

STATE OF MONTANA)
 : ss
COUNTY OF _____)

The Board of Regents of Higher Education for the State of Montana held a lawful meeting of the Board at the Office of the Commissioner of Higher Education, in Helena, Montana, on Monday, August 3, 2009, beginning at the hour of 10:00 o'clock a.m.

There were present at said meeting the following:

Present:

Chairman:

Vice Chair:

Other Regents:

Absent:

There were also present at said meeting: Sheila M. Stearns, Commissioner of Higher Education and Secretary of the Board central administrative officers of the Office of the Commissioner of Higher Education and administrative officers of The University of Montana.

During said meeting, the following proceedings, among others, occurred:

The Regents introduced and considered and discussed the following resolution:

ITEM 144-1001-R0809 - THE UNIVERSITY OF MONTANA

BOND RESOLUTION RELATING TO STATE OF MONTANA, THE BOARD OF REGENTS OF HIGHER EDUCATION, THE UNIVERSITY OF MONTANA, \$750,000 SUBORDINATE LIEN, TAXABLE FACILITIES IMPROVEMENT REVENUE BONDS (DNRC DRINKING WATER STATE REVOLVING FUND PROGRAM), CONSISTING OF \$416,300 SUBORDINATE LIEN, TAXABLE SERIES 2009I BOND AND \$333,700 SUBORDINATE LIEN, TAXABLE SERIES 2009II BOND; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF

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(For convenience only, not a part of this Resolution)

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RESOLUTION NO. _____

BOND RESOLUTION RELATING TO STATE OF MONTANA, THE BOARD OF REGENTS OF HIGHER EDUCATION, THE UNIVERSITY OF MONTANA, \$750,000 SUBORDINATE LIEN, TAXABLE FACILITIES IMPROVEMENT REVENUE BONDS (DNRC DRINKING WATER STATE REVOLVING FUND PROGRAM), CONSISTING OF \$416,300 SUBORDINATE LIEN, TAXABLE SERIES 2009I BOND AND \$333,700 SUBORDINATE LIEN, TAXABLE SERIES 2009II BOND; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF

WHEREAS, pursuant to the Drinking Water State Revolving Fund Act, Montana Code Annotated, Title 75, Chapter 6, Part 2, as amended (the “SRF Program Act”), the State of Montana (the “State”) has established a revolving loan program (the “Program”) to be administered by the Department of Natural Resources and Conservation of the State of Montana, an agency of the State (the “DNRC”), and by the Department of Environmental Quality of the State of Montana, an agency of the State (the “DEQ”), and has provided that a drinking water state revolving fund (the “Revolving Fund”) be created within the state treasury and all federal, state and other funds for use in the Program be deposited into the Revolving Fund, including, but not limited to, all federal grants for capitalization of a state drinking water revolving fund under the federal Safe Drinking Water Act (the “Safe Drinking Water Act”), all repayments of assistance awarded from the Revolving Fund, interest on investments made on money in the Revolving Fund and payments of principal of and interest on loans made from the Revolving Fund; and

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

WHEREAS, one-time funding has been made available to the Program under the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009) (“ARRA”), a portion of which funding may be disbursed to eligible borrowers for eligible projects, upon satisfaction of certain terms and conditions specified in ARRA, Program documents, and herein; and

WHEREAS, the Board of Regents of Higher Education for the State of Montana (the “Board”) has been vested with the governance and control of, and has been granted full power, responsibility and authority to supervise, coordinate, manage, and control, the Montana university system under Article X, Section 9 of the Constitution of the State of Montana, including, but not limited to, the power to issue, sell, and deliver revenue bonds for the purpose of restructuring and/or refunding and defeasing bonds issued by the Board for institutions of higher education within the Montana university system and for the purpose of financing the costs of acquisition, construction, renovation, improvement, furnishing and equipping of capital improvements, facilities and equipment for the use and benefit of institutions of higher education within the Montana university system, and to provide authorization for the use and application of

the proceeds of such revenue bonds and certain funds and monies of the institutions for such purposes; and

WHEREAS, the Board, as borrower (the “Borrower”), has applied to the DNRC for the 2009 Loans (as hereinafter defined) from the Revolving Fund to enable the Borrower to finance, refinance or reimburse itself for the costs of the 2009 Project (as hereinafter defined) which will carry out the purposes of the Safe Drinking Water Act and be implemented in accordance with ARRA; and

WHEREAS, the Borrower is authorized under the Constitution of the State of Montana and other applicable laws to adopt this Resolution and to issue the Series 2009 Bonds (as hereinafter defined) to evidence the 2009 Loans (as hereinafter defined) for the purposes set forth herein; and

WHEREAS, the DNRC will fund the 2009I Loan (as hereinafter defined) and the 2009II Loan (as hereinafter defined) with funds provided by the United States Environmental Protection Agency to the Program under ARRA and not with proceeds of State Bonds (as hereinafter defined).

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF HIGHER EDUCATION FOR THE STATE OF MONTANA, AS FOLLOWS:

ARTICLE I

DEFINITIONS, RULES OF CONSTRUCTION AND APPENDICES

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

“Accountant” or “Accountants” means an independent certified public accountant or a firm of independent certified public accountants satisfactory to the DNRC.

“Additional Bonds” means any bonds, notes, certificates, debentures or other evidences of indebtedness issued as parity-lien bonds by the Board pursuant to section 2.07(a) of the University of Montana Indenture in addition to the Board’s Outstanding Series C 1995 Bonds, the Board’s Outstanding Series E 1998 Bonds, the Board’s Outstanding Series F 1999 Bonds, the Board’s Outstanding Series G 2002 Bonds, the Board’s Outstanding Series I 2004 Bonds, and the Board’s Outstanding Series J 2005 Bonds, which are authorized by the University of Montana Indenture and which are secured by the Trust Estate under the University of Montana Indenture as to the security provided for such Series C 1995 Bonds, Series E 1998 Bonds, Series F 1999 Bonds, Series G 2002 Bonds, Series I 2004 Bonds, Series J 2005 Bonds and Additional Bonds.

“Administrative Expense Surcharge” means, upon the delivery of an ARRA Noncompliance Statement as provided by this Resolution, a surcharge equal to seventy-five

hundredths of one percent (0.75%) per annum on the outstanding principal amount of the 2009 Loans from the date of each advance thereof, payable by the Borrower on a Payment Date.

“ARRA” means the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009), and all regulations, rules, and interpretations issued by the EPA thereunder.

“ARRA Certificate and Request” means the certificate and request substantially in the form of the attached Appendix D delivered by the DNRC to the Borrower following the final advance of principal of the 2009II Loan, to be completed, executed and delivered by the Borrower to the DNRC pursuant to Section 5.1.2 of this Resolution.

“ARRA Forgiveness Statement” means a written statement delivered to the Borrower by the DNRC that the Borrower’s obligation to repay the principal of the Series 2009I Bond is forgiven.

“ARRA Noncompliance Statement” means a written statement delivered to the Borrower by the DNRC that the Borrower’s obligation to repay the principal of the Series 2009I Bond is not forgiven.

“ARRA Statement” means an ARRA Forgiveness Statement or an ARRA Noncompliance Statement.

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

“Auxiliary Facilities” has the meaning given such term under the University of Montana Indenture.

“Auxiliary Facilities Operation and Maintenance Accounts” has the meaning given such term in the University of Montana Indenture.

“Board” means the Board of Regents of High Education for the State of Montana and its permitted successors or assigns hereunder.

“Board of Investments” means the Board of Investments of the State of Montana.

“Bond Counsel” means any Counsel nationally recognized as experienced in matters relating to the issuance by states or political subdivisions of tax-exempt obligations selected by the Borrower and acceptable to the DNRC.

“Bond Year” means for purposes of the University of Montana Indenture, the 12-month period commencing on July 1 of any calendar year and ending on June 30 of the next succeeding calendar year.

“Bonds” means the Series C 1995 Bonds, Series E 1998 Bonds, Series F 1999 Bonds, Series G 2002 Bonds, Series I 2004 Bonds, Series J 2005 Bonds, and any Additional Bonds; “Bonds” does not include the Series 2009 Bonds.

“Borrower” means the Board.

“Business Day” means any day which is not a Saturday or Sunday, a legal holiday in the State or a day on which banks in Montana are authorized or required by law to close.

“Closing” means the date of delivery of the Series 2009 Bonds to the DNRC.

“Collateral Documents” means any security agreement, guaranty or other document or agreement delivered to the DNRC securing the obligations of the Borrower under this Resolution and the Series 2009 Bonds. If no Collateral Documents secure such obligations, any reference to Collateral Documents in this Resolution shall be without effect.

“Committed Amount” means the amount of the 2009 Loans committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Resolution, as such amount may be reduced pursuant to Sections 3.2 and 3.4 of this Resolution.

“Construction Contract” means the written, binding contract for construction of the 2009 Project entered into between the Borrower and the construction contractor in compliance with all laws of the State, including those regarding the construction of public projects.

“Consultant” means a nationally recognized consultant or firm of consultants, or an independent engineer or firm of independent engineers, or an Accountant, which in any case is qualified and has skill and experience in the preparation of financial feasibility studies or projections for facilities similar to the System or the 2009 Project, selected by the Borrower and satisfactory to the DNRC.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state and satisfactory to the DNRC.

“Debt” means, without duplication, (1) indebtedness of the Borrower for borrowed money or for the deferred purchase price of property or services; (2) the obligation of the Borrower as lessee under leases which should be recorded as capital leases under generally accepted accounting principles; and (3) obligations of the Borrower under direct or indirect guarantees in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clause (1) or (2) above.

“Debt Service Fund” means the fund by that name created in the University of Montana Indenture.

“Debt Service Requirements” has the meaning given such term in the University of Montana Indenture.

“Debt Service Reserve Fund” means the fund by that name created in the University of Montana Indenture.

“Debt Service Reserve Requirement” has the meaning given such term in the University of Montana Indenture.

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

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

“Enabling Authority” means Article X, Section 9 of the Constitution of the State of Montana, and such other laws of the State of Montana conferring on the Board the authority to authorize, issue, and sell the Series 2009 Bonds.

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

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

“EPA Capitalization Grant” means a grant of funds to the State by the EPA under Section 1452 of the Safe Drinking Water Act.

“Estimated Completion Date” means December 31, 2010, the date by which it is estimated by the Borrower that the 2009 Project will be substantially completed.

“Fiscal Year” the period commencing on the first day of July of any year and ending on the last day of June of the next year, or any other specified twelve-month period, authorized by law and specified by the Board as the its fiscal year.

“Fund” means the 2009 Project Fund established pursuant to Article X of this Resolution.

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

“Holder” means the registered owner of the Series 2009 Bonds or of the Bonds.

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

“INTERCAP Obligations” means loans secured by Surplus Net Pledged Revenues payable by the Board made by the Board of Investments to the Board from time to time

evidenced by loan agreements and related documents between the Board and the Board of Investments, including interest on unpaid principal amounts of such loans at the rate then prevailing under the INTERCAP Program, and currently outstanding in the aggregate principal amount of approximately \$750,000.

“Loan Loss Reserve Surcharge” means, upon the delivery of an ARRA Noncompliance Statement as provided by this Resolution, a surcharge equal to one percent (1.00%) per annum on the outstanding principal amount of the 2009 Loans from the date of each advance thereof, payable by the Borrower on a Payment Date.

“Loan Repayments” means periodic installments of principal and interest by Borrower in repayment of the Series 2009II Bond, and if the DNRC delivers an ARRA Noncompliance Statement, of the Series 2009I Bond, at the rates and times specified in Article V.

“Net Pledged Revenues” has the meaning given such term in the University of Montana Indenture.

“Outstanding” means, when used with reference to Bonds or the Series 2009 Bonds, as of the date of determination, all Bonds and the Series 2009 Bonds theretofore issued except:

(1) Bonds or the Series 2009 Bonds theretofore cancelled by the Board or the registrar or delivered to the Board or the registrar cancelled or for cancellation;

(2) Bonds and portions of Bonds or the Series 2009 Bonds or portions of the Series 2009 Bonds for whose payment or redemption money or government obligations shall have been theretofore deposited in trust for the holders of such Bonds or the Series 2009 Bonds; provided, however, that if such Bonds or the Series 2009 Bonds are to be redeemed, notice of such redemption shall have been duly given or irrevocable instructions to call such Bonds or the Series 2009 Bonds for redemption at a stated Redemption Date shall have been given by the Board; and

(3) Bonds or the Series 2009 Bonds in exchange for or in lieu of which other Bonds or the Series 2009 Bonds shall have been issued and delivered.

“Payment Date” means, with respect the Series 2009 Bonds, each January 1 and July 1 during the term of the Series 2009 Bonds on which a payment of interest or principal or interest and principal is due, as determined under this Resolution.

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

“Principal and Interest Requirements” means, with respect to the Series 2009 Bonds and for any Fiscal Year, the amount of principal of and interest, Administrative Expense Surcharge (if any), and Loan Loss Reserve Surcharge (if any) on the Series 2009 Bonds due and payable during such Fiscal Year.

“Program” means the Drinking Water State Revolving Fund Program established by the SRF Program Act.

“Public Entity” means a State agency, city, town, municipality, irrigation district, county water and sewer district, a soil conservation district or other public body established by State law or an Indian tribe that has a federally recognized governing body carrying out substantial governmental duties and powers over any area.

“Redemption Price” when used with respect to any Bond or Series 2009 Bonds to be redeemed means the price at which it is to be redeemed.

“Regulations” means the Treasury Department, Income Tax Regulations, as amended or any successor regulation thereto, promulgated under the Code or otherwise applicable to the Series 2009 Bonds.

“Repair and Replacement Fund” means the fund by that name created in the University of Montana Indenture.

“Repair and Replacement Reserve Requirement” has the meaning given such term under the University of Montana Indenture.

“Resolution” means this resolution ascribed Item 144-1001-R0809 - The University of Montana.

“Safe Drinking Water Act” means Title XIV of the Public Health Service Act, commonly known as the Safe Drinking Water Act, 42 U.S.C. §§300f et seq., as amended, and all regulations, rules and interpretations issued by the EPA thereunder, as amended or informed by ARRA.

“Series C 1995 Bonds” means the “State of Montana, the Board of Regents of Higher Education, The University of Montana, Facilities Acquisition and Improvement Revenue Bonds, Series C 1995,” outstanding in the principal amount of \$1,020,000.

“Series E 1998 Bonds” means the “State of Montana, the Board of Regents of Higher Education, The University of Montana, Facilities Improvement Revenue Bonds, Series E 1998,” outstanding in the principal amount of \$6,070,000.

“Series F 1999 Bonds” means the “State of Montana, the Board of Regents of Higher Education, The University of Montana, Facilities Improvement and Refunding Revenue Bonds, Series F 1999,” outstanding in the principal amount of \$56,994,998.

“Series G 2002 Bonds” means the “State of Montana, the Board of Regents of Higher Education, The University of Montana, Facilities Improvement Revenues Bonds, Series G 2002,” outstanding in the principal amount of \$16,470,000.

“Series I 2004 Bonds” means the “State of Montana, the Board of Regents of Higher Education, The University of Montana, Facilities Improvement and Refunding Revenue Bonds, Series I 2004,” outstanding in the principal amount of \$29,075,000.

“Series J 2005 Bonds” means the “State of Montana, the Board of Regents of Higher Education, The University of Montana, Facilities Improvement and Refunding Revenue Bonds, Series J 2005,” outstanding in the principal amount of \$26,735,000.

“Series 2009 Bonds” means, collectively, the Series 2009I Bond and the Series 2009II Bond.

“Series 2009I Bond” means the “State of Montana, the Board of Regents of Higher Education, The University of Montana, \$416,300 Subordinate Lien Facilities Improvement Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Taxable Series 2009I,” issued to the DNRC to evidence the 2009I Loan.

“Series 2009II Bond” means the “State of Montana, the Board of Regents of Higher Education, The University of Montana, \$333,700 Subordinate Lien Facilities Improvement Revenue Bond (DNRC Drinking Water State Revolving Fund Program), Taxable Series 2009II,” issued to the DNRC to evidence the 2009II Loan.

“Series 2009 Bonds Debt Service Account” means the Series 2009 Bonds Debt Service Account created in the 2009 Project Fund pursuant to Section 10.3 of this Resolution.

“Series 2009II Bond Reserve Account” means the account of that name created in the 2009 Project Fund pursuant to Section 10.4 of this Resolution.

“Series 2009II Bond Reserve Requirement” means as of the date of reference, an amount equal to the maximum amount of Principal and Interest Requirements on the Series 2009II Bond in the then current or any future Fiscal Year.

“SRF Program Act” means Montana Code Annotated, Title 75, Part 6, Chapter 2, as amended from time to time.

“SRF Program Indenture” means the Indenture of Trust, dated as of May 1, 1998, between the Board of Examiners of the State and the Trustee, as such may be supplemented or amended from time to time in accordance with the provisions thereof, pursuant to which, among other things, the State Bonds are to be or have been issued.

“State” means the State of Montana.

“State Bonds” means the State’s General Obligation Bonds (Drinking Water State Revolving Fund Program), issued or to be issued pursuant to the SRF Program Indenture.

“Subordinate Obligations” means bonds or other obligations payable from the Net Pledged Revenues and having a lien thereon junior and inferior to the lien thereon securing payment or satisfaction of the Debt Service Requirements of the Bonds, the Debt Service Reserve Requirement, and the Repair and Replacement Reserve Requirement.

“Surplus Net Pledged Revenues” means that portion of the Net Pledged Revenues in excess of and remaining after the application of Net Pledged Revenues in payment or satisfaction of the Debt Service Requirements of Bonds issued under the University of Montana Indenture,

required credits to the Debt Service Reserve Fund under the University of Montana Indenture, and funding the minimum amount of the Repair and Replacement Reserve Requirement in the Repair and Replacement Fund under the University of Montana Indenture.

“System” means the water system of the Borrower supplying potable water to the main campus of the University of Montana, in Missoula, Montana, and all extensions, improvements and betterments thereof heretofore or hereafter constructed and acquired.

“Trustee” means the Trustee of the SRF Program Indenture, which is U.S. Bank National Association, in Seattle, Washington, or any successor trustee under the SRF Program Indenture.

“Trust Estate” has the meaning given such term in the University of Montana Indenture.

“2009I Committed Amount” means the amount of the 2009I Loan committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Resolution, as such amount may be reduced pursuant to Section 3.2 and Section 3.4 of this Resolution.

“2009II Committed Amount” means the amount of the 2009II Loan committed to be lent by the DNRC to the Borrower pursuant to Section 4.1 of this Resolution, as such amount may be reduced pursuant to Section 3.2 and Section 3.4 of this Resolution.

“2009 Loans” or “Loan” means, collectively, the 2009I Loan and 2009II Loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the Committed Amount to provide funds to pay all or a portion of the costs of the 2009 Project and to pay costs of issuance of the Series 2009 Bonds.

“2009I Loan” means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2009I Committed Amount to provide funds to pay a portion of the costs of the 2009 Project payable under the Program and to pay costs of issuance.

“2009II Loan” means the loan made to the Borrower by the DNRC pursuant to the Program in the maximum amount of the 2009II Committed Amount to provide funds to pay a portion of the costs of the 2009 Project payable under the Program and to pay costs of issuance.

“2009 Project” means the designing and engineering of the facilities, improvements and activities financed, refinanced or the cost of which is being reimbursed to the Borrower with proceeds of the 2009 Loans, described in Appendix A hereto.

“2009 Project Construction Account” means the account of that name created in the 2009 Project Fund pursuant to Section 10.2 of this Resolution.

“2009 Project Fund” means the fund of that name created by Section 10.1 of this Resolution.

“2009 Project Readiness Date” means a date that is no later than December 31, 2009.

“Undisbursed Committed Amount” means any undisbursed Committed Amount which is not required to pay costs of the 2009 Project upon completion thereof as provided in Section ___ of this Resolution.

“University” has the meaning given such term under the University of Montana Indenture.

“University of Montana Indenture” means the Indenture of Trust, dated as of November 1, 1993, entered into by the Board and the trustee thereunder, as supplemented by each supplemental indenture, including the supplemental indentures, respectively, creating and authorizing the issuance of the Series B 1995 Bonds, the Series C 1995 Bonds, the Series D 1996 Bonds, the Series E 1998 Bonds, the Series F 1999 Bonds, the Series G 2002 Bonds, the Series I 2004 Bonds, and the Series J 2005 Bonds, respectively, and any indenture or indentures supplemental thereto or amendatory thereof entered into in accordance with the provisions of such indenture of trust, including supplemental indentures with respect to future Additional Bonds.

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

(a) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted government accounting standards.

(b) Terms in the singular include the plural and vice versa.

(c) All references to time shall refer to Helena, Montana time, unless otherwise provided herein.

(d) All references to mail shall refer to first-class mail postage prepaid.

(e) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(f) “Or” is not exclusive, but is intended to permit or encompass one, more or all of the alternatives conjoined.

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

Appendix A: a description of the 2009 Project;

Appendix B-1: the form of the Series 2009I Bond;

Appendix B-2: the form of the Series 2009II Bond;

Appendix C: additional agreements and representations of the Borrower; and

Appendix D: ARRA Certificate and Request.

ARTICLE II

AUTHORIZATION, FINDINGS, REPRESENTATIONS AND COVENANTS

Section 2.1 Authorization and Findings.

(a) Authorization. The Borrower is authorized to issue and sell its revenue bonds payable from the Surplus Net Pledged Revenues under the Enabling Authority and Section 2.07(d) of the University of Montana Indenture.

(b) The 2009 Project. The Borrower presently owns and operates the 2009 Project and the System. After investigation of the facts and as authorized by the Enabling Authority and the University of Montana Indenture, the Borrower has determined it to be necessary and desirable and in the best interests of the Borrower to acquire and construct the 2009 Project.

(c) Outstanding Bonds. Pursuant to the Enabling Authority and under the University of Montana Indenture, the Borrower has issued, and has outstanding, its Series C 1995 Bonds, Series E 1998 Bonds, Series F 1999 Bonds, Series G 2002 Bonds, Series I 2004 Bonds, and Series J 2005 Bonds. The Series C 1995 Bonds, Series E 1998 Bonds, Series F 1999 Bonds, Series G 2002 Bonds, Series I 2004 Bonds, and Series J 2005 Bonds are payable from Net Pledged Revenues, and no other bonds or indebtedness are Outstanding that are payable from or secured by Net Pledged Revenues under the University of Montana Indenture. In addition, the Borrower has outstanding the INTERCAP Obligations, which are secured on a parity with the Series 2009 Bonds, as described in Article IX below.

(d) Series 2009 Bonds. The Borrower reserved the right under Section 2.07(d) of the University of Montana Indenture to issue bonds or other obligations payable from the Net Pledged Revenues and having a lien thereon junior and inferior to the lien securing payment of the Debt Service Requirements of the Bonds. The Series 2009 Bonds are Subordinate Obligations payable from Surplus Net Pledged Revenues to the extent not paid from other moneys. It is hereby determined that the Borrower is authorized to issue the Series 2009 Bonds as Subordinate Obligations in the maximum principal amount of \$750,000 pursuant to the Enabling Authority and Section 2.07(d) of the University of Montana Indenture.

(e) Estimated 2009 Project Costs. The total cost of the 2009 Project and costs of issuance of the Series 2009 Bonds and funding the reserve is estimated to be \$1,500,000, \$750,000 of which will be paid from proceeds of the Series 2009 Bonds, and allocated as appropriate between the Series 2009I Bond and the Series 2009II Bond. The Borrower covenants with the DNRC that from and after the initial advance of the 2009I Loan it will spend the Committed Amount on costs of the 2009 Project before applying grant funds, if any, or its own funds, to costs of the 2009 Project. The Borrower acknowledges and agrees that if it fails to deliver timely an acceptable ARRA Certificate and Request as provided in Section 5.1 of this Resolution as determined in the sole and complete discretion of the DNRC, then principal and interest and surcharges will become due and owing on the Series 2009I Bond and the Series 2009II Bond as provided in Section 5.1 of this Resolution.

Section 2.2 Representations. The Borrower represents as follows:

(a) Organization and Authority. The Borrower:

(1) is a public body corporate duly organized and validly existing under Article X, Section 9 of the Constitution of the State and the governance and control of the Montana university system are vested exclusively in the Borrower, which has full power, responsibility, and authority to supervise, coordinate, manage, and control the Montana university system;

(2) has all requisite power and authority and all necessary licenses and permits required as of the date hereof to own and operate the System as improved by the 2009 Project and to carry on its current activities with respect to the 2009 Project, to adopt this Resolution and to enter into the Collateral Documents and to issue the Series 2009 Bonds and to carry out and consummate all transactions contemplated by this Resolution, the Series 2009 Bonds and the Collateral Documents;

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

(4) has taken all proper action to authorize the execution, delivery and performance of its obligations under this Resolution, the Series 2009 Bonds and the Collateral Documents and the incurrence of the Debt evidenced by the Series 2009 Bonds in the maximum amount of the Committed Amount.

(b) Litigation. There is no litigation or proceeding pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower in any court or before or by any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the existence, corporate or otherwise, of the Borrower, or the ability of the Borrower to make all payments and otherwise perform its obligations under this Resolution, the Series 2009 Bonds and the Collateral Documents, or the financial condition of the Borrower, or the transactions contemplated by this Resolution, the Series 2009 Bonds and the Collateral Documents or the validity and enforceability of this Resolution, the Series 2009 Bonds and the Collateral Documents. No referendum petition has been filed with respect to any resolution or other action of the Borrower relating to the 2009 Project, the Series 2009 Bonds or any Collateral Documents and the period for filing any such petition will have expired before issuance of the Series 2009 Bonds.

(c) Borrowing Legal and Authorized. The adoption of this Resolution, the execution and delivery of the Series 2009 Bonds and the Collateral Documents and the consummation of the transactions provided for in this Resolution, the Series 2009 Bonds and the Collateral Documents and compliance by the Borrower with the provisions of this Resolution, the Series 2009 Bonds and the Collateral Documents:

(1) are within the powers of the Borrower and have been duly authorized by all necessary action on the part of the Borrower; and

(2) do not and will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Borrower pursuant to any ordinance, resolution, indenture, loan agreement or other agreement or instrument (other than this Resolution and any Collateral Documents) to which the Borrower is a party or by which the Borrower or its property may be bound, nor will such action result in any violation of the provisions of any laws, ordinances, governmental rules or regulations or court or other governmental orders to which the Borrower, its properties or operations are subject.

(d) No Defaults. No event has occurred and no condition exists that, upon execution and delivery of the Series 2009 Bonds and the Collateral Documents, would constitute a default under this Resolution or the Collateral Documents. The Borrower is not in violation of any term of any agreement, bond resolution, trust indenture, charter or other instrument to which it is a party or by which it or its property may be bound which violation would materially and adversely affect the transactions contemplated hereby or the compliance by the Borrower with the terms hereof or of the Series 2009 Bonds and the Collateral Documents.

(e) Governmental Consent. The Borrower has obtained or made all permits, findings and approvals required to the date of adoption of this Resolution by any governmental body or officer for the making and performance by the Borrower of its obligations under this Resolution, the Series 2009 Bonds and the Collateral Documents (including any necessary water rate increase) or for the 2009 Project, the financing or refinancing thereof or the reimbursement of the Borrower for the costs thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental authority (other than those, if any, already obtained) is required on the part of the Borrower as a condition to adopting this Resolution, issuing the Series 2009 Bonds or entering into the Collateral Documents and the performance of the Borrower's obligations hereunder and thereunder.

(f) Binding Obligation. This Resolution, the Series 2009 Bonds and any Collateral Document to which the Borrower is a party are the valid and binding special, limited obligations and agreements of the Borrower, enforceable against the Borrower in accordance with their terms, except to the extent that the enforceability thereof may be limited by laws relating to bankruptcy, moratorium, reorganization, insolvency or similar laws affecting creditors' rights and general principles of equity.

(g) The 2009 Project. The 2009 Project consists and will consist of the facilities, improvements and activities described in Appendix A, as such Appendix A may be amended from time to time in accordance with the provisions of Article III of this Resolution. The 2009 Project comprises facilities of a type that, as determined by the EPA, will facilitate compliance with the national primary drinking water regulations applicable to the System or will otherwise significantly further the health protection objectives of the Safe Drinking Water Act.

(h) The System. The System is a "community water system" within the meaning of the SRF Program Act and the Safe Drinking Water Act in that it is a public water system, comprising collection, treatment, storage and distribution facilities for the provision to the public of water for human consumption, that serves not less than 15 service connections used by year-

round residents of the area served by the System or regularly serves not less than 25 year-round residents.

(i) Full Disclosure. There is no fact that the Borrower has not specifically disclosed in writing to the DNRC that materially and adversely affects or (so far as the Borrower can now foresee), except for pending or proposed legislation or regulations that are a matter of general public information, that will materially and adversely affect the properties, operations and finances of the System, the Borrower's status as a Public Entity and Governmental Unit, its ability to own and operate the System in the manner it is currently operated or the Borrower's ability to perform its obligations under this Resolution, the Series 2009 Bonds and the Collateral Documents and to pledge any revenues or other property pledged to the payment of the Series 2009 Bonds.

(j) Compliance With Law. The Borrower:

(1) is in compliance with all laws, ordinances, governmental rules and regulations and court or other governmental orders, judgments and decrees to which it is subject and which are material to the properties, operations and finances of the System or its status as a Public Entity and Governmental Unit; and

(2) has obtained all licenses, permits, franchises or other governmental authorizations necessary to the ownership of the 2009 Project and the System and the operation thereof and agrees to obtain all such licenses, permits, franchises or other governmental authorizations as may be required in the future for the 2009 Project and the System and the operation thereof, which failure to obtain might materially and adversely affect the ability of the Borrower to conduct the operation of the 2009 Project and the System as presently conducted or the condition (financial or otherwise) of the 2009 Project and the System or the Borrower's ability to perform its obligations under this Resolution, the Series 2009 Bonds and the Collateral Documents.

Section 2.3 Covenants.

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

change. The Borrower shall deliver to the DNRC at Closing a certificate providing the information required by this Section 2.3(a).

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

(c) Further Assurance. The Borrower shall execute and deliver to the DNRC all such documents and instruments and do all such other acts and things as may be necessary or required by the DNRC to enable the DNRC to exercise and enforce its rights under this Resolution, the Series 2009 Bonds and the Collateral Documents and to realize thereon, and record and file and re-record and refile all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the DNRC to validate, preserve and protect the position of the DNRC under this Resolution, the Series 2009 Bonds and the Collateral Documents.

(d) Maintenance of Security, if Any; Recordation of Interest. The Borrower shall, at its expense, take all necessary action to maintain and preserve the lien and security interest of this Resolution and the Collateral Documents so long as any amount is owing under this Resolution or the Series 2009 Bonds.

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

(f) Financial Information. The Borrower agrees that for each Fiscal Year during the term of the Series 2009 Bonds it shall furnish to the DNRC and the DEQ, promptly when available, and no later than 270 days after the close of the Fiscal Year, the Independent Auditor's Report of the Borrower relating to the University of Montana in respect of the Bonds and any Additional Bonds then Outstanding, in form and substance similar to such report attached to Official Statements relating to the Bonds, and showing, among other things, debt service coverage, revenues and expenditures, fund balances and changes in balances, investment income, and Surplus Net Pledged Revenues.

(g) 2009 Project Accounts. The Borrower shall maintain 2009 Project accounts in accordance with generally accepted government accounting standards.

(h) Records. After reasonable notice from the EPA or the DNRC, the Borrower shall make available to the EPA or the DNRC such records as the EPA or the DNRC reasonably requires to review and determine compliance with the Safe Drinking Water Act, as provided in Section 75-6-224(1)(h) of the SRF Program Act.

(i) Compliance with Safe Drinking Water Act and ARRA. The Borrower has complied and shall comply with all conditions and requirements of the Safe Drinking Water Act pertaining to the 2009 Loans and the 2009 Project. The Borrower understands and agrees that the 2009I Loan and the 2009II Loan are being made with funds made available to the DNRC under ARRA.

The Borrower has complied and shall comply with all requirements of ARRA applicable to the 2009 Loans.

(j) Compliance with DEQ Requirements. The Borrower shall comply with plan, specification and other requirements for public water systems established by the DEQ, as required by Section 75-6-224(1)(h) of the SRF Program Act.

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

(a) The Borrower covenants and agrees that it will not use or permit to be used any of the proceeds of the Series 2009 Bonds or any other funds of the Borrower in respect of the 2009 Project or the Series 2009 Bonds, directly or indirectly, in a manner that would cause, or take any other action that would cause, any State Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code or would otherwise cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation.

(b) The Borrower agrees that it will not enter into, or allow any “related person” (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the State Bonds or any other obligations of the DNRC in an amount related to the amount of the Loan or the portion of the Loan derived directly or indirectly from proceeds of the State Bonds or that would otherwise cause any State Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code.

(c) The Borrower shall not use or permit the use of the 2009 Project directly or indirectly in any trade or business carried on by any Person who is not a Governmental Unit. For the purpose of this subparagraph, use as a member of the general public (within the meaning of the Regulations) shall not be taken into account and any activity carried on by a Person other than a natural person shall be treated as a trade or business.

(d) Any portion of the 2009 Project being refinanced or the cost of which is being reimbursed was acquired by and is now and shall, during the term of the Loan, be owned by the Borrower and not by any other Person. Any portion of the 2009 Project being financed shall be acquired by and shall, during the term of the Loan, be owned by the Borrower and not by any other Person. Notwithstanding the previous two sentences, the Borrower may transfer the 2009 Project or a portion thereof to another Governmental Unit which is also a Public Entity if such transfer is otherwise permitted under this Resolution and if such organization agrees with the DNRC to comply with Section 2.3(h), Section 2.3(i) and Section 2.4 of this Resolution and if the DNRC receives an Opinion of Bond Counsel that such transfer will not violate the SRF Program Act or the Safe Drinking Water Act or adversely affect the exclusion of interest on the State Bonds from gross income or purposes of federal income taxation. In addition, except as otherwise provided in this Resolution or in any Collateral Documents, the Borrower may sell or otherwise dispose of any portion of the 2009 Project which has become obsolete or outmoded or is being replaced or for other reasons is not needed by the Borrower or beneficial to the general public or necessary to carry out the purposes of the Safe Drinking Water Act.

(e) At the Closing of the 2009 Loans, the DNRC will, if necessary to obtain the Opinion of Bond Counsel described in Section 7.05(a) of the SRF Program Indenture, deliver to the

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

(f) The Borrower agrees that during the term of the 2009 Loans it will not contract with or permit any Private Person to manage the 2009 Project or any portion thereof except according to a written management contract and upon delivery to the DNRC of an opinion of Bond Counsel to the effect that the execution and delivery of such management contract will not violate the SRF Program Act or the Safe Drinking Water Act or adversely affect the exclusion of interest on State Bonds from gross income or purposes of federal income taxation.

(g) The Borrower may not lease the 2009 Project or any portion thereof to any Person other than a Nonexempt Person which agrees in writing with the Borrower and the State not to cause any default to occur under this Resolution; provided the Borrower may lease all or any portion of the 2009 Project to a Nonexempt Person pursuant to a lease which in the Opinion of Bond Counsel delivered to the DNRC will not cause the interest on the State Bonds to be included in gross income for purposes of federal income taxation.

(h) The Borrower shall not change the use or nature of the 2009 Project if (i) such change will violate the Safe Drinking Water Act, or (ii) so long as the State Bonds are outstanding unless, in the Opinion of Bond Counsel delivered to the DNRC, such change will not result in the inclusion in gross income of interest on the State Bonds for federal income tax purposes.

Section 2.5 Adequacy of Surplus Net Pledged Revenues. The Borrower covenants and agrees that the rates, charges and rentals to be charged by the University for the use of or in connection with the Auxiliary Facilities shall be maintained and shall be revised, whenever and as often as may be necessary, according to schedules to produce, to the extent the Borrower has not made other moneys available for such purpose, Surplus Net Pledged Revenues in amounts sufficient to pay the principal of and interest and any surcharges on the Series 2009 Bonds as and when due and maintain amounts in the Series 2009II Bond Reserve Account at the Series 2009II Bond Reserve Requirement, pay the principal of and interest on the INTERCAP Obligations as and when due, and to pay as and when due any other Subordinate Obligations issued on a parity with the Series 2009 Bonds.

Section 2.6 Maintenance of Existence; Merger, Consolidation, Etc.; Disposition of Assets. The Borrower shall maintain its corporate existence, except that it may consolidate with or merge into another Governmental Unit or permit one or more Governmental Units to consolidate with or merge into it or may transfer all or substantially all of its assets to another Governmental Unit and then dissolve if the surviving, resulting or transferee entity (if other than

the Borrower) (i) is a Public Entity and (ii) assumes in writing all of the obligations of the Borrower under this Resolution, the Series 2009 Bonds and the Collateral Documents, and (a) such action does not result in any default in the performance or observance of any of the terms, covenants or agreements of the Borrower under this Resolution, the Series 2009 Bonds and the Collateral Documents, (b) such action does not violate the SRF Program Act or the Safe Drinking Water Act and does not adversely affect the exclusion of interest on the Series 2009 Bonds or the State Bonds from gross income for federal income tax purposes and (c) the Borrower delivers to the DNRC on the date of such action an Opinion of Bond Counsel that such action complies with this Section 2.6.

Other than pursuant to the preceding paragraph, the Borrower shall not transfer the System or any portion thereof to any other Person, except for property which is obsolete, outmoded, worn out, is being replaced or otherwise is not needed for the operation of the System, unless the provisions of (a) and (b) of the preceding paragraph are satisfied and the Borrower delivers to the DNRC an Opinion of Bond Counsel to that effect and, in addition, the DNRC consents to such transfer.

Section 2.7 Remedies. No Holder of any of the Series 2009 Bonds shall have the right to institute any proceeding, judicial or otherwise, for the enforcement of the covenants or other provisions herein contained, without the written concurrence of the Holders of not less than 25% in aggregate principal amount of all such Series 2009 Bonds which are at the time Outstanding; but the Holders of such amount of the Series 2009 Bonds may, either at law or in equity, by suit, action or other proceedings, protect and enforce the rights of all Holders of the Series 2009 Bonds and compel the performance of any and all of the covenants required herein to be performed by the Board and its officers and employees, including but not limited to those provisions relating to the adequacy or amounts of Surplus Net Pledged Revenues. The Holders of a majority in principal amount of Outstanding Series 2009 Bonds shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the such Holders or the exercise of any power conferred on them and the right to waive a default in the performance of any such covenant, and its consequences, except a default in the payment of the principal of or interest on any Series 2009 Bond when due. Nothing herein, however, shall impair the absolute and unconditional right of the Holder of each Series 2009 Bond to receive payment of the principal of, premium, if any, and interest and surcharges on such Series 2009 Bond as such principal, premium, interest, and surcharges respectively become due, and to institute suit for any such payment. Any court having jurisdiction of the action may appoint a receiver on behalf of the Board with power to charge and collect fees, rentals, and charges sufficient to provide for the payment of the Series 2009 Bonds, and to apply the Surplus Net Pledged Revenues in conformity with this Resolution and the laws of the State.

ARTICLE III

USE OF PROCEEDS; THE 2009 PROJECT

Section 3.1 Use of Proceeds. The Borrower shall apply the proceeds of the 2009 Loans from the DNRC solely as follows:

(a) The Borrower shall apply the proceeds of the 2009 Loans solely to the financing, refinancing or reimbursement of the costs of the 2009 Project as set forth in Appendix A hereto and this Section 3.1. The 2009 Loans will be disbursed in accordance with ARTICLE IV hereof and Article VII of the SRF Program Indenture. If the 2009 Project has not been completed prior to Closing, the Borrower shall, as quickly as reasonably possible, complete the 2009 Project and expend proceeds of the 2009 Loans to pay the costs of completing the 2009 Project.

(b) No portion of the proceeds of the 2009 Loans shall be used to reimburse the Borrower for costs paid prior to the date of adoption of this Resolution of a Project the construction or acquisition of which occurred or began earlier than June 1, 1993. In addition, if any proceeds of the Loan are to be used to reimburse the Borrower for 2009 Project costs paid prior to the date of adoption of this Resolution, the Borrower shall have complied with Section 1.150-2 of the Regulations in respect of such costs.

Section 3.2 The 2009 Project. Set forth in Appendix A to this Resolution is a description of the 2009 Project, which describes the property which has been or is to be acquired, installed, constructed or improved and the other activities, if any to be funded from the 2009 Loans (the 2009 Project may consist of more than one facility or activity), and an estimated budget relating to the 2009 Project. The 2009 Project may be changed and the description thereof in Appendix A may be amended from time to time by the Borrower but only after delivery to the DNRC of the following:

(a) A certificate of the Borrower setting forth the amendment to Appendix A and stating the reason therefor, including statements whether the amendment would cause an increase or decrease in the cost of the 2009 Project, an increase or decrease in the amount of Loan proceeds which will be required to complete the 2009 Project and providing that the change will not delay the full execution and delivery of the Construction Contract to a date that is after the 2009 Project Readiness Date;

(b) A certificate of Independent Consultant that the change to the 2009 Project in no way adversely affects or diminishes the eligibility of the 2009 Project for ARRA funding or the various attributes of the 2009 Project as that relates to ARRA;

(c) A written consent to such change in the 2009 Project by an Authorized DNRC Officer;

(d) An Opinion or Opinions of Bond Counsel stating that the 2009 Project, as constituted after such amendment, is, and was at the time the State Bonds were issued, eligible for financing under the SRF Program Act and is, and was at the time the Series 2009 Bonds was issued, eligible for financing under the Enabling Authority, such amendment will not violate the SRF Program Act or the Enabling Authority and such amendment will not adversely affect the exclusion of interest on the State Bonds or the Series 2009 Bonds from gross income for purposes of federal income taxation. Such an Opinion of Bond Counsel shall not be required for amendments which do not affect the type of facility to be constructed or activity to be financed; and

(e) In the event the change to the 2009 Project has the effect of reducing the amount of the Committed Amount, the written consent of the Borrower to reallocation of the Committed Amount between the 2009I Loan and the 2009II Loan, if required by the DNRC, as described in Section 5.6 below.

The Borrower acknowledges and agrees that an increase in the principal amount of the 2009 Loans may be made only upon an application to the DEQ, the DNRC and the Trustee, in such form as the DEQ shall specify, which is approved by the DEQ and the DNRC, in their sole and absolute discretion, and adoption by the governing body of the Borrower of a resolution amendatory of or supplementary to this Resolution authorizing the additional loan and delivery of written certifications by officers of the Borrower to the DEQ, the DNRC and the Trustee to the effect that all representations and covenants contained in this Resolution as it may be so amended or supplemented are true as of the date of closing of the additional loan and compliance with applicable tests for the incurrence of such Debt. No assurance can be given that any additional loan funds will be available under the Program at the time of any such application or thereafter. The Borrower acknowledges and agrees that neither the DEQ, the DNRC, the Trustee nor any of their agents, employees or representatives shall have any liability to the Borrower and have made no representations to the Borrower as to the sufficiency of the 2009 Loans to pay costs of the 2009 Project or as to the availability of additional funds under the Program to increase the principal amount of the Loan.

Section 3.3 2009 Project Representations and Covenants. The Borrower hereby represents to and covenants with the DNRC that:

(a) construction of the 2009 Project did not commence prior to February 17, 2009, and the Construction Contract relating to the 2009 Project will be entered into on or before December 31, 2009;

(b) all construction of the 2009 Project has complied and will comply with all federal and state standards, including, without limitation, EPA regulations and standards and the requirements of ARRA;

(c) all future construction of the 2009 Project will be done only pursuant to fixed price construction contracts. The Borrower shall obtain a performance and payment bond from the contractor for each construction contract in the amount of 100% of the construction price and ensure that such bond is maintained until construction is completed to the Borrower's, the DNRC's and the DEQ's satisfaction;

(d) all future construction of the 2009 Project will be done in accordance with plans and specifications on file with the DNRC and the DEQ, provided that changes may be made in such plans and specifications with the written consent of an Authorized DNRC Officer and the DEQ;

(e) the iron, steel, and manufactured goods used in the 2009 Project comply with the "buy American" requirements of Section 1605 of ARRA, as those requirements are further interpreted by applicable EPA guidance;

(f) all laborers and mechanics employed by contractors and subcontractors on the 2009 Project have been and will be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the United States Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code;

(g) the 2009 Project is a project of the type permitted to be financed under the Enabling Authority, the SRF Program Act and the Program and Section 1452 of the Safe Drinking Water Act;

(h) the Borrower will undertake the 2009 Project promptly after the Closing Date and will cause the 2009 Project to be completed as promptly as practicable with all reasonable dispatch, except only as completion may be delayed by a cause or event not reasonably within the control of the Borrower; it is estimated by the Borrower that the 2009 Project will be substantially completed by the Estimated Completion Date; and

(i) the Borrower agrees to provide information regarding jobs created and retained as a result of the 2009 Project and such other information regarding the 2009 Project, including information for the website www.montanarecovery.gov, to the DNRC and the DEQ upon the request for such information by the DNRC or the DEQ or both, and to post signage at the site of the 2009 Project that designates the 2009 Project as an ARRA funded project.

Section 3.4 Completion or Cancellation or Reduction of Costs of the 2009 Project.

(a) Upon completion of the 2009 Project, the Borrower shall deliver to the DNRC a certificate stating that the 2009 Project is complete and stating the amount, if any, of the Undisbursed Committed Amount. If Appendix A describes two or more separate projects as making up the 2009 Project, a separate completion certificate shall be delivered for each.

(b) If all or any portion of the 2009 Project is cancelled or cut back or its costs are reduced or for any other reason the Borrower will not require the full Committed Amount, the Borrower shall promptly notify the DNRC in writing of such fact and the amount of the Undisbursed Committed Amount.

(c) If there is any Undisbursed Committed Amount, the DNRC reserves the right under Section 5.6 below to reallocate the amount equal to the Committed Amount as reduced by the Undisbursed Committed Amount between the 2009I Loan and the 2009II Loan, as more particularly provided in Section 5.6.

ARTICLE IV

THE LOAN

Section 4.1 The Loan; Disbursement of Loan.

(a) The DNRC has agreed to lend to the Borrower, from time to time as the requirements of this Section 4.1 are met, an amount up to (i) \$416,300 (the “2009I Committed Amount”) and (ii) \$333,700 (the “2009II Committed Amount”) for the purposes of financing, refinancing or

reimbursing the Borrower for a portion of the costs of the 2009 Project; provided the DNRC shall not be required to loan any proceeds of the State Bonds to the Borrower after the Estimated Completion Date. The Committed Amount may be reduced as provided in Section 3.2 and Section 3.4 of this Resolution and subject to the operation of Section 5.6.

(b) The DNRC intends to disburse the 2009 Loans through the Trustee. In consideration of the issuance of the Series 2009 Bonds by the Borrower, the DNRC shall make, or cause the Trustee to make, a disbursement of all or a portion of the 2009 Loans upon receipt of the following documents:

(1) an Opinion of Bond Counsel regarding the Series 2009I Bond and an Opinion of Bond Counsel as to the validity and enforceability of the Series 2009II Bond and the security therefor, in form and substance satisfactory to the DNRC;

(2) the Series 2009I Bond and the Series 2009II Bond, fully executed and authenticated;

(3) a certified copy of this Resolution;

(4) any other security instruments or documents required by the DNRC or DEQ as a condition to their approval of the 2009 Loans;

(5) if all or part of a Loan is being made to refinance a project or reimburse the Borrower for the costs of a project paid prior to the Closing, evidence, satisfactory to the DNRC and the Bond Counsel referred to in (1) above, (A) that the acquisition or construction of the project was begun no earlier than June 1, 1993 or the debt was incurred no earlier than June 1, 1993, (B) of the Borrower's title to the project, (C) of the costs of such project and that such costs have been paid by the Borrower and (D) if such costs were paid before adoption of this Resolution, that the Borrower has complied with Section 1.150-2 of the Regulations;

(6) the items required by the SRF Program Indenture for the portion of the 2009 Loans to be disbursed at Closing; and

(7) such other certificates, documents and other information as the DNRC, the DEQ or the Bond Counsel giving the opinion referred to in subparagraph (1) may require (including any necessary arbitrage rebate instructions).

(c) In order to obtain a disbursement of a portion of the 2009 Loans to pay costs of the 2009 Project, the Borrower shall submit to the DNRC and the Trustee a signed request for disbursement on the form prescribed by the DNRC, with all attachments required by such form. The Borrower may obtain disbursements only for costs which have been legally incurred and are due and payable. All Loan disbursements will be made to the Borrower only upon proof that cost was incurred.

(d) The 2009 Loans shall be disbursed, subject to the other terms and conditions of this Resolution, in the following order:

(1) First, the 2009I Loan will be disbursed in increments to the Borrower as and when needed.

(2) Second, after the entire principal amount of the 2009I Loan has been disbursed to the Borrower, the 2009II Loan will be disbursed in increments to the Borrower as and when needed.

(3) Third, from and after the initial disbursement of proceeds of the 2009I Loan, the Borrower may apply to the costs of the 2009 Project any other funds available to it, including grants or other funds, only after the full amount of the 2009I Loan and 2009II Loan has been disbursed to the Borrower.

(e) The Borrower shall not be entitled to, and the DNRC shall have no obligation to make, the initial advance under the Series 2009I Bond or any subsequent advance of amounts under the 2009 Loans until such time as the Borrower shall have set aside and funded the Series 2009II Bond Reserve Account in an amount then required to satisfy the Series 2009II Bond Reserve Requirement.

(f) [reserved]

(g) If all or a portion of the 2009 Loans is made to reimburse the Borrower for 2009 Project costs paid by it prior to Closing, the Borrower shall present at Closing the items required by Section 4.1(b) relating to such costs. The Trustee shall disburse such amounts to the Borrower pursuant to a disbursement schedule complying with the requirements of the Safe Drinking Water Act established by the DNRC and the Borrower at the Closing.

(h) Notwithstanding anything else provided herein, the Trustee shall not be obligated to disburse the 2009 Loans any faster or to any greater extent than it has available EPA Capitalization Grants, bond proceeds and other amounts available therefor in the Revolving Fund. The DNRC shall not be required to do “overmatching” pursuant to Section 5.04(b) of the SRF Program Indenture, but may do so in its discretion. The Borrower acknowledges that if Project costs are incurred faster than the Borrower projected at Closing, there may be delays in making Loan disbursements for such costs because of the schedule under which EPA makes EPA Capitalization Grant money available to the DNRC. The DNRC will use its best efforts to obtain an acceleration of such schedule if necessary.

(i) Upon making each 2009I Loan disbursement and 2009II Loan disbursement, the Trustee shall note such disbursement on Schedule A to the Series 2009I Bond and Series 2009II Bond, respectively. A Schedule A reflecting the amount of the initial advance of the 2009I Loan will first be attached to the Series 2009I Bond at Closing.

(j) The Borrower agrees that it will deposit in the Series 2009II Bond Reserve Account on the date of the initial advance of the 2009I Loan an amount equal to the Series 2009II Bond Reserve Requirement. The Borrower further acknowledges and agrees that any portions of the 2009 Loans representing capitalized interest shall be advanced only on Payment Dates and shall be transferred by the Trustee on the Payment Date directly to the Series 2009 Debt Service

Account. The amount of any such transfer shall be a credit against the interest payments due on the Series 2009 Bonds and interest thereon shall accrue only from the date of transfer.

(k) Compliance by the Borrower with its representations, covenants and agreements contained in this Resolution and the Collateral Documents shall be a further condition precedent to the disbursement of the 2009 Loans in whole or in part. The DNRC and the Trustee, in their sole and absolute discretion, may make one or more disbursements, in whole or in part, notwithstanding such noncompliance, and without liability to make any subsequent disbursement of the Loan.

Section 4.2 Commencement of Loan Term. The Borrower's obligations under this Resolution and the Collateral Documents shall commence on the date hereof unless otherwise provided in this Resolution. However, the obligation to make payments under ARTICLE V hereof shall commence only upon the first disbursement by the Trustee of the 2009I Loan proceeds.

Section 4.3 Termination of Loan Term. The Borrower's obligations under this Resolution and the Collateral Documents in respect of the Series 2009 Bonds shall terminate upon payment in full of all amounts due under the Series 2009 Bonds and this Resolution in respect thereof; provided, however, that the covenants and obligations provided in ARTICLE VI of this Resolution shall survive the termination of this Resolution.

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

ARTICLE V

REPAYMENT OF 2009 LOANS

Section 5.1 Repayment of 2009 Loans. The Borrower shall repay the amounts lent to it pursuant to Section 4.1 hereof in accordance with this Section 5.1.

5.1.1. Interest and Surcharges. Until an ARRA Statement is delivered by the DNRC to the Borrower and so long as the Borrower's obligation to repay the principal of the 2009I Loan is forgiven as provided in Section 5.1.2 below, amounts disbursed by the DNRC under Section 4.1 hereof that are evidenced by (i) the Series 2009I Bond bear interest at the rate of zero percent (0.00%) per annum from the date of each advance; and (ii) the Series 2009II Bond bear interest at the rate of one and seventy-five hundredths percent (1.75%) per annum; provided, however, if the DNRC delivers to the Borrower an ARRA Noncompliance Statement, then all principal of the Series 2009I Bond advanced by the DNRC shall be payable and amounts disbursed by the DNRC under Section 4.1 hereof that are evidenced by the Series 2009I Bond and the Series 2009II Bond shall bear interest at the rate of two percent (2.00%) per annum and in addition the Borrower shall pay the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge from the date of each advance under the Series 2009I Bond and Series 2009II Bond. If the obligation of the Borrower to repay the principal amount of the 2009I Loan is not forgiven under Section 5.1.2 below, for purposes of this Resolution and the Program, with

respect to the 2009I Loan and the 2009II Loan, the term “interest on the 2009 Loans” or “interest on the 2009I Loan” or “interest on the Series 2009II Loan” when not used in conjunction with a reference to any surcharges, shall include the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge. The Borrower shall pay all Loan Repayments and surcharges in lawful money of the United States of America to the DNRC. Interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge shall be calculated on the basis of a year of 360 days comprising 12 months of 30 days each.

5.1.2. Repayment of 2009I Loan; Principal Forgiveness.

(a) The Borrower is obligated to repay the principal of and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2009I Loan, unless the DNRC forgives the Borrower’s obligation to repay the principal of the 2009I Loan as provided in Section 5.1.2(b). Subject to the provisions of Section 5.1.2(b), the Loan Repayments and the Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2009I Loan shall be due on each Payment Date, as follows:

- (1) interest and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the outstanding principal balance of the 2009I Loan shall be payable from and after the date of each advance of principal of the 2009I Loan on each Payment Date at the rate of 3.75% per annum, beginning on the first Payment Date following the date of delivery by the DNRC of an ARRA Noncompliance Statement and concluding on January 1, 2020; and
- (2) the principal of the 2009I Loan shall be repayable on each Payment Date, beginning on the Payment Date that is the first to occur following delivery by the DNRC of an ARRA Noncompliance Statement, and concluding on January 1, 2020, and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at the rate of 3.75% per annum; provided that principal of the 2009I Loan is payable only in amounts that are multiples of \$1,000

(b) Notwithstanding Section 5.1.2(a), so long as the Borrower is proceeding diligently to completion of the 2009 Project through the final advance of principal of the 2009II Loan and the Borrower or its authorized designee has executed and delivered the ARRA Certificate and Request to the DNRC in form and substance satisfactory to the DNRC and the DEQ within thirty (30) days after the date that the ARRA Certificate and Request is provided to the Borrower by the DNRC, the DNRC will, following review and approval of the ARRA Certificate and Request, deliver to the Borrower an ARRA Forgiveness Statement and the Borrower will thereafter have no obligation to repay amounts advanced under the Series 2009I Bond or interest or surcharges thereon and the Series 2009I Bond will be marked “CANCELLED” and returned by the DNRC to the Borrower. However, in the event the Borrower or its authorized designee fails to deliver timely the ARRA Certificate and Request, or the Borrower cannot submit the ARRA Certificate and Request because it cannot make the certifications required therein, including without limitation, those related to ARRA, or the ARRA Certificate and Request is delivered in a form that deviates materially from that attached hereto as Appendix D as

determined in the sole and complete discretion of the DNRC or the DEQ, or the DNRC or the DEQ determine at any time that the 2009 Project or any portion thereof or of the work relating thereto fails to comply with ARRA, then the DNRC will deliver to the Borrower or its authorized designee an ARRA Noncompliance Statement. Upon delivery of an ARRA Noncompliance Statement by the DNRC to the Borrower or its authorized designee, all principal advanced or to be advanced under the Series 2009I Bond, together with interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge thereon from the date of each advance, shall be payable as provided in Section 5.1.2 (a). Notwithstanding Section 5.1.2(a), until the delivery by the DNRC to the Borrower or its authorized designee of an ARRA Statement, the obligation of the Borrower to repay the principal advanced under Series 2009I Bond shall be deferred until the Payment Date first occurring after delivery of an ARRA Statement and, until such time, interest on amounts advanced under the Series 2009I Bond will be deemed to be at the rate of zero percent (0.00%) per annum.

(c) The Board hereby designates, authorizes, and directs the Vice President of Administration and Finance of The University of Montana and Assistant Director of Utilities and Engineering of The University of Montana to finalize, execute, and deliver to the DNRC the ARRA Certificate and Request on behalf of the Board.

5.1.3. Repayment of 2009II Loan.

(a) Subject to the provisions of Section 5.1.3(b), the Loan Repayments on the 2009II Loan from and after the initial advance of proceeds of the 2009II Loan and all subsequent advances of the 2009II Loan are as follows:

- (1) interest on the outstanding principal balance of the 2009II Loan shall be payable on each Payment Date, beginning on July 1, 2010 and concluding on January 1, 2020 at the rate of 1.75% per annum;
- (2) the Borrower shall have no obligation to pay any Administrative Expense Surcharge or any Loan Loss Reserve Surcharge; and
- (3) the principal of the 2009II Loan shall be repayable on each Payment Date, beginning on July 1, 2010 and concluding on January 1, 2020, and the amount of each principal payment shall be calculated on the basis of substantially level debt service at an interest rate of 1.75% per annum; provided that principal of the 2009II Loan is payable only in amounts that are multiples of \$1,000.

(b) Notwithstanding the provisions of Section 5.1.3(a), upon the delivery by the DNRC to the Borrower or its authorized designee of an ARRA Noncompliance Statement, Loan Repayments and the Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the 2009II Loan required by this Section 5.1 shall be due on each Payment Date from and after the delivery of such statement, as follows:

- (1) interest and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on the outstanding principal balance of the 2009II

Loan shall be payable from and after the date of the initial advance of proceeds of the 2009II Loan and each advance of principal of the 2009II Loan thereafter on each Payment Date following the date of delivery of an ARRA Noncompliance Certificate at the rate of 3.75% per annum, beginning on the first Payment Date to occur after the ARRA Noncompliance Certificate has been delivered and concluding on January 1, 2020; and

- (2) the principal of the 2009II Loan shall be repayable on each Payment Date, beginning on the first Payment Date to occur after the date of the delivery of an ARRA Noncompliance Certificate and concluding on January 1, 2020, and the amount of each principal payment shall be calculated on the basis of a substantially level debt service at the rate of 3.75% per annum, taking into account each Loan Repayment, if any, made pursuant to Section 5.1.3(a), and provided that principal of the 2009II Loan is payable only in amounts that are multiples of \$1,000.

(c) The adjustment to the rate of interest paid on the Series 2009II Bond resulting from the provisions of Section 5.1.3(b) will not extend the final maturity date of the Series 2009II Bond and interest at the adjusted rate, including surcharges, shall be payable on each advance of principal of the Series 2009II Bond from the date of the advance at the rates specified in Section 5.1.3(b); provided that, the Borrower is entitled to a credit against such payments equal to an amount then paid by the Borrower under Section 5.1.3(a).

5.1.4. Details Regarding 2009 Loan Repayments. Loan Repayments and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge, if applicable, on the 2009I Loan and the 2009II Loan, shall be due on the dates specified above and on the dates and in the amounts shown in Schedule B to each of the Series 2009II Bond and, if applicable, the Series 2009I Bond, as such Schedule B shall be modified from time to time as provided in Sections 5.1.2 and 5.1.3 and below. Schedule B will first be attached to the Series 2009I Bond at Closing, and, if applicable, to the Series 2009II Bond at Closing. If an amount in excess of all of the principal amount of the Series 2009I Bond is not advanced at Closing, Schedule B will be attached to the Series 2009II Bond following the full advance of proceeds of the Series 2009I Bond. The portion of each Loan Repayment consisting of principal and the portion consisting of interest shall be set forth on Schedule B to the Series 2009II Bond and the portion of each Loan Repayment consisting of principal and the portion consisting of interest and the amount of each Administrative Expense Surcharge and the amount of each Loan Loss Reserve Surcharge shall be set forth in Schedule B to the Series 2009I Bond (and the Series 2009II Bond, if appropriate). Upon each disbursement of 2009 Loan amounts to the Borrower pursuant to Section 4.1 hereof, the Trustee shall enter or cause to be entered the amount advanced on Schedule A to the applicable Series 2009I Bond and the Series 2009II Bond under “Advances” and the total amount advanced under Section 4.1, including such disbursement, under “Total Amount Advanced.”

If the advance was made to pay costs of the 2009 Project pursuant to Section 4.1(b), interest in respect of the Series 2009II Bond on such advance shall accrue from the date the advance is made at the rate of 1.75% per annum and shall be payable on each Payment Date

thereafter, subject to the operation of the following sentence. If the DNRC shall have delivered an ARRA Noncompliance Statement, then the Trustee shall revise the Schedule B to the Series 2009II Bond to reflect interest and surcharges totaling 3.75% per annum in accordance with Section 5.1.3(b), and Schedule B to the Series 2009I Bond shall continue to reflect interest and surcharges on amounts advanced under the Series 2009I Bond at 3.75% per annum, as may be revised to reflect the full principal amount advanced under the Series 2009I Bond, the initial Payment Date, and the periodic total loan payment, and the Trustee shall send a copy of such schedules to the Borrower within one month after delivery by the DNRC of the ARRA Noncompliance Statement to the Borrower. If the DNRC delivers an ARRA Forgiveness Statement, Schedule B to the Series 2009I Bond will be disregarded and of no effect and Schedule B to the Series 2009II Bond will continue to reflect a debt service schedule with payments at 1.75% per annum, and the Trustee shall send a copy of the revised Schedule B to the Series 2009II Bond showing the full principal amount advanced under the Series 2009II Bond to the Borrower within one month after the delivery of such ARRA Forgiveness Statement.

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

Any payment of principal and interest as to the Series 2009II Bond and, if applicable, the Series 2009I Bond, and the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge as to the Series 2009I Bond and the Series 2009II Bond, if applicable, under this Section 5.1 shall be credited against the same payment obligation under each of the Series 2009II Bond and, if applicable, the Series 2009I Bond.

Section 5.2 Additional Payments. The Borrower shall also pay, within 30 days after receipt of a bill therefor, from any legally available funds therefor, including proceeds of the Loan, if the Borrower so chooses, all reasonable expenses of the DNRC and the Trustee in connection with the 2009 Loans, the Collateral Documents and the Series 2009 Bonds, including, but not limited to:

(a) the cost of reproducing this Resolution, the Collateral Documents and the Series 2009 Bonds;

(b) the fees and disbursements of bond counsel and other Counsel utilized by the DNRC and the Trustee in connection with the Loan, this Resolution, the Collateral Documents and the Series 2009 Bonds and the enforcement thereof; and

(c) all taxes and other governmental charges in connection with the execution and delivery of the Collateral Documents or the Series 2009 Bonds, whether or not the Series 2009 Bonds are then outstanding, including all recording and filing fees relating to the Collateral Documents and the pledge of the State's right, title and interest in and to the Series 2009 Bonds, the Collateral Documents and this Resolution under this Resolution (and with the exceptions noted therein) and all expenses, including attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof or thereof.

Section 5.3 Prepayments. The Borrower may not prepay all or any part of the outstanding principal amount of the Series 2009II Bond and, if applicable, the Series 2009I Bond, unless (i) an ARRA Statement has been delivered by the DNRC, (ii) it obtains the prior written consent of the DNRC thereto, and (iii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and, if applicable, Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2009 Bonds are prepaid in part pursuant to this Section 5.3, such prepayments shall be applied to principal payments in inverse order of maturity.

Section 5.4 Obligations of Borrower Unconditional. The obligations of the Borrower to make the payments required by this Resolution and the Series 2009 Bonds and to perform its other agreements contained in this Resolution, the Series 2009 Bonds and Collateral Documents shall be absolute and unconditional, except as otherwise provided herein or in such documents. The Borrower (a) shall not suspend or discontinue any payments provided for in this Resolution and the Series 2009 Bonds, (b) shall perform all its other agreements in this Resolution, the Series 2009 Bonds and the Collateral Documents and (c) shall not terminate this Resolution, the Series 2009 Bonds or the Collateral Documents for any cause, including any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2009 Project or the System, commercial frustration of purpose, any dispute with the DNRC or the EPA, any change in the laws of the United States or of the State or any political subdivision of either or any failure of the DNRC to perform any of its agreements, whether express or implied, or any duty, liability or obligation arising from or connected with this Resolution.

Section 5.5 Limited Liability. All payments of principal of and interest on the 2009 Loans and other payment obligations of the Borrower hereunder and under the Series 2009 Bonds shall be special, limited obligations of the Borrower secured by the Surplus Net Pledged Revenues and shall not, except at the option of the Borrower and as permitted by law, be payable out of any other revenues of the Borrower. The obligations of the Borrower under this Resolution and the Series 2009 Bonds shall never constitute an indebtedness of the Borrower within the meaning of any state constitutional provision or statutory or charter limitation and shall never constitute or give rise to a pecuniary liability of the Borrower or a charge against its general credit or taxing power. The Borrower has no taxing power. No funds or property of the Borrower other than the Surplus Net Pledged Revenues may be required to be used to pay principal of or interest on the Series 2009 Bonds.

Section 5.6 Reallocation of 2009 Loans. The Borrower understands that the principal amounts of the 2009I Loan and the 2009II Loan have been sized based on the understanding and expectation that the 2009 Project costs at least \$750,000 and that the Borrower will request disbursement of the full amount of the 2009I Loan and 2009II Loan. Notwithstanding any provision to the contrary herein, the Borrower acknowledges and agrees that in the event there is any Undisbursed Committed Amount, then the DNRC reserves the right in its sole and complete discretion to reallocate loan amounts as between the 2009I Loan and 2009II Loan on the basis of the amounts of the 2009I Loan and the 2009II Loan that the Borrower would have been entitled to had the 2009 Loans initially equaled the Committed Amount less the Undisbursed Committed Amount. The reallocation between the 2009I Loan and 2009II Loan will reflect the same

proportions of the 2009 Loans originally allocated to the 2009I Loan and 2009II Loan. Upon making such reallocation, the DNRC shall deliver to the Borrower a replacement Series 2009I Bond and a replacement Series 2009II Bond reflecting adjusted principal amounts, which bonds shall supersede and render of no effect the original bonds and be payable on the same dates as described in the original bonds, but in an adjusted amount owing on each Payment Date because of the reallocation of principal amounts. The Borrower shall execute and deliver the replacement Series 2009I Bond and the replacement Series 2009II Bond to the DNRC within thirty (30) days after delivery of such bonds to the Borrower by the DNRC.

ARTICLE VI

INDEMNIFICATION OF DNRC AND DEQ

The Borrower shall indemnify and save harmless the DNRC and the DEQ and their officers, employees and agents (each an "Indemnified Party" or, collectively, the "Indemnified Parties") against and from any and all claims, damages, demands, expenses, liabilities and losses of every kind asserted by or on behalf of any Person arising out of the acts or omissions of the Borrower or its employees, officers, agents, contractors, subcontractors, or consultants in connection with or with regard or in any way relating to the condition, use, possession, conduct, management, planning, design, acquisition, construction, installation or financing of the 2009 Project to the full extent permitted by law. The Borrower shall also indemnify and save harmless the Indemnified Parties against and from all costs, reasonable attorneys' fees, expenses and liabilities incurred in any action or proceeding brought by reason of any such claim or demand, to the full extent permitted by law. If any proceeding is brought against an Indemnified Party by reason of such claim or demand, the Borrower shall, upon notice from an Indemnified Party, defend such proceeding on behalf of the Indemnified Party.

ARTICLE VII

ASSIGNMENT

Section 7.1 Assignment by Borrower. The Borrower may not assign its rights and obligations under this Resolution or the Series 2009 Bonds.

Section 7.2 Assignment by DNRC. The DNRC will pledge its rights under and interest in this Resolution, the Series 2009 Bonds and the Collateral Documents (except to the extent otherwise provided in the SRF Program Indenture) as security for the payment of the State Bonds and may further assign such interests to the extent permitted by the SRF Program Indenture, without the consent of the Borrower.

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

refer to such Additional State Bonds or, in the case of a crossover refunding, both the State Bonds and such Additional State Bonds.

ARTICLE VIII

THE SERIES 2009 BONDS

Section 8.1 Surplus Net Pledged Revenues Available. The Borrower is authorized to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the Auxiliary Facilities and other facilities, and to pledge and appropriate to the Series C 1995 Bonds, Series E 1998 Bonds, Series F 1999 Bonds, Series G 2002 Bonds, Series I 2004 Bonds, Series J 2005 Bonds, and any future Additional Bonds the Net Pledged Revenues. The Net Pledged Revenues to be produced by such rates, charges and rentals during the term of the Series 2009 Bonds are expected to be more than sufficient to pay the principal and interest when due on the Series C 1995 Bonds, Series E 1998 Bonds, Series F 1999 Bonds, Series G 2002 Bonds, Series I 2004 Bonds, and Series J 2005 Bonds and to create and maintain reasonable reserves therefor and to provide an adequate allowance for replacement and depreciation. The Borrower represents and covenants with the DNRC that the Borrower is obligated to charge amounts sufficient to produce Net Pledged Revenue in an amount equal to at least 115% of the amount required to pay Outstanding Bonds and any Additional Bonds payable from Net Pledged Revenues in the corresponding Bond Year and that Surplus Net Pledged Revenues will be produced in an amount sufficient to pay principal, interest, Administrative Expense Surcharge, if any, and Loan Loss Reserve Surcharge, if any, as and when due on the Series 2009 Bonds. The Borrower acknowledges and agrees that if the DNRC delivers an ARRA Noncompliance Statement to the Borrower as provided in Section 5.1.2 as determined in the sole and complete discretion of the DNRC, then principal and interest and surcharges will become due and owing on the 2009I Loan evidenced by the Series 2009I Bond and the 2009II Loan evidenced by the Series 2009II Bond as provided in Section 5.1. The Borrower shall ensure rates, charges, and rentals applicable to the Auxiliary Facilities are sufficient to produce, to the extent the Borrower has not made available other moneys for such purpose, Surplus Net Pledged Revenues in an amount at least equal to that required to pay debt service on the Series 2009 Bonds as and when due and to maintain the amount in the Series 2009II Bond Reserve Account at the Series 2009II Bond Reserve Requirement, to pay the INTERCAP Obligations as and when due, and to pay other Subordinate Obligations issued on a parity with the Series 2009 Bonds as and when due.

Section 8.2 Issuance and Sale of the Series 2009 Bonds. The Borrower has investigated the facts necessary and hereby finds, determines and declares it to be necessary and desirable for the Borrower to issue the Series 2009 Bonds to evidence the 2009 Loans. The Series 2009 Bonds are issued to the DNRC without public sale.

Section 8.3 Terms. The Series 2009I Bond and the Series 2009II Bond shall be in the maximum principal amount equal to the original 2009I Committed Amount and 2009II Committed Amount, respectively, shall each be issued as a single, fully registered bond numbered R-1, shall be dated as of the date of delivery to the DNRC, and shall bear interest at the rate charged by the DNRC on the 2009I Loan and 2009II Loan, respectively. The principal of and interest on the Series 2009II Bond, and, if applicable, the principal of and interest on the Series 2009I Bond and any Administrative Expense Surcharge and Loan Loss Reserve Surcharge

on the Series 2009I Bond and the Series 2009II Bond shall be payable on the same dates and in the same amounts on which Loan Repayments are payable. Advances of principal of the Series 2009I Bond or Series 2009II Bond shall be deemed made when advances of the 2009I Loan or 2009II Loan, respectively, are made under Section 4.1, and such advances shall be payable in accordance with Schedule B to the Series 2009II Bond and, if applicable, the Series 2009I Bond, as the case may be, as it may be revised by the DNRC from time to time in accordance with Section 5.1. The Series 2009 Bonds are Subordinate Obligations payable only from the Series 2009 Bonds Debt Service Account. The Series 2009 Bonds Debt Service Account may be funded by deposits of Surplus Net Pledged Revenues or other funds of the Board legally available to pay the debt service of the Series 2009 Bonds.

The Borrower may prepay the Series 2009 Bonds, in whole or in part, only upon the terms and conditions under which it can prepay the 2009 Loans under Section 5.3.

Section 8.4 Negotiability, Transfer and Registration. The Series 2009 Bonds shall be fully registered as to both principal and interest, and shall be initially registered in the name of and payable to the DNRC. While so registered, principal of and interest on the Series 2009 Bonds shall be payable to the DNRC at the Office of the Department of Natural Resources and Conservation, 1625 Eleventh Avenue, Helena, Montana 59620-1601 or such other place as may be designated by the DNRC in writing and delivered to the Borrower. The Series 2009 Bonds shall be negotiable, subject to the provisions for registration and transfer contained in this Section. No transfer of the Series 2009 Bonds shall be valid unless and until (1) the holder, or his duly authorized attorney or legal representative, has executed the form of assignment appearing on the Series 2009 Bonds, and (2) the Associate Vice President of Administration and Finance of The University of Montana, acting on behalf of the Borrower (or successors, the “Registrar”), as Bond Registrar, has duly noted the transfer on the Series 2009 Bonds and recorded the transfer on the registration books of the Registrar. The Registrar may, prior to noting and recording the transfer, require appropriate proof of the transferor’s authority and the genuineness of the transferor’s signature. The Borrower shall be entitled to deem and treat the Person in whose name the Series 2009 Bonds is registered as the absolute owner of the Series 2009 Bonds for all purposes, notwithstanding any notice to the contrary, and all payments to the registered holder shall be valid and effectual to satisfy and discharge the Borrower’s liability upon such Bond to the extent of the sum or sums so paid.

Section 8.5 Execution and Delivery. The Series 2009 Bonds shall be executed on behalf of the Borrower by the manual signatures of the Chairman and Secretary of the Board. Any or all of such signatures may be affixed at or prior to the date of delivery of the Series 2009 Bonds. The Series 2009 Bonds shall be sealed with the seal of the Borrower. In the event that any of the officers who shall have signed the Series 2009 Bonds shall cease to be officers of the Borrower before the Series 2009 Bonds are issued or delivered, their signatures shall remain binding upon the Borrower. Conversely, the Series 2009 Bonds may be signed by an authorized official who did not hold such office on the date of adoption of this Resolution. The Series 2009 Bonds shall be delivered to the DNRC, or its attorney or legal representative.

Section 8.6 Form. The Series 2009I Bond shall be prepared in substantially the form attached as Appendix B-1 and the Series 2009II Bond shall be prepared in substantially the form attached as Appendix B-2.

ARTICLE IX

SECURITY FOR THE SERIES 2009 BONDS

The Series 2009 Bonds are issued as subordinate lien obligations permitted by the University of Montana Indenture and are equally and ratably secured by the provisions of this Resolution and payable, to the extent other moneys are not made available, out of the Surplus Net Pledged Revenues appropriated to the Series 2009 Bonds Debt Service Account in the 2009 Project Fund, without preference or priority, all as provided in this Resolution, and the Series 2009II Bond is additionally secured by the Series 2009II Bond Reserve Account, as further provided in Section 10.4 of this Resolution. Upon advancement of principal of the Series 2009I Bond, an authorized officer in the Department of Administration and Finance of The University of Montana shall transfer from available funds of the Borrower such amounts to the Series 2009II Bond Reserve Account to cause the balance therein to equal the Series 2009II Bond Reserve Requirement, treating the full principal amount of the Series 2009II Bond as Outstanding at Closing. In the event the amount in the Series 2009II Bond Reserve Account exceeds the Series 2009II Bond Reserve Requirement as of the date of the final disbursement of proceeds of the Series 2009II Bond, the Borrower shall reduce the amount then in the Series 2009II Bond Reserve Account to equal the Series 2009II Bond Reserve Requirement, recognizing that none of the amounts in the Series 2009II Bond Reserve Account shall be from proceeds of the Series 2009II Bond. The Series 2009 Bonds are Subordinate Obligations issued under Section 2.07(d) of the University of Montana Indenture and payable from the Surplus Net Pledged Revenues in the Series 2009 Bonds Debt Service Account, to the extent other legally available funds are not deposited therein, remaining after required credits to the Auxiliary Facilities Operation and Maintenance Accounts, the Debt Service Fund, the Debt Service Reserve Fund, and the Repair and Replacement Fund. No payment of principal or interest shall be made on the Series 2009 Bonds if the Borrower is then in default in the payment of principal of or interest on any Bond or Additional Bond or if there is a deficiency in the Debt Service Fund or the Debt Service Reserve Fund, or the amount in the Repair and Replacement Fund is less than the minimum Repair and Replacement Reserve Requirement. The Borrower hereby pledges to the payment of the Series 2009 Bonds and the satisfaction of the Series 2009II Bond Reserve Requirement, to the extent other legally available moneys are not made available for the payment or satisfaction thereof, the Surplus Net Pledged Revenues. The Borrower shall cause rates, rentals, and charges to be maintained or increased to produce Surplus Net Pledged Revenues at least equal to the amount required under Section 2.5 of this Resolution. The Borrower shall keep, perform and observe each and every one of its covenants and undertakings set forth in this Resolution for the benefit of the registered owners from time to time of the Series 2009 Bonds. The Series 2009 Bonds and the INTERCAP Obligations are secured on a parity basis equally and ratably by the Surplus Net Pledged Revenues and are payable equally and ratably from the Surplus Net Pledged Revenues to the extent other legally available moneys are not made available for the payment thereof, without preference or priority. Nothing in this Resolution prevents or limits the Borrower from issuing future Subordinate Obligations on a parity with the Series 2009 Bonds and INTERCAP Obligations and secured equally and ratably by Surplus Net Pledged Revenues.

ARTICLE X

2009 PROJECT FUND

Section 10.1 2009 Project Fund. A special 2009 Project Fund is hereby created and shall be maintained as a separate bookkeeping account on the official books of the Borrower until the Series 2009 Bonds and interest and surcharges, if any, due thereon have been fully paid, or the Borrower's obligations with reference to such Series 2009 Bonds has been discharged as provided in Article XIII.

Section 10.2 2009 Project Construction Account. The 2009 Project Construction Account is hereby established as a separate account within the 2009 Project Fund. Upon delivery of the Series 2009 Bonds, the Borrower shall credit to the 2009 Project Construction Account the proceeds of the Series 2009 Bonds, except those, if any, to be deposited in the Series 2009II Bond Reserve Account. The 2009 Project Construction Account shall be used only to pay as incurred and allowed the 2009 Project costs which under accepted accounting practice are capital costs of the 2009 Project authorized in accordance with law, including but not limited to payments due for work and materials performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, interest accruing on the Series 2009 Bonds during the period of construction of facilities financed thereby and for six months thereafter, if and to the extent that the Series 2009 Bonds Debt Service Account is not sufficient for payment of such interest, reimbursement of any advances made from other Borrower funds, and all other expenses incurred in connection with the construction and financing of such 2009 Project, including the costs of issuance of the Series 2009 Bonds. To the 2009 Project Construction Account shall be credited as received all proceeds of Series 2009 Bonds issued to finance the 2009 Project and to pay costs of issuance of the Series 2009 Bonds, and all income received from the investment of the 2009 Project Construction Account. In the event there are insufficient funds in the Series 2009 Debt Service Account to pay principal of and interest on the Series 2009 Bonds, when due, any moneys then remaining in the 2009 Project Construction Account shall be transferred to the Series 2009 Debt Service Account for that purpose. Upon completion of the 2009 Project, the balance remaining in the 2009 Project Construction Account may be used to pay the cost of other capital improvements to the System but if and to the extent not so used shall be transferred to the Series 2009II Bond Reserve Account to the extent required to establish the Series 2009II Bond Reserve Requirement therein and, to the extent not so required, to the Series 2009 Debt Service Account.

Section 10.3 Series 2009 Bonds Debt Service Account. The Series 2009 Bonds Debt Service Account is hereby established as a separate account within the 2009 Project Fund. Upon delivery of the Series 2009 Bonds, the Borrower shall credit to the Series 2009 Debt Service Account, monthly out of the Surplus Net Pledged Revenues remaining after required credits to the Auxiliary Facilities Operation and Maintenance Accounts, the Debt Service Fund, the Debt Service Reserve Fund, and the Repair and Replacement Fund under the University of Montana Indenture, or from other funds of the Borrower legally available to pay debt service, an amount equal to not less than one-sixth of the interest due within the next six months on the Series 2009 Bonds then Outstanding and one-twelfth of the principal, if any, to become due within the next twelve months on all Outstanding Series 2009 Bonds; provided that the Borrower shall be

entitled to reduce a monthly apportionment by the amount of any surplus previously credited and then on hand in the Series 2009 Debt Service Account; and provided further that until an ARRA Statement is delivered, the foregoing calculation shall be made assuming that an ARRA Forgiveness Statement will be delivered. Money from time to time held in the Series 2009 Debt Service Account shall be disbursed only to meet payments of principal of and interest on the Series 2009 Bonds as such payments become due; provided that on any date when the amount then on hand in the Series 2009 Debt Service Account, plus the amount in the Series 2009II Bond Reserve Account allocable to the Series 2009II Bond, is sufficient with other moneys available for the purpose to pay or discharge all Series 2009 Bonds and the interest accrued thereon in full, it may be used for that purpose. If any payment of principal or interest becomes due when money in the Series 2009 Debt Service Account is temporarily insufficient to pay the Series 2009II Bond, to the extent of such deficiency funds shall be advanced to the Series 2009 Debt Service Account out of any funds then on hand in the Series 2009II Bond Reserve Account.

Section 10.4 Series 2009II Bond Reserve Account. The Series 2009II Bond Reserve Account is hereby established as a separate account within the 2009 Project Fund. Upon delivery of the Series 2009 Bonds, the Borrower shall credit to the Series 2009II Bond Reserve Account, from funds it has on hand and available therefor, the Series 2009II Bond Reserve Requirement. Upon each monthly apportionment, if the balance in the Series 2009II Bond Reserve Account is less than the Series 2009II Bond Reserve Requirement, all Surplus Net Pledged Revenues or other available funds in the 2009 Project Fund remaining after the required credit to the Series 2009 Bonds Debt Service Account shall be credited to the Series 2009II Bond Reserve Account until the balance therein equals the Series 2009II Bond Reserve Requirement.

If on any Payment Date there shall exist a deficiency in the Series 2009 Bonds Debt Service Account allocable to the Series 2009II Bond, the Borrower shall transfer from the Series 2009II Bond Reserve Account to the Series 2009 Bonds Debt Service Account an amount equal to such deficiency allocable to the Series 2009II Bond.

Money held in the Series 2009II Bond Reserve Account shall be transferred to the Series 2009 Bonds Debt Service Account to be used only to pay maturing principal of and interest on the Series 2009II Bond when money within the Series 2009 Bonds Debt Service Account is insufficient therefor or to pay the Series 2009II Bond or defease such bond.

If the balance in the Series 2009II Bond Reserve Account has not been restored to the Series 2009II Bond Reserve Requirement within six months after the balance falls below the Series 2009II Bond Reserve Requirement, the Borrower shall transfer to the Series 2009II Bond Reserve Account an amount sufficient to restore the balance therein to the Series 2009II Bond Reserve Requirement.

If at any time (including, but not limited to, any Payment Date), the balance in the Series 2009II Bond Reserve Account exceeds the Series 2009II Bond Reserve Requirement, the Borrower shall transfer such excess to the Series 2009 Bonds Debt Service Account to establish the required balance therein.

Section 10.5 Deposit and Investment of Funds. The Board shall cause all money pertaining to the 2009 Project Fund to be deposited as received in Permitted Investments (as

defined in the University of Montana Indenture) and with such institutions and in such manner as prescribed by the University of Montana Indenture.

ARTICLE XI

USE OF 2009 PROJECT

The 2009 Project will be owned and operated by the Borrower and available for use by members of the general public on a substantially equal basis.

ARTICLE XII

CONTINUING DISCLOSURE

The Borrower understands and acknowledges that the DNRC is acquiring the Series 2009 Bonds under the Program pursuant to which the State issues from time to time State Bonds to provide funds therefor. The Borrower covenants and agrees that, upon written request of the DNRC from time to time, the Borrower will promptly provide to the DNRC all information that the DNRC reasonably determines to be necessary or appropriate to offer and sell State Bonds or to provide continuing disclosure in respect of State Bonds, whether under Rule 15c2-12 (17 C.F.R. § 240.15c2-12) promulgated by the Securities and Exchange Council under the Securities Exchange Act of 1934, as amended, or otherwise. Such information shall include, among other things and if so requested, financial statements of the Borrower prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Montana law, as in effect from time to time (such financial statements to relate to a Fiscal Year or any period therein for which they are customarily prepared by the Borrower, and, if for a Fiscal Year and so requested by the DNRC, subject to an audit report and opinion of an accountant or government auditor, as permitted or required by the laws of the State). The Borrower will also provide, with any information so furnished to the DNRC, a certificate of the Vice President of Administration and Finance of The University of Montana to the effect that, to the best of his or her knowledge, such information does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein to make the statements made, in light of the circumstances under which they are made, not misleading.

ARTICLE XIII

DEFEASANCE

Section 13.1 General. When the liability of the Board on the Series 2009 Bonds issued under and secured by this Resolution and all interest thereon has been discharged as provided in this Article, all pledges, covenants and other rights granted by this Resolution to the Holders of such Series 2009 Bonds shall cease, other than to the payment of such Series 2009 Bonds from money segregated for such purpose. The Board may discharge its liability with respect to one or more Series 2009 Bonds in accordance with this Article XIII.

Section 13.2 Maturity. The Board may discharge its liability with reference to all Series 2009 Bonds and interest thereon which are due on any date by depositing with the Registrar for such Series 2009 Bonds on or before the date a sum sufficient for the payment thereof in full; or if any Series 2009 Bond or interest thereon shall not be paid when due, the Board may nevertheless discharge its liability with reference thereto by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit.

Section 13.3 Redemption. The Board may also discharge its liability with reference to any Series 2009 Bonds which are called for redemption on any date in accordance with their terms, by depositing with the Registrar on or before that date an amount equal to the principal, interest and redemption premium, if any, which are then due thereon, provided that notice of such redemption has been duly given as provided in this Resolution.

Section 13.4 Escrow. The Board may also at any time discharge its liability in its entirety with reference to any Series 2009 Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a bank qualified by law as an escrow agent for this purpose, cash or government obligations authorized by law to be so deposited, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without reinvestment, to provide funds sufficient to pay all principal, interest and redemption premiums, if any, to become due on the Series 2009 Bonds at their Payment Dates or, if the Series 2009 Bonds are prepayable and notice of redemption thereof has been duly given or irrevocably provided for, to such earlier Redemption Date.

Section 13.5 Deposits in Trust. For purposes of Sections 13.1 to 13.3, if the Registrar is an officer of the Board or University, such deposit shall be deemed to create a trust in favor of the Holders of the Series 2009 Bonds discharged thereby, and such funds shall be used only for the purpose of paying principal or the Redemption Price thereof and interest thereon.

ARTICLE XIV

MISCELLANEOUS

Section 14.1 Notices. All notices or other communications hereunder shall be sufficiently sent or given and shall be deemed sent or given when delivered or mailed by certified mail, postage prepaid, to the parties at the following addresses:

DNRC: Department of Natural Resources and Conservation
1625 Eleventh Avenue
P. O. Box 201601
Helena, Montana 59620-1601
Attn: Conservation and Resource
Development Division

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

Borrower: Montana Board of Regents
Office of the Commissioner of Higher Education
2500 Broadway
Helena, Montana 59620

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

Section 14.2 Binding Effect. This Resolution shall inure to the benefit of and shall be binding upon the DNRC, the Borrower and their respective successors and assigns.

Section 14.3 Severability. If any provision of this Resolution shall be determined to be unenforceable at any time, it shall not affect any other provision of this Resolution or the enforceability of that provision at any other time.

Section 14.4 Amendments. This Resolution may not be effectively amended except with the written consent of the DNRC or the then registered owner of the Series 2009 Bonds.

Section 14.5 Applicable Law. This Resolution shall be governed by and construed in accordance with the internal laws of the State.

Section 14.6 Captions; References to Sections. The captions in this Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Resolution.

Section 14.7 No Liability of Individual Officers, Directors or Trustees. No recourse under or upon any obligation, covenant or agreement contained in this Resolution shall be had against any director, officer or employee, as such, past, present or future, of the DNRC, the DEQ or the Trustee, either directly or through the DNRC, the DEQ or the Trustee, or against any officer, or member of the governing body or employee of the Borrower, past, present or future, as an individual so long as such individual was acting in good faith. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such officer or member of the governing body or employee of the DNRC, the Trustee or the Borrower is hereby expressly waived and released by the Borrower and by the DNRC as a condition of and in consideration for the adoption of this Resolution and the making of the Loan.

Section 14.8 Payments Due on Holidays. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Resolution or the Series 2009 Bonds, shall not be Business Day, such payments may be made or act performed or

right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Resolution or the Series 2009 Bonds.

Section 14.9 Right of Others To Perform Borrower's Covenants. In the event the Borrower shall fail to make any payment or perform any act required to be performed hereunder, then and in each such case the DNRC or the provider of any Collateral Document may (but shall not be obligated to) remedy such default for the account of the Borrower and make advances for that purpose. No such performance or advance shall operate to release the Borrower from any such default and any sums so advanced by the DNRC or the provider of any Collateral Document shall be paid immediately to the party making such advance and shall bear interest at the rate of ten percent (10.00%) per annum from the date of the advance until repaid. The DNRC and the provider of any Collateral Document shall have the right to enter the 2009 Project or the facility or facilities of which the 2009 Project is a part or any other facility which is a part of the System in order to effectuate the purposes of this Section.

Section 14.10 Authentication of Transcript. The officers of the Borrower are hereby authorized and directed to furnish to the DNRC and to Bond Counsel certified copies of all proceedings relating to the issuance of the Series 2009 Bonds and such other certificates and affidavits as may be required to show the right, power and authority of the Borrower to issue the Series 2009 Bonds, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the Borrower as to the truth of the statements of fact purported to be shown thereby.

Section 14.11 Date. This Resolution shall take effect immediately.

Adopted by the Board Commission of the Board of Regents of Higher Education for the State of Montana, on this 3rd day of August, 2009.

Chairman

ATTEST:

Secretary

(Seal of the Board)

APPENDIX A

Description of the 2009 Project

The 2009 Project generally consists of installation of backflow preventers and of booster stations forming a part of the System and related improvements.

Estimated 2009 Project Budget*

<u>2009 Project Costs</u>	<u>Series 2009I Bond</u>	<u>Series 2009II Bond</u>	<u>UM Def Maint</u>	<u>A&E</u>	<u>Other University Funds</u>	<u>Total</u>
Montana A&E Fee		\$12,981.00	\$5,625.00	\$3,894.00		\$22,500.00
Bidding, Printing, and Insurance		\$18,930.00	\$8,203.00	\$5,679.00		\$32,812.00
Loan Reserves					\$37,212.00	\$37,212.00
Bond Counsel & Related Costs	\$6,660.00	\$5,340.00				\$12,000.00
Engineering/Arch. Design		\$59,569.00	\$25,813.00	\$17,871.00		\$103,253.00
Construction Engr. Services		\$63,454.00	\$27,497.00	\$19,036.00		\$109,987.00
Construction	\$409,640.00	\$173,426.00	\$220,466.00	\$152,630.00	\$119,042.00	\$1,075,204.00
Contingency			\$37,396.00	\$25,890.00	\$43,746.00	\$107,032.00
TOTALS	\$416,300.00	\$333,700.00	\$325,000.00	\$225,000.00	\$200,000.00	\$1,500,000.00

* Amounts shown are estimates only and are subject to change.

APPENDIX B-1

[Form of the Series 2009I Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
BOARD OF REGENTS OF HIGHER EDUCATION

THE UNIVERSITY OF MONTANA

SUBORDINATE LIEN FACILITIES IMPROVEMENT REVENUE BOND
(DNRC DRINKING WATER STATE REVOLVING FUND PROGRAM)
TAXABLE SERIES 2009I

R-1

\$416,300

FOR VALUE RECEIVED, THE BOARD OF REGENTS OF HIGHER EDUCATION FOR THE STATE OF MONTANA (the "Borrower"), a public body corporate and instrumentality duly created, organized and existing under and by virtue of the Constitution of the State of Montana, acknowledges itself to be specially indebted and hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely out of moneys credited to the Series 2009 Bonds Debt Service Account in its 2009 Project Fund, the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under "Total Amount Advanced," with interest on each such amount from the date such amount is advanced hereunder at the rates of two percent (2.00%) per annum on the unpaid balance until paid, together with an Administrative Expense Surcharge and Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond from the date of each advance of principal at the rates of seventy-five hundredths of one percent (0.75%) and one percent (1.00%) per annum, respectively, all subject to the effect of the immediately following paragraph. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments on each January 1 and July 1 (each a "Loan Repayment Date") commencing with the Loan Repayment Date that is the first to occur following delivery by the DNRC to the Borrower of a statement that the Borrower's obligation to repay the principal amount of the 2009I Loan is not forgiven and ending on the _____, 20__, all as described in the Resolution (as hereinafter defined), subject to earlier redemption. Principal shall as well be payable on such dates, as set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest and the portion consisting of Administrative Expense Surcharge and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule B attached hereto. Upon each disbursement of 2009I Loan amounts to the Borrower pursuant to the Resolution described below, the DNRC shall enter (or cause to be entered) the amount advanced on Schedule A under "Advances" and the total amount advanced under the Resolution (as hereinafter defined), including such disbursement, under "Total Amount Advanced." The DNRC shall prepare Schedule B and any revised Schedule B, or cause

Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the Resolution authorizing this Bond, and the final Schedule B will reflect repayments under Section 5.1.4 of such Resolution. Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of three and seventy-five hundredths percent (3.75%) per annum. Past-due payments of principal and interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS BOND, IN THE EVENT THAT THE BORROWER TIMELY DELIVERS AN ARRA CERTIFICATE AND REQUEST (AS DEFINED IN THE RESOLUTION) IN FORM AND SUBSTANCE SATISFACTORY TO THE DNRC AND THE DEQ AND THE DNRC IN RESPONSE THERETO SUPPLIES TO THE BORROWER AN ARRA FORGIVENESS STATEMENT, THEN THEREUPON INTEREST SHALL BE DEEMED TO ACCRUE ON THE PRINCIPAL OF THIS SERIES 2009I BOND FROM THE DATE OF EACH ADVANCE AT THE RATE OF ZERO PERCENT (0.00%) PER ANNUM AND THE BORROWER'S OBLIGATION TO REPAY PRINCIPAL ADVANCED HEREUNDER SHALL BE FORGIVEN, AND THE BORROWER SHALL HAVE NO OBLIGATION TO REPAY THE DNRC OR ITS REGISTERED ASSIGNS ANY AMOUNTS ADVANCED HEREUNDER OR INTEREST OR ANY SURCHARGE THEREON. THIS BOND SHALL THEREUPON BE MARKED "CANCELLED" AND RETURNED BY THE HOLDER TO THE BORROWER, AND THIS BOND SHALL NO LONGER CONSTITUTE AN OBLIGATION OF THE BORROWER. IN ADDITION, UNTIL THE DELIVERY OF AN ARRA STATEMENT BY THE DNRC TO THE BORROWER, THE OBLIGATION OF THE BORROWER TO REPAY THE OUTSTANDING PRINCIPAL AMOUNT HEREOF SHALL BE DEFERRED UNTIL THE LOAN REPAYMENT DATE FIRST OCCURRING AFTER DELIVERY OF AN ARRA STATEMENT AND INTEREST SHALL BE DEEMED TO ACCRUE ON THE PRINCIPAL OF THIS SERIES 2009I BOND FROM THE DATE OF EACH ADVANCE UNTIL DELIVERY OF SUCH A STATEMENT AT THE RATE OF ZERO PERCENT (0.00%) PER ANNUM.

This Bond is one of an issue of Subordinate Lien Facilities Improvement Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time and constitutes a series in the maximum authorized principal amount of \$416,300 (the "Series 2009I Bond"). The Series 2009I Bond is issued to finance a portion of the costs of the construction of certain improvements to the water system of the Borrower serving the main campus of The University of Montana in Missoula, Montana (the "System") and to pay costs of issuance of the Series 2009I Bond. The Series 2009I Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, and resolutions duly adopted by the governing body of the Borrower, including the Resolution adopted by the Board on August 3, 2009 under Item 144-1001-R0809 (the "Resolution"). Terms used with initial capital letters but not defined herein shall have the meanings given them in the Resolution. The Series 2009I Bond is issuable only as a single, fully registered bond. The Series 2009I Bond is issued

as a Subordinate Obligation secured by available Surplus Net Pledged Revenues credited to the Series 2009 Bonds Debt Service Account in the Fund of the Borrower. The Borrower is issuing simultaneously herewith its Subordinate Lien Facilities Improvement Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009II (the "Series 2009II Bond"). The Series 2009I Bond and the Series 2009II Bond (collectively, the "Series 2009 Bonds") are subordinate lien bonds payable from the Series 2009 Debt Service Account in the Fund of the Borrower. Principal amounts of this Series 2009I Bond are advanced until all of the principal of this Series 2009I Bond is advanced and then principal amounts of the Series 2009II Bond are advanced.

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2009I Bond has been issued, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the Series 2009I Bond.

The Borrower may not prepay all or any part of the outstanding principal amount of the Series 2009II Bond and, if applicable, the Series 2009I Bond, unless (i) an ARRA Statement has been delivered by the DNRC, (ii) it obtains the prior written consent of the DNRC thereto, and (iii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and, if applicable, Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2009 Bonds are prepaid, such prepayments shall be applied to principal payments in inverse order of maturity.

This Series 2009I Bond, including interest and any premium for the redemption thereof, are payable solely from the Surplus Net Pledged Revenues credited to the Series 2009 Bonds Debt Service Account, subject to the prior lien thereon of the Auxiliary Facilities Operation and Maintenance Accounts, the Debt Service Fund, the Debt Service Reserve Fund, and the Repair and Replacement Fund, available for the payment hereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this Series 2009I Bond is registered as the absolute owner hereof, whether this Series 2009I Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The Series 2009I Bond may be transferred as hereinafter provided.

The Borrower understands that the principal amounts of the 2009I Loan and the 2009II Loan have been sized based on the understanding and expectation that the 2009 Project costs at least \$750,000 and that the Borrower will request disbursement of the full amount of the 2009I Loan and 2009II Loan. Notwithstanding any provision to the contrary herein, the Borrower acknowledges and agrees that in the event there is any Undisbursed Committed Amount, then the DNRC reserves the right in its sole and complete discretion to reallocate loan amounts as between the 2009I Loan and 2009II Loan on the basis of the amounts of the 2009I Loan and the 2009II Loan that the Borrower would have been entitled to had the 2009 Loans initially equaled the Committed Amount less the Undisbursed Committed Amount. The reallocation between the 2009I Loan and 2009II Loan will reflect the same proportions of the 2009 Loans originally

allocated to the 2009I Loan and 2009II Loan. Upon making such reallocation, the DNRC shall deliver to the Borrower a replacement Series 2009I Bond and a replacement Series 2009II Bond reflecting adjusted principal amounts, which bonds shall supersede and render of no effect the original bonds and be payable on the same dates as described in the original bonds, but in an adjusted amount owing on each Payment Date because of the reallocation of principal amounts. The Borrower shall execute and deliver the replacement Series 2009I Bond and the replacement Series 2009II Bond to the DNRC within thirty (30) days after delivery of such bonds to the Borrower by the DNRC.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will forthwith construct and complete the improvements to the 2009 Project; that it has created a special 2009 Project Fund and a separate and special Series 2009 Bonds Debt Service Account in that Fund, into which will be deposited Surplus Net Pledged Revenues in an amount sufficient, with other available moneys, to pay the Series 2009I Bond when due; that the rates, rentals, and charges for the Auxiliary Facilities will from time to time be made and kept sufficient to produce in each Fiscal Year Surplus Net Pledged Revenues equal to at least the maximum amount of principal and interest payable from the Series 2009 Debt Service Account in the current and any subsequent Fiscal Year to pay the principal of and interest on the Series 2009 Bonds, as and when due; that all provisions for the security of the holder of this Series 2009I Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this Series 2009I Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this Series 2009I Bond and the interest hereon are payable solely out of available Surplus Net Pledged Revenues and other moneys in the Series 2009 Bonds Debt Service Account of the Fund and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the Series 2009I Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Board of Regents of Higher Education for the State of Montana, by its governing body, has caused this Bond to be executed by the signatures of its Chairman and Secretary, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the _____ day of _____, 2009.

Chairman

(SEAL)

ATTEST:

Secretary

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 Associate Vice President of Administration and Finance of The University of Montana, on behalf of the Board, as bond registrar (the "Registrar"), has duly noted the transfer on the Bond and recorded the transfer on the Registrar's registration books. The Borrower shall be entitled to deem and treat the person in whose name this Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of the Bond shall be made only to the order of the registered holder thereof, and all such payments shall be valid and effectual to satisfy and discharge the Borrower's liability upon the Bond to the extent of the sum or sums so paid.

REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the Board of Regents of Higher Education for the State of Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of Associate Vice President of Administration and Finance of The University of Montana</u>
_____, 2009	<u>Department of Natural</u> <u>Resources and Conservation</u> <u>1625 Eleventh Avenue</u> <u>Helena, MT 59620</u>	_____

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

The Associate Vice President of Administration and Finance of The University of Montana, on behalf of the Board of Regents of Higher Education for the State of Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this Bond to the new registered holder noted next to such date, except for amounts of principal and interest theretofore paid.

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

FORM OF ASSIGNMENT

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

Dated: _____

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

SCHEDULE B

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

[Form of the Series 2009II Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
BOARD OF REGENTS OF HIGHER EDUCATION

THE UNIVERSITY OF MONTANA

SUBORDINATE LIEN FACILITIES IMPROVEMENT REVENUE BOND
(DNRC DRINKING WATER STATE REVOLVING FUND PROGRAM)
TAXABLE SERIES 2009II

R-1

\$333,700

FOR VALUE RECEIVED, THE BOARD OF REGENTS OF HIGHER EDUCATION FOR THE STATE OF MONTANA (the "Borrower"), a public body corporate and instrumentality duly created, organized and existing under and by virtue of the Constitution of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"), or its registered assigns, solely out of moneys credited to the Series 2009 Debt Service Account in its 2009 Project Fund, the principal sum equal to the sum of the amounts entered on Schedule A attached hereto under "Total Amount Advanced," with interest on each such amount from the date such amount is advanced hereunder at the rate of one and seventy-five hundredths percent (1.75%) per annum on the unpaid balance until paid, subject to the provisions of the immediately following paragraph. Interest shall be payable on each January 1 and July 1 (each a "Loan Repayment Date") commencing _____, 20__.

Principal shall be payable on the dates set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B attached hereto under "Total Loan Payment." The portion of each such payment consisting of principal and the portion consisting of interest shall be as set forth in Schedule B hereto. Upon each disbursement of 2009II Loan amounts to the Borrower pursuant to the Resolution described below, the DNRC shall enter (or cause to be entered) the amount advanced on Schedule A under "Advances" and the total amount advanced under the Resolution (as hereinafter defined), including such disbursement, under "Total Amount Advanced." The DNRC shall prepare Schedule B and any revised Schedule B, or cause Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the Resolution authorizing this Bond. Schedule B shall be calculated and recalculated on a level debt service basis assuming an interest rate of 1.75% per annum. Past-due payments of principal and interest shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

NOTWITHSTANDING THE PROVISIONS OF THE FOREGOING PARAGRAPH OR ANY OTHER PROVISION TO THE CONTRARY HEREIN, IN THE EVENT THE DNRC DELIVERS TO THE BORROWER AN ARRA NONCOMPLIANCE CERTIFICATE, THEN PRINCIPAL AMOUNTS ADVANCED HEREUNDER SHALL BEAR INTEREST FROM AND AFTER THE DATE OF EACH ADVANCE COMMENCING WITH THE INITIAL ADVANCE HEREUNDER AT A RATE OF TWO PERCENT (2.00%) PER ANNUM AND THE BORROWER SHALL PAY THE ADMINISTRATIVE EXPENSE SURCHARGE AND LOAN LOSS RESERVE SURCHARGE ON AMOUNTS ADVANCED HEREUNDER FROM AND AFTER THE INITIAL ADVANCE HEREUNDER AT THE RATES OF SEVENTY-FIVE HUNDREDTHS OF ONE PERCENT (0.75%) AND ONE PERCENT (1.00%) PER ANNUM, RESPECTIVELY, AND THE IMMEDIATELY FOLLOWING PARAGRAPH WILL THEREUPON GOVERN AND SUPERSEDE THE LOAN REPAYMENT PROVISIONS OF THE INITIAL PARAGRAPH ABOVE.

In the event of delivery of an ARRA Noncompliance Statement, interest at a rate of two percent (2.00%) per annum and an Administrative Surcharge and Loan Loss Reserve Surcharge on each advance of principal of this Bond from and after the date of the initial advance of principal hereunder shall be payable in semiannual installments payable on each Loan Repayment Date commencing with the Loan Repayment Date that is the first to occur following delivery by the DNRC of an ARRA Noncompliance Statement (as defined in the Resolution described below) and taking into account payments, if any, made on each Loan Repayment Date pursuant to the initial paragraph of this Bond prior to the delivery of such statement, all as described in Section 5.1 of the Resolution. Principal shall be payable on the dates set forth in Schedule B hereto. Each installment shall be in the amount set forth opposite its due date in Schedule B attached hereto under "Total Loan Payment." The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge and the portion consisting of Loan Loss Reserve Surcharge shall be as set forth in Schedule B hereto. Amounts, if any, paid by the Borrower under the initial paragraph above will be credited against the payments owing by the Borrower under this paragraph. The DNRC shall prepare Schedule B and any revised Schedule B, or cause Schedule B and any revised Schedule B to be prepared, as provided in Section 5.1 of the Resolution, particularly Section 5.1.4 of the Resolution authorizing this Bond. Schedule B under this paragraph shall be calculated and recalculated on a level debt service basis assuming an interest rate of three and seventy-five hundredths percent (3.75%) per annum. Past-due payments of principal, interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond is one of an issue of Subordinate Lien Facilities Improvement Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time and constitutes a series in the maximum authorized principal amount of \$333,700 (the "Series 2009II Bond"). The Series 2009II Bond is issued to finance a portion of the costs of the construction of certain improvements to the water system of the Borrower serving the main campus of the University of

Montana in Missoula, Montana (the “System”) and to pay costs of issuance of the Series 2009II Bond. The Series 2009II Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, and resolutions duly adopted by the governing body of the Borrower, including the Resolution adopted by the Board on August 3, 2009 under Item 144-1001-R0809 (the “Resolution”). Terms used with initial capital letters but not defined herein shall have the meanings given them in the Resolution. The Series 2009II Bond is issuable only as a single, fully registered bond. The Series 2009II Bond is issued as a Subordinate Obligation secured by available Surplus Net Pledged Revenues credited to the Series 2009 Bonds Debt Service Account in the Fund of the Borrower. The Borrower is issuing simultaneously herewith its Subordinate Lien Facilities Improvement Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Taxable Series 2009I (the “Series 2009I Bond”). The Series 2009I Bond and the Series 2009II Bond (collectively, the “Series 2009 Bonds”) are subordinate lien bonds payable from the Series 2009 Debt Service Account in the Fund of the Borrower. Principal amounts of this Series 2009I Bond are advanced until all of the principal of this Series 2009I Bond is advanced and then principal amounts of the Series 2009II Bond are advanced.

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2009II Bond has been issued, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the Series 2009II Bond.

The Borrower may not prepay all or any part of the outstanding principal amount of the Series 2009II Bond and, if applicable, the Series 2009I Bond, unless (i) an ARRA Statement has been delivered by the DNRC, (ii) it obtains the prior written consent of the DNRC thereto, and (iii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and, if applicable, Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2009 Bonds are prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

This Series 2009II Bond, including interest and any premium for the redemption thereof, are payable solely from the Surplus Net Pledged Revenues credited to the Series 2009 Bonds Debt Service Account and the Series 2009II Bond Reserve Account, subject to the prior lien thereon of the Auxiliary Facilities Operation and Maintenance Accounts, the Debt Service Fund, the Debt Service Reserve Fund, and the Repair and Replacement Fund, available for the payment hereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this Series 2009II Bond is registered as the absolute owner hereof, whether this Series 2009II Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The Series 2009II Bond may be transferred as hereinafter provided.

The Borrower understands that the principal amounts of the 2009I Loan and the 2009II Loan have been sized based on the understanding and expectation that the 2009 Project costs at least \$750,000 and that the Borrower will request disbursement of the full amount of the 2009I Loan and 2009II Loan. Notwithstanding any provision to the contrary herein, the Borrower acknowledges and agrees that in the event there is any Undisbursed Committed Amount, then the DNRC reserves the right in its sole and complete discretion to reallocate loan amounts as between the 2009I Loan and 2009II Loan on the basis of the amounts of the 2009I Loan and the 2009II Loan that the Borrower would have been entitled to had the 2009 Loans initially equaled the Committed Amount less the Undisbursed Committed Amount. The reallocation between the 2009I Loan and 2009II Loan will reflect the same proportions of the 2009 Loans originally allocated to the 2009I Loan and 2009II Loan. Upon making such reallocation, the DNRC shall deliver to the Borrower a replacement Series 2009I Bond and a replacement Series 2009II Bond reflecting adjusted principal amounts, which bonds shall supersede and render of no effect the original bonds and be payable on the same dates as described in the original bonds, but in an adjusted amount owing on each Payment Date because of the reallocation of principal amounts. The Borrower shall execute and deliver the replacement Series 2009I Bond and the replacement Series 2009II Bond to the DNRC within thirty (30) days after delivery of such bonds to the Borrower by the DNRC.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will forthwith construct and complete the improvements to the 2009 Project; that it has created a special 2009 Project Fund, and a separate and special Series 2009 Bonds Debt Service Account in that Fund, into which will be deposited Surplus Net Pledged Revenues and other moneys in an amount sufficient to pay the Series 2009II Bond as and when due; that it has created a separate and special Series 2009II Bond Reserve Account in the Fund to secure the repayment of amounts owing on the Series 2009II Bond; that the rates, rentals, and charges for the Auxiliary Facilities will from time to time be made and kept sufficient to produce in each Fiscal Year Surplus Net Pledged Revenues equal to at least the maximum amount of principal and interest payable from the Series 2009 Debt Service Account in the current and any subsequent Fiscal Year to pay the principal of and interest the Series 2009 Bonds, as and when due, and to fund the Series 2009II Bond Reserve Account to the Series 2009II Bond Reserve Requirement; that all provisions for the security of the holder of this Series 2009II Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this Series 2009II Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this Series 2009II Bond and the interest hereon are payable solely out of available Surplus Net Pledged Revenues and other moneys in the Series 2009 Bonds Debt Service Account of the Fund and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the Series 2009II Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Board of Regents of Higher Education for the State of Montana, by its governing body, has caused this Bond to be executed by the signatures of its Chairman and Secretary, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the _____ day of _____, 2009.

Chairman

(SEAL)

ATTEST:

Secretary

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 Associate Vice President of Administration and Finance of The University of Montana, on behalf as bond registrar (the "Registrar"), has duly noted the transfer on the Bond and recorded the transfer on the Registrar's registration books. The Borrower shall be entitled to deem and treat the person in whose name this Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of the Bond shall be made only to the order of the registered holder thereof, and all such payments shall be valid and effectual to satisfy and discharge the Borrower's liability upon the Bond to the extent of the sum or sums so paid.

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of Associate Vice President of Administration and Finance of The University of Montana</u>
_____, 2009	<u>Department of Natural</u> <u>Resources and Conservation</u> <u>1625 Eleventh Avenue</u> <u>Helena, MT 59620</u>	_____

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

The Associate Vice President of Administration and Finance of The University of Montana, on behalf of the Board of Regents of Higher Education for the State of Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this Bond to the new registered holder noted next to such date, except for amounts of principal and interest theretofore paid.

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

FORM OF ASSIGNMENT

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

Dated: _____

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

SCHEDULE B

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	Total Loan <u>Payment</u>
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APPENDIX C

ADDITIONAL REPRESENTATIONS AND COVENANTS

None

APPENDIX D

State of Montana, The Board of Regents of Higher Education,
The University of Montana
\$750,000
Subordinate Lien, Taxable Facilities Improvement Revenue Bonds
(DNRC Drinking Water State Revolving Loan Program)
Consisting Of
\$416,300 Subordinate Lien, Taxable Series 2009I Bond
And
\$333,700 Subordinate Lien, Taxable Series 2009II Bond

ARRA CERTIFICATE AND REQUEST

We, _____ and _____, hereby certify that we are on the date hereof the duly qualified and acting Vice President of Administration and Finance and the Assistant Director of Utilities and Engineering, respectively, of The University of Montana, acting on behalf of the Board of Regents of the State of Montana (the “Borrower”), and that:

1. Pursuant to Resolution No. _____, adopted by this Board on August 3, 2009, entitled “Resolution Relating to State of Montana, The Board of Regents of Higher Education, The University of Montana, \$750,000 Subordinate Lien, Taxable Facilities Improvement Bonds (DNRC Drinking Water State Revolving Loan Program), Consisting Of \$416,300 Subordinate Lien, Taxable Series 2009I Bond And \$333,700 Subordinate Lien, Taxable Series 2009II Bond; Authorizing The Issuance And Fixing The Terms And Conditions Thereof” (the “Resolution”), the Borrower issued its Subordinate Lien Facilities Improvement Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Taxable Series 2009I, dated, as originally issued, as of _____, 2009, in the maximum aggregate principal amount of \$416,300 (the “Series 2009I Bond”) and its Subordinate Lien Facilities Improvement Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009II, dated, as originally issued, as of _____, 2009, in the maximum aggregate principal amount of \$333,700 (the “Series 2009II Bond”). The Series 2009I Bond and the Series 2009II Bond are referred to herein collectively as the “ARRA Bonds.” The Borrower has reviewed the Resolution, including, without limitation, Articles II and III of the 2009 Resolution, and the definitions relating thereto. The Borrower acknowledges and agrees that the ARRA Bonds evidence loans made to the Borrower from the DNRC from funds made available to the DNRC under the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009) (“ARRA”), and that this Certificate is being relied upon by the DNRC for ensuring compliance with ARRA requirements applicable to the Borrower, the DNRC, and the 2009 Project (as hereinafter defined). Capitalized terms used herein without definition shall have the meanings given them in the Resolution.

2. The ARRA Bonds were issued to finance all or a portion of the costs of construction and installation of the 2009 Project (the “2009 Project”) in the Resolution. Construction of the 2009 Project has complied with all federal and state standards, including,

without limitation, EPA regulations and standards and the requirements of ARRA. The 2009 Project is expected to be completed and placed in service on or about _____, 20__.

3. Costs of the 2009 Project in the amount of \$_____ have been paid as of the date of delivery of this Certificate. The Borrower hereby waives its right to any remaining 2009I Committed Amount or 2009II Committed Amount not advanced or to be advanced upon delivery hereof, and acknowledges that the DNRC has reserved the right to reallocate amounts of the Series 2009I Bond and Series 2009II Bond and deliver a replacement Series 2009I Bond and Series 2009II Bond, which shall each be a binding obligation of the Board, as described more particularly in the Resolution.

4. As of the date hereof, the Borrower has spent the following amounts in connection with the 2009 Project and costs related thereto:

Construction	\$
Loan Reserves	
Bond Counsel	
TOTAL	_____
	\$

Of such amounts, \$750,000 were paid from advances of proceeds of the ARRA Bonds. In addition, as of the date hereof. The Borrower certifies that proceeds of the ARRA Bonds, once made available to the Borrower, were applied to costs of the 2009 Project before other funds available to the Borrower.

5. We reviewed a copy of Schedule B to be attached to the Series 2009I Bond and Schedule B to be attached to the Series 2009II Bond, each of which reflects the amortization of all advances made or to be made on the date hereof of proceeds of the Series 2009I Bond and the Series 2009II Bond, respectively (i.e., \$_____ in respect of the Series 2009I Bond (the sum of the amounts of the Series 2009I Bond applied to pay costs of the 2009 Project or costs of issuance of the Series 2009 Bonds) and \$_____ in respect of the Series 2009II Bond (the sum of the amounts of the Series 2009II Bond applied to pay costs of the 2009 Project or costs of issuance of the Series 2009 Bonds), as required under Section 7.08(a) of the SRF Program Indenture. The Borrower hereby acknowledges and agrees that each Schedule B has been calculated in accordance with the provisions of the Resolution and the SRF Program Indenture, and that each of the Series 2009I Bond and the Series 2009II Bond, with said Schedule B attached thereto, has been duly issued pursuant to the Resolution and is a valid and binding obligation of the Borrower in accordance with its terms and the terms of the Resolution; provided, however, if the DNRC delivers an ARRA Forgiveness Statement in response hereto, the Borrower's obligation to repay the principal of the Series 2009I Bond and interest and surcharges thereon is thereupon forgiven, and if the DNRC delivers an ARRA Noncompliance Certificate in response hereto, amounts advanced under the 2009II Loan evidenced by the Series 2009II Bond shall bear interest from and after the initial advance of principal under the Series 2009II Bond at the rate of two percent (2.00%) per annum and the Borrower shall pay currently with interest the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge, all as described in Section 5.1.3 of the Resolution.

6. Pursuant to the Resolution, the Borrower has established a Series 2009II Bond Reserve Account in the Fund to secure repayment of its Series 2009II Bond. The amount on deposit therein on the date hereof \$ _____, secures the Series 2009II Bond. The amount in the Series 2009II Bond Reserve Account is equal to the maximum amount of principal and interest payable on the Series 2009II Bond in the current or any future Fiscal Year (i.e. \$ _____), based on the amortization of the Series 2009II Bond in accordance with Schedule B thereto.

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

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

9. The Borrower is delivering this Certificate to the DNRC, in part, to ensure compliance with ARRA. The Borrower certifies that the iron, steel, and manufactured goods used in the 2009 Project comply with the “buy American” requirements of Section 1605 of ARRA, as those requirements are further interpreted by applicable EPA guidance. The Borrower further certifies that all laborers and mechanics employed by contractors and subcontractors on the 2009 Project have been and will be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the United States Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code.

10. The Borrower acknowledges and agrees that this Certificate completed by the Borrower in form satisfactory to the DNRC must be executed and delivered to the DNRC by the date that is 30 days after receipt of the form of this Certificate from the DNRC. By submitting this Certificate, the Borrower requests that the DNRC forgive the obligation of the Borrower to repay the principal of the Series 2009I Bond, together with interest and surcharges thereon. The Borrower acknowledges and agrees that (i) the forgiveness of principal of and interest and surcharges on the Series 2009I Bond by the DNRC is contingent on the timely delivery of this Certificate by the Borrower in satisfactory form as determined in the DNRC’s sole and complete discretion, (ii) the DNRC has no obligation to grant such forgiveness; and (iii) if the DNRC delivers to the Borrower an ARRA Noncompliance Certificate, (a) the obligation of the Borrower to repay the principal of the Series 2009I Bond plus interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge thereon shall continue in full force and effect until the principal of the Series 2009I Bond advanced and interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge thereon are paid in full, as set forth in Schedule B delivered pursuant to paragraph 5 above, and as provided in the Series 2009I Bond and the Resolution, and (b) the Borrower shall thereupon be obligated to repay the principal of the Series 2009II Bond together with interest thereon at two percent (2.00%) per annum and to pay the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge on all amounts advanced from and after the initial advance of principal under the Series 2009II Bond until the principal of the Series 2009II Bond advanced and interest, Administrative Expense Surcharge, and Loan Loss Reserve Surcharge thereon are paid in full, as set forth in Schedule B delivered pursuant to Section 5.1.4 of the 2009 Resolution.

WITNESS our hands on behalf of the Borrower and the seal of the Borrower as of this
_____ day of _____, 20__.

Vice President of Administration and
Finance of The University of Montana

Assistant Director of Utilities and
Engineering of The University of Montana

(SEAL)

ATTEST:

Secretary