

March 30, 2022

Mayor Rick Norby
Ms. Jessie Chamberlin, City Clerk-Treasurer
City of Sidney
115 2nd Street SE
Sidney, MT 59270

Via Email and First-Class Mail

Re: Water System Revenue Bond
(DNRC Drinking Water State Revolving Fund Loan Program)
City of Sidney, Montana

Dear Rick and Jessie:

We understand the City of Sidney, Montana (the "City") intends to borrow funds to pay a portion of the costs of phase 3 improvements (the "Project") to the City's water system (the "System"), which will include improvements to the transmission and water mains. It is anticipated that the City would obtain financing for the Project from the State's Drinking Water State Revolving Fund Loan Program (the "Program"). We would be pleased to serve as bond counsel in connection with the issuance by the City of its Water System Revenue Bond (DNRC Drinking Water State Revolving Fund Loan Program) (the "Bond"), evidencing the loan from the Program to finance the Project. The purpose of this letter is to outline the services we would provide and give a cost estimate of our services.

As bond counsel our principal function is to render an opinion with respect to the authorization and issuance of the Bond. The opinion is rendered in written form at the time the Bond is delivered to the Montana Department of Natural Resources and Conservation (the "DNRC"). The opinion addresses three basic matters:

1. the validity of the Bond, based upon the proceedings taken in its authorization and issuance;
2. certain matters relating to the security for the payment of the Bond; and
3. the exemptions from current federal and state income taxation of the interest payable on the Bond.

In fulfilling that function and responsibility, we will perform the following tasks:

1. prepare the bond resolution and the Bond and review proceedings of the City relating to other outstanding bonds and notes charged for the use and availability of the System, if any;

2. coordinate with the City Clerk, or other designated officer, the adoption of the resolution and other actions necessary to be taken by the governing body of the City;
3. assist the City with resolutions and ordinances establishing rates and charges;
4. advise the City of the statutory requirements for the issuance of the Bond and the Program rules for the purchase of the Bond by the Program;
5. prepare closing papers for the City and supervise closing on the Bond; and
6. deliver the opinion discussed above to the City and the DNRC.

The fee for our services is a function of the size of the bond issue and the amount of time expended. Based on one bond in an estimated maximum principal amount of \$1,132,000, we estimate our fee to be approximately \$20,000, plus out-of-pocket disbursements. We would expect to be paid at the time of closing on the Bond. Our fees are eligible costs of the Project and can be included in the amount of the Bond, if the City intends to use that source. It is mutually understood that the services set forth in this letter are solely for the benefit of the City.

If during the course of our work on this issue we discover anything that would cause our fees to exceed this estimate, we will notify the City.

You should be aware that we have served as bond counsel to the State of Montana (the "State") with respect to establishing the Program and the issuance of the State's general obligation bonds to fund the Program. As bond counsel for the City's Bond, we would not represent the State or the DNRC in the negotiation of the terms of the Bond, the bond resolution, or other aspects of the proposed financing. At this point, the terms of the financing have been established in the approved Program documents and regulations and our principal task is to draft a bond resolution that conforms to these requirements and the terms of the commitment agreement or commitment letter that will be prepared by the DNRC (the "Commitment Agreement"). (In advising the City of the statutory and other legal requirements for the issuance of the Bond, in accordance with provisions of the Commitment Agreement and statutory provisions and Program requirements, we can advise the City with respect to the legal implications of the covenants in the Commitment Agreement or statutes or Program requirements that would be contained in the bond resolution.) Accordingly, we do not anticipate that our acting as bond counsel to the State with respect to the Program will represent any practical impediment to our acting as bond counsel to the City with respect to the Bond; and, in fact, we believe our familiarity with the Program could be an advantage to the City in completing its proceedings efficiently.

As bond counsel to the State and the Program, however, we are available to the State, and we would intend to respond to questions raised by the DNRC regarding requirements of the Program, the operative documents relating to the State's bonds and the legal issues relating to the type of obligation being purchased by the Program to evidence the Program loan, in this case a revenue bond. In such a response, we would not attempt to advocate a position on behalf of either the State or the City, but to respond in our capacity as bond counsel with

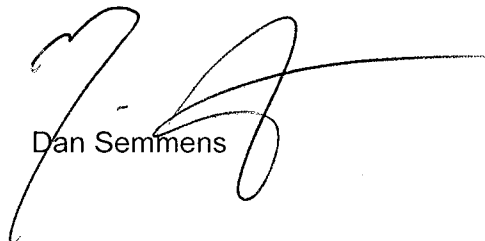
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respect to the State's outstanding bonds. While we would attempt to render independent advice, the potential for a conflict of interest or the appearance of a conflict of interest is present. The State has consented to our acting as bond counsel for the City's Bond.

We hope that this proposal to serve as bond counsel on this financing meets with the approval of the City. If there are any questions, please give us a call so that we might answer those questions or provide any additional information about our firm or our qualifications to serve the City in this capacity. Please let us know what you would like for us to do.

We trust that our serving as bond counsel to the City and as bond counsel to the State with respect to the Program is acceptable to the City. If so, will you please so acknowledge by signing the attached acknowledgment and returning a copy to us.

Very truly yours,



Dan Semmens

DPS/vm

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ACKNOWLEDGMENT

The undersigned acknowledges receipt of the attached and foregoing engagement letter dated March 30, 2022, and confirms, on behalf of the City, the City's consent to the representation described therein.

Accepted this _____ day of _____, 2022.

CITY OF SIDNEY, MONTANA

By: _____

Its: _____