to exist, to happen and to be performed in order to make this Series 2021C Bond a valid and binding special obligation of the District 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 2021C Bond and the interest hereon are payable solely out of available Surplus Net Revenues in the Subordinate Debt Service Account and the Subordinate Reserve Account and do not constitute a debt of the District within the meaning of any constitutional or statutory limitation or provision and the issuance of the Series 2021C Bond does not cause either the general or the special indebtedness of the District to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Big Sky County Water & Sewer District No. 363, Montana, by its Board of Directors, has caused this Series 2021C Bond to be executed by the signatures of the President of the Board of Directors and the Secretary, and has caused this Series 2021C Bond to be dated as of the 1st day of June, 2021.

  
\_\_\_\_\_  
President, Board of Directors

  
\_\_\_\_\_  
Secretary

**REGISTRATION AND TRANSFER**

This Series 2021C Bond shall be fully registered as to both principal and interest. No transfer of this Series 2021C Bond shall be valid unless and until (1) the registered holder of the Series 2021C Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Series 2021C Bond, and (2) the Secretary, as Registrar, has duly noted the transfer on the Series 2021C Bond and recorded the transfer on the Registrar's registration books. The District shall be entitled to deem and treat the person in whose name this Series 2021C Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of the Series 2021C 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 District's liability upon the Series 2021C Bond to the extent of the sum or sums so paid.

**REGISTER**

The ownership of the unpaid principal balance of this Series 2021C Bond and the interest accruing thereon is registered on the books of the Big Sky County Water & Sewer District No. 363, 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 District Secretary
June 1, 2021	Department of Natural Resources and Conservation 1539 Eleventh Avenue Helena, MT 59620	_____

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

The Secretary of the Big Sky County Water & Sewer District No. 363, Montana, acting as Registrar, has transferred, on the books of the District, on the date last noted below, ownership of the principal amount of and the accrued interest on this Series 2021C 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 Registrar

FORM OF ASSIGNMENT

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

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

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



SCHEDULE B

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

ADDITIONAL AGREEMENTS, REPRESENTATIONS AND COVENANTS

None

APPENDIX D

\$1,400,000  
Subordinate Lien Sewer System Revenue Bonds  
(DNRC Water Pollution Control State Revolving Loan Program)  
Consisting of \$350,000 Taxable Series 2021B Bond  
and \$1,050,000 Series 2021C Bond  
Big Sky County Water & Sewer District No. 363, Montana, Montana

COMPLIANCE CERTIFICATE AND REQUEST

We, \_\_\_\_\_ and \_\_\_\_\_, hereby certify that we are on the date hereof the duly qualified and acting President and Secretary, respectively, of the Big Sky County Water & Sewer District No. 363, Montana (the "District"), and that:

1. Pursuant to a resolution of the District adopted on May 18, 2021, as amended and supplemented by a resolution a resolution adopted May 18, 2021, entitled "Resolution Relating to \$1,400,000 Subordinate Lien Sewer System Revenue Bonds (DNRC Water Pollution Control State Revolving Loan Program), Consisting of \$350,000 Taxable Series 2021B Bond and \$1,050,000 Series 2021C Bond; Authorizing the Issuance and Fixing the Terms and Conditions Thereof" (the "Supplemental Resolution"), the District issued its Subordinate Lien Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Taxable Series 2021B, dated, as originally issued, as of June 1, 2021, in the maximum aggregate principal amount of \$350,000 (the "Series 2021B Bond") and its Subordinate Lien Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2021C, dated, as originally issued, as of June 1, 2021, in the maximum aggregate principal amount of \$1,050,000 (the "Series 2021C Bond"). The District has reviewed the Supplemental Resolution, including, without limitation, Articles II and III thereof, and the definitions relating thereto. The District acknowledges and agrees that the Series 2021B Bond evidences a loan made to the District from the DNRC from funds made available to the DNRC from an EPA Capitalization Grant, and that this Certificate is being relied upon by the DNRC for ensuring compliance with requirements applicable to the District, the DNRC, and the WRRF Project Engineering (as hereinafter defined). Capitalized terms used herein without definition shall have the meanings given them in the Resolution.

2. The Series 2021B Bond is issued to finance a portion of the costs of engineering of various improvements to the System, generally described as the WRRF Project Engineering (the "WRRF Project Engineering") in the Resolution. The WRRF Project Engineering has complied with all federal and state standards, including, without limitation, EPA regulations and standards. The WRRF Project Engineering is expected to be completed on or about \_\_\_\_\_, 20\_\_.

3. Costs of the WRRF Project Engineering in the amount of \$\_\_\_\_\_ have been paid as of the date of delivery of this Certificate. The District hereby waives its right to any remaining 2021B Committed Amount not advanced or to be advanced upon delivery hereof.

The District specifically confirms and agrees that any remaining amounts of the SRF Loans to be lent to the District, if any, shall be evidenced by the Series 2021C Bond.

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

Loan Reserves	
Bond Counsel & Related costs	
Final Engineering Design	
TOTAL PROJECT COSTS	

Of such amounts, \$\_\_\_\_\_ were paid from advances of proceeds of the Series 2021B Bond.

5. The Trustee has delivered to the District a copy of Schedule B to be attached to the Series 2021B Bond, which reflects the amortization of all advances made or to be made on the date hereof of proceeds of the Series 2021B Bond (i.e., \$\_\_\_\_\_). The District 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 2021B Bond, with said Schedule B attached thereto, has been duly issued pursuant to the Resolution and is a valid and binding obligation of the District in accordance with its terms and the terms of the Resolution; provided, however, if the DNRC delivers a Forgiveness Statement, the District's obligation to repay the principal of the Series 2021B Bond and interest and surcharges thereon is thereupon forgiven, and if the DNRC delivers a Noncompliance Certificate, amounts advanced under the 2021B Loan evidenced by the Series 2021B Bond shall bear interest from and after the first advance of principal of the Series 2021B Bond at the rate of two percent (2.00%) per annum and the District shall pay currently with interest the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge, all as described in Section 5.1.2 of the Supplemental Resolution authorizing the Series 2021A Bond.

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

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

8. The District is delivering this Certificate to the DNRC, in part, to ensure compliance with EPA regulations and standards.

9. The District acknowledges and agrees that this Certificate completed by the District 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 District requests that the DNRC forgive the obligation of the District to repay the principal of the Series 2021B Bond, together with interest and surcharges thereon. The District acknowledges and agrees that (i) the forgiveness of principal of and interest and

surcharges on the Series 2021B Bond by the DNRC is contingent on the timely delivery of this Certificate by the District 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 District a Noncompliance Certificate, (a) the obligation of the District to repay the principal of the Series 2021B 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 2021B 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 2021B Bond and the Resolution, and (b) the District 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 Resolution.

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

BIG SKY COUNTY WATER & SEWER  
DISTRICT NO. 363, MONTANA

\_\_\_\_\_  
President, Board of Directors

\_\_\_\_\_  
Secretary

**\$1,400,000**  
**Subordinate Lien Sewer System Revenue Bonds**  
**(DNRC Water Pollution Control State Revolving Loan Program),**  
**Consisting of \$350,000 Taxable Series 2021B Bond**  
**and \$1,050,000 Series 2021C Bond**  
**Big Sky County Water & Sewer District No. 363, Montana**

**CERTIFICATE OF DISTRICT REGARDING COVERAGE**

We, the undersigned, the duly qualified President of the Board of Directors, Secretary and General Manager of the Big Sky County Water & Sewer District No. 363, Montana (the "District"), do hereby certify on behalf of the District with respect to the issuance of the District's \$1,400,000 Subordinate Lien Sewer System Revenue Bonds (DNRC Water Pollution Control State Revolving Loan Program), consisting of \$350,000 Taxable Series 2021B Bond (the "Series 2021B Bond") and \$1,050,000 Series 2021C Bond (the "Series 2021C Bond") as follows:

1. The Series 2021B Bond and Series 2021C Bond (together, the "Series 2021 SRF Bonds") are being issued pursuant to Resolution No. 21-03, adopted by the Board of Directors of the District on May 18, 2021, as amended and supplemented by Resolution No. 21-04, adopted by the Board of Directors of the District on May 18, 2021 (as so amended and supplemented, the "Resolution"). Capitalized terms used herein without definition shall have the meanings given to them in the Resolution.

2. The Series 2021B Bond and Series 2021C Bond (together, the "Series 2021 Bonds") are being issued to pay the costs of the engineering design ("WRRF Project Engineering") of certain improvements to the District's sewer system (the "System"), consisting of design, construction and installation of various improvements to the System, including upgrading and expanding its water resource recovery facility to better serve existing connections and accommodate build-out within the District's boundaries, with such improvements to include treatment technology upgrades, including biological nutrient removal and membrane bioreactor treatment, and related improvements.

3. The District is issuing its \$42,715,929 Sewer System Revenue Bonds (Resort Tax Revenue Supported), Series 2021A (the "Series 2021A Bond") simultaneously with the Series 2021 SRF Bonds. The Series 2021A Bond is a Bond payable from Net Revenues of the System and from the WRRF Contribution. The Series 2021 SRF Bonds are issued as Subordinate Obligations, payable from Surplus Net Revenues credited to the Subordinate Obligations Account in the Sewer System Fund of the District. The obligation of the District to repay the Series 2021B Bond is expected to be forgiven; therefore, debt service on the Series 2021B Bond is disregarded for purposes of the below calculations.

4. We have reviewed the rates and charges for the District for the System in effect as of the date hereof. Based on its audited financial statements for Fiscal Year 2020, the District received Net Revenues in Fiscal Year 2020 of \$1,177,816 (\$1,836,590 - \$658,774), and based on its budget for Fiscal Year 2021, the District projects it will receive Net Revenues in Fiscal Year

2021 of \$1,101,539 (\$1,951,500 - \$849,961). The District also expects to receive \$2,587,500 in WRRF Contribution in Fiscal Year 2021. It is our opinion that rates and charges will be sufficient to produce Surplus Net Revenues to pay the principal of and interest on the Series 2021C Bond, as and when due, to maintain the Subordinate Reserve Account at the Subordinate Reserve Requirement, and to provide reserves for the replacement and depreciation of the System.

5. On the date hereof, the District will deposit \$33,819 from proceeds of the Series 2021C Bond to the Subordinate Reserve Account in the Subordinate Obligations Account, which amount equals the Subordinate Reserve Requirement for the Series 2021C Bond, assuming the full principal amount of the Series 2021C Bond is advanced. Therefore, on the date hereof, the amount on hand in the Subordinate Reserve Account is equal to the Subordinate Reserve Requirement.

6. The District is not, as of the date hereof, in default in any payment of principal of or interest on any notes or bonds payable from the Sewer System Fund, and no deficiency now exists in the balances required by the Resolution to be maintained in any accounts within the Sewer System Fund. To the best of our knowledge, the District is not in default under any of the provisions of the Resolution.

Dated this 1st day of June, 2021.

BIG SKY COUNTY WATER & SEWER  
DISTRICT NO. 363, MONTANA

  
\_\_\_\_\_  
President of the Board of Directors

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
General Manager

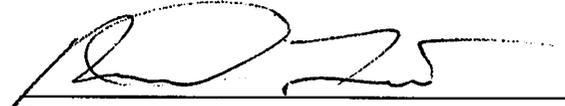
[Signature Page—Series 2021 SRF Bonds Certificate of District Regarding Coverage]

Dated this 1st day of June, 2021.

BIG SKY COUNTY WATER & SEWER  
DISTRICT NO. 363, MONTANA

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President of the Board of Directors



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Secretary



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General Manager

[Signature Page—Series 2021 SRF Bonds Certificate of District Regarding Coverage]