

**Allan Underdal,**  
Commission Chair  
**Deb Brandon,**  
Commissioner  
**Joe Pehan,**  
Commissioner  
**Merle Raph,**  
County Attorney  
**Donna Whitt,**  
Sheriff  
**Dan B. Whitted,**  
Coroner  
Commissioners'  
Office# 406-424-8310  
[tccomm@toolecountymt.gov](mailto:tccomm@toolecountymt.gov)



**Debra Munson,**  
Clerk of Court  
**Boyd Jackson,**  
Treasurer/Assessor  
Supt. of Schools  
**Helen I. Schnee,**  
Public Administrator  
**Joe Rapkoch,**  
Justice of the Peace  
**Treva Nelson,**  
Clerk & Recorder  
Clerk & Recorder's Office#  
406-424-8300  
Fax# 406-424-8301  
[tnelson@toolecountymt.gov](mailto:tnelson@toolecountymt.gov)

# COUNTY OF TOOLE

226 1<sup>ST</sup> Street South  
Toole County Courthouse, Shelby, MT 59474

## COMMISSIONER'S AGENDA Thursday, September 29, 2016 10:00 A.M.

PRESENT: Allan Underdal & Joe Pehan

**Public comment is allowed on all agenda items at the direction of the Chairman and following Board rules.**

Approval of Sept. 15, 2016 Minutes:

**Joe made a motion to approve & Allan seconded, motion carried.**

1. Consider approval of Resolution 29-2016, a resolution authorizing the refinancing of Toole County's 2005 Revenue Bonds. **Joe motioned to approve, Allan seconded with both voting in favor.**
2. Consider adoption of a tax compliance policy for tax exempt bonds. **Joe motioned to approve, Allan seconded and the motion carried.**
3. Consider approval of a MT Cancer Control Program (MCCP) Subcontractor Agreement with Teton County for the term beginning 7/1/2016 and ending 9/30/2017 in the amount of \$44,000. **Joe motioned to approve, Allan seconded & the motion carried.**
4. Consider approval of a Montana Tobacco Use Prevention Program (MTUPP) Subcontractor Agreement with Teton County for the term beginning 7/1/2016 and ending 6/30/2017 in the amount of \$28,900. **Joe motioned to approve with Allan seconding and both voted in favor.**
5. Consider approval of Amendment One to the Women, Infants, and Children (WIC) contract, providing an increase in funding in the amount of \$562.50 to be used to purchase computer equipment. **Joe motioned to approve, Allan seconded with both voting in favor.**
6. Consider approval of the Kevin/Sunburst Senior Center Bylaws as recommended by the Senior Center Board on 9/20/2016. **Joe made a motion to approve with Allan seconding and the motion carried.**

7. Consider the appointment of Shannon McAllister to Deputy Coroner as recommended by Dan Whitted, Toole County Coroner. **Joe motioned to approve, Allan seconded the motion with both voting in favor.**
  
8. Consider approval of a request by a taxpayer to forgive penalty and interest on a property. **Joe made a motion to approve Resolution 30-2016, a resolution to approve forgiveness of penalty & interest on two properties with the stipulation that the taxpayer would pay all of the delinquent taxes and clean up the property. Allan seconded and the motion carried. Dan Seifert agreed to clean up the property and pay all the taxes which amounts to \$8772.24.**

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of Toole County, Montana (the "County"), hereby certify that the attached resolution is a true copy of Resolution No. **29-2016**, entitled: "RESOLUTION RELATING TO \$2,100,000 HEALTH CARE AND BOARDING HOME REVENUE REFUNDING BONDS, SERIES 2016; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF, CREATING SPECIAL FUNDS AND ACCOUNTS AND PLEDGING CERTAIN REVENUES AS SECURITY THEREFOR" (the "Resolution"), on file in the original records of the County in my legal custody; that the Resolution was duly adopted by the Board of County Commissioners of the County at a meeting on **September 29, 2016**, and that the meeting was duly held by the Board of County Commissioners and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Commissioners voted in favor thereof: **Allan Underdal & Joe Pehan** \_\_\_\_\_;  
voted against the same: \_\_\_\_\_;  
abstained from voting thereon: \_\_\_\_\_;  
or were absent: **Deb Brandon** \_\_\_\_\_.

WITNESS my hand officially as such recording officer and the seal of the County this **29th** day of **September**, 2016.

  
\_\_\_\_\_  
County Clerk and Recorder



## TABLE OF CONTENTS

	<u>Page</u>
SECTION 1. DEFINITIONS AND RULES OF INTERPRETATION .....	1
1.01 Definitions .....	1
1.02 Rules of Construction .....	8
SECTION 2. AUTHORIZATION, FINDINGS AND RECITALS.....	9
2.01 Authorization .....	9
2.02 Outstanding Bonds.....	9
2.03 Refunding; Issuance of Series 2016 Bond.....	10
2.04 Adequacy of Revenues; Debt Service Savings.....	10
2.05 Recitals .....	10
SECTION 3. REPRESENTATIONS OF THE COUNTY.....	11
SECTION 4. THE BONDS .....	12
4.01 General Title .....	12
4.02 General Limitations; Issuable in Series .....	13
4.03 Terms of a Particular Series.....	13
4.04 Form and Denominations .....	13
4.05 Execution and Delivery .....	13
SECTION 5. THE SERIES 2016 BOND.....	14
5.01 Maturities, Interest Rates, Denominations and Payment.....	14
5.02 Redemption.....	14
5.03 Registration.....	15
5.04 Execution and Delivery of Series 2016 Bond.....	16
5.05 Form of Series 2016 Bond.....	17
SECTION 6. ADDITIONAL BONDS AND SUBORDINATE OBLIGATIONS .....	17
6.01 Additional Bonds .....	17
6.02 Refunding Bonds .....	19
6.03 Subordinate Obligations .....	19
SECTION 7. PLEDGE; FUNDS AND ACCOUNTS.....	20
7.01 Pledge; Maintenance of Health Care Fund.....	20
7.02 Construction Account .....	20
7.03 Bond Account .....	20
7.04 Operating Account.....	21
7.05 Property Insurance and Award Account.....	21

7.06	Surplus Account.....	22
7.07	Bond Guaranty Account .....	23
7.08	Deposit and Investment of Funds .....	23
SECTION 8.	DEPOSIT AND APPLICATION OF FUNDS.....	23
8.01	Deposit of Proceeds of Authority’s 2016 Bonds .....	23
8.02	Deposit of Other Funds.....	24
SECTION 9.	COUNTY COVENANTS AND LEASE OF FACILITIES.....	24
9.01	General.....	24
9.02	Property Insurance .....	24
9.03	Liability Insurance and Surety Bonds.....	24
9.04	Books and Records .....	25
9.05	Rates .....	25
9.06	Limited Tax Levy Covenant.....	27
9.07	Deficiency Tax Levy Covenant .....	28
9.08	Competing Facilities.....	28
9.09	Lease of Facilities .....	29
SECTION 10.	SECURITY FOR THE SERIES 2016 BOND; ADDITIONAL COVENANTS .....	29
10.01	Security Interest in Borrower’s Accounts .....	29
10.02	Fee Payments .....	30
10.03	Replenishment of Reserve Fund .....	30
10.04	Repayment of Board of Investments Loan .....	30
10.05	Indemnity .....	30
10.06	Maintenance of Surplus Account.....	31
10.07	Additional Insurance .....	32
10.08	Notice of Default.....	33
10.09	Other Information .....	33
10.10	Program Covenant.....	34
10.11	Term of Covenants.....	34
10.12	Inspection and Access.....	34
SECTION 11.	TAX MATTERS RELATING TO THE SERIES 2016 BOND.....	34
11.01	Tax Covenants.....	34
11.02	General Covenant.....	35
11.03	Certification as to Expectations .....	35
11.04	Arbitrage Rebate .....	36
11.05	Information Reporting.....	36
SECTION 12.	SUPPLEMENTAL RESOLUTIONS .....	36
12.01	General .....	36

12.02	Consent of Owners.....	36
12.03	Notice.....	37
12.04	Manner of Consent.....	37
SECTION 13. TRANSCRIPT OF PROCEEDINGS .....		37
SECTION 14. DEFEASANCE OR DISCHARGE.....		38
14.01	General.....	38
14.02	Maturity.....	38
14.03	Redemption.....	38
14.04	Escrow.....	38
SECTION 15. REPEALS AND EFFECTIVE DATE.....		38
15.01	Repeal.....	38
15.02	Effective Date .....	38
Exhibit A—Form of the Series 2016 Bond .....		A-1
Schedule 1—Loan Data .....		S-1

RESOLUTION NO. 29-2016

RESOLUTION RELATING TO \$2,100,000 HEALTH CARE AND BOARDING HOME REVENUE REFUNDING BONDS, SERIES 2016; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF, CREATING SPECIAL FUNDS AND ACCOUNTS AND PLEDGING CERTAIN REVENUES AS SECURITY THEREFOR

BE IT RESOLVED by the Board of County Commissioners of Toole County, Montana, as follows:

Section 1. Definitions and Rules of Interpretation

1.01 Definitions. In this Resolution, the following terms have the following respective meanings unless the context hereof clearly requires otherwise:

Accountant: a Person engaged in the practice of accounting and whose partners, members or shareholders are certified public accountants, which is employed or retained by the County or the Tenant, as applicable.

Act: Montana Code Annotated, Title 7, Chapter 34, Parts 22, 23 and 24, as amended.

Additional Bonds: any Bonds issued pursuant to and in accordance with Section 6.

Adjusted Contributions: for any Fiscal Year, the lesser of: (i) the Contributions actually received by the County or the Tenant during such Fiscal Year, or (ii) the sum of Contributions actually received by the County or the Tenant during such Fiscal Year and during the preceding four Fiscal Years of the County or the Tenant divided by five.

Affiliate: any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the County or a Tenant. For purposes of this definition, “control” means the power to direct management and policies, directly or indirectly, whether through ownership, by contract, or otherwise, and the terms “controlling” and “controlled” have correlative meanings.

Authority: the Montana Facility Finance Authority, a public body corporate and instrumentality organized and existing under the Constitution and laws of the State, or any successor to its functions hereunder.

Authority Act: Montana Code Annotated, Title 90, Chapter 7, Parts 1, 2 and 3, as heretofore and hereafter amended or supplemented.

Authority’s 2005 Bonds: shall have the meaning given such term in Section 2.02.

Authority’s 2016 Bonds: the Health Care Facilities Revenue Refunding Bonds (Master Loan Program—Marias Medical Center Project), Series 2016B, issued by the Authority pursuant to the Indenture in the aggregate principal amount of \$2,100,000.

Board: the Board of County Commissioners of the County or any successor governing body of the County.

Board of Investments: the Board of Investments of the State of Montana and its successors and assigns.

Board of Investments Agreement: the Capital Reserve Account Agreement between the Board of Investments and the Authority, dated as of October 1, 1994, as supplemented by the Fourteenth Amendment to Capital Reserve Account Agreement, dated as of October 1, 2016, with respect to the Authority's 2016 Bonds and the Program and all amendments and supplements thereto.

Board of Investments Loan: shall have the meaning assigned in the Indenture.

Board of Investments Loan Rate: the lesser of (i) the coupon equivalent yield on 52-week U.S. Treasury bills, as established at the last auction preceding the date of calculation of the Board of Investments Loan Rate, plus 200 basis points; *provided, however*, that such Board of Investments Loan Rate shall not exceed the Borrower Loan Rate (as defined in the Board of Investments Agreement) plus 200 basis points, and shall not be less than the Borrower Loan Rate, or (ii) the maximum interest rate permitted by law.

Bond Account: the account in the Health Care Fund described in Section 7.03.

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

Bond Guaranty Account: the account in the Health Care Fund described in Section 7.07.

Bond Register: the register maintained for the purpose of registering the ownership, transfer and exchange of the Bonds of any series.

Bonds: the Series 2016 Bond and any Additional Bonds.

Borrower Account: with respect to any Fund in which the Trustee is directed by the Indenture to establish and maintain a separate account in the name of the County, the account so established and maintained in the name of the County.

Business Day: with respect to the Bonds of any series, any day other than Saturday, Sunday or other day on which the Registrar for such series of Bonds is not open for business.

Code: the Internal Revenue Code of 1986, as amended.

Construction Account: the account in the Health Care Fund described in Section 7.02.

Contributions: for any Fiscal Year, the aggregate amount of all contributions, grants, gifts, bequests and devises (including, but not limited to, any contributions, grants, gifts, bequests and devises from any foundation or Affiliate) to the County or the Tenant available to pay debt service on Indebtedness of the County or the Tenant or Operating Expenses of the

Facilities, and actually received by the County or the Tenant, as the case may be, in such Fiscal Year.

Cost of Issuance Fund: the fund so designated created by Section 3.01 of the Master Indenture.

County: Toole County, Montana, and any successor to its functions hereunder.

Debt Service Coverage Ratio: for any Fiscal Year, the ratio (expressed as a percentage) of the sum of Income Available for Debt Service and Adjusted Contributions for the County or the Tenant for such Fiscal Year to the Maximum Annual Debt Service Requirement.

Debt Service Requirement: for any period of calculation, the aggregate of the payments required to be made in respect of principal of and interest on all Indebtedness during such period; *provided, however*, that:

(1) in reference to Long-Term Indebtedness incurred to finance the construction or acquisition of capital improvements, interest shall be excluded from the determination of the Debt Service Requirement to the extent that escrowed or trusteed funds have been capitalized and are available to pay such interest; and

(2) if money or Government Obligations have been irrevocably deposited pursuant to a written agreement with a trustee or escrow agent in an amount which, with the income on the Government Obligations, will be sufficient to pay the principal of or interest on particular Long-Term Indebtedness as it comes due, such principal or interest, as the case may be, shall not be included in the calculation of the Debt Service Requirement.

Deficiency Tax Levy: the property tax levy authorized by Section 7-34-2418 of the Act and covenanted to be levied by the County to pay Tax-Supported Bonds pursuant to Section 9.08.

Environmental Regulations: has the meaning assigned in Section 3.

Escrow Agent: U.S. Bank National Association, in Denver, Colorado.

Escrow Agreement: the Escrow Agreement, dated October 11, 2016, between the County and the Escrow Agent.

Facilities: the acute care hospital and nursing home facility, known as the Marias Medical Center and the assisted living facility, known as Marias Heritage Center, located on the Land, and all additions and improvements thereto, including without limitation, the Land and all items of furniture, machinery, equipment and other personal property used in the operation of the hospital and nursing home facility, whether or not affixed to or located on the Land, as such may at any time exist.

Fee Payments: the payments made by the County pursuant to Section 10.02.

Fiscal Year: the period commencing on the first day of July of any year and ending on the last day of June of the following year, or any other twelve-month period specified in a resolution of the Board as the fiscal year of the County, or in the event of a Lease, the fiscal year of the Tenant.

Government Obligations: (a) direct general obligations of, or obligations the prompt payment of the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America, (b) obligations the payment of the principal of, premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America, and (c) certificates or other evidence of ownership in principal to be paid or interest to accrue on a pool of obligations of the type described in (a) or (b) above, which obligations are held by a custodian (any obligations described in (a) or (b) above may be issued or held in book entry form on the books of the Department of Treasury of the United States of America).

Gross Revenues: all gross income and receipts, fees, charges and rentals (excluding Net Rentals) received by the County for the availability and use of and services furnished by the Facilities, all collections of Limited Tax Levies and all income from investment of Gross Revenues, but exclusive of all collections of Deficiency Tax Levies. More particularly, Gross Revenues include all present and future accounts, receivables, contracts and contract rights, including but not limited to all contracts with governmental agencies with respect to Medicaid, Medicare, welfare, public assistance and other similar programs, general intangibles, documents, instruments, and all proceeds from any of the former, derived by the County from the Facilities. Gross Revenues also include grants not specifically conditioned for express purposes, but shall not include (1) grants, gifts, bequests, devises, contributions and other donations restricted for a specific purpose or (2) the proceeds of any borrowing.

Hazardous Substances: has the meaning assigned in Section 3.

Health Care Fund: the fund described in Section 7.

Income Available for Debt Service: for any period of calculation, the excess of Total Revenues over Total Expenses, plus all depreciation, amortization and interest expense included in Total Expenses for such period of calculation.

Indebtedness: without duplication and in respect of the Facilities or, in the case of a Lease, the Tenant, (i) all items of indebtedness or liability of the County or the Tenant for the repayment of money borrowed, whether or not represented by bonds, debentures, notes or other securities, (ii) all amounts representing the capitalization of rentals in accordance with generally accepted accounting principles, (iii) indebtedness secured by any mortgage, pledge, lien or security interest existing on the Facilities, whether or not the indebtedness secured thereby shall have been assumed, and (iv) guaranties, endorsements (other than for purposes of collection in the ordinary course of business) and other contingent obligations of the County or the Tenant in respect of, or to purchase or otherwise to acquire, indebtedness of others, but excluding any Indebtedness with respect to which an Irrevocable Deposit sufficient to pay such Indebtedness in full has been made.

Indenture: collectively, the Master Indenture of Trust, dated as of October 1, 1994 (the “Master Indenture”), as amended and supplemented by the 2016B Supplemental Indenture of Trust, dated as of October 1, 2016 (the “2016B Supplemental Indenture”), each between the Authority and the Trustee, including any amendment thereof or supplement thereto.

Independent: when used with respect to any specified Person, means 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 County, the Tenant or any Affiliate, 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 County, the Tenant or any Affiliate as an official, officer, employee, promoter, underwriter, trustee, partner, affiliate, subsidiary, director or person performing similar functions. Whenever it is provided herein or in the Indenture that any Independent Person’s opinion or certificate relating in any way to the County shall be furnished to the Trustee, such Person shall be appointed by a County order and acceptable to the Trustee in the exercise of reasonable care, and such opinion or certificate shall state that the signer thereof has read this definition and that such signer is Independent within the meaning hereof.

Insurance Consultant: a Person appointed by the County or, in the case of a Lease, the Tenant, and satisfactory to the Trustee, qualified to survey risks and to recommend insurance coverage for hospital or other health care facilities and services of the type involved, and having a favorable reputation for skill and experience in such surveys and such recommendations, and which may be a broker or agent with whom the County or the Tenant transacts business on a regular basis.

Irrevocable Deposit: the irrevocable deposit in trust of cash in an amount (or Government Obligations the principal of and interest on which will be in an amount) and under terms sufficient to pay all or a portion of the principal of and interest on, as the same shall become due, any Indebtedness of the County or the Tenant, as the case may be. The trustee of such deposit may be the Trustee or any other trustee authorized to act in such capacity.

Land: the site on which the Facilities are located.

Lease: any lease entered into between the County and a Tenant in accordance with Section 9.09.

Lender: shall have the meaning given such term in Section 2.03.

Limited Tax Levy: the property tax levy authorized by Section 7-34-2417 of the Act and covenanted to be levied by the County to pay Outstanding Bonds pursuant to Section 9.06.

Long-Term Indebtedness: any Indebtedness incurred by the County or the Tenant for an original term, or renewable at the option of the County or the Tenant for a period, longer than one year from the date originally incurred.

Management Consultant: a Person qualified to study operations of health institutions and, in the judgment of the Board, having a favorable national repute for skill and experience in such work and, unless otherwise specified herein, selected and employed by the County or the Tenant and acceptable to the Trustee.

Maximum Annual Debt Service Requirement: as of any date the highest Debt Service Requirement for the then current or any succeeding Fiscal Year.

Net Proceeds: when used with respect to any insurance claim or condemnation award, means the gross proceeds from such insurance claim or condemnation award remaining after payment of all expenses (including attorneys' fees and any expenses of the Authority, the County, the Tenant and the Trustee) incurred in the collection of such gross proceeds.

Net Rentals: the collections and receipt of rent required to be paid by a Tenant under a Lease that relate to the payment of debt service on the Bonds.

Net Revenues: all Gross Revenues and Net Rentals on hand in the Health Care Fund each month in excess of the balance then required in the Operating Account; Net Revenues of any Fiscal Year are the Gross Revenues and Net Rentals received during such Fiscal Year less Operating Expenses paid during such Fiscal Year, less also any accrued Operating Expenses as of the end of the Fiscal Year to the extent they exceed accrued income as of said date.

Operating Account: the account in the Health Care Fund described in Section 7.04.

Operating Expenses: all items of expense incurred by the County in its operation of the Facilities which under generally accepted accounting principles are current, reasonable and necessary costs of operation, maintenance and repair of the Facilities.

Outstanding:

(a) when used with reference to Bonds, as of the date of determination, all Bonds delivered pursuant to this Resolution, except: (1) Bonds theretofore canceled by the County or delivered to the County canceled or for cancellation; (2) Bonds deemed paid in accordance with the provisions of Section 14; and (3) Bonds in exchange for or in lieu of which other Bonds shall have been issued and delivered pursuant to this Resolution.

(b) when used with reference to Authority's 2016 Bonds, as of the date of determination, the Authority's 2016 Bonds theretofore issued and delivered under the Indenture, except: (1) Authority's 2016 Bonds theretofore canceled by the Trustee or delivered to the Trustee canceled or for cancellation; (2) Authority's 2016 Bonds which are deemed paid under Section 7.01 of the Master Indenture; and (3) Authority's 2016 Bonds in exchange for or in lieu of which other Authority's 2016 Bonds shall have been issued and delivered pursuant to the Indenture; *provided, however*, that in determining whether the holders of the requisite principal amount of Outstanding Authority's 2016 Bonds have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Authority's 2016 Bonds registered in the name of the Authority, the County, the Tenant or any Affiliate shall be disregarded and deemed not to be Outstanding, except that in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Authority's 2016 Bonds which the Trustee knows to be so owned shall be disregarded.

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

Program: the Master Loan Program of the Authority, of which the 2016 Loan is a part, and pursuant to which the Authority's 2016 Bonds are issued.

Project: shall have the meaning given such term in Section 2.02.

Property Insurance and Award Account: the account in the Health Care Fund described in Section 7.05.

Redemption Date: when used with respect to any Bond to be redeemed shall mean the date on which it is to be redeemed.

Redemption Price: when used with respect to any Bond to be redeemed shall mean the price at which it is to be redeemed.

Registrar: the Person, if any, appointed by the County to act as bond registrar, transfer agent and paying agent for a series of Bonds. With respect to the Series 2016 Bond, the Registrar shall be appointed as set forth in Section 5.03.

Reserve Fund: the fund so designated created by Section 3.01 of the Master Indenture.

Resolution: this Resolution No. **29-2016**, adopted by the Board on **September 29**, 2016.

Series 2005 Bonds: the Health Care Facilities Refunding Revenue Bonds, Series 2005, of the County.

Series 2016 Bond: the Health Care and Boarding Home Refunding Revenue Bonds, Series 2016, of the County, issued under this Resolution.

Series Reserve Requirement: with respect to the Authority's 2016 Bonds, as of the date of calculation, an amount equal to the lesser of: (1) maximum Debt Service Requirement on Outstanding Authority's 2016 Bonds in the then current or any future Fiscal Year (\$384,187.50) or (2) 10% of the proceeds of the Authority's 2016 Bonds (i.e., \$210,000.00).

State: the State of Montana.

Stated Maturity: when used with respect to any Bond or any installment of principal or interest thereon shall mean the date specified in such Bond as the fixed date on which principal of such Bond or such installment of interest is due and payable.

Supplemental Resolution: a resolution of the Board amending or supplementing this Resolution in accordance with its terms.

Surplus Account: the account in the Health Care Fund described in Section 7.06.

Tax-Supported Bonds: any Bonds to which a Deficiency Tax Levy is pledged under the Act and the Supplemental Resolution pursuant to which such Tax-Supported Bonds are issued.

Tenant: any Person entering into a Lease with the County pursuant to Section 9.09.

Total Expenses: with respect to the Facilities (or, in the event of a Lease, the Tenant) for any period of calculation, the aggregate of (A) all expenses of the Facilities, calculated in accordance with generally accepted accounting principles, but excluding any extraordinary or nonrecurring items (including without limitation any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of assets not made in the ordinary course of business), and (B) unrealized losses on the valuation of investments.

Total Revenues: with respect to the Facilities (or, in the event of a Lease, the Tenant) for any period of calculation, the aggregate of net patient service revenues, other revenue and nonoperating gain of the Facilities, calculated in accordance with generally accepted accounting principles, including, without limiting the generality of the foregoing, (a) unrestricted investment income, (b) unrestricted endowment income, and (c) net proceeds from business interruption insurance, but excluding (A) any extraordinary or nonrecurring items (including without limitation any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of assets not made in the ordinary course of business), and (B) unrealized gains on the valuation of investments.

Trustee: U.S. Bank National Association, and any successor trustee under the Indenture.

2005 Loan: shall have the meaning given such term in Section 2.02.

2016 Loan: shall have the meaning given such term in Section 2.03.

Yearly Coverage: has the meaning set forth in Section 9.05.

1.02 Rules of Construction. Unless the context otherwise requires or except as otherwise expressly provided:

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

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

(c) The terms defined in this Resolution include the plural as well as the singular.

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

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

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

## Section 2. Authorization, Findings and Recitals.

2.01 Authorization. The Act authorizes Montana counties acquiring, erecting, furnishing, equipping, expanding, improving or maintaining a health care facility under Montana Code Annotated, Section 7-8-2102 or Section 7-34-2201 or a boarding home under 7-34-2301 to borrow money and issue bonds, including refunding bonds, in such form and upon such terms as it may determine, payable out of any revenues of the facility or boarding home, including revenues derived from fees and payments for health care or boarding home services, taxes levied under Montana Code Annotated, Section 7-6-2512 or Section 7-34-2417, grants or contributions from the federal government or any other sources, which bonds may be secured by all or portion of the revenues from such facility.

The Act also authorizes counties which have issued bonds under the Act, subject to Montana Code Annotated, Section 15-10-420, to levy taxes on all taxable property within the county in the manner provided for public hospital districts under Section 7-34-2133. The Act further authorizes the governing body of a county issuing bonds under the Act, if authorized by voters, to covenant that in the event that revenues, including taxes, appropriated and theretofore collected for such bonds are insufficient to pay principal or interest then due, it will levy a general tax upon all of the taxable property in the county for the payment of such deficiency and may further covenant that at any time a deficiency is likely to occur within one year for the payment of principal and interest due on such bonds, it will levy a general tax upon all the taxable property in the county for the payment of such deficiency, and such taxes shall not be subject to any limitation of rate or amount applicable to other county taxes, but shall be limited to a rate estimated to be sufficient to produce the amount of the deficiency.

2.02 Outstanding Bonds. The Authority previously issued its Health Care Facilities Revenue Bonds (Master Loan Program—Marias Medical Center Project, Shelby, Montana), Series 2005A (the “Authority’s 2005 Bonds”) in the original aggregate principal amount of \$4,030,000. Proceeds of the Authority’s 2005 Bonds were loaned to the County (the “2005 Loan”) for purposes of (i) refunding the Authority’s Health Care Facilities Revenue Bonds (Master Loan Program—Toole County Project, Shelby, Montana), Series 1996A (the “Series 1996A Bonds”), (ii) refunding the County’s Health Facilities Revenue Bonds, Series 1997 (the “Series 1997 Bonds”), (iii) making a deposit to a debt service reserve fund for the Authority’s 2005 Bonds and (iv) paying a portion of the expenses incurred in connection with the issuance of the Authority’s 2005 Bonds. The County elected to treat the Series 2005 Bonds and the Authority’s 2005 Bonds as two separate issues, one issue to refund the Series 1996A Bonds (all of which were paid in full on January 1, 2012) and one issue to refund the Series 1997 Bonds (of which \$2,070,000 remain outstanding as of the date hereof). The Series 1997 Bonds were issued to finance the costs of designing, constructing and equipping the assisted living facility comprising part of the Facilities (the “Project”). Apart from the Series 2005 Bonds, no other

bonds or indebtedness are outstanding that are payable from or secured by revenues of the Facilities.

2.03 Refunding; Issuance of Series 2016 Bond. In order to achieve debt service savings, the Authority will issue the Authority's 2016 Bonds in the principal amount of \$2,100,000 and loan (the "2016 Loan") the proceeds thereof to the County for the purposes of (i) refunding the Authority's 2005 Bonds, (ii) making a deposit to a debt service reserve fund for the Authority's 2016 Bonds and (iii) paying costs and expenses incurred in connection with the issuance of the Authority's 2016 Bonds.

Pursuant to Resolution No. 25-2016, adopted on July 21, 2016, the Board authorized the County to enter into a Commitment Agreement, dated September 21, 2016, among the County, the Authority and Capital One Public Funding, LLC (the "Lender") with respect to the sale and issuance of the Authority's 2016 Bonds. The County hereby (i) ratifies and confirms the sale of the Authority's 2016 Bonds pursuant to the Commitment Agreement; (ii) approves and authorizes the issuance of the Authority's 2016 Bonds under the Indenture; (iii) approves and authorizes the form and terms of the Indenture, including the assignment of the Series 2016 Bond to the Trustee in accordance with the 2016B Supplemental Indenture; and (iv) approves and authorizes the refunding of the Authority's 2005 Bonds and the refinancing of the Project.

Pursuant to the Act, this Resolution and the Commitment Agreement, the County will issue its Series 2016 Bonds to the Authority in the same original aggregate principal amount and with the same interest rate as the Authority's 2016 Bonds in order to evidence the 2016 Loan and as security for the Authority's 2016 Bonds. Debt service payments made by the County on the Series 2016 Bond are payable in amounts and at times sufficient for the Authority to make corresponding payments on the Authority's 2016 Bonds. Except as otherwise provided herein, the Series 2016 Bond is payable solely from the Gross Revenues and Net Rentals.

2.04 Adequacy of Revenues; Debt Service Savings. The County estimates, based on the financial statements relating to the operations of the Facilities, that Gross Revenues and Net Rentals herein pledged to the repayment of the Series 2016 Bond will, in each year that the Series 2016 Bond remains Outstanding, exceed the total amount of principal and interest to become due in such year on the Series 2016 Bond and the Operating Expenses and other costs of the Facilities. As a result of the refunding of the Authority's 2005 Bonds, the County will achieve debt service savings the net present value of which is \$216,795.56, using a 2.450316% discount factor, computed over the term of the Series 2016 Bond.

2.05 Recitals. All acts, conditions and things required by the Constitution and laws of the State, including the Act, in order to make the Series 2016 Bond a valid and binding special, limited obligation of the County in accordance with its terms and in accordance with the terms of this Resolution have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required. The County has full power and authority to issue the Series 2016 Bond.

Section 3. Representations of the County. The County makes the following representations in connection with the issuance of the Series 2016 Bond:

(a) The County is a political subdivision of the State of Montana and has power to enter into and perform and observe its obligations under this Resolution and the Series 2016 Bond.

(b) The adoption of this Resolution, the issuance and sale of the Series 2016 Bond, the consummation of the transactions contemplated hereby, and the fulfillment of or compliance with the terms and conditions hereof do not and will not conflict with or result in a breach of the provisions of the Act or of any agreement or instrument to which the County is now a party, and do not and will not constitute a default under any of the foregoing, or result in the creation or imposition of any liens, charges or encumbrances of any nature upon any of the property or assets of the County contrary to the terms of any instrument or agreement.

(c) The County is duly authorized and licensed to operate the Facilities under the laws, rulings, regulations and ordinances of the State and the departments, agencies and political subdivisions thereof; and Facilities are in compliance with all applicable federal, State and local zoning, subdivision, environmental, pollution control and building laws, regulations, codes and ordinances.

(d) The County constitutes an “institution” and the Facilities constitute an “eligible facility” within the meaning of the Authority Act. The County intends to operate the Facilities as an “eligible facility” within the meaning of the Authority Act and has complete and lawful authority to do so.

(e) The issuance of the Authority’s 2016 Bonds and the loan of a portion of the proceeds thereof to the County pursuant to the Indenture will assist and encourage the County to fulfill its obligation to provide health care facilities and services to the residents of the County at reasonable costs. The Facilities are and will be operated on a financially feasible basis and the County will have sufficient revenues from such operations and other sources to assure the full and timely payment of the Series 2016 Bond hereunder. The County has sufficient experience and expertise to operate the Facilities on a financially feasible basis.

(f) The Project, to the extent required by Montana Code Annotated, Title 50, Chapter 5, Part 3, as amended, and other applicable laws, rulings and regulations, was reviewed and approved by the appropriate regional and State health planning boards and other governmental authorities.

(g) The refinancing of the Project does not significantly affect the quality of the human environment within the meaning of Montana Code Annotated, Section 75-1-201(1)(b)(iii), as amended.

(h) There is no litigation or other legal or governmental transaction, proceeding, inquiry or investigation pending or threatened by a governmental authority or to which the County is a party or to which any property of the County is subject, which

has not been disclosed in writing to the Authority. The County is not in violation of any provision, requirement or covenant of any contract or agreement with the State or any agency thereof or in violation of any State or federal law, regulation or ruling affecting or governing its operation.

(i) To the best knowledge of the County, after due inquiry, (i) no dangerous, toxic or hazardous pollutants, contaminants, chemicals, waste materials or substances, as defined in or governed by the provisions of any federal, State or local law, statute, code, ordinance, regulation, requirement or rule relating thereto (collectively, “Environmental Regulations”), and also including urea-formaldehyde, polychlorinated biphenyls, asbestos, asbestos containing materials, nuclear fuel or waste, radioactive materials, explosives, carcinogens and petroleum products, or any other waste, material substance, pollutant or contaminant which would subject the owner of the Land to any damages, penalties or liabilities under any applicable Environmental Regulation (collectively, “Hazardous Substances”) are now or have been stored, located, generated, produced, processed, treated, transported, incorporated, discharged, emitted, released, deposited or disposed of in, upon, under, over or from the Land in violation of any Environmental Regulation; (ii) no threat exists of a discharge, release or emission of a Hazardous Substance upon or from the Land into the environment; (iii) the Land has not been used as or for a mine, a landfill, a dump or other disposal facility, industrial or manufacturing facility, or a gasoline service station except as otherwise disclosed in writing to the Authority; (iv) no underground storage tank is now located in the Land or has previously been located therein but has been removed therefrom except as otherwise disclosed in writing to the Authority; (v) no violation of any Environmental Regulation now exists relating to the Land, no notice of any such violation or any alleged violation thereof has been issued or given by any governmental entity or agency, and there is not now any investigation or report involving the Land by any governmental entity or agency which in any way relates to Hazardous Substances; (vi) no Person has given any notice of or asserted any claim, cause of action, penalty, cost or demand for payment or compensation, whether or not involving any injury or threatened injury to human health, the environment or natural resources, resulting or allegedly resulting from any activity or event described in (i) above; (vii) there are not now any transactions, suits, proceedings or damage settlements relating in any way to Hazardous Substances, in, upon, under, over or from the Land; (viii) the Land is not listed in the United States Environmental Protection Agency’s National Priorities List of Hazardous Waste Sites or any other list of Hazardous Substance sites maintained by any federal, State or local governmental agency; and (ix) the Land is not subject to any lien or claim for lien or threat of a lien in favor of any governmental entity or agency as a result of any release or threatened release of any Hazardous Substance.

#### Section 4. The Bonds.

4.01 General Title. The general title of the Bonds of all series shall be “Health Care and Boarding Home Revenue Bonds,” with appropriate additions for refunding and Tax-Supported Bonds and to distinguish Bonds of each series from Bonds of other series.

4.02 General Limitations; Issuable in Series. Bonds may be issued in series as from time to time authorized by the County. The aggregate principal amount of Bonds that may be authenticated and delivered and Outstanding under this Resolution is not limited, except as provided in Section 6 and except as may be limited by law.

The Bonds shall be special, limited obligations of the County. Except as otherwise provided herein, principal of, premium, if any, and interest on Bonds shall be payable solely from Gross Revenues and Net Rentals. Only Tax-Supported Bonds shall be secured and payable from the Bond Guaranty Account. Neither the Bonds nor any of the agreements or obligations of the County contained herein shall be construed to constitute an indebtedness of the State or the County within the meaning of any constitutional or statutory provisions whatsoever.

If any Stated Maturity or Redemption Date shall be on a day which is not a Business Day, then payment of principal of, premium, if any, or interest due on such day may be made on the next succeeding Business Day, with the same force and effect as if made on such Stated Maturity or Redemption Date (whether or not such next succeeding Business Day occurs in a succeeding month), and no interest shall accrue for the intervening period.

4.03 Terms of a Particular Series. Each series of Bonds (except the Series 2016 Bond, as to which specific provision is made in Section 5) shall be created by a Supplemental Resolution and pursuant to Section 6. The County may, at the time of the creation of any series of Bonds or at any time thereafter make, and the Bonds of that series may also contain, provision for a sinking, amortization, improvement or other analogous fund. All Bonds of the same series or sub-series shall be substantially identical except as to denomination and the differences specified herein or in a Supplemental Resolution between interest rates, Stated Maturities and redemption provisions.

4.04 Form and Denominations. The form of Bonds (except the Series 2016 Bond, as to which specific provision is made in Section 5) shall be established by the Supplemental Resolution creating such series.

Bonds of any series shall be issuable as fully registered Bonds, in such denominations as shall be provided in the Supplemental Resolution creating such series (except the Series 2016 Bond, as to which specific provision is made in Section 5).

4.05 Execution and Delivery. Each Bond shall be executed on behalf of the County by the officials of the County specified in a Supplemental Resolution (except the Series 2016 Bond, as to which specific provision is made in Section 5). The signature of any official may be by facsimile, if permitted by applicable law. Bonds bearing the manual or facsimile signatures of individuals who were at any time the proper officials of the County shall bind the County, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the delivery of such Bonds or did not hold such offices at the date of such Bonds. At any time and from time to time, the County may deliver Bonds executed by the proper officers of the County to the Registrar for authentication, and the Registrar shall authenticate and deliver such Bonds as specified in a Supplemental Resolution (other than the Series 2016 Bond, as to which specific provision is made in Section 5).

Section 5. The Series 2016 Bond

5.01 Maturities, Interest Rates, Denominations and Payment. The Series 2016 Bond to be issued hereunder shall be denominated “Health Care and Boarding Home Revenue Refunding Bond, Series 2016” and shall be issued in the principal amount of \$2,100,000. The Series 2016 Bond evidences the 2016 Loan from the Authority to the County in the principal amount of \$2,100,000. The Series 2016 Bond shall mature, subject to redemption as hereinafter provided, on January 1, 2028. The Series 2016 Bond shall bear interest on the Outstanding principal amount from the date of original issue, or from such later date to which interest has been paid or duly provided for, until paid or discharged at the rate (computed on the basis of a 360-day year consisting of 12 30-day months) of 2.45% per annum. The principal of and interest on the Series 2016 Bond shall be payable in the amounts and on the respective dates reflected in the Debt Service Schedule attached as Schedule 1 to the Series 2016 Bond. Payments of principal and interest on the Series 2016 Bond shall constitute Loan Payments (as defined in the Master Indenture).

Principal of and interest on the Series 2016 Bond shall be payable by check or draft of the Registrar mailed to the registered holder as such appears in the Bond Register as of the close of business on the 15th day (whether or not a Business Day) of the month immediately preceding each payment date; *provided* that the final installment of principal on the Series 2016 Bond (whether at Stated Maturity or earlier redemption) shall be drawn on the Registrar only upon presentation and surrender of the such Series 2016 Bond at the principal office of the Registrar. The Registrar shall note in the Bond Register each principal payment on the Series 2016 Bond.

The Series 2016 Bond shall be issuable only in fully registered form and the ownership of the Series 2016 Bond shall be transferred only upon the Bond Register. The Series 2016 Bond shall be dated its date of issuance. Upon original issuance and delivery or upon transfer or exchange of any Series 2016 Bond, the Registrar shall date the Series 2016 Bond so delivered as of the date of its authentication.

If a payment of principal of or interest on the Series 2016 Bond is delinquent, the delinquent amount shall bear interest from its due date until the date of payment at an annual interest rate equal to the Board of Investments Loan Rate, calculated as of the due date of such payment on the Series 2016 Bond.

The Series 2016 Bond is payable solely from the Gross Revenues and Net Rentals. The Series 2016 Bond is not a general obligation of the County and the County’s general credit and unlimited taxing powers are not pledged to the payment of the Series 2016 Bond or the premium, if any, or interest thereon. The Series 2016 Bond does not constitute an indebtedness of the County within the meaning of any constitutional or statutory provisions. The Series 2016 Bonds are not Tax-Supported Bonds and are not secured by the Bond Guaranty Account.

5.02 Redemption. There is hereby reserved to the County the right, and the County is hereby authorized and permitted, at any time and as often as it may choose, to prepay all or any part of the Series 2016 Bond and the Authority agrees that the Trustee may accept such prepayments of the Series 2016 Bond when tendered by the County; *provided* that, unless such prepayment will result in the defeasance of a corresponding principal amount of Authority’s

2016 Bonds in accordance with the provisions of Article VII of the Master Indenture, any such prepayment of the Series 2016 Bond (i) may be made only at the time or times (and upon the occurrence of the event or events, if any) corresponding to the redemption of the Authority's 2016 Bonds, (ii) any such prepayment shall be accompanied by accrued interest on the Series 2016 Bond (or that portion of the Series 2016 Bond) being prepaid and by a premium, if any, corresponding to the premium to be paid on the redemption of Authority's 2016 Bonds from such prepayment, and (iii) any partial prepayment of the Series 2016 Bond shall be deemed to be with respect to those principal installments of the Series 2016 Bond corresponding to the Stated Maturities of the Authority's 2016 Bonds to be redeemed with such prepayment. In case the County intends to effect any prepayment of the Series 2016 Bond, the County shall, at least sixty days prior to the anticipated date of such prepayment, notify the Trustee of its intent to effect such prepayment and of the amount to be prepaid. All amounts prepaid shall be applied to the redemption of the Authority's 2016 Bonds in the manner and to the extent provided in Article V of the Master Indenture.

5.03 Registration. The County hereby appoints the County Treasurer to act as Registrar for the Series 2016 Bond. The County reserves the right to appoint a bank, trust company or fiscal company as successor Registrar, as authorized by the Model Public Obligations Registration Act of Montana (the "Registration Act"), and the County agrees to pay the reasonable and customary charges of any such successor Registrar for the services performed. This Section 5.03 shall establish a system of registration for the Series 2016 Bond as defined in the Registration Act. The effect of registration and the rights and duties of the County and the Registrar with respect thereto shall be as follows:

(i) Bond Register. The Registrar shall keep at its principal office a Bond Register in which the Registrar shall provide for the registration of ownership of Series 2016 Bond and the registration of transfers and exchanges thereof.

(ii) Transfer. Upon surrender for transfer any Series 2016 Bond duly endorsed by the owner, or accompanied by a written instrument of transfer in form satisfactory to the Registrar, duly executed by the owner or by an attorney duly authorized by the owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Series 2016 Bonds of the same series and a like aggregate principal amount, number, interest rate and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of transfer of any Series 2016 Bond or portion thereof selected or called for redemption.

(iii) Exchange. Whenever any Series 2016 Bond is surrendered by the owner for exchange, the Registrar shall authenticate and deliver one or more new Series 2016 Bonds of the same series and a like aggregate principal amount, number, interest rate and maturity, as requested by the transferor.

(iv) Cancellation. Any Series 2016 Bond surrendered upon any transfer or exchange shall be promptly canceled by the Registrar and thereafter disposed of as directed by the County.

(v) Improper or Unauthorized Transfer. When any Series 2016 Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Series 2016 Bond or separate instrument of transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(vi) Persons Deemed Owners. The County and the Registrar may treat the Person in whose name any Series 2016 Bond is at any time registered in the Bond Register as the absolute owner of such Series 2016 Bond, whether such Series 2016 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest on such Series 2016 Bond and for all other purposes, and all such payments so made to any such owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the County upon such Series 2016 Bond to the extent of the sum or sums so paid.

(vii) Taxes, Fees and Charges. For every transfer or exchange of a Series 2016 Bond (except for an exchange upon partial redemption of a Series 2016 Bond), the Registrar may impose a charge upon the owner sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(viii) Mutilated, Lost, Stolen or Destroyed Series 2016 Bond. In case any Series 2016 Bond shall become mutilated or be lost, stolen or destroyed, the Registrar shall deliver a new Series 2016 Bond of the same series and like aggregate principal amount, number, interest rate and maturity in exchange and substitution for and upon cancellation of any such mutilated Series 2016 Bond or in lieu of and in substitution for any such Series 2016 Bond lost, stolen or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of any Series 2016 Bond lost, stolen or destroyed, upon filing with the Registrar of evidence satisfactory to it that such Series 2016 Bond was lost, stolen or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the County and the Registrar shall be named as obligees. Any Series 2016 Bond so surrendered to the Registrar shall be canceled by it and evidence of such cancellation shall be given to the County. If the mutilated, lost, stolen or destroyed Series 2016 Bond has already matured or such Series 2016 Bond has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Series 2016 Bond prior to payment.

5.04 Execution and Delivery of Series 2016 Bond. The Series 2016 Bond shall be forthwith prepared for execution under the direction of the County Clerk and Recorder and shall be executed on behalf of the County by the signatures of the Chairman of the Board, the County Treasurer and the County Clerk and Recorder, *provided* that said signatures may be facsimiles thereof. The seal of the County need not be imprinted on or affixed to any Series 2016 Bond. In case any officer whose signature or a facsimile of whose signature shall appear on any Series 2016 Bond shall cease to be such officer before the delivery thereof, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. Notwithstanding such execution, no Series 2016 Bond shall be

valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution unless and until a certificate of authentication on such Series 2016 Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on each Series 2016 Bond need not be signed by the same representative. The executed certificate of authentication on each Series 2016 Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution. When the Series 2016 Bond has been fully executed and authenticated, it shall be delivered by the Registrar to the Authority concurrently with the issuance of the Authority's 2016 Bonds and the Authority shall not be obligated to see to the application of the proceeds of the 2016 Loan.

5.05 Form of Series 2016 Bond. The Series 2016 Bond shall be prepared in substantially the form appearing in Exhibit A hereto, with such variations therefrom as may be required or permitted by this Resolution.

## Section 6. Additional Bonds and Subordinate Obligations

6.01 Additional Bonds. Additional Bonds may be issued for the purpose of financing the construction, improvement or equipment of the Facilities, funding interest during construction and for six months thereafter, for the purpose of establishing a bond reserve, or for the purpose of redeeming before maturity and refunding Outstanding Bonds issued hereunder; *provided* that such Additional Bonds shall be on a parity with the Series 2016 Bond as to Gross Revenues and Net Rentals and will not be secured by amounts deposited in the Bond Guaranty Account unless permitted by the Act and provided in a Supplemental Resolution; *provided further* that before any such Additional Bonds are issued there shall be filed with the County Treasurer:

(i) if such Additional Bonds will be secured by amounts deposited in the Bond Guaranty Account, a certificate of the County that the total amount of principal and interest to become due in any year on all Outstanding Bonds and the Additional Bonds proposed to be issued does not exceed the estimated Gross Revenues and Net Rentals to be received, and collections of Deficiency Tax Levies, in such year.

(ii) if such Additional Bonds will not be secured by amounts deposited in the Bond Guaranty Account:

(a) evidence that the Net Revenues of the Facilities (or in the case of a Lease pursuant to which the Tenant has agreed to pay Net Rentals in amounts sufficient to provide for the full and prompt payment of the principal of, interest on and premiums with respect to all Outstanding Bonds and the Additional Bonds proposed to be issued, the net income of the Tenant) during at least two of the three preceding Fiscal Years was equal to at least 125% of the maximum annual principal and interest to become due during the remaining term of the Outstanding Bonds and the Additional Bonds proposed to be issued (and in the case of a Lease pursuant to which the Tenant has agreed to pay Net Rentals in amounts sufficient to provide for the full and prompt payment of the principal of, interest on and premiums with respect to all Outstanding Bonds and the Additional Bonds proposed to be issued, the outstanding Long-Term Indebtedness of the Tenant); or

(b) (A) evidence that the Net Revenues of the Facilities (or in the case of a Lease pursuant to which the Tenant has agreed to pay Net Rentals in amounts sufficient to provide for the full and prompt payment of the principal of, interest on and premiums with respect to all Outstanding Bonds and such Additional Bonds, the net income of the Tenant) during at least two of the three preceding Fiscal Years was equal to at least 135% of the maximum annual principal and interest to become due on the Outstanding Bonds (and in the case of a Lease pursuant to which the Tenant has agreed to pay Net Rentals in amounts sufficient to provide for the full and prompt payment of the principal of, interest on and premiums with respect to all Outstanding Bonds and the Additional Bonds proposed to be issued, the outstanding Long-Term Indebtedness of the Tenant), but not including the Additional Bonds proposed to be issued, and (B) a certificate of the County (or in the case of a Lease pursuant to which the Tenant has agreed to pay Net Rentals in amounts sufficient to provide for the full and prompt payment of the principal of, interest on and premiums with respect to all Outstanding Bonds and such Additional Bonds, a certificate of the chief financial officer of the Tenant), stating the opinion, based upon necessary investigation, that the estimated Net Revenues of the Facilities (or in the case of a Lease pursuant to which the Tenant has agreed to pay Net Rentals in amounts sufficient to provide for the full and prompt payment of the principal of, interest on and premiums with respect to all Outstanding Bonds and such Additional Bonds, the estimated net income of the Tenant) during each of the three full Fiscal Years next following the date of issue of the Additional Bonds proposed to be issued, or if capital facilities are being financed with the proceeds of the Additional Bonds proposed to be issued, each of the three full Fiscal Years next following the estimated completion date of any capital facilities financed thereby is estimated to equal at least 135% of the maximum annual principal and interest to become due during the remaining term of the Outstanding Bonds and the Additional Bonds proposed to be issued (and, in the case of a Lease pursuant to which the Tenant has agreed to pay Net Rentals in amounts sufficient to provide for the full and prompt payment of the principal of, interest on and premiums with respect to all Outstanding Bonds and the Additional Bonds proposed to be issued, any outstanding Long-Term Indebtedness of the Tenant); and

(iii) a certificate signed by an Independent Accountant, stating that all amounts required to be credited to the respective accounts in the Health Care Fund were so credited during the preceding Fiscal Year, and that there are no deficiencies in the amounts required to be on deposit in said accounts on the date of the certificate; and

(iv) an opinion of Bond Counsel stating in effect:

(a) that all conditions precedent provided for in this Resolution relating to the issuance and delivery of such Additional Bonds have been complied with, including any conditions precedent specified in this Section 6.01;

(b) that the proposed series of Additional Bonds when issued and delivered by the County will be valid and binding special obligations of the

County in accordance with their terms and this Resolution and entitled to the benefits of and secured by this Resolution; and

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

6.02 Refunding Bonds. Additional Bonds may be issued hereunder for the purpose of refunding any Outstanding Bonds issued hereunder; *provided* that before any such Additional Bonds are issued there shall be filed with the County Treasurer:

(i) either a report of an Independent Accountant to the effect that (x) the proceeds of the Additional Bonds plus any money available and to be withdrawn from the Bond Account for such purpose, will not be less than an amount sufficient to pay the principal of and premium, if any, on the Outstanding Bonds to be refunded and the interest which will become due and payable on and before the Redemption Dates or Stated Maturities of the Bonds to be refunded, or (y) from such proceeds there shall be deposited in an escrow account in trust, Government Obligations which do not permit the redemption thereof at the option of the issuer, the principal of and the interest on which when due and payable (or redeemable at the option of the holder thereof) will provide, together with any other money which shall have been deposited irrevocably in the escrow account for such purpose, but without reinvestment, sufficient money to pay such principal, premium and interest; and

(ii) if (x) the principal of and interest on the Additional Bonds payable in any Fiscal Year exceed by more than 5% the principal of and interest on the Outstanding Bonds to be refunded in such Fiscal Year or (y) if not all Outstanding Bonds of a series are to be refunded and if the first Stated Maturity of the series of Additional Bonds proposed to be issued is earlier than the final Stated Maturity of any Outstanding Bonds of such series not refunded, the documents required under Section 6.01(i) or Section 6.01(ii) of this Resolution, as applicable; and

(iii) the opinion of Bond Counsel described in Section 6.01(iv).

6.03 Subordinate Obligations. Except as provided in Sections 6.01 and 6.02, no Additional Bonds or other obligations will be issued under or secured by the provisions of this Resolution, and no bonds or other obligations will be made payable from the Gross Revenues and Net Rentals of the Facilities unless the pledge and appropriation of the Gross Revenues and Net Rentals to such bonds or other obligations is made subordinate to the pledge and appropriation of such Gross Revenues and Net Rentals for the payment and security of the Series 2016 Bond and all Additional Bonds issued and to be issued under and secured by this Resolution in accordance with Sections 6.01 and 6.02 and the requirements of the Operating Account. In the event of the issuance of any such obligations, the principal, premium, if any, and interest thereon will be made payable from one or more additional accounts created in the Health Care Fund for that purpose, and the balance of funds at any time on hand on any such account shall be available and shall be transferred whenever needed to meet the current requirements of the Bond Account and Operating Account.

Section 7. Pledge; Funds and Accounts.

7.01 Pledge; Maintenance of Health Care Fund. The Health Care Fund is hereby established by the County and shall be maintained and continued, so long as any Bonds are Outstanding, as a separate and special fund on the official books and records of the County and shall be subdivided into the Construction Account, the Bond Account, the Operating Account, the Property Insurance and Award Account, the Surplus Account and the Bond Guaranty Account.

To the Health Care Fund there are hereby irrevocably pledged and appropriated the proceeds of all Bonds (other than refunding Bonds, including the Series 2016 Bond), all Gross Revenues and all Net Rentals and all other funds or money appropriated by the County for purposes of the Facilities.

The payment of the principal of, premium, if any, and interest on Outstanding Bonds, including the Series 2016 Bond, shall be secured, equally and ratably, by a lien and charge on the Gross Revenues and Net Rentals. Such lien shall be equal to the lien and charge thereon of any Additional Bonds hereafter issued by the County on a parity with the Series 2016 Bond and superior to all other liens and charges including the requirements of the Operating Account.

The payment of the principal and interest on Tax-Supported Bonds, if any, shall also be payable, equally and ratably, from the Bond Guaranty Account.

7.02 Construction Account. The Construction Account is hereby established as a separate account within the Health Care Fund. The Construction Account shall be used only to pay as incurred and allowed items of expense which under generally accepted accounting principles are capital costs of the improvements to the Facilities as may be authorized in accordance with law; including but not limited to payments due for work and materials certified to have been performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, interest accruing on Bonds if and to the extent that the Bond Account is not sufficient for payment of such interest, reimbursement of any advances made from other funds, and all other expenses incurred in connection with the construction and financing of any such undertaking. To the Construction Account shall be credited as received proceeds of Bonds issued to finance capital improvements to the Facilities and all funds appropriated by the County for capital improvements to the Facilities, including all moneys received from a Tenant for payments of capital costs of the Facilities. Upon completion of capital improvements for which Bond proceeds have been credited to the Construction Account, the balance of such Bond proceeds remaining in the Construction Account may be used to pay the cost of other capital improvements to the Facilities to the extent permitted by the Act or transferred to the Bond Account for the payment of debt service on the respective Bonds.

7.03 Bond Account. The Bond Account is hereby established as a separate account within the Health Care Fund. The Bond Account shall be used only to pay principal and interest when due on the Bonds; except that when and if the funds therein allocable to a series of Bonds, with any other Gross Revenues, Net Rentals or other funds legally available and appropriated for the purpose, are sufficient to pay and redeem or otherwise discharge the liability of the County

on all Bonds of such series in accordance with the provisions of this Resolution, such funds may be used for that purpose. To the Bond Account there shall be credited:

(i) if so provided in the Supplemental Resolution authorizing their issuance and sale, that portion of the proceeds set aside for the payment of interest on the Additional Bonds during construction and thereafter;

(ii) the Net Rentals received, if any, and each month, from and as a first charge on all Gross Revenues then on hand in the Health Care Fund, an amount equal to the sum of (i) one-sixth of the interest to become due on all Outstanding Bonds within the next succeeding six months and (ii) one-twelfth of the principal to become due on all Outstanding Bonds in the next succeeding twelve months;

(iii) from the Surplus Account or, to the extent the balance in the Bond Account is still insufficient, then from the Construction Account, the Property Insurance and Award Account and from the Operating Account, in that order of priority, such additional amounts as may be needed with the Gross Revenues and Net Rentals then on hand, to credit the full amount then required under clause (ii) above; and

(iv) transfers required to be made from the Bond Guaranty Account pursuant to Section 7.07.

7.04 Operating Account. The Operating Account is hereby established as a separate account within the Health Care Fund. Except as provided in Section 7.03, if transfers are to be made to the Bond Account therefrom, the Operating Account shall be used only to pay as incurred and allowed items of expense which under generally accepted accounting principles are current, reasonable and necessary costs of the operation, maintenance and repair of the Facilities, including but not limited to premiums for insurance on Facilities and against liability for Facilities operation, and labor, material and supplies used for current operation, maintenance and repair. These items, paid and accrued in accordance with generally accepted accounting principles, are referred to herein as Operating Expenses. Operating Expenses do not include any allowance or payment for depreciation, renewal or replacement or any interest or amortization expense. To the Operating Account shall be credited each month, from and as a second charge on all Gross Revenues then on hand in the Health Care Fund, after required deposits to the Bond Account, the amount required to produce a cash balance therein equal to the Operating Expenses payable and accrued to the end of the month, plus an additional operating reserve determined by the Board to be necessary.

7.05 Property Insurance and Award Account. The Property Insurance and Award Account is hereby established as a separate account within the Health Care Fund.

(i) All Net Proceeds of a condemnation award or direct damage insurance claim received with respect to the Facilities (or, if the Facilities are leased to a Tenant, all Net Proceeds in excess of \$100,000) are to be deposited in the Property Insurance and Award Account. Money in this account shall be used only for the purpose and upon the conditions stated in this Section 7.05.

(ii) In the event that the Facilities or a portion thereof are damaged or destroyed, or taken by eminent domain, to such extent that they cannot reasonably be restored and the County determines not to restore the Facilities, such amounts shall be transferred to the Bond Account and applied to the payment of Outstanding Bonds.

(iii) If the Facilities can reasonably be restored and the County chooses to restore the Facilities, the County (or, at its request, a Tenant) shall proceed promptly to reconstruct the Facilities by taking the following steps:

(a) Plans and specifications shall be prepared and approved by the County; and

(b) Construction contracts and contracts for the purchase of equipment, if any, shall be entered into in the manner required or permitted by law, and any construction contracts shall be accompanied, unless waived by the County, by payment and performance bonds securing the proper performance of such contract(s).

(iv) After compliance with paragraph (iii) above, the County shall pay costs of repair and restoration to the Tenant or other persons entitled thereof, as established by certificates and other documentation in form approved by the County; *provided* that, if a Lease then exists, not more than 95% of the total cost of repair and restoration as so certified shall be paid until receipt by the County of an opinion of Counsel stating that all filings and other steps necessary to perfect the security interests created by the Lease in all property, real, personal or mixed, which constitutes part of the Facilities as a result of such repair and restoration, against third party creditors of or purchasers for value from the Tenant and County, have been completed. In the event that the repair and restoration of the Facilities would require the acquisition of land or rights or interests in land additional to or in substitution for any part or all of the Land, the cost thereof may be added to the cost of repair and restoration to be paid under the provisions of this Section 7.05 if such acquisition is authorized by the County, a title opinion of Counsel is delivered to the County in relation to such additional or substituted land and rights or interests therein.

7.06 Surplus Account. The Surplus Account is hereby established as a separate account within the Health Care Fund. The Surplus Account shall be used when and if other Gross Revenues and Net Rentals are not available and sufficient for credits required to the other accounts enumerated above, and there shall be credited thereto all Gross Revenues and Net Rentals from time to time on hand in excess of the current requirements of the other accounts enumerated above, and when not needed for such requirements may be used for any of the following purposes and not otherwise:

(i) to redeem Bonds issued hereunder when they become prepayable according to their terms;

(ii) to purchase Bonds on the open market, whether or not such Bonds or others are then prepayable according to their terms;

(iii) to pay the cost of repairs or replacements of and improvements or additions to and equipment of the Facilities; or

(iv) for any other purpose agreed to by the County and the Tenant.

No Gross Revenues or Net Rentals shall at any time be transferred from the Surplus Account or any other account of the Health Care Fund to any other fund of the County.

7.07 Bond Guaranty Account. All collections of taxes levied by the County in payment or anticipation of deficiencies as described in Section 9.07 shall be credited to the Bond Guaranty Account as received. The Bond Guaranty Account shall be used only to pay the principal of and interest on Tax-Supported Bonds to the extent that the funds on hand in the Bond Account are insufficient on any interest payment date for such purpose. The County reserves the right to use the funds in the Bond Guaranty Account for the payment of deficiencies or anticipated deficiencies in the revenues pledged to the payment of other revenue bonds issued by the County; *provided* that, with respect to such revenue bonds, the County is duly authorized and has covenanted and agreed to levy a tax on all property within the County without limitation as to rate or amount for the payment of such deficiencies or anticipated deficiencies.

7.08 Deposit and Investment of Funds. The County Treasurer shall cause all money appropriated to the Health Care Fund to be deposited as received with one or more depository banks in a deposit account or accounts which shall be maintained separate and apart from all other bank accounts of the County, so long as any of the Bonds issued hereunder and the interest thereon shall remain unpaid or undischarged; and the balance in such accounts; except that such portion thereof as shall be guaranteed by federal deposit insurance, shall at all times be secured to its full amount by bonds or securities. Any of such money not necessary for immediate use may be deposited with such depository banks in savings or time deposits. No money shall at any time be withdrawn from such deposit accounts except for the purposes of the Health Care Fund; except that money from time to time on hand in the Health Care Fund may at any time, in the discretion of the Board be invested in securities which are direct, general obligations of the United States of America maturing and bearing interest at the times and in the amounts estimated to be required to provide cash when needed for the purposes of the respective accounts or such other obligations as may be authorized by law. Income received from the deposit or investment of money in said accounts shall be credited to the account from whose money the deposit was made or the investment was purchased, and handled and accounted for in the same manner as other money in that account. No investment shall ever be made which would cause any series of Bonds to be classified as "arbitrage bonds" as defined in Section 148 of the Code.

## Section 8. Deposit and Application of Funds

8.01 Deposit of Proceeds of Authority's 2016 Bonds. The Trustee is to apply the proceeds of the Authority's 2016 Bonds as follows under the Indenture:

(i) Credit to the Borrower Account of the Bond Fund the sum of \$1,543.87;

(ii) Deposit in the Borrower Account of the Reserve Fund the sum of \$210,000.00;

(iii) Deposit to the Borrower Account of the Cost of Issuance Fund the sum of \$75,037.50; and

(iv) Pay to the Escrow Agent under the Escrow Agreement the sum of \$1,813,418.63, to be applied as provided in the Escrow Agreement.

Upon such deposit, the Authority shall be deemed to have purchased the Series 2016 Bond, at a price equal to the principal amount thereof plus accrued interest to the date of delivery.

8.02 Deposit of Other Funds. On the date of issuance of the Series 2016 Bond, the Authority shall deposit with the Trustee, from funds on hand in the debt service reserve fund related to the Authority's 2005 Bonds and in immediately available money, for payment to the Escrow Agent under the Escrow Agreement, the sum of \$293,462.83.

#### Section 9. County Covenants and Lease of Facilities.

9.01 General. The County covenants and agrees with the purchasers and the holders from time to time of all Bonds issued hereunder that until all such Bonds are fully paid or the County's liability with reference thereto is fully discharged as provided herein, it will acquire, hold, maintain and operate the Facilities as a public hospital and nursing home and revenue-producing convenience, free from all liens thereon or on the income therefrom other than the liens herein granted or provided for, and will maintain, expend and account for its Health Care Fund and the several accounts therein, and will issue no additional bonds or other obligations constituting in any manner a lien or charge on the Gross Revenues or Net Rentals except upon the conditions and in the manner prescribed in Section 6, and will perform and cause all other officers and employees of the County to perform and enforce each and all of the additional covenants and agreements set forth in this Section 9.

9.02 Property Insurance. The County will cause all buildings, properties, fixtures and equipment constituting a part of the Facilities to be kept insured with a reputable insurance carrier or carriers, qualified under the laws of Montana, in such amounts as are ordinarily carried, and against loss or damage by fire, explosion, hurricane, earthquake, cyclone and such other hazards and risks as are ordinarily insured against, by corporations owning and operating properties of a similar character and size; *provided* that if at any time the County is unable to obtain such insurance, it will obtain insurance in such amounts and against risks as are reasonably obtainable. The proceeds of all such insurance shall be available for the repair, replacement and reconstruction of damaged or destroyed property, and until paid out in making good such loss or damage, are pledged as security for the Outstanding Bonds issued hereunder. All insurance proceeds received in excess of the amount required for restoration of the loss or damage compensated thereby shall be and become part of the revenues appropriated to the Health Care Fund. If for any reason insurance proceeds are insufficient for the repair, replacement and reconstruction of the insured property, the County may supply it from any other County funds, but is not obligated to the bondholders so to do unless the deficiency results from breach of the covenant of this Section 9.02.

9.03 Liability Insurance and Surety Bonds. The County will carry insurance against liability of the County and its employees for damage to persons and property resulting from the

operating of the Facilities in such amounts as the County determines from time to time to be necessary or advisable by reason of the character and extent of such operation. It will also cause all persons handling money and other assets of the Health Care Fund to be adequately bonded for the faithful performance of their duties and to account for and pay over such money to the County. All amounts received under such insurance and bonds shall be applied to the payment of the loss or damage covered thereby. The premiums for all insurance and bonds required by this section and Section 9.02 constitute part of the Operating Expenses of the Facilities, but no insurable liabilities of the County in excess of amounts received under such insurance and bonds shall constitute a lien or charge on Gross Revenues, Net Rentals or any other funds or asset herein or otherwise pledged to the Bond Account.

9.04 Books and Records. The County will cause proper and adequate books of record and account to be kept showing complete and correct entries of all receipts, disbursements and other transactions relating to the Facilities and the Health Care Fund, in such reasonable detail as may be determined by the County in accordance with generally accepted accounting practices and principles as are applicable to the County. It will cause such books to be audited annually within 180 days after the close of each Fiscal Year by an Independent Accountant, who shall be an accountant or firm of such accountants duly licensed, registered and entitled to practice and practicing as such under the laws of the State, who is in fact independent and not under the domination of the County or any Tenant, does not have any substantial interest, direct or indirect, with the County or the Tenant, and is not connected with the County or Tenant as an officer or employee but may be regularly retained to make annual or other periodic reports to the County and Tenant. The County shall provide a copy of such audited financial statements to the Lender within 270 days of the end of each Fiscal Year.

9.05 Rates. The County will impose, maintain, revise and collect rates, charges, rentals, and fees for the availability and use of and services furnished by the Facilities which, with other available funds, will produce Gross Revenues which, together with Net Rentals and other funds of the County appropriated therefor in accordance with the Act, are sufficient to pay the principal of and interest on the Bonds, to pay all Operating Expenses as due and to provide for an adequate depreciation reserve. Nothing in this Section 9.05 shall prevent the County, if authorized by law, from entering into a Lease with a Tenant whereby the Facilities shall be leased to or operated by the Tenant; *provided* that any such Lease will not prevent the County from satisfying the requirements of this Section 9.05.

The County agrees that it will, within 180 days after the end of each Fiscal Year, cause an Independent Accountant to calculate the Debt Service Coverage Ratio and the Yearly Coverage (defined below) for such Fiscal Year and to deliver a copy of such calculation to the Trustee, the Authority and the Board of Investments.

The County agrees to conduct (or in the case of a Lease pursuant to which the Tenant has agreed to pay Net Rentals in amounts sufficient to provide for the full and prompt payment of the principal of, interest on and premiums with respect to all Outstanding Bonds and the Additional Bonds proposed to be issued, to cause the Tenant to conduct) its business in such manner as to produce in each Fiscal Year Income Available for Debt Service at least equal to 135% of the Debt Service Requirement for such Fiscal Year (referred to in this Section 9.05 as “Yearly Coverage”).

If in any Fiscal Year covered by the Independent Accountant's report referred to above the Yearly Coverage is less than 110% or if in any two consecutive Fiscal Years covered by the Independent Accountant's reports the Yearly Coverage is less than 135%, the County (or in the case of a Lease pursuant to which the Tenant has agreed to pay Net Rentals in amounts sufficient to provide for the full and prompt payment of the principal of, interest on and premiums with respect to all Outstanding Bonds and the Additional Bonds proposed to be issued, the Tenant), at its expense, shall promptly retain an Independent Management Consultant to make recommendations with respect to such rates, fees and charges and the methods of operation and other factors affecting the financial condition of the Facilities in order to increase such Yearly Coverage to the highest practicable level and to at least 135% or, if authoritative interpretations of applicable laws or regulations enacted or promulgated after the date of issuance of the Series 2016 Bond have prevented the County or the Tenant, as the case may be, from generating Yearly Coverage of 135%, the opinion of the Management Consultant to that effect. If the County or the Tenant fails to retain a Management Consultant within 30 days after its receipt of the calculation of Yearly Coverage referred to above as so required, the Trustee shall retain an Independent Management Consultant for the purposes specified herein, and the County agrees to pay, or cause the Tenant to pay, all fees and expenses of any Management Consultant so retained.

A copy of the Management Consultant's opinion and recommendations, if any, shall be filed with the Authority, the County, the Tenant and the Trustee, and shall be in a form acceptable to each. The recommendations of the Management Consultant shall be presented by the Management Consultant in writing to the Board, and the County agrees that it shall accept and follow, or cause the Tenant to accept and follow, the recommendations of the Management Consultant, subject to applicable requirements or restrictions of law. So long as the County or the Tenant (or, if necessary, the Trustee) has retained a Management Consultant, the failure to satisfy the Yearly Coverage requirement of 135% shall not be a default hereunder until and unless the opinion of the Management Consultant is filed and the County or the Tenant fails to follow the recommendations therein. If the County or the Tenant shall follow the recommendations of the Management Consultant and if Income Available for Debt Service is not less than 100% of the Debt Service Requirement in such Fiscal Year, the County shall be deemed to be in compliance with the covenants provided in this Section 9.05 with respect to the Fiscal Year in which the recommendation shall have been presented and accepted and all prior Fiscal Years, notwithstanding that Income Available for Debt Service realized may be less than 135% of the Debt Service Requirement; and if the County or the Tenant shall also employ the Management Consultant on a continuing basis to monitor the effect of the recommendations on Income Available for Debt Service in future Fiscal Years and to supplement the recommendations (if needed, in the opinion of the Management Consultant), and if the County or the Tenant shall continue to accept and follow the recommendations and supplements thereto and if Income Available for Debt Service is not less than 100% of the Debt Service Requirement in such Fiscal Years, the County shall be deemed in compliance with the covenants provided in this Section 9.05 in such future Fiscal Years, notwithstanding that the County's Income Available for Debt Service realized with respect to such future Fiscal Years may be less than 135% of the Debt Service Requirement. This Section 9.05 shall not be construed to prohibit the County from serving indigent patients or from serving any other class or classes of patients without charge or at reduced rates so long as such service does not prevent the County from satisfying the other requirements of this Section 9.05.

The foregoing provisions notwithstanding, if (A) in any Fiscal Year covered by such Independent Accountant's report the Yearly Coverage is less than 135% but not less than 100% and if the written opinion of the Management Consultant contains an opinion of such Management Consultant that authoritative interpretations of applicable laws or regulations enacted or promulgated after the date of this Resolution have prevented the County or the Tenant from generating Yearly Coverage in the required amount and, if requested by the Authority or the Trustee, such opinion is accompanied by a concurring opinion of Independent Counsel (which opinion as to form is acceptable to the Authority and the Trustee) as to any conclusions of law supporting the opinion of such Management Consultant; and (B) the County or the Tenant has generated the maximum amount of Income Available for Debt Service which in the opinion of such Management Consultant could reasonably have been generated given such laws and regulations during the period affected thereby, then the County shall be deemed to be in compliance with the covenants provided by this Section 9.05 with respect to such Fiscal Year. The opinion of the Management Consultant referred to in clauses (A) and (B) of the preceding sentence shall be deemed to apply to the next succeeding Fiscal Year as well if, within 30 days after the end of the Fiscal Year in which the written opinion of the Management Consultant is filed, the County or the Tenant delivers to the Authority and the Trustee an opinion of Independent Counsel (which opinion as to form is acceptable to the Authority and the Trustee) to the effect that the applicable laws and regulations underlying the Management Consultant's opinion delivered in respect of the previous year have not changed in any material respect.

9.06 Limited Tax Levy Covenant. As authorized by Section 7-34-2417 of the Act, the County hereby covenants and agrees to levy a property tax on all taxable property in the County if and to the extent that the other Gross Revenues, Net Rentals and all other funds of the County appropriated therefor in accordance with the Act are insufficient, or are anticipated to be insufficient in the next succeeding Fiscal Year, to pay principal of and interest on Outstanding Bonds.

In furtherance of the covenants contained in this Section 9.06, the County Treasurer shall, in connection with the preparation of the annual budget required to be prepared by the County, determine the amount of the deficiency existing in the Bond Account and any deficiency likely to occur within one year. For purposes of this Section 9.06, the term deficiency in the Bond Account shall mean an amount by which the amount then on hand in the Bond Account is less than the other Gross Revenues, Net Rentals and all other funds of the County appropriated therefor in accordance with the Act then required to be on hand in the Bond Account in accordance with Section 7.03 or in the case of an anticipated deficiency, the amount by which the sum of the other Gross Revenues, Net Rentals and all other funds of the County appropriated therefor in accordance with the Act anticipated to be available and credited to the Bond Account during the Fiscal Year to which the budget applies is less than the amount required to be credited to the Bond Account pursuant to Section 7.03 during such year. The County agrees to levy the Limited Tax Levy in an aggregate amount sufficient to satisfy the then existing deficiency and anticipated deficiency, subject to the limitation in Montana Code Annotated, Section 15-10-420, or any successor statute, without approval of the voters. The collections of the Limited Tax Levy shall be credited to and deposited in the Bond Account as received for application as provided herein or to reimburse any other account in the Health Care Fund to the extent it advanced funds to the Bond Account for the payment of principal of or interest on Outstanding Bonds.

9.07 Deficiency Tax Levy Covenant. As authorized by Section 7-34-2418 of the Act, the County covenants that, with respect any Tax-Supported Bonds:

(i) in the event that at any time all Gross Revenues, Net Rentals and all other funds of the County appropriated therefor in accordance with the Act are insufficient to pay principal or interest then due on the Tax-Supported Bonds, it will levy a general tax upon all of the taxable property in the County for the payment of such deficiency; and

(ii) if at any time a deficiency is likely to occur within one year for the payment of principal and interest due on the Tax-Supported Bonds, it will levy a general tax upon all taxable property in the County for the payment of such deficiency, such levy to be made in sufficient time to insure collection of such taxes in amounts necessary to remedy any such deficiency; and

(iii) such taxes shall not be subject to any limitation of rate or amount applicable to other County taxes but shall be limited to a rate estimated to be sufficient to produce the amount of the deficiency.

In furtherance of the covenants of this Section 9.07, the County Treasurer shall, in connection with the preparation of the annual budget required to be prepared by the County, determine the amount of the deficiency existing in the Bond Account and any deficiency likely to occur within one year. For purposes of this Section 9.07, the term deficiency or anticipated deficiency in the Bond Account shall mean an amount by which the amount then on hand in the Bond Account is less than the Gross Revenues and Net Rentals then required to be on hand in the Bond Account in accordance with Section 7.03 or in the case of an anticipated deficiency, the amount by which the sum of the Gross Revenues and Net Rentals anticipated to be available and credited to the Bond Account during the Fiscal Year to which the budget applies is less than the amount required to be credited to the Bond Account pursuant to Section 7.03 during such year. If a Lease is in effect, a deficiency shall be deemed to exist in the Bond Account if and to the extent that the Tenant fails to make payment of the Net Rentals required to be made pursuant to the Lease. The aggregate amount of the then existing deficiency and anticipated deficiency, less the amount, if any, then on hand in the Bond Guaranty Account, and available for payment of such deficiencies, shall be included in the annual budget and the County shall levy and collect a general ad valorem tax upon all taxable property within the County in an amount sufficient for the payment of such existing and anticipated deficiencies. The Deficiency Tax Levy shall not be subject to any limitation of rate or amount applicable to any County taxes, but shall be limited only to a rate estimated to be sufficient to produce the amount of the deficiency. Collections of the Deficiency Tax Levy are hereby irrevocably pledged and appropriated and shall be credited to and deposited in the Bond Guaranty Account as received.

9.08 Competing Facilities. The County will not establish or authorize the establishment or construction of any other Facilities which are competitive with the services and facilities afforded by the Facilities, except that it reserves the right to acquire and establish additional hospital and related facilities at one or more sites adjacent to or removed from the Land; *provided* that such facilities and the income therefrom are included in and constitute a part

of the Facilities and Gross Revenues and Net Rentals pledged and appropriated to the Health Care Fund.

9.09 Lease of Facilities. In lieu of operating the Facilities itself, the County reserves the right to lease all or a portion of the Facilities to another Person subject to the following terms and conditions:

(i) the Lease shall require the Tenant to operate and maintain the Facilities or portion thereof, to maintain insurance thereon and with respect thereto, and to pay Net Rentals and/or other rentals for the use and occupancy of such portion of the Facilities in amounts sufficient, with other Net Rentals and Gross Revenues of the Facilities, to provide for the full and prompt payment of the principal of, interest on, and premiums with respect to all Outstanding Bonds and the payment of the County's costs and expenses with respect thereto;

(ii) the lease and use of the Facilities or portion thereof by the Tenant shall not cause interest on any series of Bonds to become includable in gross income for purposes of federal income taxation, as confirmed by a written opinion of Bond Counsel filed in the office of the County Clerk and Recorder, which opinion, so long as the Lender is the owner of the Authority's 2016 Bonds, shall be addressed to and reasonably acceptable to the Lender; and

(iii) so long as the Series 2016 Bond is Outstanding and the Lease is of all or substantially all of the Facilities, the written consent of the Board of Investments to the Tenant and the form of the proposed lease is obtained, which consent shall not be unreasonably withheld or delayed.

In the event the Facilities are leased pursuant to this Section 9.09 and the Tenant is not in default thereunder, the County shall be relieved of its obligations under Sections 9.02 and 9.05, to the extent those obligations are assumed by the Tenant.

So long as a Lease authorized by this Section 9.09 is in effect, the County will enforce and cause the Tenant to keep, observe and enforce its covenants, agreements and obligations thereunder insofar as the observance of such covenants, agreements and obligations are material to the security of the bondholders. Nothing herein shall prevent the County from terminating such a Lease but in such event the County shall resume operation and maintenance of the Facilities and shall be subject to all of the terms and conditions of this Resolution with respect thereto.

#### Section 10. Security for the Series 2016 Bond; Additional Covenants

10.01 Security Interest in Borrower's Accounts. The County hereby grants to the Trustee, for the benefit of the holders of the Authority's 2016 Bonds, a security interest in all of the County's rights, title and interests to any and all amounts held in any and all of the Borrower Accounts, on a parity with the pledge granted in favor of the holders of Bonds issued under this Resolution.

10.02 Fee Payments. In addition to payment of principal of and interest on the Series 2016 Bond, the County shall pay, but solely from amounts on deposit in the Surplus Account or the Operating Account, to the Authority and the Trustee when due as Fee Payments the following amounts: the reasonable compensation of the Trustee and all costs and expenses of the Authority and the Trustee incurred in the issuance and payment of the Authority's 2016 Bonds and the making, administration and collection of the Series 2016 Bond, including (i) the fees and other costs incurred by the Authority or the Trustee under the Indenture for the services of paying agents for the Authority's 2016 Bonds, (ii) all costs incurred in connection with the purchase, transfer, registration, exchange or redemption of the Authority's 2016 Bonds, (iii) the fees and other costs incurred for services of such engineers, architects, attorneys, management consultants, accountants and other consultants as are employed by the Authority or the Trustee to make examinations and reports, provide services and render opinions required under this Resolution or the Indenture, (iv) amounts advanced by the Authority or the Trustee under the provisions of the Indenture and which the County is obligated to repay, and (v) the annual planning service fees of the Authority.

10.03 Replenishment of Reserve Fund. If as provided in Section 3.05 of the Master Indenture any money in the Borrower Account of the Reserve Fund is transferred to the Borrower Account in the Bond Fund to make up a deficiency resulting from a delinquency in payment on the Series 2016 Bond, the County shall immediately pay to the Trustee, but solely from amounts on deposit in the Surplus Account or the Operating Account, in that order, for deposit into the Borrower Account in the Reserve Fund an amount equal to the amount so transferred plus interest on such amount at the maximum interest rate borne by the Authority's 2016 Bonds from the date of the transfer to the date of repayment of such amount. Additionally, if upon any valuation of the Borrower Account in the Reserve Fund in accordance with Section 3.05 of the Master Indenture the amount in the Borrower Account in the Reserve Fund is less than the Series Reserve Requirement, the County shall pay to the Trustee, but solely from amounts on deposit in the Surplus Account or the Operating Account, in that order, for credit to its Borrower Account in the Reserve Fund an amount necessary to cause the balance therein to equal the Series Reserve Requirement. Such payments shall be made in not more than 12 monthly payments, commencing not later than the first month following such transfer or valuation. The failure to replenish the Borrower Account in the Reserve Fund pursuant to the preceding sentence shall constitute a default hereunder.

10.04 Repayment of Board of Investments Loan. If as provided in Section 3.05 of the Master Indenture, the Board of Investments makes a Board of Investments Loan under the Board of Investments Agreement, and a portion of such Board of Investments Loan is credited to the Borrower Account in the Reserve Fund, the County shall immediately pay to the Trustee, solely from Gross Revenues or Net Rentals on deposit in the Surplus Account or the Operating Account, in that order, an amount equal to the amount so credited to the Borrower Account of the Reserve Fund plus interest on such amount at the Loan Rate, as defined in the Board of Investments Agreement.

10.05 Indemnity. To the extent permitted by law, and solely from the Surplus Account, the County will pay, and will protect, indemnify and save the Authority, the Authority Board, the Authority's officials, employees and agents, the Board of Investments, its officials, employees and agents and the Trustee harmless from and against all liabilities, losses, damages, costs and

expenses (including attorneys' fees and expenses), causes of action, suits, claims, demands' and judgments of any nature arising from:

- (a) any injury to or death of any person or damage to property in or upon the Facilities, or growing out of or connected with the use, nonuse, condition or occupancy of the Facilities or a part thereof;
- (b) violation of any agreement, warranty, covenant or condition of this Resolution;
- (c) violation of any contract, agreement or restriction by the County relating to the Facilities;
- (d) violation of any law, ordinance, regulation or court order affecting the Facilities or a part thereof or the ownership, occupancy or use thereof; or
- (e) any statement or information relating to the expenditure of the proceeds of the Authority's 2016 Bonds contained in the County Tax Certificate or similar document furnished by the County to the Authority or the Trustee which, at the time made, is misleading, untrue or incorrect in any material respect.

To the extent permitted by law, the County will further pay, and will protect, indemnify and save the Authority, the Authority Board and the Authority's officials and employees harmless from and against all liabilities, losses, damages, costs and expenses (including attorneys' fees and expenses), causes of action, suits, claims, demands and judgments of any nature arising from the issuance or sale of the Authority's 2016 Bonds, but solely from the Surplus Account.

The provisions of this Section 10.05 shall survive the retirement and payment of the Authority's 2016 Bonds.

10.06 Maintenance of Surplus Account. The County covenants and agrees that it will, as long as there are any of the Authority's 2016 Bonds Outstanding, maintain the balance in the Surplus Account in an amount equal to \$300,000 at the dates of determination hereinafter prescribed. The County further covenants that, on the first Business Day of each January and July, commencing January 2017, as long as the Authority's 2016 Bonds are Outstanding, it will deliver to the Board of Investments a County certificate certifying to the balance on hand in the Surplus Account. The balance shall be based on the cash balance in the Surplus Account plus the market value of any investments credited thereto, as of the date of determination. If the balance in the Surplus Account as so determined, is less than \$300,000, no default shall be deemed to have occurred under this Resolution, but the County shall thereafter be required to deliver the Officer's Certificate described above on the first Business Day of each calendar month until the balance is not less than \$300,000.

If a representative of the Board of Investments delivers a certificate to the County and the Trustee consenting to a reduction to the balance required to be on hand in the Surplus Account described in the immediately preceding paragraph, such required balance may be reduced to the amount stated in such certificate.

The covenants contained in this Section 10.06 are not intended to create nor do they create a lien, security interest, right of set-off, or express a constructive trust in the amounts described in the Surplus Account for the benefit of the holders of the Series 2016 Bond or the Authority's 2016 Bonds.

10.07 Additional Insurance. In addition to the insurance required to be maintained under Sections 9.02 and 9.03, the County shall keep and maintain, or cause a Tenant to keep and maintain, the following insurance with respect to the Facilities:

- (i) comprehensive professional liability insurance, including medical liability, malpractice and other health facility operation professional liability insurance (to the extent not required by Section 9.03); and
- (ii) business interruption insurance covering actual losses in gross operating earnings of the Facilities resulting directly from necessary interruption of business caused by damage to or destruction (resulting from fire and lightning; accident to a fired-pressure vessel or machinery; and other perils, including windstorm and hail, explosion, riot, riot attending a strike, civil commotion, aircraft and vehicles, sonic shock waves, sprinkler leakage, smoke, vandalism and malicious mischief, elevator collision, and accident to steam boiler and fired-pressure vessels, and electric steam generator) of real or personal property constituting part of the Facilities, less charges and expenses which do not necessarily continue during the interruption of business, for such length of time as may be required with the exercise of due diligence and dispatch to rebuild, repair or replace such properties as have been damaged or destroyed, with limits equal to at least 100% of the Maximum Annual Debt Service Requirement.

Each insurance policy required by this Section 10.07 and by Sections 9.02 and 9.03 (i) shall be issued or written by such insurer (or insurers) as is financially responsible, or by an insurance fund established by the United States or the State or an agency or instrumentality thereof, (ii) shall be in such form and with such provisions (including, without limitation and where applicable, waiver of subrogation clauses, provisions relieving the insurer of liability to the extent of minor claims and the designation of the named assureds) as are generally considered standard provisions for the type of insurance involved and (iii) shall prohibit cancellation or substantial modification by the insurer without at least ten days' prior written notice to the Trustee and the County.

The County covenants to review each year the insurance carried by the County or the Tenant with respect to itself and the Facilities and, to the extent feasible, will carry, or cause to be carried, insurance insuring against the risks and hazards specified in this Section 10.07 and by Sections 9.02 and 9.03 to the same extent that other health institutions owning or operating facilities of the size and type comparable to the Facilities carry such insurance. In the event that the insurance required by this Section 10.07 and by Sections 9.02 and 9.03 is not available to the County or the Tenant at reasonable cost, and, in any case, every five years, from and after the date hereof, the County shall employ or cause to be employed an Independent Insurance Consultant for the purpose of reviewing the insurance coverage of, and the insurance required for County or the Tenant and the Facilities and making recommendations respecting the types, amounts and provisions of insurance that should be carried with respect to the County or the

Tenant and the Facilities and their operation, maintenance and administration. A signed copy of the report of the Independent Insurance Consultant shall be filed with the Trustee and a copy thereof shall be sent to the County and the Tenant, if any, and the insurance requirements specified hereunder shall be deemed modified or superseded as necessary to conform with the recommendations contained in said report.

The County shall, on or before January 1 of each year, commencing January 1, 2017, submit to the Trustee a certificate verifying that all minimum insurance coverages required by this Resolution are in full force and effect as of the date of such certificate.

With the written approval of an Independent Insurance Consultant and to the extent permitted by law, the County may, by resolution, elect to substitute a self-insurance program for any of the insurance required by this Section 10.07 and by Section 9.03. As a part of any such self-insurance program, the County shall comply with all Medicare regulations governing any self-insurance, and shall at all times maintain such self-insurance program in such a manner as to be eligible for reimbursement under Medicare, Medicaid or any successor program or programs.

10.08 Notice of Default. The County will give to the Trustee and the Authority prompt notice of any condition or event that constitutes a default of its covenants and agreements contained in this Resolution.

10.09 Other Information. The County agrees to submit the following information listed in (iii), (iv), (v) and (viii) to the Authority, to the extent the Authority shall request the same, within 150 days after the end of each Fiscal Year and to permit the Authority to review the following information listed in (i), (ii), (vi) and (vii) at the Facilities:

- (i) The management letter or letters received by the County from its auditors in respect of the Facilities.
- (ii) Letters of counsel concerning material litigation, if any, relative to the Facilities, and a schedule of all material pending litigation involving the Facilities.
- (iii) Reports of any Independent Insurance Consultant received pursuant to Section 10.07.
- (iv) A description of any material changes to the Facilities.
- (v) Utilization statistics for the most recent Fiscal Year in respect of the Facilities, including without limitation, the number of licensed beds, number of beds in service, admissions (excluding newborns), patient days (excluding newborns), average length of stay (in days), percentage occupancy of beds in service, emergency room visits, and surgical procedures for both inpatient and outpatient admissions.
- (vi) A description of Gross Revenues of the Facilities by payor class for the most recent Fiscal Year, including Medicare, Medicaid, Blue Cross, commercial, self-pay and others.

(vii) The average percentage of charge increases for the most recent Fiscal Year for the Facilities.

(viii) A description of the Medicare mix index for the Facilities for the most recent Fiscal Year, the percentage of all accounts receivable over 180 days from discharge, and the number of full-time equivalent employees.

The County agrees to provide to the Authority such other utilization and financial data regarding the Facilities as the Authority may reasonably request from time to time.

10.10 Program Covenant. Neither the County nor any related person (within the meaning of Section 147(a)(2) of the Code) shall pursuant to an arrangement, formal or informal, purchase the Authority's 2016 Bonds in an amount related to the principal amount of the Series 2016 Bond.

10.11 Term of Covenants. The covenants contained in this Section 10 shall remain in effect until none of the Authority's 2016 Bonds are Outstanding and all Board of Investments Loans to the County have been repaid in full, unless otherwise provided in a Supplemental Resolution.

10.12 Inspection and Access. The Authority, the Trustee, the Board of Investments and their duly authorized agents shall have the right at all reasonable times to examine and inspect and for that purpose to enter upon the Land and any building thereon, and shall also have such rights of access thereto as may be reasonably necessary to assure that the Facilities are being properly maintained in accordance with this Resolution.

#### Section 11. Tax Matters relating to the Series 2016 Bond

11.01 Tax Covenants. In order to ensure that the interest on the Series 2016 Bond and the Authority's 2016 Bonds shall at all times be not includable in gross income for purposes of federal income taxation, the County specifically represents, warrants and covenants with the Authority, the Trustee and all holders from time to time of the Series 2016 Bond and the Authority's 2016 Bonds:

(i) that it will fulfill all conditions specified in Sections 103 and 141 through 150 of the Code and applicable Treasury Regulations as necessary to maintain the tax-exempt status of the interest borne by the Series 2016 Bond and the Authority's 2016 Bonds;

(ii) that the Project is and will be owned by the County;

(iii) that the County reasonably expects that during the term of the Series 2016 Bond and the Authority's 2016 Bonds no private business use will be made of the Project and that no private payments or security will be made or furnished that would cause the Series 2016 Bond and the Authority's 2016 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code and applicable Treasury Regulations and that it reasonably expects that the Series 2016 Bond and the Authority's 2016 Bonds will not be "private activity bonds" within the meaning of Section 141 of the Code;

(iv) that no proceeds of the Series 2016 Bond and the Authority's 2016 Bonds are being or will be loaned to any nongovernmental person;

(v) that the County has not leased, sold, assigned, granted or conveyed and will not lease, sell, assign, grant or convey all or any portion of the Project or any interest therein to the United States or any agency or instrumentality hereof thereof within the meaning of Section 149(b) of the Code;

(vi) that the weighted average maturity of the Series 2016 Bond does not exceed 120% of the average reasonably expected remaining economic life of the Project as determined in accordance with Section 147(b) of the Code;

(vii) that it will provide to the Authority all information required to satisfy the informational requirements set forth in Section 149(e) of the Code, including the information necessary to complete IRS Form 8038-G;

(viii) that it will not use the proceeds of the Series 2016 Bond or the Authority's 2016 Bonds in such a manner as to cause the Series 2016 Bond or the Authority's 2016 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and applicable Treasury Regulations; that it will pay its share of any amount determined by the Trustee in accordance with the Indenture to be necessary to be paid the United States as "arbitrage rebate"; the provisions of this subparagraph (viii) shall survive the retirement and payment of the Series 2016 Bond and the Authority's 2016 Bonds and the discharge of the other obligations of the County hereunder;

(ix) that it will comply with and fulfill all other requirements and conditions of the Code and Treasury Regulations and rulings issued pursuant thereto relating to the acquisition, construction and operation of the Project to the end that interest on the Series 2016 Bond and the Authority's 2016 Bonds shall at all times not be includable in gross income for purposes of federal income taxation; and

(x) the County will deliver to the Authority, at or before the issuance of the Series 2016 Bond, a tax certificate stating the County's expectations as to the application of proceeds of the Series 2016 Bond and as to such other matters as are required by Bond Counsel.

11.02 General Covenant. The County covenants and agrees with the owners from time to time of the Series 2016 Bond and the Authority's 2016 Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Series 2016 Bond and the Authority's 2016 Bonds to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations, and covenants to take any and all actions within its powers to ensure that the interest on the Series 2016 Bond and the Authority's 2016 Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

11.03 Certification as to Expectations. The Chair of the Board, the County Treasurer and the County Clerk and Recorder, being the officers of the County charged with the responsibility for issuing the Series 2016 Bond pursuant to this Resolution, are authorized and

directed to execute and deliver to the Authority a certificate in accordance with the provisions of Section 148 of the Code, and Sections 1.148-2(b) of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Series 2016 Bond, it is reasonably expected that the proceeds of the Series 2016 Bond and the Authority's 2016 Bonds will be used in a manner that would not cause the Series 2016 Bond or the Authority's 2016 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the Regulations.

11.04 Arbitrage Rebate. The County acknowledges that the Authority's 2016 Bonds are, and the Series 2016 Bond may be, subject to the rebate requirements of Section 148(f) of the Code. The County covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Treasury Regulations to preserve the exclusion of interest on the Authority's 2016 Bonds and the Series 2016 Bond from gross income for federal income tax purposes, unless the Authority's 2016 Bonds or the Series 2016 Bond qualify for the exception from the rebate requirement under Section 148(f)(4)(B) of the Code and no "gross proceeds" of the Series 2016 Bond (other than amounts constituting a "bona fide debt service fund") arise during or after the expenditure of the original proceeds thereof or the Series 2016 Bond qualifies under the small issuer exception. In furtherance of the foregoing, the Chairman and County Treasurer are hereby authorized and directed to execute a rebate certificate, in the form prepared by Bond Counsel, and the County hereby covenants and agrees to observe and perform the covenants and agreements contained therein, unless amended or terminated in accordance with the provisions thereof.

11.05 Information Reporting. The County shall file with the Secretary of the Treasury, not later than February 15, 2017, a statement concerning the Series 2016 Bond containing the information required by Section 149(e) of the Code.

## Section 12. Supplemental Resolutions.

12.01 General. Notwithstanding Section 12.02, the County reserves the right to adopt Supplemental Resolutions to this Resolution from time to time and at any time, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein, or of making such provisions with regard to matters or questions arising hereunder as the County may deem necessary or desirable and not inconsistent with this Resolution, and which shall not adversely affect the interests of the owners of Bonds issued hereunder, or for the purpose of adding to the covenants and agreements herein contained, or to the Gross Revenues and Net Rentals herein pledged, other covenants and agreements thereafter to be observed and additional revenues or income thereafter appropriated to the Health Care Fund, or for the purpose of surrendering any right or power herein reserved to or conferred upon the County, or for the purpose of authorizing the creation and issuance of a series of Bonds, as provided in and subject to the conditions and requirements of Section 6. Any such Supplemental Resolution may be adopted without the consent of the owner of any of the Bonds issued hereunder.

12.02 Consent of Owners. With the consent of the owners of a majority in principal amount of Outstanding Bonds affected thereby as provided in Section 12.04, the County may

from time to time and at any time adopt a Supplemental Resolution for the purpose of amending this Resolution by adding any provisions hereto or changing in any manner or eliminating any of the provisions hereof or of any Supplemental Resolution, except that no Supplemental Resolution shall be adopted at any time without the consent of the owners of all Outstanding Bonds affected thereby, if it would extend the time of payment of interest thereon, would reduce the amount of the principal thereof or premium thereon, would give to any Bond or Bonds any privilege over any other Bond or Bonds (except for the privileges expressly afforded herein to the Tax-Supported Bonds in respect of the Deficiency Tax Levy and except for the privileges accorded Bonds over subordinate obligations issued pursuant to Section 7.03 of this Resolution), would reduce the sources of revenues or income appropriated to the Health Care Fund, would deprive Tax-Supported Bonds of the security afforded by the Bond Guaranty Account, or would reduce the percentage in principal amount of such Bonds required to authorize or consent to any such Supplemental Resolution.

12.03 Notice. Notice of a Supplemental Resolution to be adopted pursuant to Section 12.02 shall be mailed by first-class mail, postage prepaid, to the owners of all Outstanding Bonds at their addresses appearing in the Bond Register and shall become effective only upon the filing of written consents with the County Clerk and Recorder, signed by the owners of the requisite principal amount of Outstanding Bonds affected thereby. Any written consent to the Supplemental Resolution may be embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by owners thereof in person or by agent duly appointed in writing, and shall become effective when delivered to the County Clerk and Recorder. Any consent by the owner of any Bond shall bind that owner and every future owner of the same Bond with respect to any Supplemental Resolution adopted by the County pursuant to such consent; *provided* that any owner may revoke his consent with reference to any Bond by written notice received by the County Clerk and Recorder before the Supplemental Resolution has become effective. In the event that unrevoked consents of the owners of the requisite principal amount of Bonds have not been received by the County Clerk and Recorder within one year after the publication of notice of the Supplemental Resolution, the Supplemental Resolution and all consents theretofore received shall be of no further force and effect.

12.04 Manner of Consent. Proof of the execution of any consent, or of a writing appointing any agent to execute the same, shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the County if made in the manner provided in this Section 12.04. The fact and date of the execution by any Person of any such consent may be proved by the affidavit of a witness of such execution or by the certification of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the Person signing it acknowledged to him the execution thereof. The fact and date of execution of any such consent may also be proved in any other manner which the County may deem sufficient; but the County may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable. The ownership of any Bonds shall be proved by the Bond Register.

### Section 13. Transcript of Proceedings.

The officers of the County are directed to furnish to the Authority, the Trustee, Bond Counsel, the Board of Investments and the Lender certified copies of all proceedings and

information in their official records relevant to the authorization, sale and issuance of the Series 2016 Bond, and such certificates and affidavits as to other matters appearing in their official records or otherwise known to them as may be reasonably required to evidence the validity and security of the Series 2016 Bond and all such certified copies, certificates and affidavits, including any heretofore furnished shall constitute representations and recitals of the County as to the correctness of all facts stated therein to have been taken.

Section 14. Defeasance or Discharge.

14.01 General. When the liability of the County on all Bonds issued under and secured by this Resolution and all interest thereon has been discharged as provided in this Section 14, all pledges, covenants and other rights granted by this Resolution to the owners of such Bonds shall cease.

14.02 Maturity. The County may discharge its liability with reference to all Bonds and interest thereon which are due on any date by depositing with the Registrar on or before the date a sum sufficient for the payment thereof in full; or if any Bond or interest thereon shall not be paid when due, the County 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.

14.03 Redemption. The County may also discharge its liability with reference to any 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, premium, if any, and interest which are then due thereon; *provided* that notice of such redemption has been given or irrevocably provided for as provided in this Resolution.

14.04 Escrow. The County may also at any time discharge its liability in its entirety with reference to any Bond 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 which are 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, premium, if any, and interest to become due on such Bond at its Stated Maturity or, if such Bond is prepayable and notice of redemption thereof has been given or irrevocably provided for as provided in this Resolution, to such earlier Redemption Date.

Section 15. Repeals and Effective Date.

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

15.02 Effective Date. This Resolution shall take effect immediately upon its passage and adoption by this Board.

Adopted this 29<sup>th</sup> day of September, 2016.

*Allan Underdel*

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Chair of the Board of  
County Commissioners

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Commissioner

*Joe Pekar*

---

Commissioner

(SEAL)

Attest:

*Anna Nelson*

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County Clerk and Recorder

EXHIBIT A

FORM OF THE SERIES 2016 BOND

UNITED STATES OF AMERICA  
STATE OF MONTANA

COUNTY OF TOOLE

HEALTH CARE AND BOARDING HOME REVENUE REFUNDING BONDS,  
SERIES 2016

<u>Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>
2.45%	January 1, 2028	October 11, 2016

REGISTERED OWNER: MONTANA FACILITY FINANCE AUTHORITY

PRINCIPAL AMOUNT: TWO MILLION ONE HUNDRED THOUSAND DOLLARS

FOR VALUE RECEIVED, TOOLE COUNTY, MONTANA, a duly organized and existing political subdivision of the State of Montana (the "County"), hereby promises to pay to the registered owner identified above or registered assigns, solely from the Bond Account of its Health Care Fund, the principal amount specified above. The principal of and interest on this Bond shall be payable in the amounts and on the respective dates reflected in the Debt Service Schedule attached as Schedule 1 to this Bond, with the final installment due on January 1, 2028, subject to earlier redemption as hereinafter provided. This Bond bears interest on the Outstanding principal amount from the date of original issue specified above, or from such later date to which interest has been paid or duly provided for, until paid or discharged at the rate per annum specified above (computed on the basis of a 360-day year consisting of 12 30-day months). If a payment of principal of or interest on the Series 2016 Bond is delinquent, the delinquent amount shall bear interest from its due date until the date of payment at an annual interest rate equal to the Board of Investments Loan Rate, calculated as of the due date of such payment on the Series 2016 Bond. Principal of and interest on this Bond shall be payable by check or draft of the Registrar mailed to the registered owner hereof as such appears in the Bond Register as of the close of business on the 15th day (whether or not a Business Day) of the month immediately preceding each payment date; *provided* that the final installment of principal (whether at maturity or earlier redemption) shall be drawn on the Registrar only upon presentation and surrender of this Bond at the principal corporate trust office of the Registrar. Principal and interest on this Bond are payable in lawful money of the United States of America.

This Bond represents all of a series of Bonds in the aggregate principal amount of \$2,100,000 (the "Series 2016 Bond"), issued pursuant to a resolution adopted by the Board of County Commissioners of the County on **September 29**, 2016 (the "Resolution"), and pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 34, Parts 22, 23 and 24, as

amended (the "Act"), for the purpose of refunding outstanding bonds issued for the purpose of refinancing the design, construction and equipping the assisted living facility comprising part of the Facilities. The Series 2016 Bond is issuable only as a fully registered bond. Capitalized terms used herein but not otherwise defined shall have the respective meanings given such terms in the Resolution.

This Bond and any Additional Bonds issued on a parity therewith under the Resolution (collectively, the "Bonds"), including premium, if any, and interest thereon, are payable solely, equally and ratably, out of the Gross Revenues and Net Rentals of the Facilities. If the other Gross Revenues and Net Rentals are insufficient, the County has covenanted to levy ad valorem taxes upon all taxable property within the County, pursuant to Section 7-34-2417 of the Act, in an amount equal to the existing or anticipated deficiency in the Bond Account, up to the maximum number of mills permitted by applicable law, as provided in the Resolution.

Reference is made to the Act and the Resolution for a more complete statement of the terms and conditions upon which the Gross Revenues and the Net Rentals of the Facilities are pledged and appropriated for the payment and security of the Bonds, the conditions upon which Additional Bonds may be issued under the Resolution and made payable from such Gross Revenues and Net Rentals on a parity with the Series 2016 Bond or otherwise, the conditions under which the Resolution may be amended, the rights, duties and obligations of the County, and the rights of the holders of the Bonds.

*The Series 2016 Bond is payable solely from the Gross Revenues and Net Rentals of the Facilities. The Series 2016 Bond is not a general obligation of the County and the County's general credit and unlimited taxing powers are not pledged to the payment of the Series 2016 Bond or the premium, if any, or interest thereon. The Series 2016 Bond does not constitute an indebtedness of the County within the meaning of any constitutional or statutory provisions. The Series 2016 Bonds are not Tax-Supported Bonds and are not secured by the Bond Guaranty Account.*

The Series 2016 Bond or principal installments thereof shall be subject to redemption at the same times, at the same prices and under the same conditions as the Authority's 2016 Bonds of the same maturities, as further provided in the Resolution and the Indenture.

This Series 2016 Bond shall be registered in the name of the holder on the books of the County kept for that purpose by the County Treasurer as Registrar. This Series 2016 Bond is transferable upon the books of the County by the registered owner or its attorney duly authorized in writing, upon presentation hereof with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney. Such transfer shall also be noted on the hereon. The County will, upon request, issue to the registered owner or transferee, upon surrender of this Series 2016 Bond, one or more other bonds of an aggregate principal amount equal to the principal amount hereof then remaining unpaid and maturing at the same time or times as the then unpaid principal installments hereof, subject to reimbursement for any tax, fee or governmental charge or other expense incurred by the County with respect to such exchange. The County and the Registrar may treat the person in whose name this Series 2016 Bond is registered as the absolute owner hereof, whether this Series 2016 Bond is overdue or not, for the

purpose of receiving payment of principal and interest and all other purposes, and neither the County nor the Registrar shall be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the County to be done, to exist, to happen and to be performed precedent to and in the issuance of this Bond, in order to make the same a valid and binding special, limited obligation of the County in accordance with its terms, have been done, do exist, have happened and have been performed in regular and due form, time and manner; that the County will (a) operate and maintain the Facilities and impose, maintain, revise and collect rates, charges, rentals, and fees for the availability and use of and services furnished by the Facilities which, with other available funds, will produce Gross Revenues which, together with other funds of the County appropriated therefor in accordance with the Act, are sufficient to pay the principal of and interest on the Bonds, to pay all Operating Expenses as due and to provide for an adequate depreciation reserve or (b) lease all or a portion of the Facilities pursuant to which the Tenant will agree to operate and maintain the Facilities or portion thereof, to maintain insurance thereon and with respect thereto, and to pay Net Rentals and/or other rentals for the use and occupancy of such portion of the Facilities in amounts sufficient, with other Net Rentals and Gross Revenues of the Facilities, to provide for the full and prompt payment of the principal of, interest on, and premiums with respect to all Outstanding Bonds and the payment of the County's costs and expenses with respect thereto; that the County has pledged and appropriated Gross Revenues and Net Rentals to the Bond Account in its Health Care Fund solely for the payment of the principal of, premium, if any, and interest on Bonds which may be made payable therefrom; that the County will levy ad valorem taxes upon all taxable property within the County, pursuant to Section 7-34-2417 of the Act, in an amount equal to the existing or anticipated deficiency in the Bond Account, up to the maximum number of mills permitted by applicable law, as provided in the Resolution; and that the issuance of this Bond does not cause the indebtedness of the County to exceed any constitutional or statutory limitation.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been executed by the Registrar by the manual signature of one of its authorized representatives.

IN WITNESS WHEREOF, Toole County, Montana, by its Board of County Commissioners, has caused this Bond to be executed on its behalf by the signatures of the Chairman of the Board of County Commissioners and the County Clerk and Recorder.

TOOLE COUNTY, MONTANA

*Allen Underdahl*

Chairman of the Board  
of Commissioners

Attest: *Anna Nelson*  
County Clerk and Recorder

Dated: *9/29/14*

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated by its title and delivered pursuant to the Resolution mentioned within.

COUNTY TREASURER,  
TOOLE COUNTY, MONTANA,  
as Bond Registrar, Transfer Agent and  
Paying Agent

By *Boyd Jackson*  
Authorized Representative

*Boyd Jackson*  
*9/29/14*

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

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

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE:

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

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

SIGNATURE GUARANTEE

\_\_\_\_\_

NO WRITING HEREON EXCEPT BY COUNTY TREASURER AS BOND REGISTRAR

The ownership of the principal amount of and interest on this Bond, except the amounts of principal and interest theretofore paid, has been transferred on the books of Toole County, Montana, on the date last noted below, to the registered assign noted opposite said date:

<u>Date of Registration</u>	<u>Registered Owner</u>	<u>Signature of County Treasurer as Bond Registrar</u>
October 11, 2016	Montana Facility Finance Authority	
October 11, 2016	U.S. Bank National Association	
_____	_____	_____
_____	_____	_____

SCHEDULE 1  
DEBT SERVICE SCHEDULE

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
01/01/2017	150,000	2.450%	11,433.33	161,433.33	161,433.33
07/01/2017			23,887.50	23,887.50	
01/01/2018	140,000	2.450%	23,887.50	163,887.50	187,775.00
07/01/2018			22,172.50	22,172.50	
01/01/2019	145,000	2.450%	22,172.50	167,172.50	189,345.00
07/01/2019			20,396.25	20,396.25	
01/01/2020	150,000	2.450%	20,396.25	170,396.25	190,792.50
07/01/2020			18,558.75	18,558.75	
01/01/2021	155,000	2.450%	18,558.75	173,558.75	192,117.50
07/01/2021			16,660.00	16,660.00	
01/01/2022	155,000	2.450%	16,660.00	171,660.00	188,320.00
07/01/2022			14,761.25	14,761.25	
01/01/2023	160,000	2.450%	14,761.25	174,761.25	189,522.50
07/01/2023			12,801.25	12,801.25	
01/01/2024	160,000	2.450%	12,801.25	172,801.25	185,602.50
07/01/2024			10,841.25	10,841.25	
01/01/2025	160,000	2.450%	10,841.25	170,841.25	181,682.50
07/01/2025			8,881.25	8,881.25	
01/01/2026	175,000	2.450%	8,881.25	183,881.25	192,762.50
07/01/2026			6,737.50	6,737.50	
01/01/2027	175,000	2.450%	6,737.50	181,737.50	188,475.00
07/01/2027			4,593.75	4,593.75	
01/01/2028	375,000	2.450%	4,593.75	379,593.75	384,187.50
	2,100,000		332,015.83	2,432,015.83	2,432,015.83

SCHEDULE I TO SUPPLEMENTAL RESOLUTION  
LOAN DATA

(Line 1)	Date of Series 2016 Bond	October 11, 2016
(Line 2)	Name of Institution:	Toole County, Montana
(Line 4)	Series 2016 Bond Amount: Accrued Interest:	 \$0.00
(Line 5)	Underwriters' Discount	\$0.00
	Deposited to:	
(Line 7)	Borrower Account in Reserve Fund	\$210,000.00
(Line 8)	Borrower Account in Cost of Issuance Fund	\$75,037.50
(Line 9)	Bond Fund	\$1,543.87
(Line 11)	Borrower Deposit to Borrower Account in Cost of Issuance Fund	\$0.00
(Line 12)	Borrower Deposit to Borrower Account in Reserve Fund	\$0.00

**Allan Underdal,**  
Commission Chair  
**Deb Brandon,**  
Commissioner  
**Joe Pehan,**  
Commissioner  
**Merle Raph,**  
County Attorney  
**Donna Whitt,**  
Sheriff  
**Dan B. Whitted,**  
Coroner  
Commissioners'  
Office# 406-424-8310  
[tccomm@toolecountymt.gov](mailto:tccomm@toolecountymt.gov)



**Debra Munson,**  
Clerk of Court  
**Boyd Jackson,**  
Treasurer/Assessor  
Supt. of Schools  
**Helen I. Schnee,**  
Public Administrator  
**Joe Rapkoch,**  
Justice of the Peace  
**Treva Nelson,**  
Clerk & Recorder  
Clerk & Recorder's Office#  
406-424-8300  
Fax# 406-424-8301  
[tnelson@toolecountymt.gov](mailto:tnelson@toolecountymt.gov)

# COUNTY OF TOOLE

226 1<sup>ST</sup> Street South  
Toole County Courthouse, Shelby, MT 59474

## RESOLUTION #30-2016

**A RESOLUTION TO ORDER THE FORGIVING AND REMOVING OF ALL THE PENALTY AND INTEREST ACCRUED ON THE PROPERTY LISTED BELOW IF ALL DELINQUENT TAXES ARE PAID IN FULL.**

**WHEREAS;** The Toole County Commissioners received a request from a taxpayer asking if we could forgive penalty and interest from back taxes owed if he paid up all of the taxes on said property; and

**WHEREAS;** The property in question is listed under Geocode numbers 4424-28-4-31-04-0000 and 4424-28-4-31-04-8000; and

**WHEREAS;** The taxpayer will have to pay \$8772.24 of real and mobile home tax and agrees to clean up the property including removal of the mobile home; and

**WHEREAS;** Approximately \$7726 in penalty and interest will be the amount forgiven; and

**WHEREAS;** Toole County gave notice to the City of Shelby and the Shelby School District of this request and they were in agreement with forgiving the penalty and interest to get the taxes paid up to date and the property cleaned up; and

**NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF TOOLE COUNTY COMMISSIONERS** that all penalty and interest be forgiven and removed from the property tax bills with Geocodes 4424-28-4-31-04-0000 & 4424-28-4-31-04-8000 as soon as all the delinquent taxes are paid in the amount of \$8772.24. Dan Seifert has also agreed to clean up the property involved which includes removal of the mobile home from this property.

BOARD OF TOOLE COUNTY COMMISSIONERS DATED MONDAY SEPTEMBER 29,  
2016.

*Allan Underdal*

Allan Underdal, Chairman  
Toole County Commission

*Deb Brandon*

Deb Brandon  
Commissioner

*Joe Pehan*

Joe Pehan  
Commissioner

Attest:

*Treva Nelson*

Treva Nelson  
Clerk & Recorder

