

RESOLUTION NO. 3652

RESOLUTION RELATING TO FIRST AMENDED AND
RESTATED WATER SYSTEM REVENUE BONDS (DNRC
DRINKING WATER STATE REVOLVING LOAN
PROGRAM); AMENDING AUTHORIZING RESOLUTION
ADOPTED FEBRUARY 12, 2008 AND BONDS

BE IT RESOLVED by the City Council of the City of Miles City, Montana (the
“Issuer”), as follows:

Section 1. Recitals.

1.01. Issuance of Bonds. Pursuant to Resolution No. 768, adopted by the City Council on August 14, 1973 (the “Original Ordinance”), Resolution Nos. 2472, 2700, 3075, 3199 (the “2008 Resolution”), and 3308, adopted by the City Council on May 8, 1990, January 23, 1996, August 23, 2005, February 12, 2008 and November 10, 2009, respectively (the Original Ordinance, as so amended and supplemented, the “Prior Ordinances”), the Issuer authorized, as the Prior Ordinances were then in effect, the issuance of, respectively, its Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2008B (the “Series 2008B Bond”), issued in the maximum principal amount of \$2,200,000, and its Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2008D (the “Series 2008D Bond”), issued in the maximum principal amount of \$2,200,000, to the acquisition, construction and installation of various improvements of the municipal water system and related improvements (collectively, the “Projects”) as part of the municipal water system of the Issuer (the “System”), as more particularly described in the Prior Ordinances. The Series 2008B Bond and the Series 2008D Bond (collectively, the “Prior Bonds”) were purchased and are currently held by the Department of Natural Resources and Conservation of the State of Montana (the “DNRC”). Other than the Prior Bonds, there are no bonds or indebtedness of the Issuer that are outstanding and payable from Net Revenues of the System, except for Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2008A (the “Series 2008A Bond”), issued in the maximum principal amount of \$500,000, its Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2008C (the “Series 2008C Bond”), issued in the maximum principal amount of \$500,000, and its Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009B (the “Series 2009B Bond”), issued in the maximum principal amount of \$333,700. Terms with initial capital letters used but not defined herein have the meanings given them in the Prior Ordinances.

1.02. Interest Rate Reduction. Pursuant to the Intended Use Plan for fiscal year 2013-2014 (the “IUP”) for the Drinking Water State Revolving Loan Program (the “Program”), the DNRC and the Department of Environmental Quality of the State of Montana have determined that it is in the best interests of borrowers of loans made under the Program and the Program to reduce the interest rates available under the Program.

1.03. Reduction in Interest Rate on Prior Bonds. It is proposed that debt service on the Prior Bonds be reduced in accordance with the interest rate reduction proposal under the IUP, thereby reducing the interest rate on (i) the Series 2008B Bond from three and three-quarters

percent (3.75%) per annum to three percent (3.00%) per annum from and after the date of delivery of the First Amended and Restated Series 2008B Bond; and (ii) the Series 2008D Bond from three and three-quarters percent (3.75%) per annum to three percent (3.00%) per annum from and after the date of delivery of the First Amended and Restated Series 2008D Bond.

Section 2. Amendment of Prior Resolutions.

2.01. Authorization. The Issuer, in Section 12.4 of the 2008 Resolution, reserved the right to amend such resolutions upon notice to and with the consent of the DNRC.

2.02. Consent of DNRC. The DNRC has agreed to the amendment of certain provisions of such resolutions in connection with the determination to reduce certain interest rates under the Program.

2.03. Amendment of 2008 Resolution. Pursuant to the authority cited in Sections 2.01 and 2.02 of this resolution,

(a) The 2008 Resolution is hereby amended effective as of the date of delivery of the First Amended and Restated Series 2008B Bond (as hereinafter defined) to read as follows:

(i) all references to the aggregate interest rate, or that interest rate that includes the interest rate and all surcharges, on the Series 2008B Bond are hereby amended to read 3.00% per annum, instead of 3.75% per annum; (ii) all references to the interest rate on the Series 2008B Bond exclusive of any surcharges will continue in effect at 2.00% per annum; (iii) the administrative expense surcharge on the Series 2008B Bond will continue in effect at 0.75% per annum; and (iv) all references to the loan loss reserve surcharge on the Series 2008B Bond are hereby amended to read 0.25% per annum, instead of 1.00% per annum; and

(ii) the total principal amount of the First Amended and Restated Series 2008B Bond is \$1,924,000.

(b) The 2008 Resolution is hereby further amended effective as of the date of delivery of the First Amended and Restated Series 2008D Bond (as hereinafter defined) to read as follows:

(i) all references to the aggregate interest rate, or that interest rate that includes the interest rate and all surcharges, on the Series 2008D Bond are hereby amended to read 3.00% per annum, instead of 3.75% per annum; (ii) all references to the interest rate on the Series 2008D Bond exclusive of any surcharges will continue in effect at 2.00% per annum; (iii) the administrative expense surcharge on the Series 2008D Bond will continue in effect at 0.75% per annum; and (iv) all references to the loan loss reserve surcharge on the Series 2008D Bond are hereby amended to read 0.25% per annum, instead of 1.00% per annum; and

(ii) the total principal amount of the First Amended and Restated Series 2008D Bond is \$1,977,000.

(c) Except as expressly noted herein, other interest rates or surcharges are not adjusted, including, without limitation, interest on past due amounts.

2.04. Amendment of Forms of Bonds. Pursuant to the authority cited in Sections 2.01 and 2.02 of this resolution, effective as of the date of delivery of each series of amended and restated bonds, the Series 2008B Bond attached as Appendix C to the 2008 Resolution is hereby amended and restated in its entirety substantially as set forth on the attached Appendix A (the "First Amended and Restated Series 2008B Bond"), and the Series 2008D Bond attached as Appendix E to the 2008 Resolution is hereby amended and restated in its entirety substantially as set forth on the attached Appendix B (the "First Amended and Restated Series 2008D Bond").

2.05. Effect of Amendments. Except as amended by Section 2.03 of this resolution, the Prior Ordinances shall remain unamended and, from and after the date of delivery of the First Amended and Restated Bonds (as hereinafter defined), shall continue in full force and effect as amended by Section 2.03 of this resolution for the benefit of the holders from time to time of the Series 2008A Bond, the Series 2008C Bond, the Series 2009B Bond, the First Amended and Restated Bonds (as hereinafter defined), and any additional Bonds that may be issued thereunder.

Section 3. Preparation and Delivery of First Amended and Restated Bonds. The First Amended and Restated Series 2008B Bond and the First Amended and Restated Series 2008D Bond (collectively, the "First Amended and Restated Bonds") shall be prepared under the direction of the City Clerk of the Issuer and shall be executed on behalf of the Issuer by the signatures of the Mayor and the City Clerk of the Issuer and sealed with the official corporate seal of the Issuer. When the First Amended and Restated Bonds have been executed, the City Clerk of the Issuer shall cause them to be dated as of the date of delivery and delivered to the DNRC, as purchaser thereof, in anticipation of the surrender of the corresponding Prior Bonds.

Section 4. Revenue Bond Account; Reserve Account. The City Clerk of the Issuer is authorized and directed to transfer amounts in the Revenue Bond Account to pay interest owing on the Prior Bonds as of the date of delivery of the First Amended and Restated Bonds. The City Clerk of the Issuer is further authorized and directed to transfer amounts in the Reserve Account that are made available because of the foregoing interest rate adjustments to prepay one or more series of the Prior Bonds as of the date of delivery of the First Amended and Restated Bonds, if any, to transfer amounts to the Revenue Bond Account to pay interest on the First Amended and Restated Bonds on July 1, 2014, to pay costs of issuance of the First Amended and Restated Bonds, or to any other eligible fund or account or for any other eligible purpose, as described more particularly in certificates or documents delivered in conjunction with the delivery of the First Amended and Restated Bonds.

Section 5. Tax Matters.

5.01. General Covenants. The Issuer covenants and agrees with the owners from time to time of the First Amended and Restated Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the First Amended and Restated Bonds to become includable in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (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 First Amended and Restated Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations. The Projects and the System are each owned and maintained by the Issuer and available for use by members of the general public on a substantially equal basis. The Issuer agrees not to enter into any lease, use or other agreement with any non-governmental person relating to the use of the Projects or the System or security for the payment of the First Amended and Restated Bonds which might cause the First Amended and Restated Bonds to be considered "private activity bonds" or "private loan bonds" within the meaning of Section 141 of the Code.

5.02. Arbitrage Rebate. The City acknowledges that the First Amended and Restated Bonds are subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Treasury Regulations to preserve the exclusion of interest on the First Amended and Restated Bonds from gross income for federal income tax purposes. In furtherance of the foregoing, the Mayor and the Finance Director/City Clerk are hereby authorized and directed to execute a Rebate Certificate, substantially in the form of the Rebate Certificate prepared by Bond Counsel and the City hereby covenants and agrees to observe and perform the covenants and agreements contained therein, unless amended or terminated in accordance with the provisions thereof.

5.03. Certification. The Mayor and the City Clerk of the Issuer, being the officers of the Issuer charged with the responsibility for issuing the First Amended and Restated Bonds pursuant to this resolution, are authorized and directed to execute and deliver to the DNRC certifications to satisfy the provisions of Sections 1.148-2(b) of the Treasury Regulations relating to a reasonable expectation that the proceeds of the First Amended and Restated Bonds will be used in a manner that will not cause them to be arbitrage bonds.

5.04. Information Reporting. The Issuer shall file with the Secretary of the Treasury, not later than May 15, 2014, a statement concerning the First Amended and Restated Bonds containing the information required by Section 149(e) of the Code.

5.05. "Qualified Tax-Exempt Obligations." Pursuant to Section 265(b)(3)(B)(ii) of the Code, the Issuer hereby designates all of the First Amended and Restated Bonds as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code. The Issuer does not intend to designate any obligations in 2014 other than the First Amended and Restated Bonds and its First Amended and Restated Sewer System Revenue Bonds, which are issued simultaneously herewith, under Section 265(b)(3). The Issuer hereby represents that it does not anticipate that obligations bearing interest not includable in gross income for purposes of federal income taxation under Section 103 of the Code (including refunding obligations as provided in Section 265(b)(3) of the Code and including "qualified 501(c)(3) bonds" but excluding other "private activity bonds," as defined in Sections 141(a) and 145(a) of the Code) will be issued by or on behalf of the Issuer and all "subordinate entities" of the Issuer in 2014 in an amount greater than \$10,000,000.

Section 6. Program Covenants. The Issuer agrees that (i) neither it nor any “related person” to the Issuer (within the meaning of Section 147(a)(2) of the Code) shall, whether pursuant to a formal or informal arrangement, acquire bonds issued by the State under the Trust Indenture for the Program in an amount related to the amount of the First Amended and Restated Bonds; and (ii) the issuance of the First Amended and Restated Bonds constitutes a “deemed” refunding of the Prior Bonds effective as of the date of delivery of the First Amended and Restated Bonds and for federal arbitrage purposes the DNRC shall be deemed to have relent the proceeds of the Prior Bonds under the Program to the Issuer effective as of such date.

Section 7. Certification and Effective Date.

7.01. Certification. The officers of the Issuer are authorized and directed to prepare and furnish to the DNRC and to the attorneys rendering an opinion as to the legality of the First Amended and Restated Bonds, certified copies of all ordinances, resolutions and records and such other certificates, affidavits and other instruments as may be required to evidence the validity, status of tax-exempt interest, or marketability of the First Amended and Restated Bonds and all such certified copies, certificates and affidavits shall constitute representations of the Issuer as to the truth of all statements of fact contained therein.

7.02. Effective Date. This resolution shall be in full force and effect from and after its passage. The amendments to the First Amended and Restated Bonds noted herein, however, shall be effective only from and after the date of delivery of the First Amended and Restated Bonds.

Adopted by the City Council of the City of Miles City, Montana, on this 10th day of December, 2013.



Mayor

Attest: 

City Clerk

(SEAL)

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Miles City, Montana (the "City"), hereby certify that the attached resolution is a true copy of Resolution No. 3652 entitled: "RESOLUTION RELATING TO FIRST AMENDED AND RESTATED WATER SYSTEM REVENUE BONDS (DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM); AMENDING AUTHORIZING RESOLUTION ADOPTED FEBRUARY 12, 2008 AND BONDS" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Council of the City at a meeting on December 10, 2013, and that the meeting was duly held by the City Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: Susan Balbraith, William Melnik, John Uden, Jerry Partridge, Mark Ahner, John Hollowell, Roxanna Brush, Dwayne Andrews, voted against the same: _____; abstained from voting thereon: _____; or were absent: _____.

WITNESS my hand officially this 10th day of December, 2013.



City Clerk

APPENDIX B

[FORM OF FIRST AMENDED AND RESTATED SERIES 2008D BOND]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF CUSTER

CITY OF MILES CITY

FIRST AMENDED AND RESTATED
WATER SYSTEM REVENUE BOND
(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)
SERIES 2008D

No. R-2

\$1,977,000

FOR VALUE RECEIVED, THE CITY OF MILES CITY, MONTANA (the "City"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely from the Revenue Bond Account of its Water System Fund, the principal sum of \$1,977,000, with interest on such amount from the date hereof at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the City shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) and twenty-five hundredths of one percent (0.25%), respectively, per annum. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a "Loan Repayment Date") commencing July 1, 2014. Each installment shall reflect an interest rate of three percent (3.00%) per annum and shall be in the amount set forth opposite its due date in Schedule A hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule A hereto. Past-due payments of principal, interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond constitutes a series in the maximum authorized principal amount of \$2,200,000 (the "Series 2008D Bond"), issued to finance a portion of the costs of designing and engineering certain improvements to the water system of the City (the "System"), to make a deposit to the Reserve and to pay costs of issuance of the Series 2008D Bond. The Series 2008D Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Part 44 and

45, as amended, and resolutions duly adopted by the governing body of the City, including Ordinance No. 768, of the City adopted on August 14, 1973 (the "Original Ordinance"), as amended and supplemented by Resolution Nos. 2472, 2700, 3075, 3199, 3308, and 3652, adopted by the City Council on May 8, 1990, January 23, 1996, August 23, 2005, February 12, 2008, November 10, 2009, and December 10, 2013, respectively (as so amended and supplemented, the "Ordinance"). The Series 2008D Bond is issuable only as a single, fully registered bond. The Series 2008D Bond is issued on a parity and is equally and ratably secured by the Net Revenues of the System with the City's First Amended and Restated Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2008B (the "Series 2008B Bond"), which is being issued simultaneously herewith, and the City's outstanding Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2008A (the "Series 2008A Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2008C (the "Series 2008C Bond"), and Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009B (the "Series 2009B Bond").

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2008D Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which additional bonds may be issued under the Resolution and made payable from such Net Revenues on a parity with the Series 2008A Bond, the Series 2008B Bond, the Series 2008C Bond, the Series 2008D Bond and the 2009B Bond (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the City, and the rights of the owners of the Series 2008D Bond.

The City may prepay the principal of the Series 2008D Bond only if (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2008D Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

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

The City may deem and treat the person in whose name this Series 2008D Bond is registered as the absolute owner hereof, whether this Series 2008D Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the City shall not be affected by any notice to the contrary.

This Series 2008D Bond has been designated by the Borrower as a "qualified tax-exempt obligation" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the City has fixed and established and will collect reasonable rates and charges for the services and facilities afforded by the water system of the City (the "System"), and has created a special Water System Fund into which the gross revenues of the System, 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 gross revenues remaining after the payment of Operating Expenses of the System), in an amount equal to, in respect of Bonds that are payable semiannually, 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, and, in respect of Bonds that are payable monthly, the amount of the monthly installment then due; that the City has established a Reserve Account (the "Reserve") with separate subaccounts therein, into which the City shall allocate and credit additional Net Revenues in amounts equal to the Initial Reserve Requirement and the General Reserve Requirement; that the Revenue Bond Account and the Reserve will be used only to pay the principal of, premium, if any, and interest on the Bonds issued pursuant to the authority herein recited, as more particularly described in the Resolution; that the rates and charges for the System will from time to time be made and kept sufficient to provide to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce in each fiscal year Net Revenues in excess of such current expenses equal to 125% of the principal and interest payable from the Revenue Bond Account in any subsequent fiscal year, to maintain the balance in the Reserve 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 the Bonds 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 Bonds and other additional Bonds on such Net Revenues; that all provisions for the security of this Series 2008D 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 City to be done, to exist, to happen and to be performed in order to make this Series 2008D Bond a valid and binding special obligation of the City according to its terms have been done, do exist, have happened and have been performed as so required; and that this Series 2008D Bond and the premium, if any, 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 City within the meaning of any constitutional, statutory or charter limitation or provision and the issuance of the Series 2008D Bond does not cause either the general or the special indebtedness of the City to exceed any constitutional, statutory or charter limitation.

IN WITNESS WHEREOF, the City of Miles City, Montana, by its governing body, has caused this Bond to be executed by the signatures of its signatures of the Mayor and the City Clerk, and has caused the official seal of the City to be affixed hereto, and has caused this Bond to be dated as of the 29th day of January, 2014.

Mayor

(SEAL)

City Clerk

REGISTRATION AND TRANSFER

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

REGISTER

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

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of City Clerk</u>
<u>January 29, 2014</u>	<u>Department of Natural Resources and Conservation 1625 Eleventh Avenue Helena, MT 59620</u>	_____

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

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

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

FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

_____ the within Bond and does hereby
irrevocably constitute and appoint _____ attorney to transfer
the Bond on the books kept for the registration thereof, with full power of substitution in the
premises.

Dated: _____

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

SCHEDULE A

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

[FORM OF FIRST AMENDED AND RESTATED SERIES 2008B BOND]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF CUSTER

CITY OF MILES CITY

FIRST AMENDED AND RESTATED
WATER SYSTEM REVENUE BOND
(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)
SERIES 2008B

No. R-2

\$1,924,000

FOR VALUE RECEIVED, THE CITY OF MILES CITY, MONTANA (the "City"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely from the Revenue Bond Account of its Water System Fund, the principal sum of \$1,924,000, with interest on such amount from the date hereof at the rate of two percent (2.00%) per annum on the unpaid balance until paid. In addition, the City shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) and twenty-five hundredths of one percent (0.25%), respectively, per annum. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a "Loan Repayment Date") commencing July 1, 2014. Each installment shall reflect an interest rate of three percent (3.00%) per annum and shall be in the amount set forth opposite its due date in Schedule A hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge, and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule A hereto. Past-due payments of principal, interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond constitutes a series in the maximum authorized principal amount of \$2,200,000 (the "Series 2008B Bond"), issued to finance a portion of the costs of designing and engineering certain improvements to the water system of the City (the "System"), to make a deposit to the Reserve and to pay costs of issuance of the Series 2008B Bond. The Series 2008B Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Part 44 and

45, as amended, and resolutions duly adopted by the governing body of the City, including Ordinance No. 768, of the City adopted on August 14, 1973 (the "Original Ordinance"), as amended and supplemented by Resolution Nos. 2472, 2700, 3075, 3199, 3308, and 3652, adopted by the City Council on May 8, 1990, January 23, 1996, August 23, 2005, February 12, 2008, November 10, 2009, and December 10, 2013, respectively (as so amended and supplemented, the "Ordinance"). The Series 2008B Bond is issuable only as a single, fully registered bond. The Series 2008B Bond is issued on a parity and is equally and ratably secured by the Net Revenues of the System with the City's First Amended and Restated Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2008D (the "Series 2008D Bond"), which is being issued simultaneously herewith, and the City's outstanding Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2008A (the "Series 2008A Bond"), Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2008C (the "Series 2008C Bond"), and Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009B (the "Series 2009B Bond").

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2008B Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which additional bonds may be issued under the Resolution and made payable from such Net Revenues on a parity with the Series 2008A Bond, the Series 2008B Bond, the Series 2008C Bond, the Series 2008D Bond and the 2009B Bond (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the City, and the rights of the owners of the Series 2008B Bond.

The City may prepay the principal of the Series 2008B Bond only if (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2008B Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

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

The City may deem and treat the person in whose name this Series 2008B Bond is registered as the absolute owner hereof, whether this Series 2008B Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the City shall not be affected by any notice to the contrary.

This Series 2008B Bond has been designated by the Borrower as a "qualified tax-exempt obligation" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the City has fixed and established and will collect reasonable rates and charges for the services and facilities afforded by the water system of the City (the "System"), and has created a special Water System Fund into which the gross revenues of the System, 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 gross revenues remaining after the payment of Operating Expenses of the System), in an amount equal to, in respect of Bonds that are payable semiannually, 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, and, in respect of Bonds that are payable monthly, the amount of the monthly installment then due; that the City has established a Reserve Account (the "Reserve") with separate subaccounts therein, into which the City shall allocate and credit additional Net Revenues in amounts equal to the Initial Reserve Requirement and the General Reserve Requirement; that the Revenue Bond Account and the Reserve will be used only to pay the principal of, premium, if any, and interest on the Bonds issued pursuant to the authority herein recited, as more particularly described in the Resolution; that the rates and charges for the System will from time to time be made and kept sufficient to provide to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce in each fiscal year Net Revenues in excess of such current expenses equal to 125% of the principal and interest payable from the Revenue Bond Account in any subsequent fiscal year, to maintain the balance in the Reserve 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 the Bonds 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 Bonds and other additional Bonds on such Net Revenues; that all provisions for the security of this Series 2008B 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 City to be done, to exist, to happen and to be performed in order to make this Series 2008B Bond a valid and binding special obligation of the City according to its terms have been done, do exist, have happened and have been performed as so required; and that this Series 2008B Bond and the premium, if any, 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 City within the meaning of any constitutional, statutory or charter limitation or provision and the issuance of the Series 2008B Bond does not cause either the general or the special indebtedness of the City to exceed any constitutional, statutory or charter limitation.

IN WITNESS WHEREOF, the City of Miles City, Montana, by its governing body, has caused this Bond to be executed by the signatures of its signatures of the Mayor and the City Clerk, and has caused the official seal of the City to be affixed hereto, and has caused this Bond to be dated as of the 29th day of January, 2014.

Mayor

(SEAL)

City Clerk

REGISTRATION AND TRANSFER

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

REGISTER

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

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of City Clerk</u>
<u>January 29, 2014</u>	<u>Department of Natural Resources and Conservation 1625 Eleventh Avenue Helena, MT 59620</u>	_____

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

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

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

FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

_____ the within Bond and does hereby
irrevocably constitute and appoint _____ attorney to transfer
the Bond on the books kept for the registration thereof, with full power of substitution in the
premises.

Dated: _____

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

SCHEDULE A

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