

**REQUEST FOR ITEM TO BE PLACED ON AGENDA
THOMPSON FALLS CITY COUNCIL**

I, Rusti Phone # _____

request the following item be placed on the agenda for
the 7-10 2025, City Council Meeting:

Please give a brief description of the item to be discussed,
approximate time you need and the results you would like to see.

Information: _____

Time: _____

Action: ① RD Bond Resolution #852

2025 Drinking Water Project

#853 & ② BAN Resolution approving the use
of SRF Bond Anticipation note
as interim construction financing

**All agenda requests must be submitted by Noon on
Wednesday before the Council Meeting.**

From: Nathan Bilyeu <nbilyeu@jmgattorneys.com>
Sent: Monday, January 27, 2025 2:22 PM
To: tfl3557@blackfoot.net
Cc: Mark Sheets; Carrie Gardner; Craig Erickson (cerickson@greatwesteng.com); jennifer.baldassin@usda.gov; Troendle, Steve - RD, Bozeman, MT; annam@mt.gov; Personette, Amy; Wendy Donahoe
Subject: Thompson Falls Water Project Resolutions
Attachments: Revenue Bond Resolution.doc; DNRC BAN Resolution.doc

Hi Chelsea,

The RD Bond Resolution for the 2025 Drinking Water Project and the BAN Resolution approving the use of the SRF Bond Anticipation note as interim construction financing on this project are attached.

RD requires these resolutions to be passed prior to RD providing authorization to go out to bid on the Project. If the bids come in high we may have to pass amending resolutions to adjust the loan amounts and budgets.

Best regards,

*Nathan Bilyeu
Jackson, Murdo & Grant P.C.
203 N. Ewing
Helena, MT 59601
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RESOLUTION NO. 852

**CITY OF THOMPSON FALLS
SANDERS COUNTY, STATE OF MONTANA
WATER SYSTEM REVENUE BOND,
SERIES 2025, \$1,933,000 PRINCIPAL AMOUNT**

A RESOLUTION DIRECTING THE CONSTRUCTION OF IMPROVEMENTS TO THE WATER SYSTEM OF THE CITY OF THOMPSON FALLS, MONTANA, AUTHORIZING AND DIRECTING THE ISSUANCE AND SALE OF THE CITY'S \$1,933,000 SERIES 2025 WATER SYSTEM REVENUE BOND, TO FINANCE AND PAY FOR A PORTION OF THE COSTS OF THE FOREGOING, PROVIDING THE TERMS OF SUCH BOND AND CREATING SPECIAL FUNDS AND ACCOUNTS AND PLEDGING CERTAIN REVENUES AS THE SOLE SOURCES OF SECURITY AND PAYMENT FOR SUCH BOND.

WHEREAS, the City of Thompson Falls in Sanders County, Montana (the "City") is authorized by law, including without limitation Title 7, Chapter 7, Part 44, Montana Code Annotated, to construct, improve, rehabilitate and extend its Water System (the "System"), to prescribe and collect fees and charges for the services provided by the System, to issue and sell revenue bonds to finance and pay for a portion of the costs of constructing, improving, rehabilitating and extending the System, to pledge the revenues of the System for the payment of such revenue bonds, and to make and establish other appropriate covenants and conditions with or for the benefit of the holders of such bonds; and

WHEREAS, the City has hired engineers to design a Project (as defined in Section 1 herein) to improve the System at an estimated cost of \$7,143,413; and

WHEREAS, the City has received commitments for grants to fund a portion of the development and construction of the Project from: the Montana Coal Endowment Program ("MCEP") in the amount of \$750,000; the Montana Department of Natural Resources and Conservation ("DNRC") through a Renewable Resource Grant ("RRGL") in the amount of \$125,000; American Rescue Plan Act Grant ("ARPA") in the amount of \$2,304,413, grants from the United States Department of Agriculture, through its Rural Utilities Services and Rural Development ("RD") in the amount of \$1,831,000; and the City plans to contribute \$200,000 of its own funds; and

WHEREAS, RD is authorized to make certain loans to political subdivisions of the State of Montana, including the City and has made a conditional commitment to the City to purchase

the City's Water System Revenue Bond, in the principal amount of \$1,933,000 (the "Series 2025 Bond"); and

WHEREAS, the City desires to avail itself of the opportunity to acquire financing from RD, ARPA, MCEP and DNRC through issuance of a Bond Anticipation Note, in anticipation of the issuance of the Series 2025 Bond (the "BAN"), and has System funds available to contribute to the financing and the construction, improvement and extension of the System, as and to the extent authorized by Title 7, Chapter 7, Part 44 MCA, and for that purpose the City Council of the City now desires to adopt this Resolution, as permitted by law, authorizing and directing the construction of the Project described herein, and the issuance of the Series 2025 Bond payable solely out of the revenues of the System to finance a portion of the costs of such Project;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF THOMPSON FALLS, SANDERS COUNTY, STATE OF MONTANA, AS FOLLOWS:

ARTICLE I - DEFINITIONS

Section 1.01. Definitions. In this Resolution, unless a different meaning clearly appears from the context;

"Act" means the Title 7, Chapter 7, Part 44, Montana Code Annotated as amended.

"Bond" or "Bonds" means the \$1,933,000 City of Thompson Falls, Water System Revenue Bond authorized by this Resolution and other revenue bonds authorized pursuant to this Resolution.

"Bond Anticipation Note" or "Note" means the note or notes issued by the City pursuant to Section 7-7-109, MCA, to the Montana Department of Natural Resources and Conservation ("DNRC"), including but not limited to the Series 2025 Bond Anticipation Note, in amounts up to the aggregate principal amount of \$1,933,000 to provide payment of Project Costs until the Series 2025 Bond is issued. The Series 2025 Bond will pay off the Bond Anticipation Note in full.

"Bondholder" or "Holder" means any person or entity listed in the registration books of the Treasurer as the holder of a Bond pursuant to Section 3.06 of this Resolution, regardless of whether such Bondholder holds the Bond for his own account or as a fiduciary for another person.

"Bond Repayment Account" means the account and subaccounts therein created by the Clerk/Treasurer in the Water System Fund pursuant to Section 4.01 of this Resolution and treated in the manner described in Sections 4.04 and 5.04 of this Resolution.

"Bond Repayment Reserve Account" means the account and subaccounts therein created by the Clerk/Treasurer in the Water System Fund pursuant to Section 4.01 of this Resolution and treated in the manner described in Sections 4.05 and 5.04 of this Resolution

“City” means the City of Thompson Falls, Montana.

“Construction Account” means the account created by the Clerk/Treasurer in the Water System Fund pursuant to Section 4.01 of this Resolution and treated in the manner described in Section 5.02 of this Resolution.

“Date of Closing” means the date on which the Bond is sold and delivered by the City to RD.

“Defeasance” means any manner of advance refunding of a bond (as described in Section 149(d) of the IRC) where the bond to be refunded is not paid in full at the refunding date but instead paid off over time through escrowed funds from the proceeds of the refunding and where such procedure is prohibited by 7 CFR 1780.94(j)(4).

“DNRC” means the Montana Department of Natural Resources and Conservation, which, among other things, operates the Drinking Water State Revolving Fund.

“Governing Body” means the City Council and Mayor of the City.

“Gross Revenues” means, without limitation, all gross income and receipts: (a) from the rates, fees, charges and rentals imposed on account of the availability, benefit or use of the System as now constituted or hereafter improved, replaced or extended; (b) from penalties and interest on such rates, charges, fees and rentals; (c) from judgments, orders, executions, foreclosures, and settlements in proceedings to collect delinquent payments for use of the System; (d) from sales of property acquired for the System; and (e) from the investment of any of the foregoing. The term does not include amounts received from Special Assessments.

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

“Monthly Apportionment” means the monthly transfer of money between the accounts created pursuant to this Resolution made pursuant to and in the manner prescribed by Section 5.04 of this Resolution.

“Nationally Recognized Bond Counsel” means a firm of attorneys of nationally recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

“Net Revenues” means, for any period of time, the excess of Gross Revenues over Operating Expenses of the System.

“Operating and Maintenance Account” means the account created by the Clerk/Treasurer in the Water System Fund pursuant to Section 4.01 of this Resolution and treated in the manner described in Section 4.03 and 5.04 of this Resolution.

“Operating Expenses” include, without limitation, the reasonable and necessary administrative expenses of the City relating solely to the System, the costs of the audits and financial reports required by this Resolution; the premiums for insurance and fidelity bonds obtained in connection with the property or operation of the System; the costs of labor, materials, and supplies used for current operation and maintenance of the System; the charges for the accumulation of appropriate reserves, in accordance with sound accounting practices, for the current expenses of operating and maintaining the System; legal fees; and all other current expenses, whether paid or accrued, of operating, maintaining, and repairing the System. Operating Expenses shall not include any allowance for depreciation or replacement of capital assets of the System, nor any portion of the salaries or wages paid to any officer or employee of the City except such portion as shall represent reasonable compensation for the performance of duties necessary for the actual operation and maintenance of the System. Operating Expenses do not include interest paid on long term debt.

“Permitted Investments” means the obligations set forth in Section 5.08 of this Resolution that may be purchased with Water System Fund moneys.

“Project” means the design, construction and financing of a new 400,000-gallon storage tank, the replacement of water mains to include new fire hydrants, valves and water meters and boxes and the financing costs of the above.

“Project Costs” means those costs which under generally accepted accounting principles are capital costs of the Project, and of such future improvements and extensions of the Project or the System as may be authorized in accordance with law and this Resolution. Project Costs shall include, but are not limited to: payments due for work and materials performed and delivered under construction contracts; architectural, engineering, contract administration, inspection, supervision, fiscal, and legal expenses; the costs of acquiring land and easements or other interests in land; the costs of acquiring and installing equipment in connection with the Project; debt service on interim financing during the period of construction of the Project; reimbursement of any advances made for the foregoing purpose from other City funds and all other expenses incurred in connection with the construction and financing of the Project.

“RD” means the United States Department of Agriculture, through Rural Utilities Services and Rural Development, their successors and assigns.

“Rebate Amount” means the amount calculated pursuant to Section 5.10 of this Resolution representing excess investment earnings which must be rebated to the United States Treasury.

“Replacement and Depreciation Account” means the account created by the Clerk/Treasurer in the Water System Fund pursuant to Section 4.01 of this Resolution and treated in the manner described in Sections 4.06 and 5.04 of this Resolution.

“Reserve Requirement” means the maximum annual principal and interest payment on the Series 2025 Bond.

“Series 2013B Refunding Bond” means the City’s \$617,000 Water System Refunding Revenue Bond (DNRC Drinking Water Revolving Loan Program), Series 2013B.

“Series 2013C Refunding Bond” means the City’s \$94,000 Water System Revenue Bond (DNRC Drinking Water Revolving Loan Program), Series 2013C.

“Series 2016B Bond” means the City’s \$425,000 Water System Revenue Bond (DNRC Drinking Water Revolving Loan Program), Series 2016B.

“Series 2018B Bond” means the City’s \$238,000 Water System Revenue Bond (DNRC Drinking Water Revolving Loan Program), Series 2018B.

“Series 2021B Bond” means the City’s \$500,000 Water System Revenue Bond (DNRC Drinking Water Revolving Loan Program), Series 2021B.

“Series 2025 Bond Anticipation Note” means the bond anticipation note to be issued by the City to DNRC pursuant to a resolution in the principal amount of \$1,933,000 for the purpose of paying the engineering and related services necessary to obtain the anticipated RD Loans and Grants.

“Series 2025 Bond” means the \$1,933,000 City of Thompson Falls, Sanders County, Montana, Water System Revenue Bond authorized by this Resolution. If the Series 2025 Bond is issued in a different year than the calendar year 2025, the Series designation for the Bond will be the calendar year in which it is issued.

“Short-lived Asset Replacement Reserve Sub-Account” means the account created in the Water System Fund as a sub-account of the Replacement and Depreciation Account pursuant to Section 4.01 and treated in the manner described in Section 4.06 and 5.04 of this Resolution.

“Supplemental Resolution” means a resolution adopted by the City pursuant to Article X of this Resolution.

“Surplus Account” means the account created by the Clerk/Treasurer pursuant to Section 4.01 hereof in the Water System Fund and treated in the manner described in Sections 4.07 and 5.04 of this Resolution.

“Surplus Net Revenues” means Net Revenues available after the Monthly Apportionment to satisfy the requirements of the Bond Repayment Account and the Bond Repayment Reserve Account and the Short-lived Asset Replacement Reserve Sub-Account.

“System” means the Water System of the City.

“Treasurer” means the Clerk/Treasurer of the City.

“Water System Fund” means the fund created by the Clerk/Treasurer pursuant to Section 4.01 of this Resolution.

In addition to the foregoing definitions, other terms are defined or described in subsequent sections or subsections of this Resolution and shall, unless the context otherwise requires, have those same meanings at all places in this Resolution and in related documents where those terms appear.

ARTICLE II - AUTHORIZATION OF PROJECT

Section 2.01 Authorization for the Project. The City is authorized by the Act (specifically Section 7-7-4426(2)(a), MCA) to issue the Series 2025 Bond without a vote of the City residents and System users but only after a vote of the City Council in favor of a resolution to that effect. The City has provided a portion of the interim financing for the Project by issuance of the Series 2025 Bond Anticipation Note pursuant to Section 7-7-109, MCA, and pursuant to subsequent resolutions.

The Governing Body finds that the completion, construction, and operation of the Project is authorized by law, is not contrary to any covenant, agreement, or obligation of the City, and is in the best interests of the residents of the City. The City has received and approved the preliminary plans and specifications for the Project and has determined the necessity for the Project.

Section 2.02 Outstanding Water System Revenue Bonds. The City currently has outstanding its Series 2013B Refunding Bond, its Series 2013C Refunding Bond, its Series 2016B Bond, its Series 2018B Bond, and its Series 2021B.

Section 2.03 Ratification and Repealer. (a) All actions heretofore taken by the City or its officers and agents toward the completion of the Project and the issuance and sale of the Series 2025 Bond (except actions inconsistent with the provisions of this Resolution) are hereby ratified, approved and confirmed.

(b) All provisions of other ordinances and resolutions and all other actions and proceedings of the Governing Body of the City 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.

Section 2.04 Approval of Project Expenditures. All expenditures for Project Costs, and obligations therefor, made or incurred by City officials in the course of their duties prior to the date of this Resolution are hereby ratified and confirmed.

It is presently estimated by the Governing Body that the Project Costs will be as follows:

| | |
|---|------------------|
| Legal fees | \$10,000 |
| Bond Counsel | 25,000 |
| Travel & Training | 1,000 |
| Interim Interest | 16,000 |
| Audit | 20,000 |
| Land and Rights-of-Way | 20,000 |
| Engineering – Basic Services | 864,945 |
| Engineering – RPR | 339,055 |
| Engineering – Geotech | 65,000 |
| Engineering – Hydrogeo Svcs & Well Test | 25,000 |
| Engineering – Project Administration | 76,000 |
| Construction | 4,685,950 |
| Contingency | 995,463 |
| TOTAL | 7,143,413 |

The Governing Body expects to pay the Project Costs from the following sources of funds:

| | |
|-------------------------------|--------------------|
| <u>Project Funding Source</u> | |
| Montana Coal Endowment Fund | \$750,000 |
| RRGL | 125,000 |
| RD Grants | 1,831,000 |
| ARPA | 2,304,413 |
| Series 2025 Bond | 1,933,000 |
| City Funds | 200,000 |
| TOTAL Budget | \$7,143,413 |

Section 2.05 Compliance with Laws. The construction, operation, and maintenance of the Project and the procurement of professional services, construction services and construction materials shall be undertaken and performed in accordance with all applicable federal, state and local statutes, regulations and ordinances including, but not limited to, Section 504 of the Rehabilitation Act of 1978 (29 U.S.C. 794).

Section 2.06 Benefit, Rates and Charges. The City will impose reasonable rates and charges for the availability and use of the System which will, based upon the reasonable estimates and projections of the City's consulting engineer, be sufficient to pay all expenses of operation and maintenance, to provide for depreciation and repairs of the System, to pay installments of principal and interest on the Series 2025 Bond when due and to build and maintain the required reserves as set forth herein.

Section 2.07 Reimbursement of Expenditures. The Internal Revenue Service has issued Section 1.150-2 of the Treasury Regulations (the "Regulations") dealing with the issuance of tax-exempt bonds, all or a portion of the proceeds of which are to be used to reimburse the issuer for the project expenditures made by the issuer prior to the date of issuance of such bonds.

The Regulations generally require that, except for preliminary expenditures of not more than 20% of the Project Costs for such things as engineering, surveying and soil testing, the issuer make a declaration (no later than 60 days after payment of the original expenditures) of its official intent to reimburse itself for such expenditures out of the proceeds of a subsequently issued borrowing, that the borrowing occur and the reimbursement allocation be made from the proceeds of such borrowing within eighteen months of the original expenditure or the date the project is placed in service, and that the expenditure be a capital expenditure or cost of issuance. The City Council desires to comply with the Regulations in the construction of the Project. The City does not expect to reimburse itself from proceeds of the Series 2025 Bond for any of its prior expenditures. However, if it does so reimburse itself, then all reimbursed expenditures shall be expenditures authorized to be reimbursed by Section 1.150-2 of the Regulations. The City intends this Resolution to be the "Reimbursement Resolution" described in Section 1.150-2 of the Regulations.

ARTICLE III - AUTHORIZATION AND TERMS OF REVENUE BOND

Section 3.01 Authorization, Issuance and Sale of Series 2025 Bond. Pursuant to the Act and in order to provide moneys for construction of the Project, the Governing Body of the City hereby authorizes the issuance and sale of the Series 2025 Bond in the aggregate principal amount of \$1,933,000 to RD as the original purchaser upon the terms and conditions stated herein.

Section 3.02 Interest Rate. The Series 2025 Bond shall bear interest from their date at the rate permitted and agreed by the City and RD on the unpaid principal balance thereof. The interest rate permitted and agreed shall be the lower of the rate in effect at the time of loan approval by RD or at the Date of Closing. The City will request the lower rate from RD. The initial rate committed to by RD for the Series 2025 Bond is three and one-eighths percent (3.125%) per annum based on a 365/366 day year over the 40-year term of the Series 2025 Bond based on monthly payments and fully amortized.

Section 3.03 Payment Schedule. The principal of and interest on the Series 2025 Bond shall be payable in monthly installments with the first installment due one month from the date of the issuance of the Series 2025 Bond. The remaining payments are due on the same day each month during the 40-year term of the Series 2025 Bond until the principal of and interest on each of the Series 2025 Bond has been paid in full. Assuming the 3.125% interest per annum is the applicable rate for the Series 2025 Bond, monthly principal and interest payments on the Series 2025 Bond in the amount of \$7,075 shall be paid by check or by pre-authorized deposit on the monthly installment dates for the remaining terms of the Series 2025 Bond. The final monthly installments on the Series 2025 Bond may be in such lesser or greater amount as is necessary to pay the balance of principal and interest then remaining due. Interest is calculated on the basis of a 365/366 day year.

Section 3.04 Payments Due on Saturdays, Sundays and Holidays. In any case in which the date on which an installment payment is due shall be a Saturday, a Sunday, a legal

holiday, or a day on which banking institutions are authorized by law to close, then such installment payment need not be made on such date, but may be made on the next business day that is not a Saturday, a Sunday, a legal holiday, or a day on which banking institutions are authorized by law to close, with the same force and effect as if made on the date on which the installment payment was due. No penalty shall attach to a payment made pursuant to this provision.

Section 3.05 Prepayment and Redemption. The City may at any time prepay all or any part of the principal plus accrued interest on the Series 2025 Bond. Any such prepayment may be made without penalty or premium. Any prepayment shall be identified as such, shall be applied first to accrued interest and then to unpaid principal, and shall not extend or postpone the due date of any subsequent installment payment on the Series 2025 Bond.

Section 3.06 Negotiability, Transfer and Registration. The Series 2025 Bond shall be fully registered as to both principal and interest, and shall be initially registered in the name of and payable to RD. The Series 2025 Bond shall be negotiable, subject to the provisions for registration and transfer contained in this section. No transfer of the Series 2025 Bond shall be valid unless and until (1) the Bondholder, or his duly authorized attorney or legal representative, has executed the form of assignment appearing on the Series 2025 Bond, and (2) the Treasurer, as registrar of the Series 2025 Bond, has duly noted the transfer on the Series 2025 Bond and recorded the transfer on the Treasurer's registration books. The Treasurer may, prior to noting and recording the transfer, require appropriate proof of the transferor's authority and the genuineness of the transferor's signature. In the event that the City adopts or amends a system of registration as provided in Sections 17-5-1101 through 1123, MCA, such system and any amendments thereto shall be applicable to the Series 2025 Bond except to the extent that such system is inconsistent with this Resolution, in which event the terms of this Resolution shall take precedence. The City shall be entitled to deem and treat the person in whose name the Series 2025 Bond is registered as the absolute owner of the Series 2025 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 City's liability upon the Series 2025 Bond to the extent of the sum or sums so paid.

Section 3.07 Execution. The Series 2025 Bond shall be executed on behalf of the City by the manual signature of the Mayor of the City and shall be manually countersigned by the Clerk/Treasurer. Any or all of such signatures may be affixed at or prior to the Date of Closing. In the event that any of the officers who have signed the Series 2025 Bond cease to be officers of the City before the Series 2025 Bond is issued or delivered, their signatures shall remain binding upon the City. Conversely, the Series 2025 Bond may be signed by an authorized official who did not hold such office on the date of this Resolution.

Section 3.08 Delivery. The Series 2025 Bond shall be delivered to RD, or its attorney or legal representative on the Date of Closing. The purchase price of the Series 2025 Bond shall be not less than the principal amount thereof.

Section 3.09 Security. The Series 2025 Bond shall be paid solely from the Water System Fund, to which fund are pledged the Net Revenues generated by the System. The Series 2025 Bond shall have a parity claim to the Net Revenues of the System with the Series 2013B Refunding Bond, the Series 2013C Refunding Bond, the Series 2016B Bond, the Series 2018B Bond, and the Series 2021B Bond.

Section 3.10 Priorities. The Series 2025 Bond shall be secured by and payable out of the Net Revenues of the System without preference or priority over Parity Bonds as described in Section 6.01 hereof. If at any time the Net Revenues on hand in the Water System Fund are insufficient to pay the principal and interest then due on the Series 2025 Bond issued under this Resolution, any and all moneys then available shall be applied to payments then due and overdue in order of the due dates of such payments (earlier-due payments being made before later-due payments), and if available moneys are insufficient to make all payments due on the same date, such moneys shall be applied pro rata first to accrued interest and then to principal.

Section 3.11 Form. The Series 2025 Bond shall be in substantially the following form (with appropriate insertions for dates and amounts as described above):

UNITED STATES OF AMERICA
STATE OF MONTANA
City of Thompson Falls
Sanders County, Montana
Water System Revenue Bond

Series 2025

R-1 Maturity Date: _____ \$1,933,000.00

KNOW ALL PERSONS BY THESE PRESENTS: The City of Thompson Falls (the "City"), a duly organized political subdivision of the State of Montana, acknowledges itself to be indebted to and for value received promises to pay to the order of the **United States of America** or its registered assignee, solely from the Bond Repayment Account of the City's Water System Fund, the principal sum of One Million Nine Hundred Thirty-three Thousand and No/100 Dollars (\$1,933,000.00), plus interest from the date hereof at the rate of three and one-eighth percent (3.125%) per annum on the unpaid balance for the Series 2025 Bond (the "Bond") total term. Principal and interest in the amount of Seven Thousand Seventy-five and 00/100 Dollars (\$7,075.00) shall be paid on the monthly installment dates for the 40-year term of the Bond. The final monthly installment may 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 by check or draft mailed 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 or payments may be made electronically by preauthorized debit arranged for the Registered Owner of the Bond. Interest is calculated on the basis of a 365/366 day year.

This Bond has been issued pursuant to and in full conformity with the constitution and laws of the State of Montana, including without limitation Title 7, Chapter 7, Part 44 of the Montana Code Annotated, and in accordance with Resolution No. _____ of the City, duly adopted on _____, 2025, (the "Resolution"). Reference is hereby made to the Resolution for a description of the terms and conditions other than those herein, upon which this Bond is issued and secured.

The Bond has been issued for the purpose of providing part of the funds necessary to pay the costs of constructing, improving, extending, and rehabilitating the Water System of the City (the "System"). The principal of and interest on the Bond is payable solely from the Net Revenues of the System as defined in the Resolution.

The City may at any time prepay all or any part of the principal, plus accrued interest on the Bond. Any such prepayment may be made without penalty or premium. Any prepayment shall be identified as such, shall be applied first to accrued interest and then to unpaid principal, and shall not extend or postpone the due date of any subsequent installment payment on the Bond.

The City has duly authorized and will forthwith construct and complete the Project as defined in the Resolution. The City will establish and collect reasonable rates and charges for the services afforded by the System of which the Project is a part, and has created a Water System Fund into which the Gross Revenues of the System, including all revenues from additions, replacements and improvements to the System subsequently constructed or acquired, will be paid. The Water System Fund includes a Bond Repayment Account, into which there shall each month be credited, out of the Net Revenues of the System then on hand, amounts sufficient, with similar credits from prior and subsequent months, to meet all payments of principal of and interest on the Bond as they become due. The Water System Fund also includes a Bond Repayment Reserve Account, into which account there shall each month be credited out of the remaining Net Revenues of the System certain additional amounts as provided in the Resolution to establish within ten years from the date hereof and maintain therein a reserve in an amount equal to the annual payment of principal and interest due on the Bonds issued under the Resolution, to be used only to pay the principal of and interest on the Bonds as such principal and interest become due. Rates and charges for the use of the System will be made from time to time in amounts sufficient to provide for the prompt payment of the reasonable and current expenses of operation and maintenance of the System and to produce Net Revenues, in excess of such expenses, sufficient to pay the principal of and interest on the Bonds issued under the Resolution and any additional bonds hereafter issued and made payable from said Net Revenues. The revenues of the System will also be kept sufficient to provide for the replacement of the System as it deteriorates. As defined in the Resolution, the Bond shall have a parity claim to the Net Revenues of the System with the Series 2013B Refunding Bond, the Series 2013C Refunding Bond, the Series 2016B Bond, the Series 2018B Bond and the Series 2021B Bond. Except in so far as parity bonds are authorized in the Resolution, no obligation will be incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be made expressly subordinate to the lien of the Bond on such Net Revenues.

It is hereby certified that all acts, conditions, and things required by law, resolution, or agreement to be done or to have happened prior to or in connection with the issuance of the Bond have been done or have happened, and that the issuance of the Bond does not violate any constitutional or statutory limitation on bonded indebtedness.

IN WITNESS WHEREOF, the City of Thompson Falls, acting by and through its City Council, has caused this Bond to be executed in its behalf by the signature of the Mayor countersigned by the signature of the Clerk/Treasurer of the City, and has caused this Bond to be dated as of _____, 2025.

SAMPLE

Countersigned:
SAMPLE

Mayor

Clerk/Treasurer

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 Treasurer, as bond registrar, has duly noted the transfer on the Bond and recorded the transfer on the Treasurer's registration books. The City shall be entitled to deem and treat the person in whose name a 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 City's liability upon the Bond to the extent of the sum or sums so paid.

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

The Treasurer of the City of Thompson Falls, Sanders County, Montana, acting as registrar for this Bond, has transferred, on the books of the City, on the date last noted below, ownership of the principal amount of and the accrued interest on the Bond to the new registered holder noted next to such date, except amounts of principal and interest theretofore paid.

| Date of Transfer | Name of new Registered Holder | Signature of Bond Registrar |
|------------------|----------------------------------|--------------------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |

ARTICLE IV - WATER SYSTEM FUND AND ACCOUNTS

Section 4.01 Establishment of Fund and Accounts; Pledge of Revenues. The Treasurer has established or shall establish a fund designated as the Water System Fund in the official books of the City, and has or shall establish the following six accounts within the Water System Fund:

- (a) The Construction Account;
- (b) The Operating and Maintenance Account;
- (c) The Bond Repayment Account;
- (d) The Bond Repayment Reserve Account;
- (e) The Replacement and Depreciation Account (which includes a Short-lived Asset Replacement Reserve Subaccount); and
- (f) The Surplus Account.

All Net Revenues derived from operation of the System are irrevocably pledged, appropriated and shall be credited to the Water System Fund and the accounts listed above until the principal of and interest on the Series 2025 Bond issued pursuant to this Resolution have been fully paid or the City's obligation with respect to the Series 2025 Bond has been discharged as provided in this Resolution.

Section 4.02 Construction Account. Money in the Construction Account shall be used only to pay Project Costs and debt service on the Series 2025 Bond and shall be held in bank accounts and disbursed only in the manner prescribed in Section 5.02 of this Resolution.

Section 4.03 Operating and Maintenance Account. Money held in the Operating and Maintenance Account shall be disbursed only to pay the reasonable and necessary Operating Expenses of the System and to make the transfers of money required by Section 5.04 of this Resolution. Money may also be transferred from the Operating and Maintenance Account to the Bond Repayment Account to be used to make prepayments with respect to the Series 2025 Bond or to redeem the Series 2025 Bond. Money may also be transferred from the Operating and Maintenance Account to make payments required to be made for Rebate Amounts due pursuant to the IRC.

Section 4.04 Bond Repayment Account. Money held in the Bond Repayment Account shall be disbursed only to meet the regular installment payments of principal and interest on the Series 2025 Bond as they become due or to redeem or make prepayments with respect to the Series 2025 Bond. If on any regular installment payment date the money in the Bond Repayment Account is insufficient to make the installment payments due, then an amount equal to the amount of the insufficiency shall be transferred to the Bond Repayment Account from (i) the Operating and Maintenance Account, (ii) the Bond Repayment Reserve Account, (iii) the Replacement and Depreciation Account, (iv) the Surplus Account, and (v) the Construction Account, in that order.

Section 4.05 Bond Repayment Reserve Account. Money held in the Bond Repayment Reserve Account shall be disbursed only to the Bond Repayment Account, and only for the purpose of eliminating any insufficiency existing in the Bond Repayment Account at the time of any Monthly Apportionment or regular installment payment date, pursuant to Section 5.04 of this Resolution. The Bond Repayment Reserve Account shall, once it has received sufficient Monthly Apportionments to reach the Reserve Requirement, be maintained, by subsequent Monthly Apportionments, at an amount equal to the Reserve Requirement.

Section 4.06 Replacement and Depreciation Account. Money held in the Replacement and Depreciation Account shall be disbursed only for the following purposes: (a) for the replacement or renewal of worn out, obsolete or damaged property or equipment pertaining to the System; (b) to eliminate any insufficiency in the Bond Repayment Account on any regular installment payment date, pursuant to Section 5.04 of this Resolution; (c) if directed by the Governing Body, for transfer to the Bond Repayment Account or the Bond Repayment Reserve Account pursuant to Section 5.04 of this Resolution to eliminate any insufficiency existing at the time of any Monthly Apportionment; and (d) if directed by the Governing Body, for transfer to the Bond Repayment Account to be used to redeem or make prepayments with respect to the Series 2025 Bond.

Section 4.07 Short-lived Asset Replacement Reserve Sub-Account. Money held in the Short-lived Asset Replacement Reserve Sub-Account of the Replacement and Depreciation Account shall be disbursed for the purpose of replacement, repair or renewal of worn out, obsolete or damaged short-lived property or equipment pertaining to the System. Short-lived Assets are defined as those Water System assets determined by the Governing Body's engineer, as of the completion of the Project, to have as estimated useful life of less than fifteen years. The City will review the amount needed to maintain the Short-lived Assets Reserve every five years and deposit in that reserve sub-account amounts necessary to replace expenditures made therefrom and to adjust for inflation of costs.

Section 4.08 Surplus Account. Money held in the Surplus Account, when not required to restore a current deficiency in the Bond Repayment Account or the Bond Repayment Reserve Account, may be disbursed for the payment of subordinate lien bonds, redemption or prepayment of the Series 2025 Bond, pay for repairs of or construction and installation of improvements or additions to the System or to make payments of Rebate Amounts or provide for an operations reserve.

ARTICLE V - DEPOSITS, TRANSFERS, INVESTMENTS AND WITHDRAWALS

Section 5.01 Deposit of Bond Proceeds. The proceeds of sale and delivery of the Series 2025 Bond shall be deposited at closing in the Construction Account and utilized to pay in full the Series 2025 Bond Anticipation Note.

Section 5.02 Disbursements from Construction Account. In the event grant funds are available from any governmental agencies, then said funds, funds obtained from the Series 2025 Bond Anticipation Note and the proceeds of the Bond hereby authorized shall be deposited in the Construction Account as authorized by the Governing Body from time to time for expenses approved by the RD, and only for the purposes for which said the Series 2025 Bond is issued. Any interest earnings on funds invested shall be deposited in the Construction Account. The City's share of any liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the project. When the construction of the facility has been completed and all interim financing and construction costs have been paid in full, any balance remaining in the Construction Account will be used to prepay the Bond or transferred to the Bond Repayment Reserve Account.

Section 5.03 Deposit of Gross Revenues. The Treasurer shall deposit all Gross Revenues of the System into the Operating and Maintenance Account immediately upon their receipt, and shall disburse such revenues from the Operating and Maintenance Account only in the manner prescribed by Section 5.04 of this Resolution.

Section 5.04 Monthly Apportionment. Each month the Treasurer shall transfer money between the accounts created pursuant to Section 4.01 of this Resolution, which monthly transfers (the "Monthly Apportionment") shall be made as follows:

(a) First, all Operating Expenses then due and owing or subject to accrual (or which will become due and owing or subject to accrual prior to the next Monthly Apportionment) shall be paid from the Operating and Maintenance Account or accrued;

(b) Second, an amount equal to the monthly installment payment due on the Series 2025 Bond (plus the amount of any such transfers required in previous months that were not made due to lack of funds) shall be transferred from the Operating and Maintenance Account to the Bond Repayment Account;

(c) Third, if the money in the Operating and Maintenance Account is insufficient to make the transfer required by subparagraph (b), then an amount equal to the amount of the insufficiency shall be transferred to the Bond Repayment Account from (i) the Bond Repayment Reserve Account or (ii) if directed by the Governing Body, the Replacement and Depreciation Account or the Surplus Account;

(d) Fourth, beginning with the first Monthly Apportionment made in the month following the Date of Closing, the amount of Seven Hundred Eight and 00/100 Dollars (\$708) shall be transferred from the Operating and Maintenance Account to the Bond Repayment Reserve Account, until the balance in the Bond Repayment Reserve Account is equal to the Reserve Requirement for the Series 2025 Bond. The Reserve Requirement for the Series 2025 Bond is Eighty-four Thousand Nine Hundred and 00/100 Dollars (\$84,900);

(e) Fifth, if the money in the Operating and Maintenance Account is insufficient to make the transfer required by subparagraph (d), then an amount equal to the amount of the insufficiency shall be transferred to the Bond Repayment Reserve Account from the Replacement and Depreciation Account or the Surplus Account, if the Governing Body authorized such transfer;

(f) Sixth, there shall be transferred from the Operating and Maintenance Account to the Replacement and Depreciation Account Surplus Net Revenues in an amount of at least Thirty Thousand Eight Hundred Eighty-three and 00/100 (\$30,883) per year for the Short-lived Asset Reserve Replacement Subaccount. The Governing Body may also add funds to the Replacement and Depreciation Account, after it has complied with subsection (a) through (e) above, or in such additional amount which the Governing Body shall by resolution have found to be required for the accumulation of a reasonable fund for replacement or renewal of worn out, obsolete or damaged property or equipment pertaining to the System, and for the costs of improvements, or repairs or additions to the System; and

(g) Seventh, any amount of the Surplus Net Revenues in excess of the current requirements of the Replacement and Depreciation Account shall be credited to the Surplus Account.

Section 5.05 Funding from Other Sources. Nothing in this Resolution shall prevent the City from depositing money from sources other than Gross Revenues into the Water System Fund or any of its Accounts in addition to the transfers and apportionments required by this Resolution. Such voluntary deposits shall be treated as Gross Revenues and shall not thereafter be withdrawn except in accordance with this Resolution. Such voluntary deposits of other money to the Bond Repayment Account or the Bond Repayment Reserve Account may be made in lieu of an equal amount of transfers or apportionments of Net Revenues to such accounts as required by this Resolution.

Section 5.06 Segregation of Moneys. All Net Revenues, and other moneys received by the City pursuant to this Resolution and any Supplemental Resolution are to be deposited into the accounts within the Water System Fund, and all Permitted Investments purchased with moneys deposited therein, shall at all times be kept segregated and set apart from all other funds of the City. No such moneys shall at any time be transferred from any account in the Water System Fund to any other fund of the City, nor shall any moneys at any time be loaned to other City funds or invested in other obligations payable from other funds, except as provided in this Resolution. None of such moneys or investments shall at any time or under any circumstances constitute public funds of the City, nor shall they be subject to lien or attachment by any creditor (except by a creditor acting as or on behalf of a Bondholder). However, the requirements of this section shall not be construed in such a manner as to prevent the aggregation or pooling of moneys in the Water System Fund or one or more of its accounts for the purpose of investing such funds as permitted by this Resolution, so long as such aggregation or pooling, and any investments so made, do not cause Bonds issued hereunder to become "arbitrage bonds" under IRC Section 148(a).

Section 5.07 Deposit of Moneys. The Treasurer shall deposit all money held in the Water System Fund pursuant to this Resolution in one or more financial institutions qualified to serve as depositories for public funds under Section 7-6-201, MCA. The balance in such deposit accounts, except portions guaranteed by federal insurance, shall at all times be secured in the manner provided by Section 7-6-207, MCA, to the full extent of such uninsured portion or to the maximum extent permitted by law.

Section 5.08 Investment of Moneys. Water System Fund moneys may be invested if and to the extent that the City does not need such moneys to be available for immediate use, in direct obligations of the United States Government, savings or time deposits, or other investments authorized for cities in Montana, described in Title 7, Chapter 6, Part 2 of the Montana Code Annotated.

Section 5.09 Investment Income. Except as otherwise provided with respect to the Rebate Amount, income from the deposit or investment of moneys in said accounts shall be credited to the account from whose moneys the deposit was made or the investment was purchased and shall be handled and accounted for in the same manner as other moneys in that account.

Section 5.10 Arbitrage Limitation. The City hereby covenants and agrees with the Bondholder that no part of the proceeds of the Series 2025 Bond or any other funds held by the City shall at any time be used directly or indirectly to acquire securities or obligations the acquisition of which would cause the Series 2025 Bond to be or become an "arbitrage bond" as defined in IRC Section 148(a); provided, however, that the City may at any time request, receive, and rely with full acquittance upon the opinion of Nationally Recognized Bond Counsel that a proposed acquisition will not cause the Series 2025 Bond to be or become an arbitrage bond. Any fees and expenses incurred in providing such opinion of Nationally Recognized Bond Counsel shall be paid by the City and may be paid out of the Operating and Maintenance Account.

The Governing Body of the City recognizes that certain arbitrage profits must be rebated to the United States Treasury Department. The Governing Body agrees to obtain the assistance of Nationally Recognized Bond Counsel in the preparation and passage of any Supplemental Resolution necessitated by the arbitrage requirements of the IRC or promulgation of the Treasury Regulations thereunder. The City hereby covenants to make any determinations, retain records and rebate to the United States Treasury any Rebate Amounts determined to be due at the times and in the manner required by Section 148(f) of the IRC.

ARTICLE VI - ADDITIONAL BONDS

Section 6.01 Parity Bonds. The City reserves the right and privilege of issuing, pursuant to a Supplemental Resolution or resolutions, additional bonds on a parity with and having a lien equal in rank to that of the Series 2025 Bond against the Water System Fund and

the accounts therein and which are payable equally and ratably therefrom without preference, priority, or distinction because of date of issue. Such additional bonds (hereinafter called "Parity Bonds") may be issued only for the purposes and in accordance with the conditions set forth in Sections 6.02, 6.03 and 6.04 of this Resolution.

Section 6.02 Completion Parity Bonds. Parity Bonds may be issued for the purpose of financing the cost or estimated cost of completing the Project (hereinafter called "Completion Parity Bonds"), provided that the scope of the Project has not changed, that other available moneys are insufficient for completing the Project, and that the Completion Parity Bonds together with available moneys will be sufficient to complete the Project.

Section 6.03 Improvement Parity Bonds. (a) Parity Bonds may be issued to finance the cost or estimated cost of providing any further improvement, extension, or rehabilitation of the System (hereinafter called "Improvement Parity Bonds"), provided that the Net Revenues of the System for the fiscal year preceding the issuance of such Improvement Parity Bonds equaled at least 120% of the average annual debt service on the Series 2025 Bond and Parity Bonds to be outstanding immediately after the issuance of such Improvement Parity Bonds.

(b) For the purposes of the foregoing computation, Net Revenues shall be those shown on the official books and records of the City for the applicable period; provided, however, that if the rates and charges for services provided by the System have been changed or will be changed after the commencement of such period, then the rates and charges which will be in effect at the time of issuance of the Improvement Parity Bonds shall be applied to the quantities of service actually rendered and made available during the period in order to ascertain the Gross Revenues, from which there shall be deducted, to determine the Net Revenues, the actual costs of operation and maintenance during the period as shown on the official books and records of the City plus any additional annual costs of operation and maintenance which the Engineer of the City reasonably estimates will be incurred because of the improvement or extension of the System which is proposed to be constructed from the proceeds of the Improvement Parity Bonds or less any savings anticipated by the utilization of the said improvements. Improvement Parity Bonds may not be issued if the City is in default in any payment of principal or interest on any outstanding bonds payable from the Water System Fund or if there exists a deficiency in any of the balances required to be kept pursuant to this Resolution.

Section 6.04 Current Refunding Allowed but No Defeasance Allowed. The City may issue Parity Bonds to currently refund the Series 2025 Bond or Parity Bonds provided that "advance refunding" of the Series 2025 Bond may not occur. For the purposes of meeting RD requirements, no Defeasance of the Series 2025 Bond may occur as that term is described in RUS Regulations, Part 1780, subsection 1780.94(j)(4).

If, at any time, it shall appear to RD that the City is able to currently refund the amount of the Series 2025 Bond then outstanding, in whole or in part, by issuance and sale of bonds to responsible cooperative or private credit sources, at reasonable rates and terms for loans for

similar purposes and periods of time, the City will, upon request of RD, apply for and accept such financing in sufficient amount to repay the Series 2025 Bond.

Section 6.05 Subordinate Bonds. Nothing in this Resolution shall preclude the City from issuing, pursuant to a separate resolution or resolutions, additional bonds when necessary for the improvement, extension, or rehabilitation of the System, provided that such additional bonds (hereinafter called "Subordinate Bonds") are expressly made subordinate to the lien of the Bonds and Parity Bonds authorized by this Resolution on the Net Revenues of the System and all accounts of the Water System Fund.

Section 6.06 Approval of Counsel. Any registered holder of the Series 2025 Bond or Parity Bonds whose aggregate unpaid principal amount constitutes at least ten percent (10%) of the aggregate unpaid principal amount of the Series 2025 Bond and of all outstanding Parity Bonds shall have the right, prior to the issuance of any Parity Bonds or Subordinate Bonds, to require the City to furnish, at the City's expense, either or both of the following:

(a) An opinion of an attorney duly licensed to practice law in Montana to the effect that the City is not then in default on the Series 2025 Bond or any Parity Bond, covenant or any other term or condition of this Resolution;

(b) The opinion of a Nationally Recognized Bond Counsel to the effect that the issuance of the proposed bonds will not violate any covenant, term, or condition of this Resolution, and that the interest on the Series 2025 Bond and Parity Bonds then outstanding shall be and remain exempt from taxation under IRC Section 103.

ARTICLE VII - GENERAL COVENANTS

Section 7.01 Resolution Constitutes Contract Between Bondholder and City. (a) This Resolution constitutes and shall be deemed to be a contract between the City and the Bondholder, and the pledges and the covenants made by the City in this article or elsewhere in this Resolution shall be for the benefit, protection and security of the Bondholder.

(b) No recourse for the payment of any part of the principal of or interest on the Bond or for the satisfaction of any liability arising from the issuance, sale, purchase or ownership of the Bond, or any liability arising from this Resolution, shall be had against any officer, member, employee, or agent of the City in his or her individual capacity, all such liability being hereby expressly released and waived as a condition of and as part of the consideration for the execution of this Resolution and the issuance of the Series 2025 Bond.

(c) Nothing in this Resolution, express or implied, is intended or shall be construed to confer upon or to give to any person or corporation other than the Bondholder any right, remedy, or claim under or by any reason of this Resolution, and the covenants, stipulations, and agreements contained in this Resolution are and shall be for the sole and exclusive benefit of the Bondholder.

Section 7.02 Faithful Performance in General. The City will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and in the Bonds issued hereunder; will pay or cause to be paid to the Bondholder, the principal of and interest on the Series 2025 Bond, on the dates and in the place and manner prescribed in such Series 2025 Bond, provided that such payments will be made solely out of the revenues pledged for the payment thereof pursuant to this Resolution; will not issue any bonds in any manner other than in accordance with the provisions of this Resolution; and will not suffer or permit any default to occur under this Resolution, but will faithfully observe and perform all the conditions, covenants, and requirements hereof. The City will take all steps reasonably necessary to insure that its officers, employees, and agents act in accordance with and in furtherance of the purposes, covenants, and conditions of this Resolution, and the City will adopt and carry out such further resolutions as may be reasonably requested by RD for the purpose of better carrying out the purpose and intent of this Resolution.

Section 7.03 Authority of the City. The City is duly authorized under the constitution and laws of the State of Montana to create and issue the Series 2025 Bond and to adopt and be bound by this Resolution. All actions and proceedings that must be taken by the City for the authorization and issuance of the Series 2025 Bond and the adoption and delivery of this Resolution have been duly and effectively taken, and the Series 2025 Bond will be valid and enforceable obligations of the City in accordance with their terms.

Section 7.04 Pledge. (a) To secure payment of the principal of and interest on the Series 2025 Bond, the City hereby irrevocably pledges and confirms to the Bondholder and grants the Bondholder a security interest in the following revenues, assets and moneys:

- (1) The proceeds of the Series 2025 Bond;
- (2) All moneys and investments in the Water System Fund and all of its accounts as established pursuant to this Resolution;
- (3) Any insurance payments made to the City on account of the loss of or damage to any part of the System or the Project;
- (4) The Net Revenues and any other revenues or property which may in the future be pledged, confirmed, assigned, transferred or conveyed as additional security under this Resolution.

(b) This pledge is valid and binding from the date of the adoption of this Resolution by the Governing Body, and all revenues, assets and moneys so pledged and hereafter received by the City for the System shall immediately be subject to the lien created by the pledge. It is the intention of the City that the lien and security interest created by this pledge shall be valid and binding against all parties having claims of any kind, whether in tort, contract or otherwise, against the City.

(c) If the City shall pay or cause to be paid the principal of and interest due on the Series 2025 Bond at the times and in the manner required or permitted in this Resolution, and shall observe and perform all of the covenants made by it in this Resolution, then this pledge and the rights and interests granted by this Resolution shall cease, terminate and be void.

Section 7.05 Operation of the System. The City will continue to hold, maintain, and operate the System as a public utility and convenience, and will keep the System and its Net Revenues free from all liens other than the liens granted or authorized by this Resolution. The City will not establish or authorize the establishment of any other Water System for the public or other services in competition with any of the services supplied by the facilities of the System.

Section 7.06 Charging and Collection of Fees. The City will maintain, revise, charge, and collect rates and other charges for all service furnished and made available by the System in the manner and to the extent now or hereafter provided by law, according to schedules such that the Gross Revenues derived from the System will be sufficient, when combined with other available funds, to pay when due all expenses of the operation and maintenance of the System, to pay all principal of and interest on the Series 2025 Bond, the Series 2013B Refunding Bond, the Series 2013C Refunding Bond, the Series 2016B Bond, the Series 2018B Bond and the Series 2021B Bond and any other Parity Bonds issued hereunder to provide for the establishment and maintenance of adequate reserves in the amounts required by this Resolution, to provide an allowance adequate for recurring renewals and replacements of the System, and to fulfill the terms of all other agreements with holders of the City's bonds and other obligations.

Section 7.07 Property Insurance. The City will cause all building, properties, fixtures, and equipment constituting a part of the System to be kept insured, during and after construction, with a reputable insurance carrier or carriers qualified under the laws of Montana, in such amounts as are ordinarily carried, against loss or damage by fire, explosion, and such other hazards or risks as are ordinarily insured against by public utilities owning and operating properties of similar character and size. The proceeds of all such insurance shall be available for the repair, replacement, and reconstruction of damaged or destroyed property, and, until paid out in making good for such loss or damage, are pledged as security for the Series 2025 Bond. All insurance proceeds received in excess of amounts required for restoration of the loss or damage compensated thereby shall be and become part of the revenues appropriated and pledged to the Water System Fund. If for any reason the insurance proceeds are insufficient for the repair, replacement, and reconstruction of the insured property, the City shall supply the deficiency from revenues on hand in the Replacement and Depreciation Account; and if such deficiency results from breach of the covenant of this section it will be supplied from any other available City funds.

Section 7.08 Liability Insurance and Surety Bond. The City will cause insurance to be carried against liability of the City and its agents and employees for injuries (including death) to persons and damage to property resulting from the construction, operation, maintenance, improvement or extension of the System, in amounts customarily carried by similar

municipalities for similar systems. The City also will cause worker's compensation insurance to be carried sufficient to comply with the laws of the state of Montana pertaining thereto. The City also will cause all persons handling money and other assets of the Water System Fund to be bonded adequately for the faithful performance of their duties, and to account for and to pay over such money and assets to the City. All amounts received under such insurance and bonds shall be applied to the loss or damage covered thereby.

Section 7.09 Disposition of Property. The City will not mortgage, lease, sell, or otherwise dispose of any real or personal property pertaining to the System, unless:

(a) Prior to or simultaneous with such disposition all outstanding bonds shall be discharged as provided in Article IX of this Resolution; or

(b) (i) The property to be disposed of is unserviceable, inadequate, obsolete, or no longer required for use in connection with the System, (ii) the disposition will not prevent the City from complying with any covenant or condition of this Resolution, and (iii) all proceeds of the disposition are treated in the same manner as Gross Revenues of the System.

Section 7.10 Maintenance of Books and Accounts/Audits. The Clerk/Treasurer shall keep or cause to be kept books of record and account in which complete and correct entries shall be made of all receipts, disbursements and other transactions relating to the System and the accounts created by this Resolution. Such books shall be based on the same fiscal periods as those utilized by the City and shall be subject to inspection by any Bondholder or the representative, duly authorized in writing, of any Bondholder. The City recognizes it is subject to, and agrees to comply with, the State of Montana Single Audit Act in Title 2, Chapter 7, Part 5, MCA.

Section 7.11 Information Reports to U.S. Treasury Department. The City agrees to promptly provide and/or cooperate in providing any reports required by the U.S. Treasury Department relating to the Series 2025 Bond.

Section 7.12 Merger with other Systems. In the event other public entities in the immediate area of the City apply for and receive RD financing for a Water System which could feasibly connect to the City's Water System, then the City agrees to merge with such other systems if physically, legally and economically possible. The term "merge" as used herein includes allowing a neighboring federally funded Water System to purchase and utilize excess capacity of the System.

Section 7.13 Service and Billing. The City will provide service from the System to all areas of the City where it is legally and economically feasible and will charge equitable fees for such service. The charges for Water services will be billed monthly, and if a bill is not paid within the time frame established by the City, or if the customer fails to comply with all rules and regulations established for the System within the time frame established by the City after notice of violation thereof (which notice shall be given promptly upon discovery of any such

violation), the services to the premises involved may be discontinued through the termination of water service and may not be resumed until payment of all past-due bills for sewer services and compliance with all such rules and regulations.

Section 7.14 Rural Development Approval of Additional System Improvements. Any modifications or improvements to the System shall be subject to the review and prior approval of RD and the Montana Department of Environmental Quality, if required, after the City has submitted preliminary plans.

Section 7.15 Arbitrage Rebate Exemption. (a) The City hereby represents that the Series 2025 Bond qualify for the exception for small governmental units to the arbitrage rebate provisions contained in Section 148(f)(4)(D) of the Code. Specifically, the City represents:

(1) The Series 2025 Bond are treated as satisfying the requirements of Section 148(f)(4)(D) of the Code by reason of the fact that the City is a governmental entity with general taxing powers and the Series 2025 Bond is not a private activity bond;

(2) The aggregate face amount of all “tax-exempt bonds” (including warrants, contracts, leases and other indebtedness, but excluding private activity bonds and current refunding bonds) issued by or on behalf of the City and all subordinate entities thereof during 2025 are not expected to exceed \$5,000,000; and

(3) 95% or more of the net proceeds of the Series 2025 Bond are to be used for governmental purposes.

(b) If notwithstanding the provisions of paragraph (a) of this Section 10.4, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Series 2025 Bond, the City 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).

Section 7.16 Qualified Tax-Exempt Obligation. Pursuant to Section 265(b)(3)(B)(ii) of the Code, the City hereby designates the Series 2025 Bond as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code. The City has not designated under Section 265(b) any obligations in 2025 under Section 265(b)(3). The City 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 City and all “subordinate entities” of the City in 2025 in an amount greater than \$10,000,000.

ARTICLE VIII - DEFAULT AND REMEDIES

Section 8.01 Events of Default. Any one or more of the following events shall constitute an “Event of Default” under this Resolution:

(a) Nonpayment of any principal of or interest on the Series 2025 Bond within thirty (30) days after the date on which such principal and interest was due and payable;

(b) Default by the City in the due and punctual performance of any of the covenants, conditions, agreements, and provisions contained in the Series 2025 Bond, this Resolution, or in any resolution supplemental hereto, which are to be performed by the City, if such default shall have continued for a period of thirty (30) days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the City by any Bondholder;

(c) The filing of a petition by the City under the laws of the United States seeking protection under the Bankruptcy Code or the consent of the City to the appointment of a receiver, trustee, or debtor in possession of all or a major portion of its property; and

(d) Any event (other than amendment of the Internal Revenue Code) causing interest on the Bond to be subject to federal income taxation.

Section 8.02 Remedies. (a) Upon the occurrence and continuance of an Event of Default, the Bondholder shall have the right, either at law or in equity, by suit, action, or other proceeding, to protect and enforce his rights and to compel the performance of any and all covenants and conditions required herein to be performed by the City and its officers and employees, including but not limited to the fixing and maintaining of rates, fees, and charges, the collection or proper segregation of revenues, and the application and use thereof. The Bondholder shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to Bondholder or the exercise of any power conferred on the Bondholder, and the right to waive a default in the performance of any covenant or condition, and its consequences, except in payment of the principal of or interest on the Series 2025 Bond when due.

(b) Nothing herein shall impair the absolute and unconditional right of any Bondholder to receive each payment of the principal of and interest on such Series 2025 Bond, as such principal and interest, respectively, become due, and to institute suit for any such payment. Any court with jurisdiction of the action may appoint a receiver to administer the System on behalf of the City with the power to charge and collect rates, fees, and charges sufficient to provide for the payment of any bonds, or obligations outstanding against the System, and with power to apply the revenues in conformity with this Resolution and the laws of the State of Montana.

(c) No remedy conferred upon or reserved to a Bondholder by the terms of this Resolution is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given by this Resolution or now or hereafter existing at law, in equity or by statute. No delay or omission in the exercise of any right or power accruing upon any default or Event of Default shall impair any such right or power or be construed to be a waiver of or acquiescence in any such default or Event of Default, and such right and power may be exercised from time to time and as often as may be deemed

expedient. No waiver of any default or Event of Default under this Resolution shall extend to or affect any subsequent default or Event of Default, nor impair any rights or remedies consequent thereon. In case a Bondholder shall have proceeded to enforce any right under this Resolution, and the proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bondholder, then and in every such case the City and the Bondholder shall be restored to their former positions and rights and duties hereunder and the same shall continue as if no such proceedings had been taken.

ARTICLE IX - DISCHARGE

Section 9.01 Discharge by Payment. When all principal of and interest due and payable on the Series 2025 Bond has been paid in the manner required or permitted by this Resolution, then the respective Series 2025 Bond shall cease to be entitled to any lien, pledge, benefit or security under this Resolution and all pledges, covenants and other rights granted to the Bondholder by the Resolution shall cease, terminate and be discharged and satisfied.

ARTICLE X - AMENDMENTS

Section 10.01 Amendments without Bondholder Consent. The City reserves the right to amend or supplement this Resolution by adopting further resolutions from time to time, and at any time, for any one or more of the following purposes:

- (a) To add covenants and agreements for the protection of the Bondholder;
- (b) To cure any ambiguity or correct any defect or inconsistent provision in this Resolution;
- (c) To subject additional revenue, properties, or collateral to the terms of this Resolution;
- (d) To set forth terms and conditions of Parity Bonds or Subordinate Bonds not contrary to this Resolution;
- (e) To preserve the exemption of interest on the Series 2025 Bond from federal and/or state income taxation and to preserve the right of the City to continue to issue other bonds, debts, or other obligations of any nature the interest income of which is likewise exempt from federal and/or state income taxation;
- (f) To surrender or waive any right or power reserved to or conferred upon the City by this Resolution; or
- (g) To make any other change or addition to this Resolution which the Governing Body may deem necessary or desirable, which is not inconsistent with this Resolution, and which does not adversely affect the interests of the Bondholder.

Section 10.02 Amendments with Bondholder Consent. Except as provided in Section 10.01 of this Resolution, the City shall not have the right or the power to amend this Resolution or to adopt any supplemental resolutions, unless, after notice to the Bondholder, such amendment or supplemental resolution is approved by the holder of outstanding Bonds.

Section 10.03 Notice and Consent. (a) Notice of any proposed amendment or supplement to this Resolution, which requires consent of the Bondholder pursuant to Section 10.02 hereof, shall be given in the manner prescribed by Section 11.01 of this Resolution not less than thirty (30) days prior to the adoption of such amendment or supplement to the holder of the Series 2025 Bond at the time of such notice. Any written consent to an amendment may be embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by an agent of the Bondholder duly appointed in writing, and shall become effective when delivered to the Treasurer. Any consent by a Bondholder shall bind him and every future holder of the same Series 2025 Bond with respect to any amendment adopted by the City pursuant to such consent.

(b) The fact and date of execution by any person of any such consent may be proved by the affidavit of the witness to such execution or by the certificate of any Notary Public or other officer authorized to take acknowledgments of deeds, certifying that the person signing it acknowledged to him the execution thereof.

ARTICLE XI - OTHER PROVISIONS

Section 11.01 Notices. Any request, demand, authorization, consent, direction, notice, or other document provided or permitted by this Resolution shall be sufficient for such purpose when mailed by certified mail, return receipt requested, and with sufficient postage prepaid, to the following addresses (or to such other address as may be provided by any party upon notice to all other parties), but shall not be deemed to be effective until receipt:

To the City: City of Thompson Falls
 Clerk/Treasurer
 P.O. Box 99
 Thompson Falls, MT 59873

To RD: Rural Development
 USDA
 2229 Boot Hill Court
 Bozeman, MT 59715

To any Bondholder: The name and address of such Bondholder as it appears in the
 Bond Register.

Section 11.02 Arbitrage Certificate. The Mayor and Clerk/Treasurer, being the officers of the City charged with the responsibility of issuing the Series 2025 Bond, are

authorized and directed to execute and deliver to the purchaser a certification stating the reasonable expectations of the City, on the date of issue and delivery of the Series 2025 Bond authorized by this Resolution, regarding the amount and the use of the proceeds of the issue. Such expectations must be such that the Series 2025 Bond will not be an "arbitrage bond" as defined in IRC Section 148(a). The certificate will also state the City's intent to maintain the tax-exempt nature of the interest income on the Series 2025 Bond and to do all things necessary to maintain such tax-exemption. Any Additional Bonds issued under this Resolution will be required to similarly comply with this section.

Section 11.03 Transcript. The officers of the City are hereby authorized and directed to prepare and furnish to the purchasers of the Series 2025 Bond, and to the attorneys approving the legality of the issuance of the Series 2025 Bond, certified copies of all proceedings and records of the City relating to the Series 2025 Bond and to the organization of the City, and of reports on the financial condition of the City, and such affidavits, certificates, and other information and documents as may be requested or required to carry out the purposes of this Resolution; and all such certified copies, affidavits and certificates, including any heretofore furnished, shall constitute representations of the City as to the truth of the matters contained therein.

Section 11.04 Severability. In case any one or more of the provisions contained in this Resolution or in the Series 2025 Bond shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Resolution, but this Resolution shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Resolution was adopted by the Governing Body of the City of Thompson Falls, Sanders County, Montana, on the ____ day of _____, 2025.

IN WITNESS WHEREOF, the Mayor has executed this Resolution and the Clerk/Treasurer has so attested.

Approved:

Attest:

Mayor

Clerk/Treasurer



The following Council Members voted in favor of the Resolution:

The following Council Members voted against the Resolution:

The following Council Members were absent or abstained:

RESOLUTION NO. 853

RESOLUTION RELATING TO THE PURCHASE BY THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION OF A BOND ANTICIPATION NOTE TO BE ISSUED BY THE CITY OF THOMPSON FALLS IN ANTICIPATION OF ISSUANCE OF WATER SYSTEM REVENUE BOND; FIXING THE FORM AND DETAILS, MAKING COVENANTS WITH RESPECT THERETO, AND AUTHORIZING THE ISSUANCE, EXECUTION AND DELIVERY OF THE 2025 BOND ANTICIPATION NOTE

BE IT RESOLVED by the City Council (the "Council") of the City of Thompson Falls, Sanders County, Montana (the "City"), as follows:

Section 1. Recitals. Authorization and Sale.

1.01. Background. The City intends to make improvements to its Water System which includes the design, construction and financing of a new 400,000-gallon storage tank, the replacement of water mains to include new fire hydrants, valves and water meters and boxes and the financing costs of the above (the "Project"). The City applied for loans and grants from the United States Department of Agriculture, Rural Development office ("RD"), consisting of the purchase by RD of the City's water system revenue bond in the estimated aggregate amount of \$1,933,000 and estimated grants from RD of \$1,831,000 (collectively the "Anticipated RD Loans and Grants"). In addition to the anticipated funding from RD for the Project, the City has received commitments for grants from the Montana Coal Endowment Program ("MCEP") in the amount of \$750,000; the Montana Department of Natural Resources and Conservation ("DNRC") through a Renewable Resource Grant ("RRGL") in the amount of \$125,000; American Rescue Plan Act Grant ("ARPA") in the amount of \$2,304,413 and the City plans to contribute \$200,000 of its own funds. The City has obtained a commitment from the ("DNRC") for a Series 2025 Bond Anticipation Note in the amount of \$1,933,000 for the Project. The City has received bids for the construction of the Project within the engineers' estimates and funds available for the Project.

1.02. Authorization of Series 2025 Bond Anticipation Note. The City is a local government entity authorized by, under and pursuant to Montana Code Annotated, Section 7-7-109, to issue a note in anticipation of the issuance and delivery of its bonds or receipt of its grants. The City has agreed and hereby resolves, to fulfill the conditions required by RD for the Anticipated RD Loans and Grants and, if the Anticipated RD Loans and Grants are not fully or timely available, the City intends to request permanent long-term funding for Project from DNRC. In order for the City to complete the Project, the City has determined that it is in its best interest to provide for the issuance and sale of a bond anticipation note to the DNRC in the principal amount of \$1,933,000 (the "Series 2025 Revenue Note") to provide interim financing for a portion the Project, which said portion will be paid in full by the issuance of the City's Water revenue bond. The City has received an offer from DNRC to lend to the City an amount up to \$1,933,000 in anticipation of the receipt of the above-referenced bond proceeds, upon the further terms and conditions herein set forth. The terms and conditions of the offer are reasonable and advantageous to the City and are hereby accepted.

1.03. Recitals. All acts, conditions and things required by the Constitution and laws of the State to be done, to exist, to happen and to be performed prior to the issuance of the Series 2025 Revenue Note have been done, do exist, have happened, and have been performed in due time, form and manner. Therefore, it is now necessary for this Council to establish the form and terms of the Series 2025 Revenue Note, to provide for the security thereof and to issue the Series 2025 Revenue Note.

Section 2. The Series 2025 Revenue Note.

2.01. General Terms. The City shall forthwith issue the Series 2025 Revenue Note in a principal amount not to exceed \$1,933,000. The Series 2025 Revenue Note shall be dated as of the date of its delivery to DNRC. Upon each disbursement of the Series 2025 Revenue Note proceeds, the DNRC shall enter the amount advanced on Schedule A attached thereto under "Advances" and the total amount advanced under this Resolution, including such disbursement, under "Total Amount Advanced." The Series 2025 Revenue Note shall be lettered and numbered R-1 and shall mature, subject to redemption as herein provided, on _____, 20__ (the "Stated Maturity"), and shall bear interest on the unpaid amounts advanced from the date such amount is advanced at the rate per annum of one and seventy-five 100ths percent (1.75%). Interest shall be computed on the basis of the actual number of days in the year and the actual number of days the Series 2025 Revenue Note is outstanding. Principal and interest shall be payable on its Stated Maturity or upon earlier redemption of the Series 2025 Revenue Note. The principal of and interest on the Series 2025 Revenue Note shall be payable in lawful money of the United States of America by the City to the registered owner of the Series 2025 Revenue Note at its address as it appears in the Note Register of the City.

2.02. Payment Terms. In order to obtain a disbursement of a portion of the principal of the Series 2025 Revenue Note to pay costs of the Project, the City shall submit to the DNRC a signed request for disbursement on the form prescribed by the DNRC and RD that has been approved by the City, with all attachments required by such form. The DNRC and RD will in turn notify the City whether the signed request warrants a disbursement under the Series 2025 Revenue Note. The City may obtain disbursements only for costs which have been legally incurred and are due and payable. All disbursements of proceeds will be made to the City only upon proof that an eligible cost was incurred. If all or a portion of a disbursement of principal of the Series 2025 Revenue Note is made to reimburse Project costs paid by the City prior to the date of issuance of the Series 2025 Revenue Note, the City shall present on such issuance date the items required by the above provisions of this Section 2.02 relating to such costs. Upon making each disbursement of principal, the DNRC shall note such disbursement on Schedule A to the Series 2025 Revenue Note. The City's obligations under this Resolution shall commence on the date hereof unless otherwise provided in this Resolution. However, the obligation to make payments under this Section 2.02 shall commence only upon the first disbursement of proceeds of the Series 2025 Revenue Note.

2.03. Registration. The Series 2025 Revenue Note shall be fully registered as to both principal and interest and shall initially be registered in the name of and payable to DNRC as original purchaser thereof. The City Clerk shall act as Note Registrar and as such shall establish and maintain a Note Register for the purpose of recording the names and addresses of the

registered owners of the Series 2025 Revenue Note and the date of registration of any transfer.

2.04. Redemption. The Series 2025 Revenue Note shall be subject to redemption in whole, or in part, on any date (or dates if it is redeemed in part), at the principal amount thereof plus accrued interest. Not less than 10 days before the date specified for redemption thereof, the City Clerk shall mail notice of the redemption to the registered owner thereof at the address as it appears on the registration books of the Note Registrar.

2.05. Form of Series 2025 Revenue Note. The Series 2025 Revenue Note 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.

2.06. Assignment. The Series 2025 Revenue Note shall be transferable by the registered owner or attorney duly authorized in writing upon presentation thereof to the City Clerk together with a written instrument of transfer satisfactory to the City Clerk duly executed by the registered owner or its attorney. Such transfer shall be noted on the Series 2025 Revenue Note. Upon request of the registered owner or transferee, the City shall execute and deliver another Series 2025 Revenue Note of a principal amount equal to the outstanding principal amount of the Series 2025 Revenue Note and maturing at the same time as the Series 2025 Revenue Note so transferred, and the Series 2025 Revenue Note so surrendered for transfer shall be promptly canceled by the City Clerk. No service charge shall be made for such transfer, but the City may require payment of a sum sufficient to cover any tax, fee or governmental charge or other expense incurred by the City with respect to such transfer. Until and unless otherwise provided by resolution of this Council, the following shall be a sufficient written instrument of transfer within the meaning of this Section 2.06:

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the Bond Anticipation Note, Series 2025, No. R-1, of the City of Thompson Falls, Sanders County, Montana, and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the Series 2025 Revenue Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Registered Owner

2.07. Preparation, Execution and Delivery of Series 2025 Revenue Note. The Series 2025 Revenue Note shall be prepared under the direction of the City Clerk and when so prepared shall be executed on behalf of the City by the Mayor and Clerk of the City. When the Series 2025 Revenue Note has been so executed, it shall be delivered to DNRC upon receipt of the initial

advance heretofore agreed upon, and DNRC shall not be required to see to the application thereof.

2.08. Issuance of the Series 2025 Revenue Note: No Further Encumbrance. The Series 2025 Revenue Note is issued in anticipation of receipt by the City of the proceeds to be received of the Anticipated RD Loans and Grants and pursuant to the MCEP, ARPA and RRGL grants referenced herein. The City shall not issue any other obligation payable from the proceeds of the Anticipated RD Loans and Grants or the grants referenced herein without the prior written consent of the holder of the Series 2025 Revenue Note, which consent may be withheld in the sole discretion of such holder.

2.09. Application of Proceeds. All of the proceeds of the Series 2025 Revenue Note shall be deposited in an account established for the Project, held and administered by the City Clerk and used solely to defray expenses of the Project, including but not limited to engineering expenses and the transfer to the Series 2025 Revenue Note Account, created pursuant to Section 3.01 of this Resolution, to the extent necessary, of amounts sufficient for the payment of interest and principal due upon the Series 2025 Revenue Note.

Section 3. Security Provisions.

3.01. Series 2025 Revenue Note Account. There is hereby established a separate and special Note Account (the "Series 2025 Revenue Note Account") of the City. The City irrevocably appropriates to the Series 2025 Revenue Note Account the proceeds of the bond or grants referenced herein, and such other money as shall be appropriated to the Series 2025 Revenue Note Account from time to time.

Amounts on deposit in the Series 2025 Revenue Note Account shall be used solely to pay the principal of and interest on the Series 2025 Revenue Note.

3.02. Registered Owner's Remedies. In the event the City has not received the proceeds of the Anticipated RD Loan or Grant on or before the Stated Maturity of the Series 2025 Revenue Note, the registered owner of the Series 2025 Revenue Note, may at its option and in its sole discretion:

a. extend, upon request of the City, the Stated Maturity of the Series 2025 Revenue Note to a date (no later than 3 years after the date of the Series 2025 Revenue Note) by which the City anticipates receiving the proceeds of the Anticipated RD Loans and Grants, but only upon receipt of a letter signed by the Department of Natural Resources and Conservation that the City is still entitled to the Anticipated RD Loans and Grants; or

b. demand that the City issue and deliver to the registered owner a water revenue bond of the City, in principal amount sufficient to pay the principal of and interest on the Series 2025 Revenue Note, payable from the revenues of the City's water system over a term not to exceed 20 years, in accordance with the provisions of Section 4 hereof.

Section 4. Issuance of Long-Term Limited Obligation Bond/Sufficient Rate and Charges. The City hereby covenants and agrees for the benefit from time to time of the owners of the Series

2025 Revenue Note that on or before the Stated Maturity of the Series 2025 Revenue Note, in the event RD is unable to fund the final take-out, or upon demand of the registered owner as provided for in Section 3.02(b), it will issue and deliver to the registered owner a Water revenue bond in an amount sufficient to pay principal of and interest on the Series 2025 Revenue Note, payable over 20 years with interest at 2.50% (the "DNRC Long-Term Bond"), which is the rate of interest regularly charged by DNRC for 20 year loans in its SRF Program. In such an event, the City hereby covenants that water rates and charges will be established to provide sufficient revenues to pay all of its current water obligations and meet its coverage and reserve requirements and be able to pay principal and interest payments on the DNRC Long-Term Bond and maintain reserve and coverage requirement after the issuance of the DNRC Long-Term Bond.

Section 5. Effective Date. All resolutions and parts of resolutions heretofore adopted by this Council which are in conflict herewith are hereby amended so as to conform with the provisions of this resolution, and, as so amended, are hereby ratified and confirmed. This resolution shall become effective upon passage.

Passed and adopted by the City Council of the City of Thompson Falls, Sanders County, Montana, on this ____ day of _____, 2025.

Approved:

Attest:

Mayor

Clerk

The following Council Members voted in favor of the Resolution:

The following Council Members voted against the Resolution:

The following Council Members were absent or abstained:

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MONTANA
CITY OF THOMPSON FALLS

WATER SYSTEM REVENUE BOND ANTICIPATION NOTE
SERIES 2025

No. R-1

Principal Amount: \$1,933,000

| <u>Rate</u> | <u>Date of Maturity</u> | <u>Original Issue Date</u> | <u>CUSIP</u> |
|-------------|-----------------------------|----------------------------|--------------|
| 1.75% | ____, 20__ | ____, 2025 | None |

REGISTERED OWNER: DEPARTMENT OF NATURAL RESOURCES AND
CONSERVATION OF THE STATE OF MONTANA

PRINCIPAL AMOUNT: ONE MILLION NINE HUNDRED THIRTY-THREE
THOUSAND AND NO/100 DOLLARS

FOR VALUE RECEIVED, the City of Thompson Falls, Sanders County, Montana (the "City"), a political subdivision duly organized and validly existing under the laws of the State of Montana, acknowledges itself to be indebted and hereby promises to pay to the registered owner named above, or registered assigns, but solely out of the Series 2025 Revenue Note Account (the "Series 2025 Revenue Note Account") in its Water System Fund (the "Fund"), the principal amount specified above, on or before the maturity date specified above, with interest thereon from the date of original issue specified above, at the annual rate specified above, until paid or discharged, all subject to the provisions hereof relating to the redemption of this Note before maturity. Interest hereon is payable at maturity or upon earlier redemption hereof. The interest hereon and the principal hereof are payable in lawful money of the United States of America to the registered owner of this Note as it appears in the Note Register of the City. The Series 2025 Revenue Note is being issued to the Department of Natural Resources and Conservation of the State of Montana, (the "DNRC") as original purchaser in the aggregate principal amount of \$1,933,000 (the "Series 2025 Revenue Note").

The Series 2025 Revenue Note shall be dated as of _____, 2025. Upon each disbursement of the Series 2025 Revenue Note proceeds, the DNRC shall enter the amount advanced on the amortization schedule attached hereto and the total amount advanced under this Resolution. The Series 2025 Revenue Note shall be lettered and numbered R-1 and shall mature, subject to redemption as herein provided, on _____, 20__ (the "Stated Maturity"), and shall bear interest on the principal amount thereof at the rate per annum equal to one and seventy-five 100ths percent (1.75%). Interest shall be computed on the basis of the actual number of days in the year and the actual number of days outstanding. Principal and interest shall be payable on its Stated

Maturity or upon earlier redemption of the Series 2025 Revenue Note.

This Note is one in number and is issued in anticipation of the receipt of purchase of up to \$1,933,000 of the City's water revenue bond by the United States Department of Agriculture, Rural Development ("RD") (as defined in the Note Resolution) and is authorized to be issued under Resolution No. _____ adopted by the City on _____, 2025, (the "Note Resolution"), to which Note Resolution, copies of which are on file with the City, reference is hereby made for a description of the nature and extent of the security for the Series 2025 Revenue Note.

This Series 2025 Revenue Note is issued pursuant to and in full compliance with the Constitution and laws of the State of Montana, particularly Montana Code Annotated, Section 7-7-109, and Title 7, Chapter 7, Part 44, MCA, as amended (the "Act"), and pursuant to the Note Resolution.

The City may redeem on any date, in whole or in part, any unpaid principal of this Note at a price equal to the principal amount advanced to such date plus interest accrued to such date. Notice of any such prepayment will be mailed by the City not less than 10 days prior to the date specified for payment, to the registered holder of this Note.

As provided in the Note Resolution and subject to certain limitations set forth therein, this Note is transferable upon the books of the City at the office of the City Clerk, by the registered owner hereof in person or by the owner's attorney duly authorized in writing upon surrender hereof together with a written instrument of transfer satisfactory to the City Clerk, duly executed by the registered owner or the owner's attorney. Upon such transfer, the City will cause a new Note to be issued in the name of the transferee at the same rate and maturing on the same date, subject to reimbursement for any tax, fee or governmental charge required to be paid with respect to such transfer.

The City may deem and treat the person in whose name this Note is registered as the absolute owner hereof, whether this Note 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.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that 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 precedent to and in the issuance of this Note in order make it a valid and binding special obligation of the City according to its terms, have been done, do exist, have happened and have been performed in regular and due time, form, and manner as so require; that the City, in and by the Note Resolution, has validly made and entered into covenants and agreements with and for the benefit of the registered owner from time to time of the Series 2025 Revenue Note including covenants that the City has committed to DNRC that, if the Anticipated RD Loans and Grants (as defined in the Note Resolution) are not received, the City will issue and deliver to DNRC a 20 year revenue Bond from DNRC in an amount equal to \$1,933,000 payable at 2.50% interest and has by the Note Resolution covenanted to satisfy the conditions described in the Note Resolution; that the City has appropriated to the Series 2025 Revenue Note Account the proceeds of the bond to be issued pursuant to the commitment of the Anticipated RD Loans and Grants or the commitment to DNRC in Section 4 of the Note Resolution to the extent required to

pay principal hereof or interest hereon; that by the Note Resolution, the City has covenanted that at or prior to the maturity of this Note, it will sell and issue its Water System Revenue Bond, pursuant to the Act and the Note Resolution, in a principal amount so as to provide funds sufficient, together with any grants or money on deposit in the Series 2025 Revenue Note Account and available therefor, to pay in full the principal of and interest on this Note as set forth in the Note Resolution punctually and faithfully; and that the issuance of this Note does not cause the general or special indebtedness of the City to exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the City Council of the City of Thompson Falls, Sanders County, Montana, has caused this Note to be executed on its behalf by the signature of the Mayor and attested by the City Clerk/Treasure and has caused this Note to be dated as of _____, 2025.

Attest:

Mayor

City Clerk

The ownership of this Note and of the interest payable hereon may be transferred to a bona fide purchaser only by delivery with an assignment duly executed by the registered owner or the owner's attorney or legal representative, and the City may treat the registered owner or the owner's attorney or legal representative, as the person exclusively entitled to receive payments of principal of and interest on this Note and to exercise all the rights and powers of an owner until this Note is presented to the City Clerk of the City of Thompson Falls, Sanders County, Montana 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 registered on the books of the City and noted hereon by the City Clerk.

NO WRITING HEREON EXCEPT BY CITY CLERK
AS NOTE REGISTRAR

The City Clerk has transferred on the books of the City of Thompson Falls, Sanders County, 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 Note, except the amounts of principal and interest theretofore paid:

| <u>Date of Transfer</u> | <u>Registered Assign</u> | <u>Signature of City Clerk</u> |
|-------------------------|--------------------------|------------------------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |