

RESOLUTION NO. 2015-11

RESOLUTION RELATING TO THE FOUR CORNERS COUNTY WATER AND SEWER DISTRICT, GALLATIN COUNTY, MONTANA \$3,060,000 WASTEWATER SYSTEM REVENUE BOND, (COAL SEVERANCE TAX LOAN PROGRAM) SERIES 2015; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF AND CREATING SPECIAL FUNDS AND ACCOUNTS AND PLEDGING CERTAIN REVENUES AS SECURITY THEREFOR

WHEREAS, The Four Corners County Water and Sewer District, Gallatin County, Montana (the "District") is a county water and sewer district, validly organized pursuant to Title 7, Chapter 13, Parts 21 and 22 and is located within the boundaries of Gallatin County, a political subdivision of the State of Montana (the "County"); and

WHEREAS, the District has provided water and sewer services to properties in the District pursuant to a contract for services with Utility Solutions, LLC ("Utility Solutions") since May 24, 2005; and

WHEREAS, the District and Utility Solutions entered into a Buy-Sell Agreement, dated February 17, 2015, pursuant to which, among other things, the District agreed to buy, and Utility Solutions agreed to sell, the water and wastewater systems (the "Systems") owned by Utility Solutions for a purchase price of \$19,500,000 plus an estimated \$3,057,889 (for then yet to be completed wastewater treatment improvements), upon approval of the voters of the District and upon receipt of financing terms from funding agencies acceptable to the Board; and

WHEREAS, the Board submitted to the electors of the District the question of whether the Board should be authorized to issue and sell bonds of the District in an aggregate principal amount not to exceed Twenty-Three Million Dollars (\$23,000,000) consisting of approximately \$16,000,000 of special assessment bonds ("Special Assessment Bonds") payable from an equal amount of special assessments levied annually against each lot or parcel of land in the District for a term of up to thirty (30) years and approximately \$7,000,000 of revenue bonds ("Revenue Bonds") payable by rates and charges imposed by the District for a term of up to twenty (20) years for the purpose of acquiring the water and wastewater piping, treatment plants, equipment and associated land, easements and water rights of Utility Solutions presently serving the lands in the District and Elk Grove Subdivision, including approximately \$3,057,000 of wastewater improvements being constructed by Utility Solutions, LLC; funding reserves; and paying costs associated with the sale and issuance of the bonds (the "Project"); and

WHEREAS, pursuant to a duly conducted mail ballot election held on May 5, 2015, by a vote of 495 for and 26 against, the voters of the District approved the issuance of Special Assessment Bonds in the amount of approximately \$16,000,000 and approximately \$7,000,000 of Revenue Bonds to finance the acquisition of the Systems; and

WHEREAS, the District has received funding commitments for the Project as follows: U.S.D.A purchase of a \$6,700,000 Water Special Assessment Bond, payable over 30 years; U.S.D.A purchase of a \$3,940,000 Water Revenue Bond, payable over 20 years; DNRC SRF Loan Program \$9,300,000 Wastewater Special Assessment Bond, payable over 30 years; and a DNRC Coal Severance Tax Program \$3,060,000 Wastewater Revenue Bond, payable over 20 years; and

WHEREAS, the Board has determined that all of the property incorporated in the District can and will be served by the Systems, if not already served; and therefore, that all properties in the District are benefited by the availability of the Systems, and that it is fair and reasonable that each parcel or lot in the District be assessed special assessments to pay an equal portion of the costs of acquiring the Systems; and

WHEREAS, Section 7-13-2280 through 2290, M.C.A. authorize the District to issue special assessment bonds of the District to acquire, construct or improve water and wastewater facilities upon certain conditions; and

WHEREAS, Section 7-13-2301, M.C.A. authorizes the District to charge a portion of the District's rates and charges for the acquisition of, and construction of improvements to a water and wastewater system; and

WHEREAS, the Board has determined that it is in the best interest of the District that special assessment bonds in the estimated principal amount of \$16,000,000 be issued to finance a portion of the Project, which bonds (as described above with \$9,300,000 for wastewater and \$6,700,000 for water) will have a term of up to 30 years and will be payable from special assessments to be levied annually against each lot or parcel in the District in an equal amount pursuant to Section 7-13-2280 and 7-12-2151(d), M.C.A.; and

WHEREAS, the Board has determined it is in the best interest of the District that revenue bonds, in the estimated principal amount of \$7,000,000, be issued to finance the remaining portion of the Project with such revenue bonds paid from District rates and charges; and

WHEREAS, the District desires to avail itself of the opportunity to acquire financing from DNRC, to finance a portion of the cost of the acquisition of the Wastewater Improvements of the Project and has made an application to DNRC for a loan in the amount of \$3,060,000 and DNRC has indicated its willingness to loan the District said funds upon certain conditions and requirements; and

WHEREAS, for the purposed described above, the Board of Directors of the District now desires to adopt this Resolution, as permitted by Law, authorizing and directing the acquisition, construction and financing of the Project described above herein, the issuance of a wastewater revenue bond payable out of the revenues of the System to finance a portion of the Wastewater portion of such Project, and the sale of such bond to DNRC.

NOW, THEREFOR, BE IT RESOLVED by the Board of Directors of the Four Corners County Water and Sewer District, Gallatin County, Montana (the District), as follows:

Section 1. Definitions, Authorizations and Findings.

1.01 Definitions. The terms defined in this Section 1.01 shall for all purposes of this Resolution have the meanings herein specified, unless the context clearly otherwise requires:

Accountant shall mean a Person engaged in the practice of accounting as a certified public accountant or any other Person authorized under State law to audit and certify financial statements of cities and towns in the State, whether or not employed by the District.

Act shall mean Montana Code Annotated, Title 7, Chapter 7, Parts 22 and 23, as heretofore and hereafter amended or supplemented.

Additional Bonds shall mean any Bonds issued in compliance with Section 4.01.

Additional Notes shall mean any Notes issued pursuant to Section 4.02.

Acquisition and Construction Account shall mean the account described in Section 5.02.

Bonds shall mean the \$3,060,000 Series 2015 CST Wastewater Revenue Bond and any Additional Bonds.

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

Bondholder shall mean the Person in whose name a Series 2015 CST Wastewater Revenue Bond is registered in the Bond Register.

Bond Register shall mean, with respect to the Series 2015 CST Wastewater Revenue Bond, the registration books maintained by the Registrar pursuant to Section 3.03, or, with respect to a series of Additional Bonds, the register to be maintained by the Registrar pursuant to Section 2.07 or the Supplemental Resolution authorizing the issuance of such Bonds.

Business Day shall mean any day other than a Saturday, Sunday or other day on which commercial banks located in the District in which the principal office of the Registrar are not open for business or are authorized by law to close.

Closing Date shall mean the date of delivery of the Series 2015 CST Wastewater Revenue Bond and receipt of the principal thereof.

Code shall mean the Internal Revenue Code of 1986, as amended from time to time.

Board shall mean the District Board of the District or any successor governing body of the District.

District shall mean the Four Corners County Water and Sewer District, Gallatin County, Montana, its successors and assigns.

District Resolution shall mean a resolution, ordinance or other appropriate enactment by the Board certified by the District Secretary to have been duly adopted and to be in full force and effect.

DNRC shall mean the Department of Natural Resources and Conservation of the State of Montana, or any successor or assign.

Fiscal Year shall mean the period commencing on the first day of July of any year and ending on the last day of June of the next year, or any other specified twelve-month period, authorized by law and specified by the Board as the District's fiscal year.

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

Holder shall mean a Bondholder or Noteholder.

Independent shall mean, when used with respect to any specified Person, such a Person who (i) is in fact independent; (ii) does not have any direct financial interest or any material indirect financial interest in the District, other than the payment to be received under a contract for services to be performed by such Person; and (iii) is not connected with the District as an officer, employee, promoter, trustee, partner, director, underwriter or person performing similar functions. Whenever it is herein provided that any Independent Person's opinion or certificate shall be furnished, such Person shall be appointed by the Board and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

Interest Payment Date shall mean a date specified in an Obligation and in this Resolution as a fixed date for payment of an installment of interest on any of the Obligations.

Loan shall mean the loan from the DNRC to the District in an amount not to exceed \$3,060,000.

Maturity shall mean, when used with respect to any Obligation, the date on which the principal of such Obligation becomes due and payable as therein or herein provided, whether at its Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

Net Revenues shall mean the Revenues for a specified period less the Operating Expenses for the same period.

Notes shall mean any Notes or Additional Notes issued pursuant to any Supplemental Resolution.

Note Account shall mean the account created by Section 5.09.

Note Register shall mean, with respect to any Notes or Additional Notes, the register to be maintained by the Registrar in the same manner as the Bond Register under Section 3.03.

Obligations shall mean the Notes and the Bonds issued under this Resolution or a Supplemental Resolution, collectively.

Operating Expenses shall mean the current expenses, paid or accrued, of operation, maintenance and minor repair of the System, excluding interest on the Obligations and depreciation, as calculated in accordance with generally accepted accounting principles, and shall include, without limitation, administrative expenses of the District relating solely to the System, premiums for insurance on the properties thereof, labor and the cost of materials and supplies used for current operation and for maintenance, and charges for the accumulation of appropriate reserves for current expenses which are not recurrent regularly but may reasonably be expected to be incurred.

Opinion of Counsel shall mean a written opinion of counsel, who may (except as otherwise expressly provided in this Resolution) be counsel for the District.

Original Purchaser shall mean, with respect to any series of Bonds, the original purchaser or underwriter of such series of Bonds. The Original Purchaser of the Bond is the DNRC.

Outstanding shall mean, when used with reference to Obligations issued under this Resolution or a Supplemental Resolution, as of the date of determination, all Bonds and Notes theretofore issued except: (i) Obligations theretofore cancelled by the District or the Registrar or delivered to the District or the Registrar cancelled or for cancellation; (ii) Obligations and portions of Obligations for whose

payment or redemption money or Government Obligations (as provided in Section 8) shall have been theretofore deposited in trust for the Holders of such Obligations; provided, however, that if such Obligations are to be redeemed, notice of such redemption shall have been duly given pursuant to this Resolution or irrevocable instructions to call such Obligations for redemption at a stated Redemption Date shall have been given to the District; and (iii) Obligations in exchange for or in lieu of which other Obligations shall have been issued and delivered pursuant to this Resolution; provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Obligations have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Obligations owned by the District shall be disregarded and deemed not to be Outstanding.

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

Principal and Interest Requirements shall mean, with respect to any Outstanding Bonds and for any Fiscal Year, the amount of principal of and interest on such Bonds due and payable during such Fiscal Year, assuming that Outstanding Serial Bonds are to be paid at their Stated Maturities and Outstanding Term Bonds are to be paid on their Sinking Fund Payment Dates according to the mandatory redemption requirements established by the Resolution.

Principal Payment Date shall mean the Stated Maturity of principal of any Serial Bond and each Sinking Fund Payment Date for and the Stated Maturity of any Term Bond.

Project shall mean the acquisition of the water and wastewater piping, treatment plants, equipment and associated land, easements and water rights of Utility Solutions presently serving the lands in the District and Elk Grove Subdivision, including approximately \$3,057,000 of wastewater improvements being constructed by Utility Solutions, LLC; funding reserves; and paying costs associated with the sale and issuance of the Special Assessment Bonds and the Revenue Bonds referenced in the recitals hereto.

Purchaser shall mean, in respect of the Series 2015 CST Wastewater Revenue Bond, the DNRC.

Qualified Investments shall mean those obligations and securities set forth in Section 5.10, in which moneys from time to time in the Wastewater System Fund may be invested.

Rebate Account shall mean the account created by Section 5.08.

Rebate Certificate shall mean the Rebate Certificate executed by the District and filed in the office of the District Secretary, if any, in connection with the issuance of any series of Additional Bonds, as such may be amended or supplemented from time to time in accordance with the provisions thereof.

Redemption Date when used with respect to any Obligation to be redeemed shall mean the date on which it is to be redeemed pursuant hereto.

Redemption Price when used with respect to any Obligation to be redeemed shall mean the price at which it is to be redeemed pursuant hereto.

Registrar shall mean, with respect to the Series 2015 CST Wastewater Revenue Bond, the District Secretary or any successor appointed pursuant to Section 3.02, and, with respect to any series of Additional Bonds, the Person or Persons designated by or pursuant to this Resolution or a Supplemental Resolution to receive and disburse the principal of, premium, if any, and interest on the Bonds on behalf

of the District and to hold and maintain the Bond Register.

Repair and Replacement Account shall mean the account created by Section 5.06.

Reserve Account shall mean the account described in Section 5.05.

Reserve Requirement shall mean, as of the date of reference, an amount equal to one half of the maximum amount of Principal and Interest Requirements on all Outstanding Bonds in the then current or any future Fiscal Year; provided that if Additional Bonds are issued to refund any Outstanding Bonds, then such Additional Bonds shall not be deemed Outstanding for purposes of the Reserve Requirement until the crossover date; and, provided further, that the Reserve Requirement may vary with regard to Additional Bonds that evidence loans from other than the Coal Severance Tax Program, in which case a CST Reserve Subaccount shall be established in the Reserve Account for all Bonds issued to evidence loans under the Coal Severance Tax Program and a General Reserve Subaccount shall be established in the Reserve Account for Additional Bonds that are issued to evidence loans from other than the Coal Severance Tax Program.

Resolution No. 2015-01 shall mean this Resolution, as amended and supplemented by one or more Supplemental Resolutions, if any.

Revenues shall mean all revenues and receipts from rates, fees, charges and rentals imposed for the availability, benefit and use of the System, and from penalties and interest thereon, and from any sales of property which is a part of the System and income received from the investment of such revenues and receipts, including interest earnings on the Reserve Account and the Operating Account, but excluding interest earnings on the Acquisition and Construction Account, Repair and Replacement Account and Surplus Account, and excluding any special assessments or taxes levied for construction or acquisition of any part of the System and the proceeds of any grant or loan from the State or the United States, and any investment income thereon, to the extent such exclusion is a condition to such grant or loan.

Revenue Bond Account shall mean the account described in Section 5.04.

Serial Bonds shall mean Bonds which are not Term Bonds.

Series 2015 CST Wastewater Revenue Bond shall mean the District's Wastewater System Revenue Bond, Series 2015, to be issued in the original maximum principal amount of \$3,060,000, for the purpose of funding a portion of the Project.

Sinking Fund Payment Date shall mean one of the dates set forth in any applicable provisions of a Supplemental Resolution (as to any series of Additional Bonds) for the making of mandatory principal payments for Additional Bonds which are Term Bonds.

State shall mean the State of Montana.

Stated Maturity when used with respect to any Obligation shall mean the date specified in such Obligation as the fixed date on which the principal of such Obligation is due and payable.

Subordinate Lien Obligations shall mean obligations issued under Section 4.03 of this Resolution.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of this Resolution adopted in accordance with the requirements of Section 7.

Surplus Net Revenues shall mean the Net Revenues remaining after credit to the Revenue Bond Account and the Reserve Account; the Operating Account, Revenue Bond Account, and Reserve Account shall have a prior claim to Surplus Net Revenues in the event of any deficiency in such accounts.

System shall mean the District's Wastewater System, as it may at any time exist, including any replacement, expansion and improvement thereof.

Term Bond shall mean any Bond for the payment of the principal of which mandatory payments are required by the Resolution to be made at times and in amounts sufficient to redeem all or a portion of such Bond prior to its Stated Maturity.

Wastewater System Fund shall mean the fund described in Section 5.01.

1.02 Rules of Interpretation.

a) All references in this Resolution to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of this Resolution as originally adopted.

b) The words "herein" and "hereunder" and other words of similar import without reference to any particular Section or subdivision refer to this Resolution as a whole and not to any particular Section or other subdivision unless the context clearly indicates otherwise.

c) The terms defined in Section 1.01 shall include the plural as well as the singular.

d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities.

e) All computations provided herein shall be made in accordance with generally accepted accounting principles applicable to governmental entities consistently applied.

1.03 Authorization. Under the provisions of the Act, the District is authorized to issue and sell its revenue bonds payable during a term not exceeding forty years from their date of issue, to provide funds for the acquisition, reconstruction, improvement, betterment and extension of a municipal Wastewater System or to refund bonds issued for such purposes, provided that the bonds and the interest thereon are to be payable solely out of the income and revenues to be derived from rates, fees and charges for the services, facilities and commodities furnished by such Wastewater System.

1.04 Outstanding Indebtedness. The District currently does not have any outstanding indebtedness. The District intends to issue simultaneously with the issuance of the Series 2015 CST Wastewater Revenue Bond, its \$6,700,000 Water Special Assessment Bond, payable over 30 years; its \$3,940,000 Water Revenue Bond, payable over 20 years; its \$9,300,000 Wastewater Special Assessment Bond, payable over 30 years to complete the Project. There are no other outstanding bonds or indebtedness that are payable from, or secured by, the Wastewater Revenues of the System.

1.05 Determination of Public Interest. The DNRC is authorized by Title 85, Chapter 1, Part 6,

Montana Code Annotated to make a loan to the District. The DNRC will make the loan from its Coal Severance Tax Bond Anticipation Note issued to the Montana State Board of Investments dated January 24, 2014. The District has investigated the facts necessary and hereby finds, determines and declares it is necessary and desirable for the District to issue its Series 2015 CST Wastewater Revenue Bond for the purpose of the Project.

1.06 Sources and Uses of Funds. The total cost of the acquisition of the Water and Wastewater Systems is estimated as follows:

SOURCE OF FUNDS TO ACQUIRE AND FINANCE SYSTEMS

Rd Purchase of Series 2015 Water Bond	\$3,940,000
DNRC/CST Purchase of Series 2015 Wastewater Bond	\$3,060,000
RD Purchase of Series 2015 Water Special Assessment Bond	\$6,700,000
DNRC/SRF Purchase of Series 2015 Wastewater Special Assessment Bond	\$9,300,000
District cash contribution	\$81,000
TOTAL	\$23,081,000

ESTIMATED USE OF FUNDS

Professional Services	\$50,000
Legal Services	\$15,000
Coal Tax Loan Fee	\$91,800
Land/Water & Wastewater Facilities/Rights Purchase	\$22,560,000
Coal Tax Loan Initial Reserve	\$102,200
SRF Loan Reserve	\$222,000
Bond Counsel	\$40,000
TOTAL	\$23,081,000

1.07 Findings and Determinations. It is hereby found, determined and declared by this Board as follows:

(a) The District is authorized under the Act to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the System, and to pledge and appropriate to the payment of outstanding Bonds the revenues to be derived from the operation of the System, including improvements, betterments or extensions thereof hereafter constructed or acquired;

(b) The Wastewater Revenues to be produced by rates, charges and rentals during the term of the Series 2015 CST Wastewater Revenue Bond will be sufficient to pay the principal of and interest when due on the Series 2015 CST Wastewater Revenue Bond, to pay the reasonable and ordinary costs of operating and maintaining the System, and to provide an adequate allowance for replacement and repair, as herein prescribed.

(c) The Series 2015 CST Wastewater Revenue Bond is issued pursuant to an election

held on May 5, 2015, in which the voters in the District voted by a margin of 495 to 26 to approve the issuance of bonds up to \$23,000,000 to pay the estimated Project Costs of acquisition of a water and wastewater system, and is therefore entitled to the benefit of a deficiency tax levy to support the payment of such bonds as described in Section 7-13-2302, MCA. The Board hereby determines and finds that the improvements to be acquired and financed in part by the Series 2015 CST Wastewater Revenue Bond confer a direct benefit on all of the lots or parcels in the District.

(d) It is in the best interests of the District to issue and sell the Series 2015 CST Wastewater Revenue Bond all as provided in this Resolution.

1.08 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, and to pledge and appropriate to the Series 2015 CST Wastewater Revenue Bond herein authorized the Net Revenues to be derived from the operation of the System, including improvements, betterments or extensions thereof hereafter constructed or acquired. The Net Revenues to be produced by such rates, charges and rentals during the term of the Series 2015 CST Wastewater Revenue Bond and the useful life of the improvements financed thereby will, upon reasonable estimates and projections of the District, be sufficient to pay the principal and interest when due on the Series 2015 CST Wastewater Revenue Bond and to create and maintain reasonable reserves therefor and to provide an allowance for replacement and depreciation, as herein described.

1.09 Recitals. All acts, conditions and things required by the Constitution and laws of the State of Montana to be done, to exist, to happen and to be performed prior to the making of the Loan and the issuance of the Series 2015 CST Wastewater Revenue Bond have been done, do exist, have happened, and have been performed in due time, form and manner, wherefore it is now necessary for this Board to establish the form and terms of the Series 2015 CST Wastewater Revenue Bond to evidence the Loan, to provide for the security thereof and to provide for the delivery of the Series 2015 CST Wastewater Revenue Bond.

Section 2. The Series 2015 CST Wastewater Revenue Bond.

2.01 General Title. The general title of the Bond issued pursuant to this Resolution shall be "Wastewater System Revenue Bond (Coal Severance Tax Loan Program) Series 2015." Bonds of any other series issued hereunder shall be titled so as to distinguish them from Bonds of all other series.

2.02 General Limitations; Issuable in Series. The aggregate principal amount of Bonds that may be authenticated and delivered and Outstanding under this Resolution is not limited, except as provided in Sections 3 and 4 and except as may be limited by law.

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

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

or the District within the meaning of any constitutional or statutory provisions whatsoever.

If the Stated Maturity for the payment of any interest on or principal of any Bond or if any Redemption Date or Sinking Fund Payment Date shall be a day which is not a Business Day, then such payment may be made on the next succeeding Business Day, with the same force and effect as if made on such Stated Maturity, Redemption Date or Sinking Fund Payment Date (whether or not such next succeeding Business Day occurs in a succeeding month).

2.03 Terms of Particular Series. Each series of Bonds (except the Series 2015 CST Wastewater Revenue Bond, which is created by Section 3) shall be created by a Supplemental Resolution. The Bonds of each series (other than the Series 2015 CST Wastewater Revenue Bond, as to which specific provision is made in this Resolution) shall bear such date or dates, shall be payable at such place or places, shall have such Stated Maturities and Redemption Dates, shall bear interest at such rate or rates, from such date or dates, shall be payable in such installments and on such dates and at such place or places, and may be redeemable at such price or prices and upon such terms (in addition to the prices and terms herein specified for redemption of all Bonds) as shall be provided in the Supplemental Resolution creating that series, all upon such terms as the District may determine. The District may, at the time of the creation of any series of Bonds or at any time thereafter, make, and the Bonds of that series may contain provision for:

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

2.04 Form and Denominations of Particular Series. The form of the Bonds of each series (other than the Series 2015 CST Wastewater Revenue Bond) shall be established by the provisions of the Supplemental Resolution creating such series. The Bonds of each series shall be distinguished from the Bonds of other series in such manner as the Board may determine.

The Bonds of each series shall be in such denominations as shall be provided in the Supplemental Resolution creating such series (other than the Series 2015 CST Wastewater Revenue Bond). In the absence of any such provision with respect to the Bonds of any particular series, the Bonds of such series shall be in the denomination of \$1,000 or any integral multiple thereof of single maturities.

2.05 Execution and Authentication. The Bonds shall be executed on behalf of the District by the manual or facsimile signature of the President, and attested by the signature of the District Secretary (or other officers of the District authorized by District Resolution); provided that if required by applicable laws, one such signature on each Bond and certificate shall be a manual signature. The seal of the District need not be affixed to or imprinted on any Bond or certificate. Any Bond or certificate bearing the manual or facsimile signature of an individual who was at any time an appropriate officer of the District shall be valid and sufficient for all purposes, regardless whether such individual held such office as of the date of sale, issue or delivery of such Bond or certificate. No Bond or certificate shall

be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution unless and until a certificate of authentication on such Bond or certificate has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on each Bond or certificate need not be signed by the same representative. The executed certificate of authentication on each Bond or certificate shall be conclusive evidence that it has been authenticated and delivered under this Resolution and in accordance with the provisions hereof.

2.06 Temporary Bonds. Pending the preparation of Bonds, the District, if authorized by law, may execute and deliver temporary Bonds which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the Bonds in lieu of which they are issued, with such appropriate insertions, omissions, substitutions and other variations as the officers of the District executing such Bonds may determine, as evidenced by their signing of such Bonds.

If temporary Bonds are issued, the District will cause Bonds to be prepared without unreasonable delay. After the preparation of Bonds, the temporary Bonds shall be exchangeable for Bonds upon surrender of the temporary Bonds, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Bonds the District shall execute and deliver in exchange therefor a like principal amount of Bonds of authorized denominations. Until so exchanged the temporary Bonds shall in all respects be entitled to the same security and benefits under this Resolution as Bonds.

2.07 System of Registration. The District shall appoint, and shall maintain, a bond registrar, transfer agent and paying agent for any series of Additional Bonds (with respect to such Bonds, the "Registrar"). This Section 2.07 shall, except as amended or supplemented by a Supplemental Resolution, establish a system of registration for any series of Additional Bond, as defined in the Model Public Obligations Registration Act of Montana. The effect of registration and the rights and duties of the District and the Registrar with respect thereto shall be as follows:

(a) Bond Register. The Registrar shall keep at its principal office a Bond Register in which the Registrar shall provide for the registration of ownership of such Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged.

(b) Transfer of Bonds. Upon surrender for transfer of any such Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bond of the same series and a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of the transfer of such Bond or portion thereof selected for redemption.

(c) Exchange of Bonds. Whenever any such Bond is surrendered by the registered owner for exchange, the Registrar shall authenticate and deliver one or more new Bonds of the same series and a like aggregate principal amount and maturity, as requested by the registered owner or the owner's attorney in writing.

(d) Cancellation. All Bonds surrendered upon any transfer or exchange shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the District.

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is legally authorized. The Registrar shall incur no liability for its refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The District and the Registrar may treat the Person in whose name any Bond is at any time registered in the Bond Register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the District upon such Bond to the extent of the sum or sums to paid.

(g) Taxes, Fees and Charges. For every transfer or exchange of a Bond (except for an exchange upon a partial redemption of any Bond), the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be lost, stolen or destroyed, the Registrar shall deliver a new Bond of like series, amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond lost, stolen or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond lost, stolen or destroyed, upon receipt by the Registrar of evidence satisfactory to it that such Bond was lost, stolen or destroyed, and of the ownership thereof, and upon receipt by the Registrar of an appropriate bond of indemnity in form, substance and amount satisfactory to it, in which both the District and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the District. If the mutilated, lost, stolen or destroyed Bond has already matured or such Bond has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Bond before payment.

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

Section 3. Terms of the Series 2015 CST Wastewater Revenue Bond.

3.01 Use of Proceeds. The District shall apply the proceeds of the Series 2015 CST Wastewater Revenue Bond as described in Section 1.06 and this Section 3.01. The Loan will be disbursed on the Closing Date for the purposes described in Section 1.06.

3.02 Date, Maturity and Interest. The Series 2015 CST Wastewater Revenue Bond to be issued

and sold pursuant to this Resolution shall be designated a "Wastewater System Revenue Bond (Coal Severance Tax Loan Program), Series 2015," shall be in the maximum principal amount of \$3,060,000, shall be one in number, shall be dated as of the date of delivery to and payment therefor by the Purchaser, and shall bear interest at the rate of three percent (3.00%) per annum. Interest shall be calculated on the basis of a year of 360 days comprising 12 months of 30 days each. The principal of and interest on the Series 2015 CST Wastewater Revenue Bond shall be payable in forty (40) semiannual installments each May 1 and November 1, commencing May 1, 2016, and concluding November 1, 2035. The final payment will be in such lesser or greater amount as is necessary to pay the balance of principal and interest then remaining due. Such installment payments shall be made to the registered holder of the Series 2015 CST Wastewater Revenue Bond, at its address as it appears on the Bond Register on the date such principal and interest are payable, or as otherwise provided in Section 3.03, in lawful money of the United States of America.

3.03 Registration. The Series 2015 CST Wastewater Revenue Bond shall be fully registered as to both principal and interest, and shall be initially registered in the name of and payable to the DNRC. While so registered, principal of and interest on the Series 2015 CST Wastewater Revenue Bond shall be payable to the DNRC at the Office of the Department of Natural Resources and Conservation, 1625 Eleventh Avenue, Helena, Montana 59620-2301 or such other place as may be designated by the DNRC in writing and delivered to the District. The Series 2015 CST Wastewater Revenue Bond shall be negotiable, subject to the provisions for registration and transfer contained in this section. No transfer of the Series 2015 CST Wastewater Revenue Bond shall be valid unless and until (1) the holder, or his duly authorized attorney or legal representative, has executed the form of assignment appearing on each Bond, and (2) the Secretary of the District (the "Registrar"), as Bond Registrar, has duly noted the transfer on the Series 2015 CST Wastewater Revenue Bond and recorded the transfer on the registration books of the Registrar. The Registrar may, prior to noting and recording the transfer, require appropriate proof of the transferor's authority and the genuineness of the transferor's signature. The District shall be entitled to deem and treat the person in whose name the Series 2015 CST Wastewater Revenue Bond is registered as the absolute owner of the Series 2015 CST Wastewater Revenue Bond for all purposes, notwithstanding any notice to the contrary, and all payments to the registered holder shall be valid and effectual to satisfy and discharge the District's liability upon such Bond to the extent of the sum or sums so paid.

3.04 Redemption. The District may prepay and redeem the Series 2015 CST Wastewater Revenue Bond in whole or in part (and, if in part, in inverse order of maturities) by providing 30 days' prior written notice of redemption to the Holder of the Series 2015 CST Wastewater Revenue Bond; provided that, so long as the Holder is the DNRC, the District shall also obtain the prior written consent of the DNRC. The Redemption Price of the Series 2015 CST Wastewater Revenue Bond shall equal the sum of the principal amount of the Series 2015 CST Wastewater Revenue Bond Outstanding plus interest accrued thereon through the Redemption Date, without premium.

3.05 Assignment and Exchange. The Series 2015 CST Wastewater Revenue Bond shall be transferable by the registered owner or its attorney duly authorized in writing upon presentation thereof to the Registrar together with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or its attorney. The following form of assignment shall be sufficient for the purpose:

For value received _____ hereby sells, assigns and transfers unto _____ the within Bond of the Four Corners County Water and Sewer District, Montana, and does hereby irrevocably constitute and

appoint _____, Attorney, to transfer said Bond on the books of said District with full power of substitution in the premises.

Dated: _____ Registered Owner

Such transfer shall also be noted on the Series 2015 CST Wastewater Revenue Bond and in the Bond Register. Upon request of the registered owner or transferee, and upon surrender of any Bond, the District shall execute and deliver, and the Registrar shall authenticate, one or more bonds, in aggregate principal amount (and, if more than one bond is to be issued, in denominations that are multiples of \$1,000, to the extent practicable) equal to the principal amount of the Bond that then remains unpaid, and maturing at the same time or times as the then unpaid principal installments of the Bond, and the Bond shall be promptly canceled by the Registrar. No service charge shall be made for such transfer or exchange, but the District may require payment of a sum sufficient to cover any tax, fee or governmental charge or other expense incurred by the District with respect to such exchange. In the event of a request for the issuance of more than one new bond upon any such exchange, the District Board shall, by resolution, make such provisions relative to the form of such bonds as shall be deemed necessary or desirable to ensure that the terms of and the security for the indebtedness represented by the Bond shall not be varied in any material respect by reason of such exchange.

3.06 Execution and Delivery. The Series 2015 CST Wastewater Revenue Bond shall be prepared under the direction of the District Secretary and shall be executed on behalf of the District by the signature of the President and countersigned by the District Secretary, and sealed with the official corporate seal of the District, if any. When the Series 2015 CST Wastewater Revenue Bond has been executed, the District Secretary shall cause it to be dated as of the date of delivery and delivered to the Purchaser, as the Original Purchaser thereof, upon payment of the purchase price heretofore agreed upon, and the Purchaser shall not be obligated to see to the application of the purchase price.

3.07 Transcript Certification. The officers of the District are directed to furnish to Bond Counsel and the Purchaser certified copies of all proceedings and information in their official records relevant to the authorization, sale, execution and issuance of the Series 2015 CST Wastewater Revenue Bond, and such certificates and affidavits as to other matters appearing in their official records or otherwise known to them as may be reasonably required to evidence the validity and security of the Series 2015 CST Wastewater Revenue Bond, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations and recitals of the District as to the correctness of all facts stated therein and the completion of all proceedings stated therein to have been taken.

3.08 Form of Series 2015 CST Wastewater Revenue Bond. The Series 2015 CST Wastewater Revenue Bond shall be prepared in substantially the form attached as Exhibit A to this Resolution, which is hereby incorporated herein and made a part hereof, with such appropriate variations, omissions and insertions as are permitted or required by this Resolution.

Section 4. Additional Obligations.

4.01 General Provisions. In addition to the Series 2015 CST Wastewater Revenue Bond, whose issuance and delivery is provided for in Section 3, Additional Bonds may at any time and from time to time be issued, sold and delivered by the District but only upon compliance with the conditions of this Section 4.01 and upon filing with the District Secretary of the following:

- (a) A Supplemental Resolution creating the designated series of Additional Bonds

and authorizing the issuance and the sale thereof to the Original Purchaser or Purchasers named therein for the purchase price set forth therein;

(b) An Opinion of Bond Counsel stating in effect:

(1) that all conditions precedent provided for in this Resolution relating to the issuance and delivery of such Additional Bonds have been complied with, including any conditions precedent specified in this Section;

(2) that the series of Additional Bonds when issued and delivered by the District will be valid and binding special, limited obligations of the District in accordance with their terms and this Resolution and entitled to the benefits of and secured by this Resolution; and

(3) that the issuance of such Additional Bonds will not adversely affect the exemption from federal income taxation of the interest on any Bonds then Outstanding.

(c) A certificate signed by the President and District Secretary stating that the District is not then in default under this Resolution and that on the date of issuance of such Additional Bonds the balance in the Reserve Account equals the Reserve Requirement assuming in respect of the Series 2015 CST Wastewater Revenue Bonds the funding requirements of Section 5.05 are current, or the District has provided for increasing the balance in the Reserve Account to the Reserve Requirement upon the issuance of such Additional Bonds, calculated assuming the issuance of such Additional Bonds, and if such balance would not be achieved upon issuance of the Additional Bonds, a certified copy of a Supplemental Resolution covenanting to increase such balance to the Reserve Requirement, assuming in respect of the Series 2015 CST Wastewater Revenue Bonds the funding requirements of Section 5.04 are current, calculated assuming the issuance of the Additional Bonds, within 36 months after the date of issuance of the Additional Bonds from available Net Revenues.

(d) If the Additional Bonds are issued to pay the costs of completing a Project which may not be paid from any other sources, a certificate signed by the President and the District Secretary to that effect.

(e) If the Additional Bonds are issued to finance a Project (i) if the Series 2015 CST Wastewater Revenue Bond is then Outstanding and held by the DNRC, the written consent of the DNRC is obtained; and (ii) a certificate or report from an Independent Accountant or engineer or financial consultant (hereinafter, the "Independent Consultant") stating that the Net Revenues in the Fiscal Year immediately preceding the issuance of such Additional Bonds as shown on financial statements prepared pursuant to Section 6.06 hereof were at least equal to 120% of the maximum Principal and Interest Requirements for any future Fiscal Year (during the term of the then Outstanding Bonds) with respect to the Outstanding Bonds and the Additional Bonds proposed to be issued. For purposes of the preceding sentence but only if the Series 2015 CST Wastewater Revenue Bond is no longer Outstanding, if the District has increased the rates, fees, charges and rentals for the benefit and availability of the System and such rates, fees and charges are in effect at the time of issuance of the Additional Bonds or finally authorized to go into effect within 60 days thereafter or if the District has extended the System to serve additional ratepayers since the

beginning of the preceding Fiscal Year, the Independent Consultant may adjust the historical Net Revenues of the System for the preceding Fiscal Year to include Net Revenues which, in the opinion of the Independent Consultant would have been received had such increased rates, fees, charges and rentals been in effect during the entire preceding Fiscal Year or had such extension of the System been placed in service at the beginning of the preceding Fiscal Year. In addition, if the Independent Consultant determines that additional Operating Expenses will be incurred because of the proposed Project, the annual additional Operating Expenses shall be added to the Operating Expenses for the preceding Fiscal Year in determining Net Revenues for purposes of the first sentence of this paragraph.

(f) If the Additional Bonds are issued to refund any one or more Bonds then Outstanding, there is to be filed with the District Secretary:

(1) either (i) a report of an Independent Accountant to the effect that (a) the proceeds (excluding accrued interest but including any premium) of the Additional Bonds plus any money available and to be withdrawn from the Revenue Bond Account or the Reserve Account for such purpose, will not be less than an amount sufficient to pay the principal of and redemption premium, if any, on the Outstanding Bonds to be refunded and the interest which will become due and payable on and before the Redemption Dates or Stated Maturities of the Bonds to be refunded, or (b) from such proceeds there shall be deposited in an Escrow Account in trust, Government Obligations which do not permit the redemption thereof at the option of the issuer, the principal of and the interest on which when due and payable (or redeemable at the option of the holder thereof) will provide, together with any other money which shall have been deposited irrevocably in the Escrow Account for such purpose, but without reinvestment, sufficient money to pay such principal, any redemption premium and interest; or (ii) if the Supplemental Resolution authorizing the issuance of the refunding Bonds provides for the creation of an escrow account with a bank qualified by law as an escrow agent for this purpose and provides that amounts in such escrow fund are pledged only to and may be used only for the payment of the principal of, if any, or interest on the Additional Bonds until the first optional redemption date of the Outstanding Bonds to be refunded at which time such amounts must be transferred to the Revenue Bond Account and used to pay the principal of and premium, if any, on the Outstanding Bonds to be refunded, a report of an Independent Accountant to the effect that the proceeds of such Additional Bonds to be deposited in such escrow account are in an amount sufficient to pay the principal, if any, and interest on the Additional Bonds payable until the first optional redemption date of the Outstanding Bonds to be refunded and to pay the principal of and premium, if any, on all Outstanding Bonds to be refunded on such date; and

(2) (x) if the Principal and Interest Requirements of the Additional Bonds exceed in any Fiscal Year by more than 5% the Principal and Interest Requirements of the Outstanding Bonds to be refunded, (y) if not all Outstanding Bonds of a series are to be refunded and if the first Stated Maturity of the series of Additional Bonds proposed to be issued is earlier than the final Stated Maturity of any Outstanding Bonds of such series not be refunded, or (z) if the Series 2015 CST Wastewater Revenue Bond would remain Outstanding after the issuance of the Additional Bonds, the consent of the Holder of the Series 2015 CST Wastewater Revenue Bond, and a certificate or report of an Independent Consultant as would be required under the preceding paragraph e of this Section.

4.02 Notes. The District may from time to time issue Notes in anticipation of the issuance of Additional Bonds subject to the following conditions:

- (a) the Additional Bonds in anticipation of which the Notes are issued, assuming a maximum rate of interest on such Bonds, shall be authorized to be issued under Section 5.01;
- (b) the payment of interest on the Notes from the Net Revenues shall be subordinated to Outstanding Bonds and the principal of the Notes shall be payable solely from the proceeds of the Additional Bonds, unless the District is unable to sell the Additional Bonds, in which case the Notes shall be exchanged for the Additional Bonds on a par-for-par basis at an interest rate equal to the maximum rate assumed in subsection (a) of this Section 4.02; and
- (c) the Notes shall have Stated Maturities within three years after their date of issue.

4.03 Subordinate Lien Obligations. Notwithstanding the above provisions of this Section 4, nothing contained in this Resolution or in the Series 2015 CST Wastewater Revenue Bond shall be construed to preclude the District from issuing additional obligations when necessary for the enlargement, improvement or extension of the System without compliance with Section 4.01; provided such additional obligations are expressly made a charge on and are payable only from the Surplus Net Revenues and are subordinate to the Bonds payable from the Revenue Bond Account and secured by the Reserve Account, and provided further, that if the Series 2015 CST Wastewater Revenue Bond is then outstanding and held by the DNRC, the written consent of the DNRC is obtained; provided, however, no obligations may be issued pursuant to this Section 4.03 if a deficiency exists in the Revenue Bond Account or the Reserve Account which is not to be restored by the issuance of the subordinate lien obligations. Any Surplus Net Revenues segregated to pay such subordinate lien obligations in the Wastewater System Fund are subject to the prior appropriation thereof to the Operating Account, Revenue Bond Account or the Reserve Account if necessary to meet the requirements thereof.

Section 5. Wastewater System Fund.

5.01 Bond Proceeds and Revenues Pledged and Appropriated. A special Wastewater System Fund is hereby established as a separate enterprise fund bookkeeping account on the official books of the District until all Obligations and interest and redemption premiums due thereon have been fully paid, or the District's obligations with reference to such Obligations has been discharged as provided in Section 8. All proceeds of Obligations and all other funds presently on hand derived from the operation of the System are irrevocably pledged and appropriated to the Wastewater System Fund. In addition, there is hereby irrevocably pledged and appropriated to the Wastewater System Fund all Revenues. Within the Wastewater System Fund shall be separate accounts designated and described in Sections 5.02 through 5.09, to segregate income and expenses received, paid and accrued for the respective purposes described in those sections. The Revenues received in the Wastewater System Fund shall be apportioned monthly as of the first day of each month, commencing on the first day of the month immediately following the date of issuance and delivery of the Series 2015 CST Wastewater Revenue Bond.

5.02 Acquisition and Construction Account. The Acquisition and Construction Account is hereby established as a separate account within the Wastewater System Fund. The Acquisition and Construction Account shall continue to be maintained and shall be used only to pay as incurred any allowed Project costs, which under generally accepted accounting principles are capital costs of Projects authorized in accordance with law, including but not limited to payments due for work and materials

performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, interest accruing on Bonds during the period of construction of the Project financed thereby and for six months thereafter, if and to the extent that funds on hand in the Revenue Bond Account are not sufficient for payment of such interest, reimbursement of any advances made from other District funds, and all other expenses incurred in connection with the construction and financing of such Projects including the costs of issuance of Bonds. To the Acquisition and Construction Account shall be credited as received all proceeds of Bonds issued to finance Projects and any other funds appropriated by the District for an improvement, betterment or extension to the System, and all income received from the investment of the Acquisition and Construction Account. Upon completion of a Project for which Bond proceeds have been credited to the Acquisition and Construction Account, the balance of such Bond proceeds remaining in the Acquisition and Construction Account may be used to pay the cost of other capital improvements to the System to the extent permitted by the Act but if and to the extent not so used shall be transferred to the Reserve Account to the extent required to establish the Reserve Requirement therein and, to the extent not so required, to the Revenue Bond Account.

5.03 Operating Account. The Operating Account is hereby established as a separate account within the Wastewater System Fund and shall continue to be maintained as provided therein and herein. As of each monthly apportionment there shall be set aside and credited to the Operating Account, as a first charge on the Revenues, such amount as may be required over and above the balance then held in the Operating Account to pay the reasonable and necessary Operating Expenses of the System which are then due and payable, or are to be paid prior to the next monthly apportionment. Operating Expenses shall not include any allowance for interest expense or depreciation, renewals or replacements of capital assets of the System and shall not include any portion of the salaries or wages paid to any officer or employee of the District, except such portion as shall represent reasonable compensation for the performance of duties necessary to the operation of the System. An operating reserve within the Operating Account is to be accumulated and maintained in an amount equal to the average monthly Operating Expenses for the preceding Fiscal Year or for another period selected by the District Board, not less than six consecutive months of the preceding eighteen months. Money in the Operating Account shall be used solely for the payment of current Operating Expenses of the System.

5.04 Revenue Bond Account. The Revenue Bond Account is hereby established as a "Debt Service Account" as a separate account within the Wastewater System Fund and shall continue to be maintained as provided therein and herein. As of each monthly apportionment there shall be credited to the Revenue Bond Account out of the Net Revenues remaining after the credit to the Operating Account an amount equal to not less than one-sixth of the interest due within the next six months on the Series 2015 CST Wastewater Revenue Bond and Additional Bonds then Outstanding payable semi-annually and one-twelfth of the principal, if any, to become due within the next twelve months on the Series 2015 CST Wastewater Revenue Bond and all such Additional Outstanding Bonds payable semi-annually; provided that the District shall be entitled to reduce a monthly apportionment by the amount of any surplus previously credited and then on hand in the Revenue Bond Account. Money from time to time held in the Revenue Bond Account shall be disbursed only to meet payments of principal of and interest on the Bonds as such payments become due; provided that on any date when the amount then on hand in the Revenue Bond Account allocable to a series of Bonds, plus the amount in the Reserve Account allocable to a series of Bonds, are sufficient with other moneys available for the purpose to pay or discharge all Bonds of that series and the interest accrued thereon in full, they may be used for that purpose. If any payment of principal or interest becomes due when money in the Revenue Bond Account is temporarily insufficient therefor, such payment shall be advanced available funds then on hand in the Reserve Account, the Repair and Replacement Account or the Surplus Account, in that

order.

5.05 Reserve Account. The District hereby establishes a Bond Repayment Reserve Account for the Series 2015 CST Wastewater Revenue Bond, which account will be utilized as described herein. On the Closing Date, the District shall deposit in the Reserve Account an amount equal to the Reserve Requirement based on the Loan (approximately \$102,287 attributable to the Series 2015 CST Wastewater Revenue Bond) from a transfer of Series 2015 CST Wastewater Revenue Bond proceeds. Thereafter, upon each monthly apportionment, from the Net Revenues remaining after the apportionment to the Revenue Bond Account, the District shall credit to the Reserve Account such additional Net Revenues as may be required to establish and thereafter maintain the balance in an amount equal, as of the date of calculation, to the Reserve Requirement for the Series 2015 CST Wastewater Revenue Bond and any Additional Bonds. Money in the Reserve Account shall be used only to pay maturing principal and interest when money within the Revenue Bond Account is insufficient therefor; provided that on any date when all outstanding Bonds of a series are due or prepayable by their terms, if the amount then on hand in the Reserve Account allocable to such Bonds and available for such appropriation is sufficient with money available for the purpose to pay all such Bonds and the interest accrued thereon in full, it may be used for that purpose; and provided, further, that so long as the amount on hand in the Reserve Account is not less than the Reserve Requirement, the District may credit earnings on investment of the Reserve Account to the Replacement and Depreciation Account.

If on any Interest Payment Date or Principal Payment Date there shall exist a deficiency in the Revenue Bond Account, the District shall immediately transfer from the Reserve Account to the Revenue Bond Account an amount equal to such deficiency.

If the District issues Additional Bonds the District shall, upon issuance of the Additional Bonds or within 36 months thereafter, in not less than equal monthly installments, from the Net Revenues remaining after the apportionment to the Revenue Bond Account, increase the balance in the Reserve Account to the Reserve Requirement, calculated after giving effect to the issuance of such Additional Bonds.

Money held in the Reserve Account shall be used only to pay maturing principal and interest when money in the Revenue Bond Account is insufficient therefor or to pay or defease a series of Bonds as provided in Section 8.04.

If at any time (including, but not limited to, any Principal Payment Date and any Redemption Date), the balance in the Reserve Account exceeds the Reserve Requirement, the District shall transfer such excess to the Revenue Bond Account.

5.06 Repair and Replacement Account. The Repair and Replacement Account is hereby established as a separate account within the Wastewater System Fund and shall continue to be maintained as provided therein and herein. As of each monthly apportionment, there shall be credited to the Repair and Replacement Account such portion of the Net Revenues, in excess of the current requirements of the Revenue Bond Account and the Reserve Account (the "Surplus Net Revenues"), as the District shall determine to be required for replacement or renewal of worn out, obsolete or damaged properties and equipment of the System. Money in the Repair and Replacement Account shall be used only for the purposes above stated or, if so directed by the Board, to pay Operating Expenses, to redeem Obligations which are prepayable according to their terms, to pay principal or interest when due thereon as required in Section 5.04, to pay Subordinate Lien Obligations or to pay the cost of improvements to

the System or to be transferred to the Rebate Account as provided in Section 5.08; provided that in the event construction and installation of additional improvements or additions to the System are financed other than from Obligations, Surplus Net Revenues from time to time received may be segregated and paid into one or more separate and additional accounts for the repayment of such indebtedness and interest thereon, in advance of payments required to be made into the Repair and Replacement Account.

5.07 Surplus Account. The Surplus Account is hereby established as a separate account within the Wastewater System Fund and shall continue to be maintained as provided therein and herein. Any amount of the Surplus Net Revenues from time to time remaining after the applications thereof required by Sections 5.03 to 5.06 shall be credited to the Surplus Account, and the moneys from time to time in that account, when not required to restore a current deficiency in the Revenue Bond Account, Reserve Account, or the Note Account as provided in Sections 5.04, 5.05, and 5.09, may be used for any of the following purposes and not otherwise:

- (a) To redeem Obligations when and as such Obligations become payable according to their terms; or
- (b) To purchase Obligations on the open market, whether or not the Obligations or other such Obligations may then be prepayable according to their terms; or
- (c) To be held as a reserve for redemption of Obligations payable from the Net Revenues which are not then but will later be prepayable according to their terms; or
- (d) To pay for repairs of or for the construction and installation of improvements or additions to the System; or
- (e) To pay Operating Expenses and to restore the operating reserve or increase the same when determined to be necessary by the Board;
- (f) To pay principal of or interest on, or to redeem, Subordinate Lien Obligations issued under Section 4.03; or
- (g) To be transferred to the Rebate Account as provided in Section 5.08 to meet the requirements thereof.

Except as provided in Section 5.08, no money shall at any time be transferred from the Surplus Account or any other account of the Wastewater System Fund to any other fund of the District, nor shall such moneys at any time be loaned to other District funds or invested in warrants, bonds or other obligations payable from other funds.

5.08 Rebate Account. The Rebate Account is hereby established as a separate account within the Wastewater System Fund and shall continue to be maintained as provided therein and herein. The District shall make deposits to and disbursements from the Rebate Account pursuant to the Rebate Certificate, and for such purposes may make transfers, in the following order of priority, from the Surplus Account, the Repair and Replacement Account and the Reserve Account, as necessary, to meet the requirements of the Rebate Account. The District shall invest the Rebate Account in accordance with the provisions of the Rebate Certificate and shall deposit income from such investments immediately upon receipt thereof in the Rebate Account.

5.09 Note Account. The Note Account is hereby established as a separate account within the

Wastewater System Fund and shall continue to be maintained as provided therein and herein. If a Note is Outstanding, all Net Revenues remaining after the required credits to the Revenue Bond Account, the Reserve Account and the Replacement and Depreciation Account pursuant to this Resolution shall be credited to the Note Account. The District irrevocably appropriates to the Note Account: (a) the proceeds of any Bonds issued to refund one or more Notes, as received and to the extent necessary for the payment of such Notes, and (b) such other money as shall be appropriated to the Note Account from time to time.

Amounts on deposit in the Note Account shall be used solely to pay the principal of and interest on Notes made payable therefrom; provided that if on any date the balance in the Revenue Bond Account or the Reserve Account is less than then required, an amount equal to such deficiency will be transferred from the Net Revenues and investment income therefrom on deposit in the Note Account. Upon payment or discharge of a Note and upon the making of the credits to the Note Account required in connection with any other Notes made payable therefrom, all surplus funds therein shall be transferred to the Surplus Account.

5.10 Deposit and Investment of Funds. The District Secretary shall cause all money pertaining to the Wastewater System Fund to be deposited as received with one or more depository banks duly qualified in accordance with the provisions of Montana Code Annotated, Section 7-6-201, as amended, in a deposit account or accounts. The balance in such accounts, except such portion thereof as shall be guaranteed by federal deposit insurance, shall at all times be secured to its full amount by bonds or securities of the types set forth in said Section 7-6-201, as amended. No money shall at any time be withdrawn from such deposit accounts except for the purposes of the Wastewater System Fund as defined and authorized in this Resolution; except that money from time to time on hand in the Wastewater System Fund may at any time, in the discretion of the Board, be invested in securities which are direct, general obligations of, or obligations the prompt payment of the principal of and the interest on which is fully and unconditionally guaranteed by, the United States of America, which investments mature and bear interest at the times and in the amounts estimated to be required to provide cash when needed for the purposes of the respective accounts; provided that moneys on deposit in the Reserve Account, the Repair and Replacement Account and the Surplus Account may be invested in any such securities, but such securities shall be valued annually at their market value, and if the value of such securities, plus other cash, on hand in the Reserve Account, is less than the Reserve Requirement, the balance therein shall be restored to that amount from any Surplus Net Revenues then on hand in the Surplus Account or the Repair and Replacement Account or from the next Surplus Net Revenues thereafter received. Except as otherwise expressly provided herein, income received from the deposit or investment of money in said accounts shall be credited to the account from which the deposit was made or the investment was purchased, and handled and accounted for in the same manner as other money in that account.

Section 6. Covenants.

6.01 General. The District covenants and agrees with the Holders from time to time of all Bonds that the recitals contained in Sections 1.04, 1.05, 1.06, 1.07, and 1.08 are correct; and that until all Obligations are fully discharged as provided in this 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 provided for, and will maintain, expend and account for its Wastewater System Fund and the several accounts therein as provided in Section 5, 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 Section 5, 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 this Section 6. The District further covenants to cause the System to be properly maintained.

6.02 Competing Service. The District will not establish or enfranchise any other facilities in competition with the facilities of the System.

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

6.04 Liability Insurance and Surety Bonds. The District will carry insurance against liability of the District and its employees for injuries to persons (including death) and damage to property resulting from the construction, operation, maintenance, improvement or extension of the System in amounts not less than \$100,000 for death of or personal injury to any one person, \$300,000 for all personal injuries and deaths resulting from any one accident and \$300,000 for property damage in any one accident. It will also cause all persons handling money and other assets of the Fund to be adequately bonded for the faithful performance of their duties and to account for and pay over such money to the District. Such bond shall be in the penal sum of \$10,000 or such greater amount as may from time to time be on hand in the Revenue Bond Account, the Reserve Account and the Repair and Replacement Account and the Purchaser shall be named a co-obligee thereunder. All amounts received under such insurance and bonds shall be applied to the payment of the loss or damage covered thereby. The premiums for all insurance and bonds required by this Section 6.04 and Section 6.03 constitute part of the Operating Expenses of the System, but no insurance liabilities of the District in excess of amounts received under such insurance and bonds shall constitute a lien or charge on revenues or any other assets herein or otherwise pledged to the Wastewater System Fund.

6.05 Disposition of Property. The District will not mortgage, lease, sell or otherwise dispose of any real or personal properties of the System, unless:

(a) Prior to or simultaneous with such mortgage, lease, sale or other disposition, all of the Bonds then Outstanding shall be discharged as provided in Section 8; or

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

6.06 Books and Records. The District will cause proper and adequate books of record and account to be kept showing complete and correct entries of all receipts, disbursements and other transactions relating to the System, the Net Revenues derived from its operation, and the segregation and application of the Net Revenues in accordance with this Resolution, in such reasonable detail as may be determined by the District in accordance with generally accepted accounting practice and principles. It will cause such books to be maintained on the basis of a Fiscal Year. The District shall, within 240 days after the close of each Fiscal Year, cause to be prepared and supply to the Original Purchasers of all series of Bonds then Outstanding and the Registrar a financial report with respect to the System for such Fiscal Year. The report shall be prepared at the direction of the District Secretary in accordance with applicable generally accepted accounting principles applicable to governmental entities and, in addition to whatever matters may be thought proper by the District Secretary to be included therein, shall include the following:

- (a) A statement in detail of the income and expenditures of the System for the Fiscal Year, identifying capital expenditures and separating them from operating expenditures;
- (b) A balance sheet as of the end of the Fiscal Year;
- (c) The amount on hand in each account of the Wastewater System Fund at the end of the Fiscal Year;
- (d) A list of the insurance policies and fidelity bonds in force at the end of the Fiscal Year, setting out as to each the amount thereof, the risks covered thereby, the name of the insurer or surety and the expiration date of the policy or bond;
- (e) A determination that the report shows full compliance by the District with the provisions of this Resolution during the Fiscal Year covered thereby, including proper segregation of the capital expenditures from Operating Expenses, maintenance of the Reserve Requirement in the Reserve Account, and receipt of Revenues during each Fiscal Year as herein required, or, if the report should reveal that the Net Revenues have been insufficient for compliance with this Resolution, or that the methods used in accounting for such revenues were contrary to any provision of this Resolution, the report shall include a full explanation thereof, together with recommendations for such change in rates or accounting practices or in the operation of the System as may be required; and

The District shall also have prepared and supplied to the Original Purchasers of all series of Obligations then Outstanding and the Registrar, at the time and in accordance with the provisions of Title 2, Chapter 7, Part 5, as amended, an audit report prepared by an Independent Accountant or an agency of the State of Montana in accordance with generally accepted accounting principles and practice with respect to the financial statements and records of the System, and if Outstanding Obligations are held by the DNRC or another agency or instrumentality of the United States of America, in accordance with the following requirements of this paragraph. The audit report shall include an analysis of the District's compliance with the provisions of this Resolution. In addition, the District shall, so long as the Series 2015 CST Wastewater Revenue Bond is Outstanding and the Purchaser is the holder thereof, submit to the Purchaser a proposed budget for the ensuing Fiscal Year as soon as it is available.

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

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

6.09 Rate Covenant. While any Bonds are outstanding and unpaid, the rates, charges and rentals for all services and facilities furnished and made available by the System to the District and its inhabitants, and to all customers within or without the boundaries of the District, shall be reasonable and just, taking into consideration the cost and value of the System and the cost of maintaining and operating them, and the amounts necessary for the payment of all Bonds and the interest accruing thereon, and the proper and necessary allowances for the depreciation of the System, and no free service shall be provided to any person or corporation. It is covenanted and agreed that the rates, charges and rentals to be charged to all recipients of water services shall be maintained and shall be revised, whenever and as often as may be necessary, according to schedules such that the revenues for each fiscal year will be at least sufficient to pay the current expenses of operation and maintenance as herein defined, to maintain the Operating Reserve herein established, to maintain the amounts in the Reserve Account at the Reserve Requirement, to produce Net Revenues during each fiscal year, commencing with the fiscal years ending 2015, and for the fiscal years thereafter not less than 110% of the maximum annual principal and interest payable on any outstanding Bonds in the current or any future fiscal year, and to produce Surplus Net Revenues to pay Subordinate Lien Obligations as and when due.

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

The establishment of the above ratio of Net Revenues available for the Revenue Bond Account is deemed necessary for the DNRC to make the Loan to the District upon terms most advantageous. The excess of the Net Revenues over the annual principal and interest and Reserve Requirement may be used as authorized in Article V of this Resolution. The Series 2015 CST Wastewater Revenue Bond may be prepaid according to its terms on any date, and in the estimation of the governing body of the District any excess, prior to that date, of Net Revenues over principal and interest payments actually due and the balance required to be maintained in the Reserve Account, will be needed to pay or to provide reserves for payment of replacements, renewals and improvement costs, in order to provide adequate service for the present population and the increase thereof reasonably to be expected; and after that date, any excess not required for such purposes in the judgment of the governing body of the District may be used to prepay the Series 2015 CST Wastewater Revenue Bond and thereby reduce the interest cost thereon to the District and to the persons served by the System.

The District further pledges that at least fifteen (15) days before the first day of the month in which the Board of Commissioners of Gallatin County is required by law to levy taxes for county purposes, the District Board shall review the sufficiency of the Wastewater System Fund for payment of

all claims and expenses payable therefrom, including principal and interest payable from the Revenue Bond Account and funds necessary to comply with the requirements of the Reserve Account. If the revenues of the District are then estimated to be inadequate to pay such principal and interest, maintain such reserve or pay the other claims and expenses against the District, the District Board, in accordance with Montana Code Annotated, Section 7-13-2302, shall take all necessary action regarding the levy of a wastewater district bond tax, shall estimate in writing the amount of money required by the District for such purposes and request the County that the amounts necessary for such purposes be levied and collected in the manner prescribed by Montana Code Annotated, Section 7-13-2302 through 7-13-2310. The estimate shall include the amount of the deficiency for such purposes then existing and the amount of the anticipated deficiency for such purposes estimated to arise during the current fiscal year. The proceeds of the levy shall be credited and paid into the appropriate account or fund of the District in which the existing or anticipated deficiency occurred, if and to the extent that the levy was made for claims properly payable therefrom, and shall be credited and paid into the operating Account, Revenue Bond Account and the Reserve Account respectively, if and to the extent that the levy was made with respect to obligations payable from the Revenue Bond Account or requirements of the Reserve Account.

6.10 Billing. The charges for water and wastewater services shall be billed at least monthly, and if the bill is not paid within 60 days of the date of billing, or if the customer fails to comply with all rules and regulations established for the System within 60 days after notice of violation thereof (which notice shall be given promptly upon discovery of any such violation), the water service to the premises involved shall be discontinued and shall not be resumed until payment of all past-due bills for water and wastewater service and compliance with all such rules and regulations.

6.11 Appointment of Superintendent. In the event of default on the part of the District in the prompt and full payment of principal of or interest on any Obligation, or in the keeping of any covenants herein contained, and if such default shall continue for a period of sixty (60) days, the Board will appoint a special superintendent for the System, with the power and responsibility to operate the System for the District and to recommend to the Board such revisions of the rates and charges and operating policies as may be necessary to comply with this Resolution, and to assure that the Revenues will be sufficient to pay all principal of and interest on Obligations, and he shall in all things so operate the System as to comply fully with all the requirements and provisions of this Resolution. The right of the Holders of the Obligations to require employment of such a superintendent shall not be exclusive, and in the event of default as herein outlined, such Holders shall have the right to proceed at law or in equity, in any form of action which shall to them seem appropriate.

6.12 Remedies. The Holders of not less than 25% in principal amount of the Outstanding Obligations shall have the right, either at law or in equity, through suit, action or other proceedings, to protect and enforce the rights of all Holders of such Obligations and to compel the performance of any and all of the covenants required herein to be performed by the District, and its officers and employees, including but not limited to the fixing and maintaining of rates, fees and charges and the collection and proper segregation of Revenues and the application and use thereof. The Holders of a majority in principal amount of Outstanding Obligations shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Holders of the Obligations or the exercise of any power conferred on them and the right to waive a default in the performance of any such covenant, and its consequences, except a default in the payment of the principal of or interest on any Obligation when due. Nothing herein, however, shall impair the absolute and unconditional right of the Holder of each Obligation to receive payment of the principal of, premium, if any, and interest on such Obligation as such principal, premium and interest respectively become due, and to institute suit for any such payment. Any court having jurisdiction of the action may appoint a receiver to administer the System

on behalf of the District with power to charge and collect rates, fees and charges sufficient to provide for the payment of any Obligations, and to apply the Revenues in conformity with this Resolution and the laws of the State.

6.13 Future System Improvements. If at any time the Series 2015 CST Wastewater Revenue Bond is Outstanding, the District plans to make improvements or modifications to the System, such improvements or modifications, regardless of the source of funding therefor, shall be subject to review and approval by DNRC. The District shall be responsible for the timely submission of preliminary plans to DNRC. DNRC approval is based upon consideration of economics, technical feasibility, direct and indirect impacts to the human environment and natural resources, including water quality, floodplains, wetlands and important farmlands.

Section 7. Supplemental Resolutions.

7.01 General. The District reserves the right to adopt Supplemental Resolutions from time to time and at any time, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein, or of making such provisions with regard to matters or questions arising hereunder as the District may deem necessary or desirable and not inconsistent with this Resolution, and which shall not adversely affect the interests of the Holders of Outstanding Obligations, or for the purpose of adding to the covenants and agreements herein contained, or to the Revenues herein pledged, other covenants and agreements thereafter to be observed and additional revenues or income thereafter appropriated to the Wastewater System Fund, or for the purpose of surrendering any right or power herein reserved to or conferred upon the District, or for the purpose of authorizing the creation and issuance of a series of Additional Obligations or subordinate lien obligations, as provided in and subject to the conditions and requirements of Section 4. Any such Supplemental Resolution may be adopted without notice to or the consent of the Holder of any of the Bonds issued hereunder.

7.02 Consent of Holders. With the consent of the Holders of Obligations issued hereunder as provided in Section 7.04, the District may from time to time and at any time adopt a Supplemental Resolution for the purpose of amending this Resolution by adding any provisions hereto or changing in any manner or eliminating any of the provisions hereof or of any Supplemental Resolution, except that no Supplemental Resolution shall be adopted at any time without the consent of the Holders of all Obligations issued hereunder which are then Outstanding and affected thereby, if it would extend the time of payment of interest thereon or principal thereof, would reduce the interest rate thereon or the amount of the principal or the redemption price thereof, would give to any Bond or Bonds any privileges over any other Bond or Bonds, would give to any Note or Notes any privileges over any other Note or Notes, would reduce the sources of revenues or income appropriated to the Wastewater System Fund, or would reduce the percentage in principal amount of such Obligations required to authorize or consent to any such Supplemental Resolution.

7.03 Notice. Notice of the Supplemental Resolution to be adopted pursuant to Section 7.02 shall be mailed by first-class mail to the Holders of all Outstanding Obligations at their addresses appearing in the Bond Register, and shall become effective only upon the filing of written consents with the District Secretary, signed by the Holders of not less than a majority in principal amount of the Obligations then Outstanding and affected thereby. Any written consent to the Supplemental Resolution may be embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by Holders in person or by agent duly appointed in writing, and shall become effective when delivered to the District Secretary. Any consent by the Holder of any

Bond shall bind him and every future Holder of the same Obligation with respect to any Supplemental Resolution adopted by the District pursuant to such consent; provided that any Holder may revoke his consent with reference to any Obligation by written notice received by the District Secretary before the Supplemental Resolution has become effective. In the event that unrevoked consents of the Holders of the required amount of Obligations have not been received by the President within one year after the mailing of notice of the Supplemental Resolution, the Supplemental Resolution and all consents theretofore received shall be of no further force and effect.

7.04 Manner of Consent. Proof of the execution of any consent, or of a writing appointing any agent to execute the same, or of the ownership by any Person of Obligations shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the District if made in the manner provided in this Section 7.04. The fact and date of the execution by any Person of any such consent or appointment may be proved by the affidavit of a witness of such execution or by the certification of any notary public or other officer authorized by law to take acknowledgment of deeds, certifying that the Person signing it acknowledged to him the execution thereof. The fact and date of execution of any such consent may also be proved in any other manner which the District may deem sufficient; but the District may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable. The ownership of Bonds shall be proved by the Bond Register.

Section 8. Defeasance.

8.01 General. When the liability of the District on all Obligations issued under and secured by this Resolution and all interest thereon has been discharged as provided in this Section 8, all pledges, covenants and other rights granted by this Resolution to the Holders of such Obligations shall cease, other than to the payment of such Obligations from money segregated for such purpose. The District may also discharge its liability with respect to one or more Obligations in accordance with this Section 8.

8.02 Maturity. The District may discharge its liability with reference to any Obligations and interest thereon which are due on any date by depositing with the Registrar for such Obligations on or before the date a sum sufficient for the payment thereof in full; or if any Obligation or interest thereon shall not be paid when due, the District may nevertheless discharge its liability with reference thereto by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit.

8.03 Prepayment. The District may also discharge its obligations with respect to any prepayable Obligations called for redemption on any date when they are prepayable according to their terms, by depositing with the Registrar therefor on or before the Redemption Date a sum sufficient for the payment thereof in full; provided that notice of the redemption thereof has been duly given as provided in this Resolution or any Supplemental Resolution relating thereto.

8.04 Escrow. The District may at any time discharge its liability with reference to any Obligations, subject to the provisions of law now or hereafter authorizing and regulating such action and the following paragraphs of this Section, by depositing irrevocably in escrow, with a bank qualified by law as an escrow agent for this purpose, cash or Government Obligations authorized by law to be so deposited, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without reinvestment, to provide funds sufficient to pay all principal, interest and redemption premiums, if any, to become due on such Obligations at their Stated Maturities or, if such Obligations are prepayable and notice of redemption thereof has been duly given or irrevocably provided for, to such

earlier Redemption Date.

Section 9. Tax Matters relating to the Series 2015 CST Wastewater Revenue Bond.

9.01 Use of System. The Wastewater System 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 Wastewater System or security for the payment of the Series 2015 CST Wastewater Revenue Bond which might cause the Series 2015 CST Wastewater Revenue Bond to be considered a “private activity bond” or “private loan bond” within the meaning of Section 141 of the Code.

9.02 General Covenant. The District covenants and agrees with the owners from time to time of the Series 2015 CST Wastewater Revenue 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 2015 CST Wastewater Revenue Bond to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations (the “Regulations”), and covenants to take any and all actions within its powers to ensure that the interest on the Series 2015 CST Wastewater Revenue Bond will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

9.03 Certification as to Expectations. The President and the District Secretary, being the officers of the District charged with the responsibility for issuing the Obligations pursuant to this Resolution, are authorized and directed to execute and deliver to the Original Purchaser thereof 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 2015 CST Wastewater Revenue Bond, it is reasonably expected that the proceeds thereof will be used in a manner that would not cause the Series 2015 CST Wastewater Revenue Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

9.04 Restriction on Yield of Reserve Account - Arbitrage Rebate.


(a) The District hereby agrees to restrict all of its investments of the Reserve Account funds to a yield that is not in excess of the yield of the Series 2015 CST Wastewater Revenue Bond as calculated for purposes of Section 148(f) of the Code.

(b) If the arbitrage rebate provisions of Section 148(f) of the Code apply to the Series 2015 CST Wastewater Revenue Bond, the District hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f).

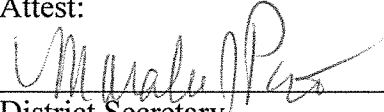
9.05 Information Reporting. The District shall file with the Secretary of the Treasury, not later than February 15, 2016, a statement concerning the Series 2015 CST Wastewater Revenue Bond containing the information required by Section 149(e) of the Code.

Section 10. Effective Date; Repeals. This Resolution shall become effective upon passage and all provisions of ordinances, resolutions and other actions and proceedings of the District which 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.

Passed and adopted by the District Board of the Four Corners County Water and Sewer District, Montana, on this 17 day of November, 2015.



President *vice president*

Attest:


District Secretary

(SEAL)

the Holder is the DNRC, the District shall also obtain the prior written consent of the DNRC. The Redemption Price of the Series 2015 CST Wastewater Revenue Bond shall equal the sum of the principal amount of the Series 2015 CST Wastewater Revenue Bond Outstanding plus interest accrued thereon through the Redemption Date, without premium.

The Series 2015 CST Wastewater Revenue Bond, including interest is payable solely from the Net Revenues pledged for the payment thereof and does not constitute a debt of the District within the meaning of any constitutional, statutory or charter limitation or provision. The Series 2015 CST Wastewater Revenue Bond has been issued for the purpose of providing part of the funds necessary to pay the costs of acquisition and financing a portion of the District's cost of a wastewater system (the "System" from Utilities Solutions, LLC (the "Project"), for the benefit of property within the District, pursuant to the requisite vote of the qualified electors of the District voting on the proposition of authorizing the District to issue and sell its revenue bonds at an election duly called and held in and for the District on May 5, 2015. The principal of and interest on this Bond is payable solely from the Net Revenues of the System as defined in the Resolution provided, however, that if, from any cause, Net Revenues of the System are inadequate to pay the principal hereof and interest hereon when due, the Board of Directors of the District is required by law to estimate to the Board of County Commissioners of Gallatin County, Montana, the amount required for such purposes and the Board of County Commissioners must thereupon levy upon lands in the District benefitted by the Project funded in part by the Bond, exclusive of exempt lands, an assessment designated as a "wastewater district bond tax" in an amount sufficient to provide for such deficiency but not exceeding such benefit. As determined by the Board of the District, the amount of principal and interest due in any fiscal year on the Series 2015 CST Wastewater Revenue Bond does not exceed the amount of revenues anticipated to be received in that fiscal year and the maturity date of the Series 2015 CST Wastewater Revenue Bond does not exceed the estimated useful life of the Project financed by the Series 2015 CST Wastewater Revenue Bond.

The District may deem and treat the person in whose name this Series 2015 CST Wastewater Revenue Bond is registered as the absolute owner hereof, whether this Series 2015 CST Wastewater Revenue 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.

This Series 2015 CST Wastewater Revenue Bond shall be registered in the name of the holder on the bond register of the District kept by the District Secretary as Bond Registrar. This Series 2015 CST Wastewater Revenue Bond is transferable by the registered holder or its attorney duly authorized in writing, upon presentation hereof with a written instrument of transfer satisfactory to the District and duly executed by the registered holder or its attorney. Such transfer shall be noted on the bond register and on the reverse hereof. The District will, upon request, issue to the registered holder or transferee, upon surrender of this Bond, one or more other bonds, in the aggregate principal amount (and, if more than one bond is to be issued, in denominations that are multiples of \$1,000, to the extent practicable) equal to the principal amount of the Bond that then remains unpaid and maturing at the same time or times as the then unpaid principal installments hereof, subject to reimbursement for any tax, fee or governmental charge or other expense incurred by the District with respect to such exchange. The District may treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment of principal and interest and all other purposes, and shall not be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the District has fixed and established and will collect reasonable rates and charges for the services and facilities afforded by the System, and has created a special Wastewater System Fund into which the Revenues of the System (as defined in the Resolution, the "Revenues"), including all additions thereto and replacements and improvements thereof, will be paid, and a separate and special Revenue Bond Account in that fund, into which will be paid each month, Net Revenues of the System then on hand (the Revenues remaining after the payment of Operating Expenses of the System), in an amount equal to not less than the sum of one-sixth of the interest due within the next six months and one-twelfth of the principal due within the next twelve months with respect to all outstanding Bonds payable from that account, and a Reserve Account in that fund into which shall be paid additional Net Revenues sufficient to establish and maintain a reserve therein equal to, as of the date of calculation, the maximum amount of the Reserve Requirement; that the Revenue Bond Account and the Reserve Account will be used only to pay the principal of, premium, if any, and interest on the Bonds issued pursuant to the authority herein recited; that the rates and charges for the System will from time to time be made and kept sufficient to provide Net Revenues for each Fiscal Year equal to 110% of the principal and interest payable from the Revenue Bond Account in any subsequent fiscal year, to maintain the balance in the Reserve Account at the Reserve Requirement, to pay promptly the reasonable and current expenses of operating and maintaining the System, to pay the principal of and interest on any Subordinate Obligations and to provide reserves for the replacement and depreciation of the System; that Additional Bonds and refunding Bonds may be issued and made payable from the Revenue Bond Account on a parity with this Series 2015 CST Wastewater Revenue Bond upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues, unless the lien thereof shall be expressly made subordinate to the lien of the Series 2015 CST Wastewater Revenue Bond, and other Additional Bonds, on such Net Revenues; that all provisions for the security of this Series 2015 CST Wastewater Revenue 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 2015 CST Wastewater Revenue 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 as so required; and that this Series 2015 CST Wastewater Revenue Bond and interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Revenue Bond Account and do not constitute a debt of the District within the meaning of any constitutional, statutory or charter limitation or provision and the issuance of the Series 2015 CST Wastewater Revenue Bond does not cause either the general or the special indebtedness of the District to exceed any constitutional, statutory or charter limitation.

IN WITNESS WHEREOF the Four Corner County Water and Sewer District, Gallatin County, State of Montana, by its District Board, has caused this Bond to be executed on its behalf by the signature of its President, countersigned by the District Secretary, and has caused this Bond to be dated as of _____, 2015.

President

Attest:

District Secretary

(SEAL)

SAMPLE

PROVISIONS FOR REGISTRATION OF TRANSFER AND EXCHANGE

The ownership of this Series 2015 CST Wastewater Revenue Bond and of the interest payable hereon may be transferred to a bona fide purchaser only by delivery hereof with an assignment duly executed by the registered owner or his attorney or legal representative, and the District may treat the registered owner as the person exclusively entitled to receive payments of principal of and interest on this Series 2015 CST Wastewater Revenue Bond and to exercise all the rights and powers of an owner until this Series 2015 CST Wastewater Revenue Bond is presented to the District Secretary of the Four Corners County Water and Sewer District, Montana, as Bond Registrar, accompanied by said assignment and by assurance of the nature provided by law that the same is genuine and effective, and until such transfer is duly registered on the books of the District and noted hereon by the Bond Registrar.

REGISTER

The ownership of the unpaid principal balance of this Series 2015 CST Wastewater Revenue Bond and the interest accruing thereon is registered on the books of the Four Corners County Water and Sewer District, in the name of the registered holder as last noted below:

NO WRITING HEREON EXCEPT BY DISTRICT SECRETARY AS BOND REGISTRAR

The Bond Registrar has transferred on the books of the Four Corners County Water and Sewer District, Montana, on the date last noted below, to the registered assign noted opposite said date, ownership of the principal amount of and interest on this Bond, except the amounts of principal and interest theretofore paid:

<u>Date of Transfer</u>	<u>Registered Assign</u>	<u>Signature of Bond Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

SCHEDULE A
AMORTIZATION SCHEDULE