



**Stevensville Town Council Meeting
Agenda for
THURSDAY, OCTOBER 10, 2019
7:00 PM**

1. Call to Order and Roll Call
2. Pledge of Allegiance
3. Approval of Minutes
4. Approval of Bi-Weekly Claims
5. Administrative Reports
 - a. Airport Manager's Report
 - b. Building Department Report
 - c. Finance Report
 - d. Fire Department Report
 - e. Police Department Report
 - f. Public Works Report
6. Guests
7. Correspondence
8. Public Comments
9. Unfinished Business
 - a. Discussion/Decision: Performing a special audit from May 2019 through July 2019
10. New Business
 - a. Discussion/Decision: Changes to Water & Wastewater Rates in FY2019-20
11. Executive Report
12. Town Council Comments
13. Board Report
14. Adjournment

Guidelines for Public Comment

Public Comment ensures an opportunity for citizens to meaningfully participate in the decisions of its elected officials. It is one of several ways your voice is heard by your local government. During public comment we ask that all participants respect the right of others to make their comment uninterrupted. The council's goal is to receive as much comment as time reasonably allows. All public comment should be directed to the chair (Mayor or designee). Comment made to the audience or individual council members may be ruled out of order. Public comment must remain on topic, and free from abusive language or unsupported allegations.

During any council meeting you have two opportunities to comment:

1. During the public comment period near the beginning of a meeting.
2. Before any decision-making vote of the council on an agenda item.

Comment made outside of these times may not be allowed.

Citizens wishing to speak during the official public comment period should come forward to the podium and state their name and address for the record. Comment during this time maybe time limited, as determined by the chair, to allow as many people as possible to comment. Citizens wishing to comment on a motion for decision before any vote can come forward or stand in place as they wish. Comment must remain on the motion before the council.

Item Attachment Documents:

- e. Police Department Report

**TOWN OF STEVENSVILLE
POLICE DEPARTMENT ACTIVITY REPORT
October 10th, 2019**

MONTHLY REPORT:

September has been a busy month for the Police Department. Calls for Service are up by 34 calls from August. Officer Teniente is filling the role of School Resource Officer and will be attending a weeklong class at the Montana Police Academy the first week of October. The Police Department has received applications for the S.R.O. position and will be moving forward with interviews in October 2019.

POLICE DEPARTMENT STATISTICS:

September 2019

Calls for Service: **78**

Incidents created from these calls for service: **26**

Traffic Violations, Domestic Disturbances, City Ordinance Violations, Theft, Dogs at Large.

Item Attachment Documents:

- f. Public Works Report

**TOWN OF STEVENSVILLE
PUBLIC WORKS ACTIVITY REPORT
October 10th, 2019**

UTILITIES REPORT

Water Production

	<i>This Month</i>	<i>Last Month</i>
<i>Gallons Produced</i>	25,587,000	3,492,000

- 💧 Water leak at 407 Mission Repaired
- 💧 Curb Box's for GPS Mapping
- 💧 Generator's serviced by CAT
- 💧 State Reports Water meter repairs

Waste Water Treatment

	<i>This Month</i>	<i>Last Month</i>
<i>Gallons Treated</i>	5,728,000	6,642,000

- 💧 Bay 4 Digester Pump out & cleaned
- 💧 Speed drive quit Influent pump sent for repairs
- 💧 State Reports & EPA

STREETS & TRANSPORTATION

- 💧 Street sweeping on Park St and the cross walks were repainted.

CEMETERY'S

PARK MAINTENANCE

- 💧 Pool closed and winterized
- 💧 Added wood ships to playground at Lewis & Clark Park

Item Attachment Documents:

- a. Discussion/Decision: Performing a special audit from May 2019 through July 2019



Stevensville Town Council Meeting

Agenda Item Request

To Be Submitted BEFORE Noon on the Wednesday before the Council Meeting

Agenda Item Type:	Unfinished Business
Person Submitting the Agenda Item:	Brandon E. Dewey
Second Person Submitting the Agenda Item:	
Submitter Title:	Mayor
Submitter Phone:	
Submitter Email:	
Requested Council Meeting Date for Item:	10/10/2019
Agenda Topic:	Discussion/Decision: Performing a special audit from May 2019 through July 2019
Backup Documents Attached?	Yes
If no, why not?	
Approved/Disapproved?	Approved
If Approved, Meeting Date for Consideration:	10/10/2019
Notes:	



TOWN COUNCIL
Council Communication

Regular Meeting
October 10, 2019

Agenda Item: 9a, Unfinished Business

Discussion/Decision: Performing a special audit from May 2019 through July 2019

Other Council Meetings

September 12, 2019
September 24, 2019

Exhibits

a. RFP Draft

This agenda item provides Council with the ability to approve an RFP for a special audit during staff turnover.

Background:

Council approved proceeding with an RFP process in order to conduct a special audit during the absence of a Finance Officer. The current Finance Officer has reached out to several auditors to further research the Council's request.

Many auditors believed it would be cost prohibitive for a firm that is unfamiliar with the Town of Stevensville's processes and systems to audit the time period requested. Instead, it has been suggested that we request our current contracted auditors, Strom & Associates, to review the time frame as a high-risk area, and audit it accordingly.

At their September 26th meeting, Council felt that the best way to proceed was to advertise an RFP and review any proposals that were received. The RFP seeks and audit firm that will conduct the following:

- 1) Review of all payroll
2) Review of audit trails in Black Mountain Software
3) Review of permission levels in Black Mountain Software & provide recommendations for best practices in assignment of permissions
4) Audit of bank statements and ledgers

Board/Commission Recommendation: [] Applicable - [X] Not Applicable

Alternative(s):

MOTION

I move to: Approve the RFP for audit services, conducting a special audit from _____ to _____.



REQUEST FOR PROPOSALS
AUDITING SERVICES

For a special audit from _____ to _____

REQUEST FOR PROPOSALS

AUDITING SERVICES

1. INTRODUCTION

1.1.SCOPE

The Town of Stevensville, Montana, invites qualified certified public accounting firms licensed to practice in Montana to submit proposals for the provision of those services according to the requirements of this Request for Proposal (RFP).

The purpose of this process is to obtain competitive prices for auditing services for Stevensville, Montana. The audit shall be performed on all funds of the Town of Stevensville. A complete listing of the Town's funds can be found on page 5 of this document.

The Town also desires the auditor to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles.

1.2.TERM

The selected firm shall be designated as the Town's special auditor for the designated period.

2. PROPOSAL PROCEDURES

2.1. ANTICIPATED PROPOSAL SCHEDULE

Issue RFP	October 11, 2019
Proposals DUE	November 1, 2019 by 5:00 pm MST
Selection Made	November 14, 2019 Town Council meeting

2.2. QUESTIONS REGARDING THIS REQUEST FOR PROPOSAL

Additional information concerning this RFP may be obtained by contacting:

Robert Underwood, Finance Officer

(406)777-5271 ext 103

robert@townofstevensville.com

Electronic copies of the current budget and most recent audit are available on the Town's website www.townofstevensville.com.

2.3. PROPOSAL SUBMISSION PACKAGE OVERVIEW

The proposal submission package shall include the following information:

- Contact Information
- Transmittal Letter
- Independence and License
- Firm Profile
- Qualifications of Staff who will be assigned to Town's account
- Prior audit experience of Staff who will be assigned to Town's account
- Audit approach page
- Audit quality control
- References
- Fees for services

Refer to Section 5 for further explanation.

2.4. SUBMISSION OF PROPOSALS

Three (3) copies of the Proposal submission package should be delivered to:

Town of Stevensville
Attn: Robert Underwood
PO Box 30
Stevensville, MT 59870-0030

By 5 p.m. on Friday, November 1st, 2019. Proposals should be in a sealed package, clearly marked "Audit Proposal" on the exterior of the package. Proposals received after the specific date and time, or unsealed or unmarked proposals, WILL NOT BE CONSIDERED.

An individual who is authorized to bind the firm to all commitments made in the proposal must sign the proposal.

2.5. EFFECTIVE PERIOD OF PROPOSALS

All proposals must remain in effect for 90 days after the proposal due date.

2.6. EVALUATION AND AWARD CRITERIA

A. General elements

- The audit firm is independent and licensed to practice in Montana
- The audit firm has no conflict of interest with regard to any other work performed.
- The audit firm adheres to the instructions in this request for proposals on preparing and submitting the proposal.

- The audit firm is included in the Montana Department of Administration – Local Government Services Bureau Roster of Independent Auditors Authorized to Conduct Audits of Montana Local Governments.

B. Fees for services

- Provide maximum fee for the special audit and the fee rate for related services.

C. Technical Qualifications

- The firm’s past experience and performance on Montana municipal audit engagements, including public utilities.
- The quality of the firm’s professional personnel to be assigned to the engagement and the quality of the firm’s management support personnel to be available for technical consultation.

D. Staffing and Procedures

- Adequacy of proposed staffing plan for various segments of the engagement.
- Adequacy of audit, review and reporting procedures.

Although price for services will be an important factor in the evaluation of proposals, the Town is not required to choose the lowest bidder. Evaluation and acceptance of a proposal will be based on the total package of services offered.

The Finance Officer and the Mayor will review each proposal. After these reviews, a recommendation will be presented for consideration by the Town Council.

2.7. RIGHT OF REJECTION BY TOWN OF STEVENSVILLE

The Town reserves the right to award this contract to the accounting firm that best meets the requirements of the RFP, and not necessarily to the lowest bidder. Further, the Town reserves the right to reject any or all proposals prior to the execution of the contract, with no penalty to the Town.

3. GENERAL INFORMATION

3.1.BACKGROUND INFORMATION

The Town operates under a five member Mayor-Council form of government, with day-to-day operations under the supervision of the Mayor. Two Council seats are up for election every other odd year. Each term is four years and there are no term limits. The Mayor’s position is a four-year term with the current term ending 12/31/2021.

The Town has experienced significant turnover within the executive staff. The Town Clerk resigned in April 2019, and the Finance Officer resigned in May 2019. This left the Mayor and Deputy Clerk to fulfill operations and administrative functions. The Mayor continued to process and pay claims as well as complete payroll functions in the absence of a permanent finance officer. A permanent finance officer was appointed and began working July 15, 2019.

Town of Stevensville offers the following services to its citizens:

- Law Enforcement
- Fire Protection
- Municipal Court
- Water Utility
- Wastewater Utility
- Street Maintenance
- Parks Maintenance
- Building Inspection
- Code Enforcement
- Planning & Zoning
- Maplewood Cemetery
- Riverview Cemetery

3.2. FUND STRUCTURE

The Town uses the following funds in its financial reporting:

General Fund

Capital Project Funds:

- Capital Improvements
- Sidewalk Improvements
- Fire Engine Capital Improvement

Special Revenue Funds:

- Planning
- Tax Increment Finance District
- Drug Fines-Forfeitures
- Building Code Enforcement
- Lighting Districts (5)
- Police Training & Pension
- DOT Grant
- Gas Apportionment Tax
- COPS Grant
- Economic Development

Proprietary Funds:

- Water Utility
- Wastewater Utility
- Airport

3.3. BASIS OF ACCOUNTING

The Town follows the modified accrual basis of accounting for all funds other than Proprietary Funds. Revenues are recorded when they are both measurable and available. Available is defined as collectable within the current period or soon enough thereafter to be used to pay liability of the current period. The City uses the accrual basis of accounting for proprietary funds.

The Town complies with the provisions of GASB Statements No. 34.

4. OTHER INFORMATION

4.1. STANDARDS

The audit is to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office's (GAO) Government Auditing Standards (1994), the provisions of the Federal Single Audit Act of 1984, as amended in 1996, and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-profit Organizations.

Specifically, the special audit must cover the following areas:

- 1) Review of all claims
- 2) Review of all payroll
- 3) Review of audit trails in Black Mountain Software
- 4) Review of permission levels in Black Mountain Software & provide recommendations for best practices in assignment of permissions
- 5) Audit of bank statements and ledgers

4.2. WORKING PAPERS

Audit work papers shall remain in the custody of the auditor. However, any succeeding auditors shall be given access to audit work papers and shall have the right to copy such work papers pertaining to the audit for a period of three (3) years after the expiration of the audit contract. Upon request, the auditor will provide copies of work papers pertaining to any questionable costs or findings determined in the audit and must be made available upon request for examination by authorities of Federal or state agencies or other governmental oversight agencies.

4.3. REPORTING

In completing the audit, the following dates will be adhered to, with subsequent years following corresponding dates:

- A. The audit draft, copy of the audit detailed adjusted trial balance and audit adjusting journal entries shall be available for review no later than December 1, 2019. The auditor will review the audit draft with Town management for each respective audit report before the final report is prepared.

- B. The final audit report and management letters must be completed and delivered to the Town no later than May 15. Five bound copies, one unbound copy and a PDF format copy will be required.

5. PROPOSAL REQUIREMENTS

5.1. STANDARDS

In order to achieve a uniform review process and to obtain the maximum degree of comparability, it is required that proposals be organized in the manner specified below:

- A. **Contact Information** – The name of the proposing firm, firm address and telephone number, name of contact person, email address, and a signature and date.
- B. **Letter of Transmittal** – A signed transmittal letter briefly stating the proposer understands the work to be done, why the firm believes itself to be best qualified to perform the engagement, and any other information they consider essential to their proposal.
- C. **Independence and License** – The firm should provide an affirmative statement that it is independent of the Town in accordance with the professional standards and ethics promulgated by the AICPA. The firm should also provide an affirmative statement indicating that the firm and all assigned key professional staff are properly licensed to practice in Montana.
- D. **Firm Profile** – At a minimum, the proposal should state the size of the firm, the size of the firm’s governmental audit staff, and the location of the office from which the work on this engagement will be performed.
- E. **Staff Qualification** – The proposal should describe the qualifications of staff to be assigned to the audit. The description should include the composition of the audit team and prior experience of the individual audit team members. The proposal should include resumes of the individual audit team members.
- F. **Prior Audit Experience** – The proposal should describe prior auditing experience of the proposing office. The experience listing should be limited to the last five years and should include prior experience auditing Montana municipalities, including water and wastewater utilities, and single audits.
- G. **Audit Approach** – The proposal should set forth a general audit plan, including an explanation of the audit methodology to be followed to perform the services required in the request for proposals. Each proposal should detail the approach to be taken to gain and document an understanding of the City’s internal control structures.
- H. **Audit Quality Control** – Briefly describe your firm’s quality control and procedures. State whether these policy and procedures have been subjected to a professional “peer review” program to provide for an independent review of their effectiveness. Include a

copy of your firms' most recent peer review report and related letter of comments, if applicable.

- I. **References** – The proposal should include at least 3 client references, including contact persons and telephone numbers.
- J. **Fees for Services** – Provide the firm's all-inclusive maximum fee for the requested work in this proposal. The audit firm shall be reimbursed for additional audit related expenses only when agreed upon in advance by the Town and firm.

Name of Accounting Firm: _____

\Proposal Submitted by: _____

Address: _____

Contact Person: _____

Phone: _____

Email: _____

Fees for Services:

All-inclusive Maximum Fee

Special Audit _____

Fee Rates:

Partner _____

Manager _____

Staff _____

Item Attachment Documents:

- a. Discussion/Decision: Changes to Water & Wastewater Rates in FY2019-20



Stevensville Town Council Meeting

Agenda Item Request

To Be Submitted BEFORE Noon on the Wednesday before the Council Meeting

Agenda Item Type:	New Business
Person Submitting the Agenda Item:	Brandon E. Dewey
Second Person Submitting the Agenda Item:	
Submitter Title:	Mayor
Submitter Phone:	
Submitter Email:	
Requested Council Meeting Date for Item:	10/10/2019
Agenda Topic:	Discussion/Decision: Changes to Water & Wastewater Rates in FY2019-20
Backup Documents Attached?	Yes
If no, why not?	
Approved/Disapproved?	Approved
If Approved, Meeting Date for Consideration:	10/10/2019
Notes:	

Agenda Item: 10a, New Business

Discussion/Decision: Changes to Water & Wastewater Rates in FY2019-20

Other Council Meetings

September 12, 2019

September 18, 2019

Exhibits

- a. Resolution 270
- b. Resolution 279
- c. Resolution 307
- d. Resolution 319
- e. Resolution 372
- f. Resolution 378
- g. Resolution 379
- h. Resolution 384

This agenda item provides Council with the ability to discuss and decide on possible changes to water and wastewater rates for FY2019-20.

Background:

At their September 18th Special Town Council Meeting, the Council took affirmative action to reduce water rates and wastewater operation and maintenance rates 3% effective November 1, 2019. As part of the budgeting process, this action was intended to cancel the planned increase of 3% which was adopted in 2015 and would be effective November 1, 2019 thereby reducing rates 6% from the previously adopted rates.

Upon Council's direction to prepare a resolution implementing a water and wastewater rate decrease, the administration began an in depth review of the financial position of the water and wastewater funds, reserve requirements set forth by the bonds on both the water and wastewater systems, and any other requirements outlined in the bond resolutions for all bonds on the systems.

A review by the administration and the Town's engineers found that the water fund would not be able to support the multiple future capital projects that are needed following the Phase IV Water Storage Improvements Project. This information was presented and further demonstrated to Council at their September 12th regular meeting. By decreasing rates, revenues in the water fund would exceed non-capital expenses by a margin of less than \$5,000 dollars. The administration projects that by fiscal year 2021, rates would not sustain operations in the fund and no funding would be available for future capital improvements. The administration projects similar capital improvement funding challenges in the wastewater fund as well.

A review of the bond resolutions also reveals that the Town would likely not meet the reserve requirements outlined in the 2011 Water Bond Resolution. The resolution requires that

repair & replacement account be funded to a minimum level of \$169,000.00, adjusted for inflation. A portion of the funding in the repair & replacement account was used to replace the failed pumps in the Twin Creeks Well Field in July 2019. Sustained rates will be required to replenish this account as required by the bond resolution.

Further, the 2011 Water Bond Resolution requires in section 8.02 that the holder of the bonds be notified and provide consent if the Town will “reduce the sources of revenues or income appropriated to the Water System Fund.” The resolution also outlines the required notice and manner of consent.

It is the recommendation of the administration that the Town Council reverse their decision to decrease water and wastewater service rates and allow the rates as adopted in 2015 to go into effect. This will provide the opportunity for a planned rate study and analysis to be completed, and allow the Town Council to make a more informed decision regarding water and wastewater rates for Stevensville.

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Do not reverse Council's September 18, 2019 decision to reduce water and wastewater rates for FY2019-20

MOTION

I move to: Rescind the Town Council's September 18, 2019 decision to reduce water and wastewater rates for FY2019-20, allowing for planned rates adopted by Resolution 378 and Resolution 379 to remain in full effect.

Resolution 270

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the Town of Stevensville, Montana (the "Town"), hereby certify that the attached resolution is a true copy of Resolution No. 270, entitled: "RESOLUTION RELATING TO \$2,173,000 WATER SYSTEM REVENUE BOND, SERIES 20__ AND A \$2,173,000 WATER SYSTEM REVENUE BOND ANTICIPATION NOTE TO BE ISSUED IN ANTICIPATION THEREOF; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF AND CREATING SPECIAL FUNDS AND ACCOUNTS AND PLEDGING CERTAIN REVENUES AS SECURITY THEREFOR" (the "Resolution"), on file in the original records of the Town in my legal custody; that the Resolution was duly adopted by the Town Council of the Town at a regular meeting on March 14, 2011, and that the meeting was duly held by the Town Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council members voted in favor thereof: Robin Holcomb,
Pat Groninger, Desera Towle ; voted against the same:
N/A ; abstained from voting
thereon: N/A ; or were absent: (1)
Dan Mollan

WITNESS my hand officially this 15th day of March, 2011.

Suzanne J. Gulon
Interim Town Clerk-Treasurer

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(For convenience only and not a part of the Resolution)

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RESOLUTION NO. 270

RESOLUTION RELATING TO \$2,173,000 WATER SYSTEM REVENUE BOND, SERIES 20__ AND A \$2,173,000 WATER SYSTEM REVENUE BOND ANTICIPATION NOTE TO BE ISSUED IN ANTICIPATION THEREOF; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF AND CREATING SPECIAL FUNDS AND ACCOUNTS AND PLEDGING CERTAIN REVENUES AS SECURITY THEREFOR

BE IT RESOLVED by the Town Council of the Town of Stevensville, Montana, as follows:

Section 1. Definitions, Authorizations and Findings.

1.01. Definitions. The terms defined in this Section 1.01 shall for all purposes of this Resolution have the meanings herein specified, unless the context clearly otherwise requires:

Accountant shall mean a Person engaged in the practice of accounting as a certified public accountant or any other Person authorized under State law to audit and certify financial statements of cities or towns in the State, whether or not employed by the Town.

Act shall mean Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, and Section 7-7-109, as heretofore and hereafter amended or supplemented.

Additional Bonds shall mean any Bonds issued on a parity with Outstanding Bonds pursuant to Section 5.01.

Additional Notes shall mean any Notes issued pursuant to Section 5.02.

Bonds shall mean the Definitive Bond and any Additional Bonds.

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

Bondholder shall mean the Person in whose name a Bond is registered in the Bond Register.

Bond Register shall mean, with respect to the Definitive Bond, the registration books maintained by the Town Clerk-Treasurer pursuant to Section 4.02, or, with respect to a series of Additional Bonds, the register to be maintained by the Registrar pursuant to Section 2.07 or the Supplemental Resolution authorizing the issuance of such Bonds.

Business Day shall mean any day other than a Saturday, Sunday or other day on which commercial banks located in the Town in which the principal office of the Registrar are not open for business or are authorized by law to close.

Code shall mean the Internal Revenue Code of 1986, as amended from time to time.

Commitment Letter shall mean the Letter of Conditions from Rural Development of the USDA to the Town dated May 31, 2010.

Construction Account shall mean the account created by Section 6.02.

Consulting Engineer shall mean Professional Consultants, Inc., of Missoula, Montana.

Council shall mean the Town Council of the Town or any successor governing body of the Town.

Debt Service Account shall mean the account created by Section 6.04.

Definitive Bond shall mean the Town's Water System Revenue Bond, Series 20__, to be issued in the maximum original principal amount of \$2,173,000 pursuant to this Resolution.

Fiscal Year shall mean the period commencing on the first day of July of any year and ending on the last day of June of the next year, or any other specified twelve-month period, authorized by law and specified by the Council as the Town's fiscal year.

Government Obligations shall mean direct obligations of, or obligations the principal of and the interest on which are fully and unconditionally guaranteed as to payment by, the United States of America.

Holder shall mean a Bondholder or a Noteholder.

Independent shall mean, when used with respect to any specified Person, such a Person who (i) is in fact independent; (ii) does not have any direct financial interest or any material indirect financial interest in the Town, 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 Town as an officer, employee, promoter, trustee, partner, director, underwriter or person performing similar functions. Whenever it is herein provided that any Independent Person's opinion or certificate shall be furnished, such Person shall be appointed by the Council and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

Interest Payment Date shall mean a date specified in an Obligation and in this Resolution as a fixed date for payment of an installment of interest on any of the Obligations.

Loan shall mean the 20__ Loan.

Maturity shall mean, when used with respect to any Obligation, the date on which the principal of such Obligation becomes due and payable as therein or herein provided, whether at its Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

Net Revenues shall mean the Revenues for a specified period less the Operating Expenses for the same period.

Note Account shall mean the account created by Section 6.09.

Note Register shall mean, with respect to the Series 2011 Note, the registration book maintained by the Town Clerk-Treasurer pursuant to Section 3.02, and with respect to any Additional Notes, the registration books maintained by the Note Registrar in respect thereof.

Note Registrar shall mean, with respect to the Series 2011 Note, the Town Clerk-Treasurer or any successor appointed by the Council, and with respect to any Additional Notes, Person or Persons designated by or pursuant to this Resolution or a Supplemental Resolution to receive and disburse the principal of, premium, if any, and interest on such Additional Notes on behalf of the Town and to hold and maintain the Note Register in respect thereof.

Noteholder shall mean the Person in whose name a Note is registered in the Note Register.

Notes shall mean the Series 2011 Note and any Additional Notes issued pursuant to this Resolution.

Obligations shall mean the Notes and the Bonds, collectively.

Operating Expenses shall mean the current expenses, paid or accrued, of operation, maintenance and minor repair of the System, excluding interest on the Obligations and depreciation, as calculated in accordance with generally accepted accounting principles, and shall include, without limitation, administrative expenses of the Town relating solely to the System, premiums for insurance on the properties thereof, labor and the cost of materials and supplies used for current operation and for maintenance, and charges for the accumulation of appropriate reserves for current expenses which are not recurrent regularly but may reasonably be expected to be incurred, but shall not include amounts to be deposited to the Short-Lived Asset Replacement Reserve Subaccount.

Opinion of Counsel shall mean a written opinion of counsel, who may (except as otherwise expressly provided in this Resolution) be counsel for the Town.

Original Purchaser shall mean, with respect to any series of Obligations, the original purchaser or underwriter of such series of Obligations. The Original Purchaser of the Series 2011 Note is the Board of Investments of the State of Montana, in Helena, Montana. The Original Purchaser of the Definitive Bond is the United States of America acting through the Rural Utilities Service, United States Department Agriculture.

Outstanding shall mean, when used with reference to Obligations, as of the date of determination, all Obligations theretofore issued except:

(i) Obligations theretofore cancelled by the Town or the Registrar or delivered to the Town or the Registrar cancelled or for cancellation;

(ii) Obligations and portions of Obligations for whose payment or redemption money or Government Obligations (as provided in Section 9) shall have been theretofore deposited in trust for the Holders of such Obligations; provided, however, that if such Obligations are to be redeemed, notice of such redemption shall have been duly given pursuant to this Resolution or irrevocable

instructions to call such Obligations for redemption at a specified Redemption Date shall have been given to the Town; and

(iii) Obligations in exchange for or in lieu of which other Obligations shall have been issued and delivered pursuant to this Resolution;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Obligations have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Obligations owned by the Town shall be disregarded and deemed not to be Outstanding.

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

Principal and Interest Requirements shall mean, with respect to any Outstanding Bonds and for any Fiscal Year, the amount of principal of and interest on such Bonds due and payable during such Fiscal Year, assuming that Outstanding Serial Bonds are to be paid at their Stated Maturities and Outstanding Term Bonds are to be paid on their Sinking Fund Payment Dates according to the mandatory redemption requirements established by the Resolution.

Principal Payment Date shall mean the Stated Maturity of principal of any Note, Serial Bond and the Sinking Fund Payment Date for any Term Bond.

Project shall mean an improvement, betterment, reconstruction or extension of the System, including, without limitation, the 2011 Project.

Qualified Investments shall mean those obligations and securities set forth in Section 6.10, in which moneys from time to time in the Water System Fund may be invested.

Rebate Account shall mean the account created by Section 6.08.

Rebate Certificate shall mean the Rebate Certificate, if any, executed by the Town and filed in the office of the Town Clerk-Treasurer, in connection with the issuance of any series of Additional Bonds, as such may be amended or supplemented from time to time in accordance with the provisions thereof.

Redemption Date when used with respect to any Obligation to be redeemed shall mean the date on which it is to be redeemed pursuant hereto.

Redemption Price when used with respect to any Obligation to be redeemed shall mean the price at which it is to be redeemed pursuant hereto.

Registrar shall mean, with respect to the Definitive Bond, the Town Clerk-Treasurer or any successor appointed pursuant to Sections 4.01(b) and 4.02(b), and, with respect to any series of Additional Bonds, the Person or Persons designated by or pursuant to this Resolution or a Supplemental Resolution to receive and disburse the principal of, premium, if any, and interest

on the Bonds on behalf of the Town and to hold and maintain the Bond Register, and, with respect to any Note, the Note Registrar.

Repair and Replacement Account shall mean the account created by Section 6.06.

Reserve Account shall mean the account created by Section 6.05.

Reserve Requirement shall mean, as of the date of reference, an amount equal to the maximum amount of Principal and Interest Requirements on all Outstanding Bonds in the then current or any future Fiscal Year.

Resolution shall mean this Resolution No. 270, as amended and supplemented by one or more Supplemental Resolutions, if any.

Revenues shall mean all revenues and receipts from rates, fees, charges and rentals imposed for the availability, benefit and use of the System, and from penalties and interest thereon, and from any sales of property which is a part of the System and income received from the investment of such revenues and receipts, including interest earnings on the Reserve Account and the Operating Account, but excluding interest earnings on the Construction Account, Repair and Replacement Account and Surplus Account, but excluding any special assessments or taxes levied for construction of any part of the System and the proceeds of any grant or loan from the State or the United States, and any investment income thereon, to the extent such exclusion is a condition to such grant or loan.

Serial Bonds shall mean Bonds which are not Term Bonds.

Series 2011 Note shall mean the Water System Revenue Bond Anticipation Note, Series 2011, to be issued in the principal amount of \$2,173,000 in anticipation of the issuance of the Definitive Bond pursuant to this Resolution.

Series 20 Bond shall mean the Town's Water System Revenue Bond, Series 20__, to be issued in the original maximum principal amount of \$2,173,000, or such lesser amount as is actually loaned to the Town, pursuant to the Resolution.

Short-Lived Assets shall mean assets of the System identified as short-lived assets in the application for the Loan made by the Town to the Purchaser.

Short-Lived Asset Replacement Reserve Subaccount shall mean the subaccount created in the Repair and Replacement Account established in Section 6.06 hereof for the purpose stated therein.

Sinking Fund Payment Date shall mean one of the dates set forth in any applicable provisions of a Supplemental Resolution (as to any series of Additional Bonds) for the making of mandatory principal payments for Additional Bonds which are Term Bonds.

State shall mean the State of Montana.

Stated Maturity when used with respect to any Obligation shall mean the date specified in such Obligation as the fixed date on which the principal of such Obligation is due and payable.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of this Resolution adopted in accordance with the requirements of Section 8.

System shall mean the Town's municipal water system, as it may at any time exist, including any replacement, expansion and improvement thereof.

Term Bond shall mean any Bond for the payment of the principal of which mandatory payments are required by the Resolution to be made at times and in amounts sufficient to redeem all or a portion of such Bond prior to its Stated Maturity.

Town shall mean the Town of Stevensville, Montana, its successors and assigns.

Town Resolution shall mean a resolution, ordinance or other appropriate enactment by the Council certified by the Town Clerk-Treasurer to have been duly adopted and to be in full force and effect.

2011 Project shall mean the improvements to the System described in Section 1.04.

20__ Loan or Loan shall mean the 20__ Loan made from the USDA to the Town in an amount not to exceed \$2,173,000 to provide funds to pay and redeem the Series 2011 Note and pay a portion of the costs of the 2011 Project and costs of issuance allocable to the Series 20__ Bond.

USDA shall mean the United States of America acting through Rural Utilities Service, United States Department of Agriculture, or any successor agency under Public Law 103-354.

Water System Fund shall mean the fund created by Section 6.01.

1.02. Rules of Interpretation.

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" 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 Section 1.01 shall 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 to encompass one, more or all of the alternatives conjoined, unless the context hereof clearly requires otherwise.

1.03. Authorization. Under the Act, the Town is authorized to issue and sell its revenue bonds payable during a term not exceeding forty years from their date of issue, to provide funds for the reconstruction, improvement, betterment and extension of a municipal water system, provided that the bonds and the interest thereon are to be payable solely out of the income and revenues to be derived from rates, fees and charges for the services, facilities and commodities furnished by such water system, and are not to create any obligation for the payment of which taxes may be levied except to pay for services provided by the water system to the Town.

1.04. The 2011 Project. The Town with the assistance of the Consulting Engineer has determined the necessity of upgrading the System through the 2011 Project to meet certain state and federal requirements. The 2011 Project consists of the acquisition, construction and installation of various improvements to the System, including water meter installation and installation of a new transmission main from the well field to the Town and new water supply wells and pump house construction, distribution system improvements, decommissioning of the existing infiltration gallery, construction of a booster station and installation of pressure reducing valves, and related improvements. The estimated costs of the 2011 Project, including engineering and financing costs, are presently estimated to be \$4,324,000 and consist of the following items:

Construction	\$3,259,173
Basic Engineering	474,768
Construction Inspection	87,000
Additional Services	15,000
Project Contingency	325,959
Interim Interest	42,500
Legal Fees	95,000
Audit Fees	10,000
Bond Counsel	15,000
<u>TOTAL</u>	<u>\$4,324,400</u>

Costs of the 2011 Project in excess of \$2,173,000 are expected to be paid from a Treasure State Endowment Program grant in the amount of \$500,000, a Water Resources Development Act grant in the amount of \$175,000, a Water Resources Development Act special appropriation in the amount of \$487,500, a USDA Rural Development grant in the amount of \$864,900, and a Department of Natural Resources and Conservation Grant in the amount of \$100,000, and funds the Town has on hand and available therefor in the amount of approximately \$24,000.

1.05. Outstanding Indebtedness. No other bonds or other indebtedness are outstanding that are secured by revenues of the System.

1.06. Net Revenues Available. The Town is authorized to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the System, and to pledge and appropriate to the Series 2011 Note and the Definitive Bond herein authorized the Net Revenues to be derived from the operation of the System, including improvements,

betterments or extensions thereof hereafter constructed or acquired. The Net Revenues to be produced by such rates, charges and rentals during the term of the Definitive Bond and the useful life of the improvements financed thereby will be more than sufficient to pay the principal and interest when due on the Definitive Bond, and to create and maintain reasonable reserves therefor and to provide an allowance for replacement and depreciation, as herein prescribed.

1.07. Sale and Authorization of Series 2011 Note. In anticipation of the receipt of the proceeds of the 20__ Loan and the issuance and delivery of the Definitive Bond, and in order to provide funds during construction of the 2011 Project to pay the costs thereof, it is necessary that the Town provide for the issuance and sale of the Series 2011 Note under and pursuant to Section 7-7-109 of the Act. The Town has received an offer from the Board of Investments of the State of Montana, in Helena, Montana (the Original Purchaser thereof), to purchase the Series 2011 Note at a price of up to \$2,173,000, upon the further terms and conditions herein set forth. The terms and conditions of the offer are reasonable and advantageous to the Town and are hereby accepted. The Town is authorized and shall proceed to issue and deliver the Series 2011 Note in the form and upon the terms and conditions provided in this Resolution.

1.08. Authorization of Definitive Bond. Pursuant to the authority recited in Section 1.03 and for the purpose of paying and redeeming the Series 2011 Note and financing a portion of the cost of the 2011 Project, as necessary, this Council hereby authorizes the issuance of the Definitive Bond. The USDA has agreed, subject to the terms and conditions of the Commitment Letter, to lend the Town \$2,173,000 to finance a portion of the cost of the Project. The terms and conditions of the Loan, as set forth in Commitment Letter, are reasonable and advantageous to the Town and are hereby accepted. The Town has adopted a Loan Resolution, dated June 14, 2010, and a Letter of Intent To Meet Conditions, dated May 31, 2010, pursuant to which the Town has agreed to issue its Definitive Bond, in the aggregate principal amount of \$2,173,000, in accordance with the provisions of this Resolution and the Commitment Letter.

It is hereby found and determined to be necessary and expedient for the Town to issue and sell to the USDA, pursuant to Montana Code Annotated, Section 7-7-4433(2)(a), the Definitive Bond, to be designated as "Water System Revenue Bond, Series 20__" (the series designation to be completed with the calendar year in which the Series 20__ Bond is issued) in the maximum principal amount of \$2,173,000, at a price equal to its principal amount, upon satisfaction of the conditions precedent to the 20__ Loan.

1.09. Recitals. All acts, conditions and things required by the Constitution and laws of the State to be done, to exist, to happen and to be performed prior to the issuance of the Series 2011 Note have been done, do exist, have happened, and have been performed in due time, form and manner, wherefore it is now necessary for this Council to establish the form and terms of the Definitive Bond and the Series 2011 Note, to provide for the security thereof and to issue the Series 2011 Note and to provide for the delivery of the Definitive Bond.

Section 2. The Bonds.

2.01. General Title. The general title of the Bonds of all series shall be "Water System Revenue Bonds." Bonds of each series shall be titled so as to distinguish them from Bonds of all other series.

2.02. General Limitations; Issuable in Series. The aggregate principal amount of Bonds that may be authenticated and delivered and Outstanding under this Resolution is not limited, except as provided in Sections 4 and 5 and except as may be limited by law.

The Bonds may be issued in series as from time to time authorized by the Council. With respect to the Bonds of any particular series, the Town may incorporate in or add to the general title of such Bonds any words, letters or fixtures designed to distinguish that series.

The Bonds shall be special, limited obligations of the Town. Principal of, premium, if any, and interest on the Bonds shall be payable solely from Net Revenues (other than to the extent payable out of proceeds of the Bonds). The Bonds shall not be or constitute a pledge of the general credit or taxing powers of the Town of any kind whatsoever. Neither the Bonds nor any of the agreements or obligations of the Town contained herein shall be construed to constitute an indebtedness of the State or the Town within the meaning of any constitutional or statutory provisions whatsoever.

If the Stated Maturity for the payment of any interest on or principal of any Bond or if any Redemption Date or Sinking Fund Payment Date shall be a day which is not a Business Day, then such payment may be made on the next succeeding Business Day, with the same force and effect as if made on such Stated Maturity, Redemption Date or Sinking Fund Payment Date (whether or not such next succeeding Business Day occurs in a succeeding month).

2.03. Terms of Particular Series. Each series of Bonds (except the Definitive Bond, which is created by Section 4) shall be created by a Supplemental Resolution. The Bonds of each series (other than the Definitive Bond, as to which specific provision is made in this Resolution) shall bear such date or dates, shall be payable at such place or places, shall have such Stated Maturities and Redemption Dates, shall bear interest at such rate or rates, from such date or dates, shall be payable in such installments and on such dates and at such place or places, and may be redeemable at such price or prices and upon such terms (in addition to the prices and terms herein specified for redemption of all Bonds) as shall be provided in the Supplemental Resolution creating that series, all upon such terms as the Town may determine. The Town 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 contain provision for:

- A. a sinking, amortization, improvement or other analogous fund;
- B. limiting the aggregate principal amount of the Bonds of that series and of Additional Bonds thereafter to be issued;
- C. exchanging Bonds of that series, at the option of the Holders thereof, for other Bonds of the same series of the same aggregate principal amount of a different authorized kind or authorized denomination or denominations; or
- D. registration, transfer and delivery.

2.04. Form and Denominations of Particular Series. The form of the Bonds of each series (other than the Definitive Bond, as to which specific provisions are made in Section 4.01) shall be established by the provisions of the Supplemental Resolution creating such series. The

Bonds of each series shall be distinguished from the Bonds of other series in such manner as the Council may determine.

The Bonds of each series shall be in such denominations as shall be provided in the Supplemental Resolution creating such series (other than the Definitive Bond, as to which specific provisions are made in this Resolution). In the absence of any such provision with respect to the Bonds of any particular series, the Bonds of such series shall be in the denomination of \$5,000 or any integral multiple thereof of single maturities.

2.05. Execution and Authentication. The Bonds shall be executed on behalf of the Town by the manual or facsimile signature of the Mayor, and attested by the signature of the Town Clerk-Treasurer (or other officers of the Town authorized by Town Resolution); provided that if required by applicable laws, one such signature on each Bond shall be a manual signature. The seal of the Town need not be affixed to or imprinted on any Bond. Any Bond bearing the manual or facsimile signature of an individual who was at any time an appropriate officer of the Town shall be valid and sufficient for all purposes, regardless whether such individual held such office as of the date of sale, issue or delivery of such Bond. No 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 Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on each Bond need not be signed by the same representative. The executed certificate of authentication on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution and in accordance with the provisions hereof.

2.06. Temporary Bonds. Pending the preparation of the Definitive Bond, the Town, if authorized by law, may execute and deliver temporary Bonds which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are issued, with such appropriate insertions, omissions, substitutions and other variations as the officers of the Town executing such Bonds may determine, as evidenced by their signing of such Bonds.

If temporary Bonds are issued, the Town will cause definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the temporary Bonds shall be exchangeable for definitive Bonds upon surrender of the temporary Bonds, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Bonds the Town shall execute and deliver in exchange therefor a like principal amount of definitive Bonds of authorized denominations. Until so exchanged the temporary Bonds shall in all respects be entitled to the same security and benefits under this Resolution as definitive Bonds.

2.07. System of Registration. The Town shall appoint, and shall maintain, a bond registrar, transfer agent and paying agent for any series of Additional Bonds (with respect to such Bonds, the "Registrar"). This Section 2.07 shall, except as amended or supplemented by a Supplemental Resolution, establish a system of registration for any series of Additional Bond, as defined in the Model Public Obligations Registration Act of Montana. The effect of registration and the rights and duties of the Town and the Registrar with respect thereto shall be as follows:

(a) 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 such Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged.

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

(c) Exchange of Bonds. Whenever any such Bond is surrendered by the registered owner for exchange, the Registrar shall authenticate and deliver one or more new Bonds of the same series and a like aggregate principal amount and maturity, as requested by the registered owner or the owner's attorney in writing.

(d) Cancellation. All Bonds surrendered upon any transfer or exchange shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the Town.

(e) Improper or Unauthorized Transfer. When any 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 Bond or separate instrument of transfer is legally authorized. The Registrar shall incur no liability for its refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The Town and the Registrar may treat the Person in whose name any Bond is at any time registered in the Bond Register as the absolute owner of such Bond, whether such 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 Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the Town upon such Bond to the extent of the sum or sums to paid.

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

(h) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be lost, stolen or destroyed, the Registrar shall deliver a new Bond of like series, amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such 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 a Bond lost, stolen or destroyed, upon receipt by the

Registrar of evidence satisfactory to it that such Bond was lost, stolen or destroyed, and of the ownership thereof, and upon receipt by the Registrar of an appropriate bond of indemnity in form, substance and amount satisfactory to it, in which both the Town and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the Town. If the mutilated, lost, stolen or destroyed Bond has already matured or such Bond has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Bond before payment.

2.08. Priority of Payments. Each and all of the Bonds shall be equally and ratably secured without preference or priority of any one Bond over any other by reason of serial number, date of issue, series designation or otherwise; provided that if at any time the Net Revenues on hand in the Fund are insufficient to pay principal and interest then due on all such Bonds, any and all Net Revenues then on hand shall be first used to pay the interest accrued on all Outstanding Bonds, and the balance shall be applied toward payment of the maturing principal of such Bonds to be paid first, and pro rata in payment of Bonds maturing on the same date.

Section 3. The Series 2011 Note.

3.01. General Terms. The Town shall forthwith issue the Series 2011 Note in the maximum principal amount of \$2,173,000. The Series 2011 Note shall be dated as of the date of its delivery. Upon each disbursement of the Series 2011 Note proceeds, the Board of Investments of the State of Montana shall enter the amount advanced on Schedule A attached thereto under "Advances" and the total amount advanced under this Resolution, including such disbursement, under "Total Amount Advanced." The Series 2011 Note shall be lettered and numbered R-1 and shall mature, subject to redemption as herein provided, on February 15, 2013 (the "Stated Maturity"), and shall bear interest on the principal amount thereof at the rate per annum equal to the Variable Rate (as hereinafter defined), as such may be adjusted from time to time as hereinafter provided. Interest shall be computed on the basis of the actual number of days in the year and the actual number of days the Series 2011 Note is outstanding. Principal and interest shall be payable on its Stated Maturity or upon earlier redemption of the Series 2011 Note.

Principal of the Series 2011 Note from time to time outstanding shall bear interest from the date of issuance thereof, as provided in this Section 3.01, until paid at the Variable Rate, as such may be adjusted from time to time as hereinafter provided. Until the initial Adjustment Date (as hereafter defined), the Variable Rate shall be one and ninety-five hundredths percent (1.95%) per annum. Thereafter, for the Adjustment Period (as hereafter defined), the Variable Rate shall be the rate per annum equal to the interest rate then borne by the Board of Investment's Annual Adjustable Rate Tender Option, Municipal Finance Consolidation Act Bonds (INTERCAP Revolving Program), plus up to one and one-half percent (1.50%) per annum, as certified by the Board of Investments as of the Adjustment Date, but in no event to exceed fifteen percent (15.00%) per annum. If for any reason the interest rate cannot be established as so provided or is held invalid or unenforceable by a court of law, the interest rate for the Series 2011 Note for the Adjustment Period shall be a rate equal to the largest integral multiple of five hundredths of one percent (0.05%) that is equal to or less than eighty percent (80%) of the average yield, evaluated at par, of United States Treasury obligations with a stated

or remaining maturity of one year, as reported in *The Wall Street Journal* (Des Moines Edition) (or, if such paper is no longer published or fails to report such information, in any other financial periodical selected by the U.S. Bank National Association, of Seattle, Washington, and reasonably acceptable to the Holders of the Series 2011 Note) on the Adjustment Date or, if the Adjustment Date is not a Business Day, the next preceding Business Day, but in no event to exceed fifteen percent (15.00%) per annum. As used herein, "Adjustment Date" means each February 16 and "Adjustment Period" means the period beginning on an Adjustment Date and ending on the day before the next succeeding Adjustment Date or the final Stated Maturity of the Series 2011 Note, whichever is earlier; provided that if the Series 2011 Note is not paid at its final Stated Maturity, the final Adjustment Period with respect to the Series 2011 Note shall extend until it is paid or provision has been duly made for its payment.

3.02. Registration. The Series 2011 Note shall be fully registered as to both principal and interest and shall initially be registered in the name of and payable to the Original Purchaser thereof. The Town Clerk-Treasurer shall act as Note Registrar and as such shall establish and maintain a Note Register for the purpose of recording the names and addresses of the registered owners of the Series 2011 Note and the date of registration of any transfer.

3.03. Redemption. The Series 2011 Note shall be subject to redemption in whole but not in part, on any date, at the principal amount thereof plus accrued interest, without premium. Not less than 15 days before the date specified for redemption thereof, the Town Clerk-Treasurer shall mail notice of the redemption to the registered owner thereof at the address as it appears on the registration books of the Note Registrar.

3.04. Form of Series 2011 Note. The Series 2011 Note shall be prepared in substantially the form attached as Exhibit A to this Resolution, which is hereby incorporated herein and made a part hereof, with such appropriate variations, omissions and insertions as are permitted or required by this Resolution.

3.05. Assignment. The Series 2011 Note shall be transferable by the registered owner or attorney duly authorized in writing upon presentation thereof to the Town Clerk-Treasurer together with a written instrument of transfer satisfactory to the Town Clerk-Treasurer duly executed by the registered owner or its attorney. Such transfer shall be noted on the Series 2011 Note. Upon request of the registered owner or transferee, the Town shall execute and deliver another Series 2011 Note of a principal amount equal to the outstanding principal amount of the Series 2011 Note and maturing at the same time as the Series 2011 Note so transferred, and the Series 2011 Note so surrendered for transfer shall be promptly cancelled by the Town Clerk-Treasurer. No service charge shall be made for such transfer, but the Town may require payment of a sum sufficient to cover any tax, fee or governmental charge or other expense incurred by the Town with respect to such transfer. Until and unless otherwise provided by resolution of this Council, the following shall be a sufficient written instrument of transfer within the meaning of this Section 3.05:

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto:
_____ the Water System Revenue

Bond Anticipation Note, Series 2011, No. R-_, of the Town of Stevensville, Montana, and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Registered Owner

3.06. Preparation, Execution and Delivery of Series 2011 Note. The Series 2011 Note shall be issued and delivered to the Original Purchaser thereof upon payment of the purchase price thereof. The Series 2011 Note shall be prepared under the direction of the Town Clerk-Treasurer and when so prepared shall be executed on behalf of the Town by the Mayor and the Town Clerk-Treasurer, and sealed with the corporate seal of the Town. When the Note has been so executed, it shall be delivered by the Town Clerk-Treasurer to the Original Purchaser thereof, and the Original Purchaser shall not be required to see to the application thereof.

3.07. The Loan. The Town will observe and perform all of its obligations and duties under and do all acts and things as may be necessary or appropriate to satisfy the terms and conditions of the Commitment Letter described in Section 1.08 of this Resolution, and all other regulations and requirements of the USDA relating to the Loan and the receipt of the proceeds therefrom to the end that the Loan may be closed and the Definitive Bond issued and delivered in evidence thereof on or before the maturity of the Series 2011 Note.

3.08. Issuance of Definitive Bond. The Series 2011 Note shall be payable solely from and secured by the Net Revenues and other revenues and income pledged and appropriated and from time to time credited to the Note Account, including the proceeds of the Definitive Bond. The Series 2011 Note is issued in anticipation of the Net Revenues to be received and credited to the Note Account prior to the maturity thereof and the proceeds to be received upon the sale and issuance of up to \$2,173,000 principal amount of the Definitive Bond authorized by Section 4 of this Resolution and to be issued and sold by the Town prior to the maturity of the Note to refund the principal amount thereof then outstanding.

The Town hereby covenants and agrees for the benefit from time to time of the owners of the Series 2011 Note that on or before February 15, 2013, it will authorize, issue and offer for sale and use its best efforts to sell the Definitive Bond or other Additional Bonds to refund the Series 2011 Note at its stated maturity. In the event the Town is unable to sell the Definitive Bond herein authorized or such Additional Bonds, the Holders of the Series 2011 Note shall be entitled, at their option, to exchange the Series 2011 Note for one or more Definitive Bond amortized in semiannual installments over a ten-year period or fifteen-year period (at the election of the Holders of the Series 2011 Note) and bearing interest at a rate equal to the Variable Rate as defined in Section 3.01 of this Resolution on a par-for-par basis, and the Town covenants and agrees to increase the rates and charges of the System, if necessary, to comply with Section 7.09 within one year after the date of issuance thereof.

3.09. Increase in Rates and Charges. It is expressly understood that the Definitive Bond will be payable from and secured by the Net Revenues of the System. The Town hereby covenants and agrees with the Holder of the Series 2011 Note that the Town has increased the rates, charges and rentals for all services directly or indirectly furnished by the System, effective as of October 1, 2010, such that such rates, charges and rentals are reasonable and expected to be sufficient to produce Net Revenues of the System in each Fiscal Year, not less than 110% of the maximum Principal and Interest Requirements on the Definitive Bond, commencing with the Fiscal Year ending June 30, 2011.

3.10. Application of Proceeds. All of the proceeds of the Series 2011 Note shall be deposited in the Construction Account established in and pursuant to Section 6.02 hereof and used solely to defray expenses of the 2011 Project and costs of issuance or to the transfer to the Note Account, created pursuant to Section 6.09 of this Resolution, to the extent necessary, of amounts sufficient for the payment of interest and principal due upon the Series 2011 Note.

Section 4. The Definitive Bond.

4.01. Date, Maturity and Interest. The Definitive Bond to be issued and sold pursuant to this Resolution shall be designated a Water System Revenue Bond, Series 20__ [the series designation to be completed with the calendar year in which the Definitive Bond is issued], shall be in the maximum principal amount of \$2,173,000, shall be one in number, shall be dated as of the date of delivery to and payment therefor by the USDA, and shall bear interest at the rate of three and one-quarter percent (3.250%) per annum. Interest shall be computed on the basis of a 365-day year based on the actual number of days elapsed. Principal of and interest on the Definitive Bond shall be payable in equal amortized monthly installments of \$8,106 commencing on the same date as the date of issuance of the Definitive Bond in the calendar month next succeeding the calendar month containing such date of issuance, but no later than the 28th day of the month, and the final installment being due and payable not later than forty (40) years from the date of issuance of the Definitive Bond. The final payment will be in such lesser or greater amount as is necessary to pay the balance of principal and interest then remaining due. Such installment payments shall be made to the registered holder of the Definitive Bond, at its address as it appears on the Bond Register on the date such principal and interest are payable, or as otherwise provided in Section 4.02, in lawful money of the United States of America.

4.02. Registration. The Definitive Bond shall be fully registered as to both principal and interest and shall be initially registered in the name of and payable to the United States of America acting through Rural Utilities Service, United States Department of Agriculture. While held by the United States of America acting through Rural Utilities Service, United States Department of Agriculture, the address of the registered holder shall be the Office of the Deputy Chief Financial Officer, USDA, at 4300 Goodfellow Boulevard, St. Louis, Missouri 63120, or such other address as the USDA may designate in writing and delivered to the Registrar for the Definitive Bond, and principal of and interest on the Definitive Bond shall be payable at the State Office of the USDA Rural Development, at 2229 Boot Hill Court, Bozeman, Montana 59715, or such other place as may be designated by the USDA in writing and delivered to the Registrar for the Definitive Bond. The Town Clerk-Treasurer and her successors in office shall act as Registrar for the Definitive Bond and as such shall establish and maintain a Bond Register for the purpose of recording the names and addresses of the registered holder or assigns of the

Definitive Bond, and the date of registration. The Town reserves the right to appoint a successor Registrar which may be a financial institution. The Town shall pay all fees and charges of such Registrar for such services.

4.03. Redemption. The Town shall have the right, on any installment payment date to redeem installments of principal of the Definitive Bond, in whole or in part, and if in part, in multiples of \$1,000, at a price equal to the principal amount to be redeemed plus accrued interest without premium; provided, that so long as the Definitive Bond is registered in the name of the United States of America, the Town may redeem all or any portion of the principal on any date without penalty or premium. All such prepayments shall be applied to installments of principal in inverse order of their maturity dates. The Town Clerk-Treasurer shall, at least 30 days prior to the designated redemption date, cause notice of the redemption to be mailed to the registered holder of the Bond at its address as it appears in the bond register described in Section 4.01(b). The Registrar shall enter in the Bond Register the amount and date of each prepayment.

4.04. Assignment and Exchange. The Definitive Bond shall be transferable by the registered owner or its attorney duly authorized in writing upon presentation thereof to the Registrar together with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or its attorney. The following form of assignment shall be sufficient for the purpose:

For value received _____
_____ hereby sells, assigns and transfers unto
_____ the within Bond of the Town of Stevensville,
Montana, and does hereby irrevocably constitute and appoint
_____, Attorney, to transfer said Bond on the books of
said Town with full power of substitution in the premises.

Dated: _____

Registered Owner

Such transfer shall also be noted on the Definitive Bond and in the Bond Register. Upon request of the registered owner or transferee, and upon surrender of any Definitive Bond, the Town shall execute and deliver, and the Registrar shall authenticate, one or more bonds, in an aggregate principal amount (and, if more than one bond is to be issued, in denominations that are multiples of \$1,000, to the extent practicable) equal to the principal amount of the Definitive Bond that then remains unpaid, and maturing at the same time or times as the then unpaid principal installments of the Definitive Bond, and the Definitive Bond shall be promptly cancelled by the Registrar. No service charge shall be made for such transfer or exchange, but the Town may require payment of a sum sufficient to cover any tax, fee or governmental charge or other expense incurred by the Town with respect to such exchange. In the event of a request for the issuance of more than one new bond upon any such exchange, the Town Council shall, by resolution, make such provisions relative to the form of such bonds as shall be deemed necessary or desirable to ensure that the terms of and the security for the indebtedness represented by the Definitive Bond shall not be varied in any material respect by reason of such exchange.

4.05. Execution and Delivery. The Definitive Bond shall be prepared under the direction of the Town Clerk-Treasurer and shall be executed on behalf of the Town by the signature of the Mayor and countersigned by the Town Clerk-Treasurer, and sealed with the official corporate seal of the Town. When the Definitive Bond has been executed, the Town Clerk-Treasurer shall cause it to be dated as of the date of delivery and delivered to the USDA, as the Original Purchaser thereof, upon payment of the purchase price heretofore agreed upon, and the USDA shall not be obligated to see to the application of the purchase price.

4.06. Refinancing. If, at any time it shall appear to the Rural Utilities Service that the Town is able to refinance the principal amount of the Definitive Bond then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources at reasonable rates and terms for loans for similar purposes and periods of time, the Town will, upon request of the USDA, apply for and accept such loan in a sufficient amount to repay the USDA and will take all such action as may be required in connection with such loan.

4.07. Transcript Certification. The officers of the Town are directed to furnish to Bond Counsel and the USDA certified copies of all proceedings and information in their official records relevant to the authorization, sale, execution and issuance of the Definitive 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 Definitive Bond, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations and recitals of the Town as to the correctness of all facts stated therein and the completion of all proceedings stated therein to have been taken.

4.08. Form of Definitive Bond. The Definitive Bond shall be prepared in substantially the form attached as Exhibit B to this Resolution, which is hereby incorporated herein and made a part hereof, with such appropriate variations, omissions and insertions as are permitted or required by this Resolution.

4.09. Appropriation of Definitive Bond Proceeds. The proceeds of the Definitive Bond are appropriated to the Note Account to the extent required to pay principal of and interest on the Series 2011 Note and otherwise to the Construction Account in the Water System Fund and applied to the costs of the 2011 Project, including costs of issuance of the Definitive Bond.

Section 5. Additional Obligations.

5.01. General Provisions. In addition to the Definitive Bond, whose issuance and delivery is provided for in Section 4, Additional Bonds may at any time and from time to time be issued, sold and delivered by the Town but only upon compliance with the conditions of this Section and upon filing with the Town Clerk-Treasurer of the following:

A. A Supplemental Resolution creating the designated series of Additional Bonds and authorizing the issuance and the sale thereof to the Original Purchaser or Purchasers named therein for the purchase price set forth therein;

B. An Opinion of Bond Counsel stating in effect:

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

(2) that the series of Additional Bonds when issued and delivered by the Town will be valid and binding special, limited obligations of the Town in accordance with their terms and this Resolution and entitled to the benefits of and secured by this Resolution; and

(3) 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.

C. A certificate signed by the Mayor and Town Clerk-Treasurer stating that the Town is not then in default under this Resolution and that on the date of issuance of such Additional Bonds the balance in the Reserve Account equals the Reserve Requirement, or the Town has provided for increasing the balance in the Reserve Account to the Reserve Requirement upon the issuance of such Additional Bonds, calculated assuming the issuance of such Additional Bonds, within 36 months after the date of issuance of the Additional Bonds in not less than equal monthly installments.

D. If the Additional Bonds are issued to pay the costs of completing the 2011 Project which may not be paid from any other sources, a certificate signed by the Mayor and the Town Clerk-Treasurer to that effect.

E. If the Additional Bonds are issued to finance a Project other than the 2011 Project, (i) if the Definitive Bond is then Outstanding, the written consent of the USDA, if it is the Holder of the Definitive Bond, is obtained; and (ii) a certificate or report from an Independent Accountant or engineer (hereinafter, the "Independent Consultant") stating that the Net Revenues in the Fiscal Year immediately preceding the issuance of such Additional Bonds were at least equal to 110% of the maximum Principal and Interest Requirements for any future Fiscal Year (during the term of the then Outstanding Bonds) with respect to the Outstanding Bonds and the Additional Bonds proposed to be issued; provided, however, that the requirements of clause (ii) hereof may be waived or modified by the Holders of not less than 75% in principal amount of the then Outstanding Bonds. For purposes of the preceding sentence, if the Town has increased the rates, fees, charges and rentals for the benefit and availability of the System and such rates, fees and charges are in effect at the time of issuance of the Additional Bonds or finally authorized to go into effect within 30 days thereafter or if the Town has extended the System to serve additional ratepayers since the beginning of the preceding Fiscal Year, the Independent Consultant may adjust the historical Net Revenues of the System for the preceding Fiscal Year to include Net Revenues which, in the opinion of the Independent Consultant would have been received had such increased rates, fees, charges and rentals been in effect during the entire preceding Fiscal Year or had such extension of the System been placed in service at the beginning of the preceding Fiscal Year. In addition, if the Independent Consultant determines that additional Operating Expenses will be incurred because of the proposed Project, the annual additional Operating Expenses shall be added to the Operating Expenses for the preceding Fiscal Year in determining Net Revenues for purposes of the first sentence of this paragraph.

F. If the Additional Bonds are issued to refund any one or more Bonds then Outstanding, there is to be filed with the Town Clerk-Treasurer:

(1) (i) either (a) a report of an Independent Accountant to the effect that (a) the proceeds (excluding accrued interest but including any premium) of the Additional Bonds plus any money available and to be withdrawn from the Debt Service Account or the Reserve Account for such purpose, will not be less than an amount sufficient to pay the principal of and redemption 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 (b) 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, any redemption premium and interest; or

(ii) if the Supplemental Resolution authorizing the issuance of the refunding Bonds provides for the creation of an escrow account with a bank qualified by law as an escrow agent for this purpose and provides that amounts in such escrow fund are pledged only to and may be used only for the payment of the principal of, if any, or interest on the Additional Bonds until the first optional redemption date of the Outstanding Bonds to be refunded at which time such amounts must be transferred to the Debt Service Account and used to pay the principal of and premium, if any, on the Outstanding Bonds to be refunded, a report of an Independent Accountant to the effect that the proceeds of such Additional Bonds to be deposited in such escrow account are in an amount sufficient to pay the principal, if any, and interest on the Additional Bonds payable until the first optional redemption date of the Outstanding Bonds to be refunded and to pay the principal of and premium, if any, on all Outstanding Bonds to be refunded on such date; and

(2) (x) if the Principal and Interest Requirements of the Additional Bonds exceed in any Fiscal Year by more than 5% the Principal and Interest Requirements of the Outstanding Bonds to be refunded, (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 be refunded, or (z) if the Definitive Bond would remain Outstanding after the issuance of the Additional Bonds, the consent of the Holder of the Definitive Bond, and a certificate or report of an Independent Consultant as would be required under the preceding paragraph E of this Section.

Section 5.02. Additional Notes. In addition to the Series 2011 Note, the Town may from time to time issue Additional Notes in anticipation of the issuance of Additional Bonds subject to the following conditions:

(a) the Additional Bonds in anticipation of which the Notes are issued, assuming a maximum rate of interest on such Bonds, shall be authorized to be issued under Section 5.01,

(b) the payment of interest on the Notes from the Net Revenues shall be subordinated to Outstanding Bonds and the principal of the Notes shall be payable solely from the proceeds of

the Additional Bonds, unless the Town is unable to sell the Additional Bonds, in which case the Notes shall be exchanged, at the option of the Holders of the Notes, for the Additional Bonds on a par-for-par basis at an interest rate equal to the maximum rate assumed in subsection (a) of this Section 5.02, and

(c) the Notes shall have Stated Maturities within three years after their date of issue.

The Town reserves the right to issue Additional Notes from time to time to pay the principal of or interest on Outstanding Notes.

Section 5.03. Subordinate Lien Obligations. Notwithstanding the foregoing provisions of this Section 5, nothing contained in this Resolution, the Series 2011 Note or the Definitive Bond shall be construed to preclude the Town from issuing additional obligations when necessary for the enlargement, improvement or extension of the System without compliance with Section 5.01; provided such additional obligations are expressly made a charge on and are payable only from the Surplus Net Revenues, as defined in Section 6.06, and are subordinate to the Bonds payable from the Debt Service Account and to Outstanding Notes payable from the Note Account and provided further, that if the Definitive Bond is then outstanding, the written consent of the Holder of such bond is obtained; provided, however, no obligations may be issued pursuant to this Section 5.03 if a deficiency exists in the Debt Service Account, the Note Account or the Reserve Account which is not to be restored by the issuance of the subordinate obligations. Any Surplus Net Revenues segregated to pay or secure such subordinate lien obligations in the Water System Fund are subject to the prior appropriation thereof to the Debt Service Account, the Reserve Account, the Note Account or the Rebate Account if necessary to meet the requirements thereof.

Section 6. Water System Fund.

6.01. Proceeds and Revenues Pledged and Appropriated. A special Water System Fund is hereby created and shall be maintained as a separate bookkeeping account on the official books of the Town until all Obligations and interest and redemption premiums due thereon have been fully paid, or the Town's obligations with reference to such Obligations has been discharged as provided in Section 9. All proceeds of Obligations and all other funds presently on hand derived from the operation of the System are irrevocably pledged and appropriated to the Water System Fund. In addition, there is hereby irrevocably pledged and appropriated to the Water System Fund all Revenues. Within the Water System Fund shall be separate accounts designated and described in Sections 6.02 through 6.09, to segregate income and expenses received, paid and accrued for the respective purposes described in those sections. The Revenues received in the Water System Fund shall be apportioned monthly as of the first day of each month, commencing on the first day of the month immediately following the date of closing of the Series 2011 Note.

6.02. Construction Account. The Construction Account is hereby established as a separate account within the Water System Fund. Upon delivery of the Series 2011 Note, the Town shall credit to the Construction Account the proceeds of the Series 2011 Note to be applied to the payment of costs of the 2011 Project, including costs of issuance of the Series 2011 Note. Upon delivery of the Definitive Bond, the Town shall credit to the Construction Account, the

proceeds of the Definitive Bond, if any, in excess of the amounts thereof to be deposited to the Note Account, to be applied to the payment of costs of the 2011 Project, including costs of issuance of the Definitive Bond. The Construction Account shall be used only to pay as incurred and allowed Project costs, which under generally accepted accounting principles are capital costs of Projects authorized in accordance with law, including but not limited to payments due for work and materials performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, interest accruing on Bonds during the period of construction of the Project financed thereby and for six months thereafter, if and to the extent that funds on hand in the Debt Service Account or the Note Account are not sufficient for payment of such interest, reimbursement of any advances made from other Town funds, and all other expenses incurred in connection with the construction and financing of such Projects including the costs of issuance of Bonds and Notes. To the Construction Account shall be credited as received all proceeds of Obligations issued to finance Projects and any other funds appropriated by the Town for an improvement, betterment or extension to the System, and all income received from the investment of the Construction Account. Upon completion of a Project 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 System to the extent permitted by the Act but if and to the extent not so used shall be transferred to the Reserve Account to the extent required to establish the Reserve Requirement therein and, to the extent not so required, to the Debt Service Account. Upon completion of a Project for which Note proceeds have been credited to the Construction Account, the balance of such Note proceeds remaining in the Construction Account may be used to pay the cost of other capital improvements to the System to the extent permitted by the Act and the Resolution but if and to the extent not so used shall be transferred to the Note Account.

6.03. Operating Account. The Operating Account is hereby established as a separate account within the Water System Fund. As of each monthly apportionment there shall be set aside and credited to the Operating Account, as a first charge on the Revenues, such amount as may be required over and above the balance then held in the Operating Account to pay the reasonable and necessary Operating Expenses of the System which are then due and payable, or are to be paid prior to the next monthly apportionment. Operating Expenses shall not include any allowance for interest expense or depreciation, renewals or replacements of capital assets of the System and shall not include any portion of the salaries or wages paid to any officer or employee of the Town, except such portion as shall represent reasonable compensation for the performance of duties necessary to the operation of the System. An operating reserve within the Operating Account is to be accumulated and maintained in an amount equal to the average monthly Operating Expenses for the preceding Fiscal Year or for another period selected by the Council, not less than six consecutive months of the preceding eighteen months. Money in the Operating Account shall be used solely for the payment of current Operating Expenses of the System.

6.04. Debt Service Account. The Debt Service Account is hereby established as a separate account within the Water System Fund. As of each monthly apportionment there shall be credited to the Debt Service Account out of the Net Revenues remaining after the credit to the Operating Account an amount equal to the principal of and interest on the Definitive Bond and any Additional Bonds Outstanding that are payable monthly payable on the next succeeding

installment payment date and, if Additional Bonds are Outstanding that are payable semi-annually, an amount equal to not less than one-sixth of the interest due within the next six months on all such Additional Bonds then Outstanding and one-twelfth of the principal, if any, to become due within the next twelve months on all such Additional Outstanding Bonds; provided that the Town shall be entitled to reduce a monthly apportionment by the amount of any surplus previously credited and then on hand in the Debt Service Account. Money from time to time held in the Debt Service Account shall be disbursed only to meet payments of principal of and interest on the Bonds as such payments become due; provided that on any date when the amount then on hand in the Debt Service Account, plus the amount in the Reserve Account allocable to a series of Bonds, are sufficient with other moneys available for the purpose to pay or discharge all Bonds of that series and the interest accrued thereon in full, they may be used for that purpose. If any payment of principal or interest becomes due when money in the Debt Service Account is temporarily insufficient therefor, such payment shall be advanced from the Debt Service Account from transfers thereto of available funds then on hand in the Reserve Account, the Repair and Replacement Account or the Surplus Account, in that order.

6.05. Reserve Account. The Reserve Account is hereby established as a separate account within the Water System Fund. Subject to any additional funding requirements resulting from the issuance of any Additional Bonds, commencing with the monthly amortization payments under Section 4.01 with regard to the Definitive Bond and simultaneously therewith throughout the first ten years of such payments, and in addition to and from the Net Revenues remaining after each monthly credit to the Debt Service Account required by Section 6.04, the Town shall credit to the Reserve Account in regards to the Definitive Bond a minimum of \$811 per month (or, in the event less than the total principal amount of the Definitive Bond is advanced, such lesser amount as will be necessary to total the initial Reserve Requirement in 120 equal monthly installments) to accumulate over such period in respect of the Definitive Bond a balance in the Reserve Account equal to \$97,272 (the initial Reserve Requirement for the Definitive Bond assuming all of the principal amount of the Definitive Bond is advanced) or such lesser amount to equal the initial Reserve Requirement on the total principal amount of the Definitive Bond advanced. Thereafter, upon each monthly apportionment, if the balance in the Reserve Account is less than the Reserve Requirement, all Net Revenues in the Water System Fund remaining after the required credit to the Debt Service Account shall be credited to the Reserve Account until the balance therein equals the Reserve Requirement. If the monthly credit of \$811 would cause the Reserve Requirement to be exceeded, such monthly credit shall not be required to be made, unless and until the balance in the Reserve Account should be less than the Reserve Requirement, in which case, the Town shall cause the amount in the Reserve Account to equal the Reserve Requirement as soon as practicable and in any event shall resume depositing \$811 per month into the Reserve Account until the Reserve Requirement is satisfied.

If on any Interest Payment Date or Principal Payment Date there shall exist a deficiency in the Debt Service Account, the Town shall immediately transfer from the Reserve Account to the Debt Service Account an amount equal to such deficiency.

If the Town issues Additional Bonds the Town shall, upon issuance of the Additional Bonds or within 36 months thereafter, in not less than equal monthly installments, from the Net Revenues remaining after the apportionment to the Debt Service Account, increase the balance in

the Reserve Account to the Reserve Requirement, calculated after giving effect to the issuance of such Additional Bonds.

Except as provided in Section 6.08, money held in the Reserve Account shall be used only to pay maturing principal and interest when money in the Debt Service Account is insufficient therefor or to pay or defease a series of Bonds as provided in Section 6.04.

If at any time (including, but not limited to, any Principal Payment Date and any Redemption Date), the balance in the Reserve Account exceeds the Reserve Requirement, the Town shall transfer such excess to the Debt Service Account to meet the requirements thereof or to the Repair and Replacement Account.

6.06. Repair and Replacement Account. The Repair and Replacement Account is hereby established as a separate account within the Water System Fund. As of each monthly apportionment, there shall be credited to the Repair and Replacement Account such portion of the Net Revenues, in excess of the current requirements of the Debt Service Account, the Reserve Account, and the Note Account (which portion of the Revenues is referred to herein as "Surplus Net Revenues"), as the Town shall determine to be required for replacement or renewal of worn out, obsolete or damaged properties and equipment of the System, provided, however, that if the Definitive Bond is Outstanding and if the balance in the Reserve Account equals the maximum Reserve Requirement and the Town is otherwise in compliance with its covenants herein, the amount in excess of the Reserve Requirement, to the extent not credited to the Debt Service Account as provided in the last paragraph of Section 6.05, will be placed in the Repair and Replacement Account or the Surplus Account. The Town hereby establishes a subaccount in the Repair and Replacement Account denominated the Short-Lived Asset Replacement Reserve Subaccount. Commencing on the date that is one month following the date of issuance of the Series 2011 Bond and monthly thereafter throughout the ensuing years, the Town shall deposit in the Short-Lived Asset Replacement Reserve Subaccount from Surplus Net Revenues \$1,395 per month until the amount accumulated therein is ultimately equal to \$169,000 or as adjusted for inflation. Money in the Short-Lived Asset Replacement Reserve Subaccount is to be used for the replacement of Short-Lived Assets, but may be applied to pay and discharge the Definitive Bond, together with other available funds of the Town, if the amount therein is then sufficient to pay and discharge the Definitive Bond in full. Once the balance in the Short-Lived Asset Replacement Reserve Subaccount has accumulated to \$169,000, if the balance therein drops below \$169,000, Surplus Net Revenues will be credited to the Short-Lived Asset Replacement Reserve Subaccount in an amount sufficient to cause the balance to equal \$169,000 as soon as reasonably practical; provided that the Town shall not be required to fund such subaccount more rapidly than \$1,395 per month. Money in the Repair and Replacement Account shall be used only for the purposes above stated or, but only if the above requirements of the Repair and Replacement Account are satisfied, including those relating to funding the Short-Lived Asset Replacement Reserve Account, and if so directed by the Council, to pay Operating Expenses, to redeem Obligations which are prepayable according to their terms, to pay principal or interest when due thereon as required in Section 6.04 or Section 6.09, to pay the cost of improvements to the System, to be transferred to the Rebate Account as provided in Section 6.08 or to be transferred to the Surplus Account; provided that in the event construction and installation of additional improvements or additions to the System are financed other than from Obligations, so long as the amounts required are on deposit in the Short-Lived Asset Replacement Reserve

Subaccount, Surplus Net Revenues from time to time received may be segregated and paid into one or more separate and additional accounts for the repayment of such indebtedness and interest thereon, in advance of payments required to be made into the Repair and Replacement Account; and provided further that amounts in the Short-Lived Asset Replacement Reserve Subaccount may be used only for the replacement of Short-Lived Assets or to discharge the Definitive Bond as stated above.

6.07. Surplus Account. The Surplus Account is hereby established as a separate account within the Water System Fund. Any amount of the Surplus Net Revenues from time to time remaining after the applications thereof required by Sections 6.03 to 6.06 and 6.09 shall be credited to the Surplus Account, and the moneys from time to time in that account, when not required to restore a current deficiency in the Debt Service Account, the Reserve Account, the Short-Lived Asset Replacement Reserve Subaccount, or the Note Account as provided in Sections 6.04, 6.05, 6.06, and 6.09, may be used for any of the following purposes and not otherwise:

- (a) To redeem Obligations when and as such Obligations become payable according to their terms; or
- (b) To purchase Obligations on the open market, whether or not the Obligations or other such Obligations may then be prepayable according to their terms; or
- (c) To be held as a reserve for redemption of Obligations payable from the Net Revenues which are not then but will later be prepayable according to their terms; or
- (d) To pay for repairs of or for the construction and installation of improvements or additions to the System; or
- (e) To pay Operating Expenses and to restore the operating reserve or increase the same when determined to be necessary by the Council;
- (f) To pay principal of or interest on, or to redeem, subordinate lien obligations issued under Section 5.03; or
- (g) To be transferred to the Rebate Account as provided in Section 6.08 to meet the requirements thereof.

Except as provided in Section 6.10, no money shall at any time be transferred from the Surplus Account or any other account of the Water System Fund to any other fund of the Town, nor shall such moneys at any time be loaned to other Town funds or invested in warrants, special improvement bonds or other obligations payable from other funds.

6.08. Rebate Account. The Rebate Account is hereby established as a separate account within the Water System Fund. The Town shall make deposits to and disbursements from the Rebate Account pursuant to the Rebate Certificate, and for such purposes may make transfers, in the following order of priority, from the Surplus Account, the Repair and Replacement Account and the Reserve Account, as necessary, to meet the requirements of the Rebate Account. The Town shall invest the Rebate Account in accordance with the provisions of the Rebate Certificate

and shall deposit income from such investments immediately upon receipt thereof in the Rebate Account.

6.09. Note Account. There is hereby established in the Water System Fund a separate and special Note Account (the "Note Account"). If a Note is Outstanding, all Net Revenues remaining after the required credits to the Debt Service Account and the Reserve Account pursuant to this Resolution shall be credited to the Note Account. The Town irrevocably appropriates to the Note Account (a) the proceeds of the loans (including with respect to the Series 2011 Note, the Loan) to the extent required to pay the principal of and interest on Notes, as received, (b) the proceeds of definitive water system revenue bonds issued to redeem Notes, including with respect to the Series 2011 Note, the Definitive Bond, and (c) such other money as shall be appropriated to the Note Account from time to time.

Amounts on deposit in the Note Account shall be used solely to pay the principal of and interest on the Series 2011 Note and any Additional Notes made payable therefrom; provided that, except in the case of the Series 2011 Note, if on any date the balance in the Debt Service Account or the Reserve Account is less than then required, an amount equal to such deficiency will be transferred from the Net Revenues and investment income therefrom on deposit in the Note Account. Upon payment or discharge of the Series 2011 Note and upon the making of the credits to the Note Account required in connection with any other Notes made payable therefrom, all surplus funds therein shall be transferred to the Surplus Account. Until the Series 2011 Note and interest thereon have been paid or discharged, no credits shall be made to the Surplus Account.

6.10. Deposit and Investment of Funds. The Town Clerk-Treasurer shall cause all money pertaining to the Water System Fund to be deposited as received with one or more depository banks duly qualified in accordance with the provisions of Montana Code Annotated, Section 7-6-201, as amended, in a deposit account or accounts. The balance in such accounts, except 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 of the types set forth in said Section 7-6-206. No money shall at any time be withdrawn from such deposit accounts except for the purposes of the Water System Fund as defined and authorized in this Resolution; except that money from time to time on hand in the Water System Fund may at any time, in the discretion of the Council, be invested in securities which are direct, general obligations of, or obligations the prompt payment of the principal of and the interest on which is fully and unconditionally guaranteed by, the United States of America, which investments mature and bear interest at the times and in the amounts estimated to be required to provide cash when needed for the purposes of the respective accounts; provided that moneys on deposit in the Reserve Account, the Repair and Replacement Account and the Surplus Account may be invested in any such securities, but such securities shall be valued annually at their market value, and if the value of such securities, plus cash, on hand in the Reserve Account, is less than the Reserve Requirement, the balance therein shall be restored to that amount from any Surplus Net Revenues then on hand in the Surplus Account or the Repair and Replacement Account or from the next Surplus Net Revenues thereafter received. Except as otherwise expressly provided herein, income received from the deposit or investment of money in said accounts shall be credited to the account from which the deposit was made or the investment was purchased, and handled and accounted for in the same manner as other money in that account.

Section 7. Covenants.

7.01. General. The Town covenants and agrees with the Holders from time to time of all Obligations that the recitals contained in Sections 1.04, 1.05, 1.06, 1.07 and 1.08 are correct; and that until all Obligations are fully discharged as provided in this Resolution, it will continue to hold, maintain and operate the System as a public 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 Water System Fund and the several accounts therein as provided in Section 6, and will not incur a further lien or charge on the income or revenues of the System except upon the conditions and in the manner prescribed in Section 6, and will perform and cause all officers and employees of the Town to perform and enforce each and all of the additional covenants and agreements set forth in this Section 7. The Town further covenants to cause the System to be properly maintained.

7.02. Competing Service. The Town will not establish or enfranchise any other facilities in competition with the facilities of the System.

7.03. Property Insurance. The Town will cause all buildings, properties, fixtures and equipment constituting a part of the System to be kept insured with a reputable insurance carrier or carriers, qualified under the laws of the State, in such amounts as are ordinarily carried, and against loss or damage by such hazards and risks as are ordinarily insured against, by public bodies owning and operating properties of a similar character and size; provided that if at any time the Town is unable to obtain 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 or reconstruction of damaged or destroyed property, and until paid out in making good such loss or damage, are pledged as security for the Outstanding Obligations. 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 Water System Fund. If for any reason insurance proceeds are insufficient for the repair, replacement and reconstruction of the insured property, the Town shall supply the deficiency from revenues on hand in the Repair and Replacement Account and the Surplus Account.

7.04. Liability Insurance and Surety Bonds. The Town will carry insurance against liability of the Town and its employees for injuries to persons (including death) and damage to property resulting from the construction, operation, maintenance, improvement or extension of the System in amounts not less than \$300,000 for death of or personal injury to any one person, \$1,000,000 for all personal injuries and deaths resulting from any one accident and \$300,000 for property damage in any one accident. It will also cause all persons handling money and other assets of the Fund to be adequately bonded for the faithful performance of their duties and to account for and pay over such money to the Town. Such bond shall be in the penal sum of \$10,000 or such greater amount as may from time to time be on hand in the Debt Service Account and Repair, the Reserve Account, and Replacement Account and the USDA shall be named a co-obligee thereunder to the extent permitted under the Town's insurance and bonding policies. 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 7.04 and Section 7.03 constitute part of the Operating Expenses of the System, but no insurance liabilities of the Town in excess of amounts received under such insurance and

bonds shall constitute a lien or charge on revenues or any other assets herein or otherwise pledged to the Water System Fund.

7.05. Disposition of Property. The Town will not mortgage, lease, sell or otherwise dispose of any real or personal properties of the System, unless:

(a) Prior to or simultaneous with such mortgage, lease, sale or other disposition, all of the Obligations then Outstanding shall be discharged as provided in Section 9; or

(b)(i) The properties to be mortgaged, leased, sold or otherwise disposed of are unserviceable, inadequate, obsolete or no longer required for use in connection with the System; and

(ii) the mortgage, lease, sale or other disposition will not prevent the Town from complying with the provisions of this Resolution; and

(iii) all proceeds of the mortgage, lease, sale or other disposition of such properties are deposited into the Water System Fund.

7.06. Books and Records. The Town 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 System, the Net Revenues derived from its operation, and the segregation and application of the Net Revenues in accordance with this Resolution, in such reasonable detail as may be determined by the Town in accordance with generally accepted accounting practice and principles. It will cause such books to be maintained on the basis of a Fiscal Year. The Town shall, within 270 days after the close of each Fiscal Year, cause to be prepared and supply to the Original Purchasers of all series of Obligations then Outstanding and the Registrar a financial report with respect to the System for such Fiscal Year. The report shall be prepared at the direction of the Town Clerk-Treasurer in accordance with applicable generally accepted accounting principles applicable to governmental entities and, in addition to whatever matters may be thought proper by the Town Clerk-Treasurer to be included therein, shall include the following:

(a) A statement in detail of the income and expenditures of the System for the Fiscal Year, identifying capital expenditures and separating them from operating expenditures;

(b) A balance sheet as of the end of the Fiscal Year;

(c) The amount on hand in each account of the Water System Fund at the end of the Fiscal Year;

(d) A list of the insurance policies and fidelity bonds in force at the end of the Fiscal Year, setting out as to each the amount thereof, the risks covered thereby, the name of the insurer or surety and the expiration date of the policy or bond; and

(e) A determination that the report shows full compliance by the Town with the provisions of this Resolution during the Fiscal Year covered thereby, including proper segregation of the capital expenditures from Operating Expenses, maintenance of the Reserve

Requirement in the Reserve Account, and receipt of Revenues during each Fiscal Year as herein required, or, if the report should reveal that the Net Revenues have been insufficient for compliance with this Resolution, or that the methods used in accounting for such revenues were contrary to any provision of this Resolution, the report shall include a full explanation thereof, together with recommendations for such change in rates or accounting practices or in the operation of the System as may be required.

The Town shall also have prepared and supplied to the Original Purchasers of all series of Obligations then Outstanding and all Bond Registrars and Note Registrars, at the time and in accordance with the provisions of Title 2, Chapter 7, Part 5, as amended, an audit report prepared by an Independent Accountant or an agency of the State of Montana in accordance with generally accepted accounting principles and practice with respect to the financial statements and records of the System and if Outstanding Obligations are held by the USDA or another agency or instrumentality of the United States of America, in accordance with the following requirements of this paragraph. The audit report shall include an analysis of the Town's compliance with the provisions of this Resolution. So long as any Outstanding Obligation is held by the USDA or another agency or instrumentality of the United States of America, the audit must be completed and submitted to such Original Purchaser or Purchasers and all Bond Registrars and Note Registrars in accordance with the requirements of the Office of Management and Budget, as then in effect, which currently means that in the event an audit needs to comply with Generally Accepted Government Auditing Standards, it shall be completed and submitted by the date that is 150 days after the end of each Fiscal Year, and in the event Circular No. A-133 controls, the audit shall be completed and submitted by the date that is 270 days after the end of the Fiscal Year. In the event Obligations are Outstanding and none of such Obligations are held by the USDA or an agency or instrumentality of the United States of America, the audit report shall be completed and submitted to the Purchasers and Registrars within one year after the end of each Fiscal Year.

In addition, the Town shall, so long as the Definitive Bond is Outstanding and the USDA is the holder thereof, prior to the beginning of each Fiscal Year submit to the USDA a proposed budget for the ensuing Fiscal Year and shall also submit to the USDA a quarterly income and expense statement for three complete years after completion of the 2011 Project.

7.07. Cost of Insurance and Accounting. The insurance and fidelity bond premiums and the cost of the bookkeeping and audits herein provided for and of the billings and collection of the Revenues shall be payable from the Operating Account.

7.08. Handling of Funds. The employees of the Town, under the direction and control of the Town Clerk-Treasurer, shall keep books of account and collect the rates, charges and rentals for the services and facilities provided by the System and for other money currently receivable on account thereof. All money collected with respect to the System shall be deposited daily with the Town Clerk-Treasurer. The Town Clerk-Treasurer shall be bonded at all times with a surety company authorized to do business in the State, in the amount of at least \$5,000, to assure the faithful carrying out of such duties. Any failure on the part of the Town Clerk-Treasurer to comply and to enforce compliance on the part of all officers and employees concerned with the provisions of this Resolution, and with the Town's other regulations respecting the System, shall

constitute malfeasance for which the Town Clerk-Treasurer and the surety on his bond shall be personally liable.

7.09. Rates and Charges. While any Obligations are Outstanding and unpaid, the rates, charges and rentals for all services and facilities furnished and made available by the System to the Town and its inhabitants, and to all customers within or without the boundaries of the Town, shall be reasonable and just, taking into consideration the cost and value of the System and the cost of maintaining and operating them, and the amounts necessary for the payment of all Obligations and the interest accruing thereon, and the proper and necessary allowances for the depreciation of the System, and no free service shall be provided to any person or corporation. It is covenanted and agreed that the rates, charges and rentals to be charged to all recipients of water services shall be maintained and shall be revised, whenever and as often as may be necessary, according to schedules such that the revenues for each Fiscal Year will be at least sufficient to pay the current expenses of operation and maintenance as herein defined, to maintain the operating reserve herein established, to produce Net Revenues during each Fiscal Year, not less than 110% of the maximum Principal and Interest Requirements on the Bonds, commencing with the Fiscal Year ending June 30, 2011, and to accumulate the amounts required in the Short-Lived Asset Replacement Reserve Subaccount.

If at the close of any Fiscal Year the Net Revenues actually received during such year have been less than required hereby, the Town will forthwith prepare a schedule of altered rates, charges and rentals which are just and equitable and sufficient to produce Net Revenues and Surplus Net Revenues in such amount, and will do all things necessary to the end that such schedule will be placed in operation at the earliest possible date.

The establishment of the above ratio of Net Revenues available for the Debt Service Account is deemed necessary for the issuance of the Definitive Bond upon terms most advantageous to the Town. The excess of the Net Revenues over the annual principal and interest and reserve requirements of the Definitive Bond may be used as authorized in Section 6 of this Resolution.

7.10. Billing. The charges for water services shall be billed at least monthly, and if the bill is not paid within 10 days of the date of billing, or if the customer fails to comply with all rules and regulations established for the System within 30 days after notice of violation thereof (which notice shall be given promptly upon discovery of any such violation), the water service to the premises involved shall be discontinued and shall not be resumed until payment of all past-due bills for water service and compliance with all such rules and regulations.

7.11. Appointment of Superintendent. In the event of default on the part of the Town in the prompt and full payment of principal of or interest on any Obligation, or in the keeping of any covenants herein contained, and if such default shall continue for a period of sixty (60) days, the Council will appoint a special superintendent for the System, with the power and responsibility to operate the System for the Town and to recommend to the Council such revisions of the rates and charges and operating policies as may be necessary to comply with this Resolution, and to assure that the Revenues will be sufficient to pay all principal of and interest on Obligations, and he shall in all things so operate the System as to comply fully with all the requirements and provisions of this Resolution. The right of the Holders of the Obligations to

require employment of such a superintendent shall not be exclusive, and in the event of default as herein outlined, such Holders shall have the right to proceed at law or in equity, in any form of action which shall to them seem appropriate.

7.12. Remedies. The Holders of not less than 25% in principal amount of the Outstanding Obligations shall have the right, either at law or in equity, through suit, action or other proceedings, to protect and enforce the rights of all Holders of such Obligations and to compel the performance of any and all of the covenants required herein to be performed by the Town, and its officers and employees, including but not limited to the fixing and maintaining of rates, fees and charges and the collection and proper segregation of Revenues and the application and use thereof. The Holders of a majority in principal amount of Outstanding Obligations shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Holders of the Obligations or the exercise of any power conferred on them and the right to waive a default in the performance of any such covenant, and its consequences, except a default in the payment of the principal of or interest on any Obligation when due. Nothing herein, however, shall impair the absolute and unconditional right of the Holder of each Obligation to receive payment of the principal of, premium, if any, and interest on such Obligation as such principal, premium and interest respectively become due, and to institute suit for any such payment. Any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Town with power to charge and collect rates, fees and charges sufficient to provide for the payment of any Obligations, and to apply the Revenues in conformity with this Resolution and the laws of the State.

7.13. Future System Improvements. If at any time the Definitive Bond are Outstanding, the Town plans to make improvements or modifications to the System, such improvements or modifications, regardless of the source of funding therefor, shall be subject to review and approval by USDA. The Town shall be responsible for the timely submission of preliminary plans to USDA. USDA approval is based upon consideration of economics, technical feasibility, direct and indirect impacts to the human environment and natural resources, including water quality, floodplains, wetlands and important farmlands.

Section 8. Supplemental Resolutions.

8.01. General. The Town reserves the right to adopt Supplemental Resolutions 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 Town may deem necessary or desirable and not inconsistent with this Resolution, and which shall not adversely affect the interests of the Holders of Outstanding Obligations, or for the purpose of adding to the covenants and agreements herein contained, or to the Revenues herein pledged, other covenants and agreements thereafter to be observed and additional revenues or income thereafter appropriated to the Water System Fund, or for the purpose of surrendering any right or power herein reserved to or conferred upon the Town, or for the purpose of authorizing the creation and issuance of a series of Additional Bonds or Notes or subordinate lien obligations, as provided in and subject to the conditions and requirements of Section 5. Any such Supplemental Resolution may be adopted without notice to or the consent of the Holder of any of the Obligations issued hereunder.

8.02. Consent of Holders. With the consent of the Holders of Obligations issued hereunder as provided in Sections 8.03 and 8.04, the Town 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 Holders of all Obligations issued hereunder which are then Outstanding and affected thereby, if it would extend the time of payment of interest thereon or principal thereof, would reduce the interest rate thereon or the amount of the principal or the redemption price thereof, would give to any Bond or Bonds any privileges over any other Bond or Bonds, would give to any Note or Notes any privileges over any other Note or Notes, would reduce the sources of revenues or income appropriated to the Water System Fund, or would reduce the percentage in principal amount of such Obligations required to authorize or consent to any such Supplemental Resolution.

8.03. Notice. Notice of the Supplemental Resolution to be adopted pursuant to Section 8.02 shall be mailed by first-class mail to the Holders of all Outstanding Obligations at their addresses appearing in the Bond Register or Note Register, as the case may be, and shall become effective only upon the filing of written consents with the Town Clerk-Treasurer, signed by the Holders of not less than a majority in principal amount of the Obligations then Outstanding and 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 Holders in person or by agent duly appointed in writing, and shall become effective when delivered to the Town Clerk-Treasurer. Any consent by the Holder of any Obligation shall bind him and every future Holder of the same Obligation with respect to any Supplemental Resolution adopted by the Town pursuant to such consent; provided that any Holder may revoke his consent with reference to any Obligation by written notice received by the Town Clerk-Treasurer before the Supplemental Resolution has become effective. In the event that unrevoked consents of the Holders of the required amount of Obligations have not been received by the Town Clerk-Treasurer within one year after the mailing of notice of the Supplemental Resolution, the Supplemental Resolution and all consents theretofore received shall be of no further force and effect.

8.04. Manner of Consent. Proof of the execution of any consent, or of a writing appointing any agent to execute the same, or of the ownership by any Person of Obligations shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the Town if made in the manner provided in this Section 8.04. The fact and date of the execution by any Person of any such consent or appointment 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 acknowledgment 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 Town may deem sufficient; but the Town may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable. The ownership of Bonds shall be proved by the Bond Register and the ownership of Notes shall be proved by the Note Register.

Section 9. Defeasance.

9.01. General. When the liability of the Town on all Obligations issued under and secured by this Resolution and all interest thereon has been discharged as provided in this Section 9, all pledges, covenants and other rights granted by this Resolution to the Holders of such Obligations shall cease, other than to the payment of such Obligations from money segregated for such purpose. The Town may also discharge its liability with respect to one or more Obligations in accordance with this Section 9.

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

9.03. Prepayment. The Town may also discharge its obligations with respect to any prepayable Obligations called for redemption on any date when they are prepayable according to their terms, by depositing with the Registrar therefor on or before the Redemption Date a sum sufficient for the payment thereof in full; provided that notice of the redemption thereof has been duly given as provided in this Resolution or any Supplemental Resolution relating thereto.

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

No defeasance may be made pursuant to this Section 9.04 with respect to any Bond registered in the name of the United States of America. No defeasance shall be made pursuant to this Section 9.04 unless there has first been presented to the escrow agent a written opinion of nationally recognized bond counsel to the effect that such defeasance shall not cause the interest on any outstanding Obligations to be included in the gross income of the holders thereof for federal income tax purposes.

Section 10. Tax Matters relating to the Series 2011 Note and the Definitive Bond.

10.01. Use of System. The 2011 Project is and will be owned and operated by the Town and used by the Town to provide water services to members of the general public as part of the System. No user of the System is granted any concession, license or special arrangement with respect to the System or any part thereof. The Town shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the 2011 Project or the System or security for the payment of the Series 2011 Note or the Definitive Bond which might cause either the Series 2011 Note or the Definitive Bond to be considered a “private activity bond” or a “private loan bond” within the meaning of Section 141 of the Code.

10.02. General Covenant. The Town covenants and agrees with the owners from time to time of the Obligations 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 2011 Note or the Definitive Bond to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations (the "Regulations"), and covenants to take any and all actions within its powers to ensure that the interest on the Definitive Bond will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

10.03. Certification as to Expectations. The Mayor and the Town Clerk-Treasurer, being the officers of the Town charged with the responsibility for issuing the Series 2011 Note and the Definitive Bond pursuant to this Resolution, are authorized and directed to execute and deliver to the Original Purchaser thereof a certificate in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(b) of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the respective dates of issue and delivery of the Series 2011 Note and the Definitive Bond, it is reasonably expected that the proceeds of thereof will be used in a manner that would not cause the Series 2011 Note or the Definitive Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code and the Regulations.

10.04. Arbitrage Rebate. (a) The Town hereby represents that the Series 2011 Note qualifies for the exception for small governmental units to the arbitrage rebate provisions contained in Section 148(f) of the Code. Specifically, the Town represents:

(1) The 2011 Project is to be used solely by members of the general public and no special concession or contract is or will be granted to any user of the 2011 Project.

(2) Substantially all (not less than 95%) of the proceeds of the Series 2011 Note will be used for local governmental activities of the Town.

(3) The aggregate face amount of all "tax-exempt bonds" (including warrants, contracts, leases and other indebtedness, but excluding private activity bonds) issued by the Town and all subordinate entities thereof during 2011 is not reasonably expected to exceed \$5,000,000. To date in 2011, the Town has not issued any such tax-exempt bonds, and in the calendar years 2006 through 2010, the Town did not issue any tax-exempt bonds.

(b) If notwithstanding the provisions of paragraph (a) of this Section 10.04, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Series 2011 Note, the Town hereby covenants and agrees to make the determinations, retain records, and rebate to the United States the amounts at the times, required by said Section 148(f).

10.05. Information Reporting. The Town shall file with the Secretary of the Treasury a statement concerning the Series 2011 Note containing the information required by Section 149(e) of the Code.

10.06. Qualified Tax-Exempt Obligation. Pursuant to Section 265(b)(3)(B)(ii) of the Code, the Town hereby designates the Series 2011 Note as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code. The Town has not designated under Section 265(b) any obligations in 2011 other than the Series 2011 Note under Section 265(b)(3). The


Town hereby represents that it does not anticipate that obligations bearing interest not includable in gross income for purposes of federal income taxation under Section 103 of the Code (including refunding obligations as provided in Section 265(b)(3) of the Code and including "qualified 501(c)(3) bonds" but excluding other "private activity bonds," as defined in Sections 141(a) and 145(a) of the Code) will be issued by or on behalf of the Town and all "subordinate entities" of the Town in 2011 in an amount greater than \$10,000,000.

Section 11. Effective Date; Repeals. This Resolution shall become effective upon passage and all provisions of ordinances, resolutions and other actions and proceedings of the Town which are in any way inconsistent with the terms and provisions of this Resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this Resolution.

Passed by the Town Council of the Town of Stevensville, Montana, on this 14th day of March, 2011.



Mayor

Attest: 
Interim Town Clerk-Treasurer

(SEAL)

Town hereby represents that it does not anticipate that obligations bearing interest not includable in gross income for purposes of federal income taxation under Section 103 of the Code (including refunding obligations as provided in Section 265(b)(3) of the Code and including "qualified 501(c)(3) bonds" but excluding other "private activity bonds," as defined in Sections 141(a) and 145(a) of the Code) will be issued by or on behalf of the Town and all "subordinate entities" of the Town in 2011 in an amount greater than \$10,000,000.

Section 11. Effective Date; Repeals. This Resolution shall become effective upon passage and all provisions of ordinances, resolutions and other actions and proceedings of the Town which are in any way inconsistent with the terms and provisions of this Resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this Resolution.

Passed by the Town Council of the Town of Stevensville, Montana, on this 14th day of March, 2011.



Mayor

Attest: _____
Town Clerk-Treasurer

(SEAL)

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF RAVALLI

TOWN OF STEVENSVILLE

WATER SYSTEM REVENUE BOND ANTICIPATION NOTE
SERIES 2011

No. R-1

\$2,173,000.00

<u>Maturity</u>	<u>Date of Original Issue</u>
February 15, 2013	_____, 2011

REGISTERED OWNER: BOARD OF INVESTMENTS OF THE STATE OF MONTANA

PRINCIPAL AMOUNT: TWO MILLION ONE HUNDRED SEVENTY-THREE
THOUSAND AND NO/100 DOLLARS

FOR VALUE RECEIVED, THE TOWN OF STEVENSVILLE, Montana, a municipal corporation and political subdivision of the State of Montana (the "Town"), acknowledges itself to be indebted and hereby promises to pay to the registered owner named above, or registered assigns, but solely out of the Note Account (the "Note Account") in its Water System Fund (the "Fund"), the principal sum equal to the sum of the amounts entered on Schedule A hereto under "Total Amount Advanced," on the maturity date specified above, with interest on such amount as advanced hereunder, at the Variable Rate (as is hereafter defined), until paid or discharged, all subject to the provisions hereof relating to the redemption of this Note before maturity. Interest shall be computed on the basis of the actual number of days in the year. Principal and interest hereon are payable at maturity or upon redemption hereof. Upon presentation and surrender hereof at the office of the Town Clerk-Treasurer in Stevensville, Montana, the interest hereon and the principal hereof are payable in lawful money of the United States of America to the registered owner of this Note as it appears in the Note Register of the Town.

This Note shall bear interest from the date hereof until paid at the Variable Rate, as such may be adjusted from time to time as hereinafter provided. Until the initial Adjustment Date (as hereafter defined), the Variable Rate shall be one and ninety-five hundredths percent (1.95%) per annum. Thereafter, for the Adjustment Period (as hereafter defined), the Variable Rate shall be the rate per annum equal to the interest rate then borne by the Board of Investment's Annual Adjustable Rate Tender Option, Municipal Finance Consolidation Act Bonds (INTERCAP Revolving Program), plus up to one and one-half percent (1.50%) per annum, as certified by the Board of Investments as of the Adjustment Date, but in no event to exceed fifteen percent (15.00%) per annum. If for any reason the interest rate cannot be established as so provided or is

held invalid or unenforceable by a court of law, the interest rate for this Note for the Adjustment Period shall be a rate equal to the largest integral multiple of five hundredths of one percent (0.05%) that is equal to or less than eighty percent (80%) of the average yield, evaluated at par, of United States Treasury obligations with a stated or remaining maturity of one year, as reported in *The Wall Street Journal* (Des Moines Edition) (or, if such paper is no longer published or fails to report such information, in any other financial periodical selected by the U.S. Bank National Association, of Seattle, Washington, and reasonably acceptable to the holders of this Note) on the Adjustment Date or, if the Adjustment Date is not a Business Day, the next preceding Business Day, but in no event to exceed fifteen percent (15.00%) per annum. As used herein, "Adjustment Date" means each February 16 and "Adjustment Period" means the period beginning on an Adjustment Date and ending on the day before the next succeeding Adjustment Date or the final Stated Maturity of this Note, whichever is earlier; provided that if this Note is not paid at its final Stated Maturity, the final Adjustment Period with respect to this Note shall extend until it is paid or provision has been duly made for its payment.

Upon each disbursement of proceeds of this Note, the Holder shall enter the amount advanced on Schedule A attached hereto under "Advances" and the total amount advanced under this Resolution, including such disbursement, under "Total Amount Advanced."

This Note is one in number and comprises all of a duly authorized issue of Notes of the Town (the "Series 2011 Note") issued pursuant to, and in anticipation of the issuance by the Town of its Water System Revenue Bond, Series 20__ (the "Definitive Bond"), evidencing a loan (the "Loan") from the United States of America through Rural Utilities Service, United States Department of Agriculture, authorized to be issued under Resolution No. 270 adopted by the Town Council of the Town on March 14, 2011 (the "Resolution"), to which Resolution, copies of which are on file with the Town, reference is hereby made for a description of the nature and extent of the security for the Series 2011 Note, the conditions under which additional Bonds may be issued on a parity as to payment with the Series 2011 Note or otherwise, the conditions under which the Resolution may be amended and the rights of the Holders of the Series 2011 Note. The Series 2011 Note is issued by the Town for the purpose of providing interim financing for improvements to the Town's municipal water system (the "System") consisting of installing cast in place piping and related improvements.

This Series 2011 Note is issued pursuant to and in full compliance with the Constitution and laws of the State of Montana, particularly Montana Code Annotated, Section 7-7-109, and Title 7, Chapter 7, Parts 44 and 45, as amended (the "Act"), and pursuant to the Resolution. This Series 2011 Note is payable from and secured by a lien on the net revenues of the System (as defined in the Resolution, "Net Revenues") and other revenues and income pledged and appropriated and from time to time credited to the Note Account in the Water System Fund (the "Note Account"), including the proceeds of the Definitive Bond, which the Town has covenanted to issue and sell prior to the maturity of this Note in an amount sufficient, with other funds on hand, to pay the principal hereof and interest hereon.

This Series 2011 Note is not a general obligation of the Town and the Town's general credit and taxing powers are not pledged to the payment of this Series 2011 Note or interest

thereon. This Series 2011 Note does not constitute an indebtedness of the Town within the meaning of any constitutional or statutory provisions.

The Town may redeem on any date, in whole but not in part, the unpaid principal of this Note at a price equal to the principal amount to be redeemed plus interest accrued to the date of redemption, without premium. Notice of any such prepayment will be mailed by the Town not less than 15 days prior to the date specified for payment, to the registered holder of this Note at his address as it appears on the Note Register maintained by the Town Clerk-Treasurer.

The Town has designated this Note as a "qualified tax-exempt obligation" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

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

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

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Montana to be done, to exist, to happen and to be performed precedent to and in the issuance of this Note in order to make it a valid and binding special obligation of the Town according to its terms, have been done, do exist, have happened and have been performed in regular and due time, form and manner as so required; that the Town, in and by the Resolution, has validly made and entered into covenants and agreements with and for the benefit of the Holders from time to time of the Series 2011 Note including covenants that the rates and charges for the System will from time to time be made and kept sufficient to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce in each fiscal year, Net Revenues in excess of such current expenses, equal to at least 110% of the maximum amount of principal and interest payable from the Debt Service Account in any subsequent fiscal year, commencing with the fiscal year ending June 30, 2011; that the Town has received a written commitment for the Loan from the United States of America in an amount equal to \$2,173,000 and has by resolution covenanted to satisfy the conditions of the commitment; that the Town has appropriated to the Note Account the proceeds of the Loan to the extent required to pay principal hereof or interest hereon; that by the Resolution, the Town has covenanted, at or prior to the maturity of this Note, to sell and issue the Definitive Bond, either to the United States of America in evidence of the Loan or otherwise pursuant to the Act and the Resolution in a principal amount so as to provide funds sufficient, together with any money on

deposit in the Note Account and available therefor, to pay in full the principal of and interest on this Note at maturity; that if this Note is not paid in full at maturity, the owner hereof may require the Town to issue, in exchange for this Note, on a par-for-par basis, one or more of such Water System Revenue Bonds amortized in semiannual installments over a ten-year period or fifteen-year period (at the option of the Holder) and bearing interest at a rate equal to the Variable Rate as defined herein; that all provisions for the security of the Holder of this Series 2011 Note set forth in the Resolution will be punctually and faithfully performed as therein stipulated; and that the issuance of this Note does not cause the general or special indebtedness of the Town to exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the Town of Stevensville, Montana, by its Town Council, has caused this Note to be executed on its behalf by the signature of the Mayor, attested by the Town Clerk-Treasurer, sealed with the official corporate seal of the Town, and has caused this Note to be dated as of _____, 2011.

Attest:

Mayor

Town Clerk-Treasurer

(SEAL)

PROVISIONS FOR REGISTRATION OF TRANSFER

The ownership of this Note and of the interest payable hereon may be transferred to a bona fide purchaser only by delivery with an assignment duly executed by the registered owner or his attorney or legal representative, and the Town may treat the registered owner as the person exclusively entitled to receive payments of principal of and interest on this Note and to exercise all the rights and powers of an owner until this Note is presented to the Town Clerk-Treasurer of the Town of Stevensville, accompanied by said assignment and by assurance of the nature provided by law that the same is genuine and effective, and until such transfer is registered on the books of the Town and noted hereon by the Town Clerk-Treasurer.

REGISTER

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

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Town Clerk-Treasurer</u>
_____	Board of Investments 2401 Colonial Dr. P.O. Box 200126 Helena, MT 59620-0126	_____

NO WRITING HEREON EXCEPT BY TOWN CLERK-TREASURER
AS NOTE REGISTRAR

The Town Clerk-Treasurer has transferred on the books of the Town of Stevensville, Ravalli County, Montana, on the date last noted below, to the registered assign noted opposite said date, ownership of the principal amount of and interest on this Note, except the amounts of principal and interest theretofore paid:

<u>Date of Transfer</u>	<u>Registered Assign</u>	<u>Signature of Town Clerk-Treasurer</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

EXHIBIT B

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF RAVALLI

TOWN OF STEVENSVILLE

WATER SYSTEM REVENUE BOND
SERIES 20__

[the series designation to be completed with the calendar year
in which the Bond is issued]

No. R-1

\$2,173,000.00

FOR VALUE RECEIVED, THE TOWN OF STEVENSVILLE (the "Town"), a duly organized municipal corporation of the State of Montana, acknowledges itself to be specially indebted and hereby promises to pay, solely from the Debt Service Account of its Water System Fund, to the United States of America acting through Rural Utilities Service, United States Department of Agriculture, or any successor agency under Public Law 103-354 (the "USDA"), or registered assigns (the "Holder"), the principal sum of TWO MILLION ONE HUNDRED SEVENTY-THREE THOUSAND AND NO/100 DOLLARS (\$2,173,000.00), in installments as set forth below, and to pay interest thereon, solely from the Debt Service Account, at the rate of three and one-quarter percent (3.250%) per annum. Interest shall be computed on the basis of a 365-day year based on the actual number of days elapsed from and after each advance. Principal of and interest on this Bond shall be payable in equal monthly installments in the amount of \$8,106 beginning _____, ____, [thirty-one or thirty days after the date of delivery of the Series 20__ Bond], but no later than the 28th day of the month, and the final installment being due and payable not later than forty (40) years from the date of issuance of the Definitive Bond. The final payment will be in such lesser or greater amount as is necessary to pay the balance of principal and interest then remaining due. The installments of principal and interest are payable at State Office of the USDA Rural Development, at 2229 Boot Hill Court, Bozeman Montana 59715, or such other place as the USDA shall designate in writing, except that in the event that the United States of America has assigned this Bond, the installments of principal and interest are payable to the registered Holder at his address as it appears on the Bond Register of the Town. Principal and interest are payable in any coin or currency of the United States of America which on the respective dates of payment is legal tender for public and private debts.

This Bond is one of an issue of Water System Revenue Bonds, issuable in one or more series from time to time (the "Bonds"), pursuant to Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended (the "Act"), and Resolution No. 270 duly adopted by the Town Council of the Town on March 14, 2011, as amended and supplemented by Resolution No. ____, adopted by the Town Council of the Town on _____, 20__ (as so amended and supplemented, the "Resolution"). This Bond (the "Series 20__ Bond") is issued for the purpose of refinancing a portion of the costs the construction, improvement, extension and rehabilitation of certain improvements (the "Improvements") to the municipal water system of the Town (the

“System”), through the refunding of a valid outstanding Water System Revenue Bond Anticipation Note, Series 2011, issued by the Town in the original principal amount of \$2,173,000 and paying costs of issuance, all pursuant to and in full conformity with the Constitution and laws of the State of Montana and resolutions of the Town thereunto enabling, including the Act and the Resolution, to which Resolution reference is made for the terms and conditions, other than those herein stated, upon which this Bond is issued and secured. The Series 20__ Bond and any additional Bonds issued on a parity therewith under the Resolution are referred to as the “Bonds.” The Bonds, including the interest thereon, are payable solely from the revenues pledged to the payment thereof and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision.

The Town may redeem on any installment payment date, in whole or part and if in part, in multiples of \$1,000, any unpaid principal of this Series 20__ Bond at a price equal to the principal amount to be redeemed plus interest accrued to the date of redemption without premium; provided that while this Series 20__ Bond is registered in the name of the United States of America, the Town may redeem any unpaid principal on any date and in any amount. Notice of any such prepayment will be mailed by the Town not less than 30 days prior to the date specified for payment, to the registered holder of this Series 20__ Bond at his address as it appears on the Bond Register.

The Town has designated this Series 20__ Bond as a “qualified tax-exempt obligation” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

This Series 20__ Bond shall be registered in the name of the Holder on the bond register of the Town kept by the Town Clerk-Treasurer as Bond Registrar. This Series 20__ Bond is transferable by the registered Holder or its attorney duly authorized in writing, upon presentation hereof with a written instrument of transfer satisfactory to the Town and duly executed by the registered holder or its attorney. Such transfer shall be noted on the bond register and on the reverse hereof. The Town will, upon request, issue to the registered Holder or transferee, upon surrender of this Series 20__ Bond, one or more other bonds, in an aggregate principal amount (and, if more than one bond is to be issued, in denominations that are multiples of \$1,000, to the extent practicable) equal to the principal amount of the Definitive Bond that then remains 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 Town with respect to such exchange. The Town may treat the person in whose name this Series 20__ Bond is registered as the absolute owner hereof, whether this Series 20__ Bond is overdue or not, for the purpose of receiving payment of principal and interest and all other purposes, and shall not be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Town will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Water System Fund into which the Revenues (as defined in the Resolution) of the System will be paid, and a separate and special Debt Service Account in that fund, into which will be credited periodically, at least once in each calendar month, Net Revenues of the System then on hand (the Revenues remaining after the payment of Operating

Expenses of the System) an amount not less than the installment next payable on this Series 20__ Bond and any Additional Bonds payable on a monthly basis and, if Additional Bonds are issued that are payable on a semi-annual basis, not less than one-sixth of the interest due on such Outstanding Bonds within the next six months and one-twelfth of the principal on such Outstanding Bonds due within the next twelve months; that it will transfer to the Reserve Account in the Water System Fund monthly out of the remaining Net Revenues a minimum of \$811 per month and such additional amounts as may be necessary to accumulate therein over a period concluding [10 years] ____, 20__, a reserve equal to 100% of the maximum Principal and Interest Requirements on the Bonds then Outstanding in the current or any future Fiscal Year (the initial Reserve Requirement (as defined in the Resolution)), and such additional amounts as may be necessary thereafter to maintain therein a balance equal to the Reserve Requirement; that the Debt Service Account and the Reserve Account will be used only to pay the principal of, premium, if any, and interest on the Bonds; that the rates and charges for the System will, from time to time be made and kept sufficient to provide Net Revenues during each Fiscal Year that Bonds are outstanding equal to at least 110% of the maximum Principal and Interest Requirements on the Bonds in the current or any future Fiscal Year; that sufficient Surplus Net Revenues shall be available to fund the Short-Lived Asset Replacement Reserve Subaccount as described in the Resolution; that Additional Bonds may be issued and made payable from the Water System Fund on a parity with the Series 20__ Bond upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues, unless the lien thereof shall be expressly made subordinate to the lien of the Series 20__ Bond on such Net Revenues; that all provisions for the security of the Holder of this Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Town to be done, to exist, to happen and to be performed in order to make this Bond a valid and binding special obligation of the Town according to its terms have been done, do exist, have happened and have been performed as so required; and that this Bond and the interest and premium, if any, hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Debt Service Account and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision and the issuance of this Series 20__ Bond does not cause either the general or the special indebtedness of the Town to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF the Town of Stevensville, Ravalli County, State of Montana, by its Town Council, has caused this Bond to be executed on its behalf by the signature of the Mayor, countersigned by the Town Clerk-Treasurer, sealed with the official corporate seal of the Town, and has caused this Bond to be dated as of _____, 20__.

TOWN OF STEVENSVILLE, MONTANA

Mayor

Attest:

Town Clerk-Treasurer

(SEAL)

PROVISIONS FOR REGISTRATION OF TRANSFER AND EXCHANGE

The ownership of this Series 20__ Bond and of the interest payable hereon may be transferred to a bona fide purchaser only by delivery hereof with an assignment duly executed by the registered owner or his attorney or legal representative, and the Town may treat the registered owner as the person exclusively entitled to receive payments of principal of and interest on this Series 20__ Bond and to exercise all the rights and powers of an owner until this Series 20__ Bond is presented to the Town Clerk-Treasurer of the Town of Stevensville, Montana, as Bond Registrar, accompanied by said assignment and by assurance of the nature provided by law that the same is genuine and effective, and until such transfer is duly registered on the books of the Town and noted hereon by the Bond Registrar.

REGISTER

The ownership of the unpaid Principal Balance of this Series 20__ Bond and the interest accruing thereon is registered on the books of the Town of Stevensville, Montana, in the name of the registered holder as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of Town Clerk-Treasurer</u>
_____, 20__	United States of America, United States Department of Agriculture Office of the Deputy Chief Financial Officer 4300 Goodfellow Boulevard St. Louis, Missouri 63120	_____

NO WRITING HEREON EXCEPT BY TOWN CLERK-TREASURER AS BOND REGISTRAR

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

<u>Date of Transfer</u>	<u>Registered Assign</u>	<u>Signature of Bond Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

RESOLUTION NO. 279

RESOLUTION RELATING TO \$780,000 SEWER SYSTEM
REVENUE BOND, SERIES 2011, CONFIRMING THE
ISSUANCE THEREOF AND THE SECURITY THEREFOR
AND MAKING CERTAIN DESIGNATIONS AND
COVENANTS IN RESPECT OF THE BOND

BE IT RESOLVED by the Town Council (the "Council") of the Town of Stevensville, Montana (the "Town"), as follows:

Section 1. Authorization and Recitals.

1.01. Authorization. Under Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended (the "Act"), the Town is authorized to issue and sell its revenue bonds payable during a term not exceeding forty years from their date of issue, to provide funds for the reconstruction, improvement, betterment and extension of a municipal sewer system and to issue refunding bonds to refund bonds issued for such purposes, provided that the bonds and the interest thereon are to be payable solely out of the income and revenues to be derived from rates, fees and charges for the services, facilities and commodities furnished by such sewer system, and are not to create any obligation for the payment of which taxes may be levied except to pay for services provided by the sewer system to the Town.

1.02. Outstanding Bonds and Bond Anticipation Note. In accordance with the authorization described in Section 1.01 and pursuant to Resolution Nos. 255 and 167, adopted by the Town Council on July 12, 1999 and December 11, 2000, respectively (the "Original Resolution"), as amended and supplemented by Resolution No. 274, adopted by the Town Council on June 27, 2011 (as so amended and supplemented, the "Resolution"), the Town issued and sold its \$780,000 Sewer System Revenue Bond Anticipation Note, Series 2011 (the "Series 2011 Note"), issued in anticipation of the issuance of up to \$780,000 Sewer System Revenue Bond to finance the costs of additional improvements to the sewer system (the "2011 Project"). Apart from the Series 2011 Note, there are no other Bonds or indebtedness of the Town outstanding that are payable in whole or in part from or secured by revenues of the sewer system of the Town (the "System"), except for the Town's outstanding \$1,250,000 Sewer System Revenue Bond, Series 2000A (the "Series 2000A Bond"), and \$814,000 Sewer System Revenue Bond, Series 2000B (the "Series 2000B Bond"), dated, as originally issued, as of December 19, 2000 (together, the "Series 2000 Bonds"). Terms used with initial capital letters but not defined herein shall have the meanings given them in the Resolution. The Town proposes to issue its Definitive Bond in the amount of \$780,000. The Definitive Bond identified in the Resolution is the Series 2011 Bond described herein.

1.03. The 2011 Project. Work on the 2011 Project is substantially complete. The Town estimates, with the assistance of its Consulting Engineer, that the costs of the 2011 Project are as follows:

Construction	\$977,569.73
Basic Engineering	103,847.80
Preliminary Report	27,863.00
Construction Admin	45,078.80
Construction Inspection	49,867.10
Additional Services	23,182.60
Project Contingency	109,021.12
Interim Interest	4,369.85
Office Costs	2,400.00
Professional Services	4,800.00
Legal Fees	4,000.00
Audit Fees	6,000.00
Bond Counsel	20,000.00
TOTAL	\$1,378,000.00

Costs of the 2011 Project in excess of \$780,000 are expected to be paid from a grant from the USDA in the amount of \$395,000, a Department of Natural Resources and Conservation Renewable Resource grant in the amount of \$100,000, and funds that the Town has on hand in the amount of \$103,000.

Section 2. Issuance of the Series 2011 Bond. In Resolution No. 274, this Council determined, declared and found that the Town is authorized to issue the Definitive Bond in the aggregate principal amount of \$780,000 for the purpose of paying and redeeming the Series 2011 Note and paying costs associated with the issuance of the Series 2011 Bond and, if funds are available, financing a portion of the cost of the 2011 Project. The principal and interest outstanding on the Series 2011 Note as of December 15, 2011 is expected to be \$784,369.85.

The Town is authorized to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the System, and to pledge and appropriate to its \$780,000 Sewer System Revenue Bond, Series 2011 (the "Series 2011 Bond") the Net Revenues to be derived from the operation of the System, including improvements, betterments or extensions thereof hereafter constructed or acquired. The Net Revenues to be produced by such rates, charges and rentals, during the term of the Series 2011 Bond are estimated to be more than sufficient to pay the principal and interest when due on the Series 2000 Bonds and the Series 2011 Bond, to create and maintain reasonable reserves therefor, and to provide an allowance for replacement and depreciation, as prescribed by the Resolution.

Pursuant to the authority recited in Section 1.01 of this Supplemental Resolution and for the purpose of paying and redeeming the Series 2011 Note, this Council hereby ratifies and confirms its authorization to issue the Series 2011 Bond (known then as the Definitive Bond) as provided in Resolution. The USDA has agreed, subject to the terms and conditions of the Commitment Letter, to lend the Town up to \$780,000 to finance a portion of the cost of the 2011 Project and costs of issuance of the Definitive Bond. The terms and conditions of the Loan, as set forth in the Commitment Letter, are reasonable and advantageous to the Town and are accepted. The Town has adopted a Loan Resolution, dated March 22, 2010, and executed a Letter of Intent To Meet Conditions pursuant to which the Town has agreed to issue the

Definitive Bond, in the aggregate principal amount of \$780,000, in accordance with the provisions of Resolution No. 274 and the Commitment Letter.

The Council hereby ratifies and confirms its finding and determination contained in the Original Resolution that it is necessary and expedient for the Town to issue and sell to the USDA, pursuant to Montana Code Annotated, Section 7-7-4433(1), the Series 2011 Bond, in the aggregate principal amount of \$780,000, at a price equal to its principal amount, upon satisfaction of the conditions precedent to the Loan.

The 2011 Project has been substantially completed and the conditions precedent to the purchase of the Series 2011 Bond by the United States of America acting through the United States Department of Agriculture (the "USDA") have been or shortly will be satisfied.

The Town hereby determines the Series 2011 Bond shall be issued as "Sewer System Revenue Bond, Series 2011" in the maximum authorized principal amount of \$780,000.

As stated in the Commitment Letter, the Series 2011 Bond bears interest at the rate of three and one-quarter percent (3.25%) per annum on principal amounts advanced and will be payable in monthly installments of principal and interest over 40 years, commencing on the date of issuance of the Bond. The USDA has informed the Council that the rate of interest on the Series 2011 Bond as set forth in Commitment Letter has recently decreased from 3.25% per annum to 3.00% per annum. The new monthly principal and interest payment due on the Series 2011 Bond will be \$2,793, amortized over 40 years, or such lesser amount as may be necessary to amortize fully in equal monthly installments over 40 years the total principal amount of the Series 2011 Bond advanced with interest thereon. The City will make a monthly deposit to the Reserve Account equal to 10% of the monthly principal and interest payments (or \$280) until the balance in the Reserve Account equals the Reserve Requirement for the Series 2011 Bond (\$33,516). Amortization of principal of and interest on the Loan will commence from the date of issuance of the Series 2011 Bond. This Council hereby authorizes the issuance of the Series 2011 Bond in the principal amount of \$780,000 in substantially the form of the Series 2011 Bond attached as Exhibit A, which form of the Series 2011 Bond supersedes the form of the Series 2011 Bond attached to Resolution No. 274.

Pursuant to the Resolution, the Town shall deposit from funds it has on hand and available therefor the amount of \$44,100 in the Short-Lived Asset Replacement Reserve Subaccount. Money in the Short-Lived Asset Replacement Reserve Subaccount is to be used for the replacement of Short-Lived Assets, but may be applied to pay and discharge the Series 2011 Bond, together with other available funds of the Town, if the amount therein together with other available funds is then sufficient to pay and discharge the Series 2011 Bond in full. The Town shall maintain the balance in the Short-Lived Asset Replacement Reserve Subaccount at \$44,100.

This Council hereby ratifies and confirms the issuance of the Series 2011 Bond, in the principal amount of \$780,000, and the sale thereof to the USDA, on the terms and conditions, substantially in the form and otherwise as authorized and provided in the Original Resolution, as modified as provided above. The proceeds of the principal amount of the Series 2011 Bond shall be applied, with other funds of the Town to the extent required, to pay the Series 2011

Note as further provided in Resolution No. 274. The conditions precedent to the issuance of the Series 2011 Bond are hereby found and determined to have been satisfied. On or about December 15, 2011, the proceeds of the Series 2011 Bond will be used to pay the principal of and interest on the outstanding Series 2011 Note. The Original Resolution shall be read liberally to conform to the provisions of this Supplemental Resolution. If there is a conflict between the provisions of this Supplemental Resolution and Original Resolution, the provisions of this Supplemental Resolution shall control.

Section 3. Designation as “Qualified Tax-Exempt Obligations.” Pursuant to Section 265(b)(3)(D)(ii) of the Code, the Town hereby designates the Series 2011 Bond as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code, and this Council hereby confirms such designation. The Town hereby represents that the Town and all “subordinate entities” thereof do not reasonably anticipate issuing in 2011 obligations bearing interest exempt from federal income taxation under Section 103 of the Code (including “qualified 501(c)(3) bonds” but excluding other “private activity bonds,” as defined in Sections 141(a) and 145(a) of the Code) in an amount greater than \$10,000,000.

Section 4. Tax Covenants.

4.01. Use of 2011 Project. The 2011 Project as part of the System will be owned and operated by the Town and available for use by members of the general public on a substantially equal basis. The Town shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the 2011 Project or the System or security for the payment of the Series 2011 Bond which might cause the Series 2011 Bond to be considered a “private activity bond” or a “private loan bond” within the meaning of Section 141 of the Code.

4.02. General Covenant. The Town covenants and agrees with the owners from time to time of the Series 2011 Bond 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 2011 Bond to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations thereunder (the “Regulations”), and covenants to take any and all actions within its powers to ensure that the interest on the Series 2011 Bond will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

4.03. Arbitrage Certification. The Mayor and the Town Clerk-Treasurer, being among the officers of the Town charged with the responsibility for issuing the Series 2011 Bond pursuant to this 2011 Supplemental Resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with the provisions of Section 148 of the Code, and Section 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 2011 Bond, it is reasonably expected that the proceeds of the Series 2011 Bond will be used in a manner that would not cause the Series 2011 Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

4.04. Arbitrage Rebate Exemption.

(a) The Town hereby represents that the Series 2011 Bond qualifies for the exception for small governmental units to the arbitrage rebate provisions contained in Section 148(f) of the Code. Specifically, the Town represents:

- (1) Substantially all (not less than 95%) of the proceeds of the Series 2011 Bond (except for amounts to be applied to the payment of costs of issuance) will be used for local governmental activities of the Town.
- (2) The aggregate face amount of all "tax-exempt bonds" (including warrants, contracts, leases and other indebtedness, but excluding private activity bonds) issued by or on behalf of the Town and all subordinate entities thereof during 2011 is reasonably expected not to exceed \$5,000,000. To date in 2011, the Town has not issued any such tax-exempt bonds except the Series 2011 Note and its \$2,173,000 Water System Revenue Bond Anticipation Note, Series 2011, and in the calendar years 2006 through 2010, the Town did not issue any tax-exempt bonds.

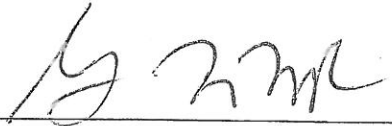
(b) If notwithstanding the provisions of paragraph (a) of this Section 4.04, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Series 2011 Bond, the Town hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f).

Section 5. Information Reporting. The Town shall file with the Secretary of the Treasury, not later than February 15, 2012, a statement concerning the Series 2011 Bond containing the information required by Section 149(e) of the Code.


Section 6. Authentication of Transcript. The officers of the Town are hereby authorized and directed to furnish to the USDA and to bond counsel certified copies of all proceedings relating to the issuance of the Series 2011 Bond and such other certificates and affidavits as may be required to show the right, power and authority of the Town to issue the Series 2011 Bond, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the Town as to the truth of the statements of fact purported to be shown thereby.

Section 7. Effective Date. This Supplemental Resolution shall be in full force and effect from and after its passage.

Passed and adopted by the Town Council of the Town of Stevensville, Montana, this 28th day of November, 2011.



Mayor

Attest: 

Town Clerk-Treasurer

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF RAVALLI

TOWN OF STEVENSVILLE

SEWER SYSTEM REVENUE BOND
SERIES 2011

[the series designation to be completed with the calendar year
in which the Bond is issued]

No. R-1

\$780,000.00

FOR VALUE RECEIVED, THE TOWN OF STEVENSVILLE, MONTANA (the "Town"), a duly organized municipal corporation of the State of Montana, acknowledges itself to be specially indebted and hereby promises to pay, solely from the Debt Service Account of its Sewer System Fund, to the United States of America acting through Rural Utilities Service, United States Department of Agriculture, or any successor agency under Public Law 103-354 (the "USDA"), or registered assigns (the "Holder"), the principal sum of SEVEN HUNDRED EIGHTY THOUSAND AND NO/100 DOLLARS (\$780,000.00), in installments as set forth below, and to pay interest thereon, from and after the date of the principal amount advanced, solely from the Debt Service Account, at the rate of three percent (3.00%) per annum. Interest shall be computed on the basis of a 365-day year based on the actual number of days elapsed from and after each advance. Principal and interest are payable in equal monthly installments in the amount of \$2,793.00, commencing on January 15, 2012, and payable on the 15th day of each month thereafter until the principal and interest are fully paid, except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable forty years from the date hereof, subject to the right of prepayment set forth below. The installments of principal and interest are payable at State Office of the USDA, at USDA Rural Development, 2229 Boot Hill Court, Bozeman, Montana 59715, or such other place as the Purchaser shall designate in writing, except that in the event that the USDA has assigned this Bond, the installments of principal and interest are payable to the registered Holder at his address as it appears on the Bond Register of the Town. Principal and interest are payable in any coin or currency of the United States of America which on the respective dates of payment is legal tender for public and private debts.

This Bond is one of an issue of Sewer System Revenue Bonds, heretofore and hereafter issuable in one or more series from time to time (the "Bonds"), pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended (the "Act"), and Resolution Nos. 255 and 167, adopted by this Council on July 12, 1999 and December 11, 2000, respectively, as amended and supplemented by Resolution Nos. 274 and 279, adopted by the Town Council on June 27, 2011 and November 28, 2011, respectively (as so amended and supplemented, the "Resolution"). This Bond (the "Series 2011 Bond") is issued for the purpose

of paying and redeeming the Town's Sewer System Revenue Bond Anticipation Note, Series 2011, which was issued to finance costs associated with improvements (the "Improvements") to the municipal sewer system of the Town (the "System"), which term includes all improvements, betterments, extensions and alterations of the System. The Town's outstanding \$1,250,000 Sewer System Revenue Bond, Series 2000A, and \$814,000 Sewer System Revenue Bond, Series 2000B (collectively, the "Series 2000 Bonds"), the Bond, and any Additional Bonds issued under the Resolution on a parity therewith (collectively, the "Bonds"), including the interest thereon, are payable solely from the revenues pledged to the payment thereof and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision.

The Town may redeem on any installment payment date, in whole or part and if in part, in multiples of \$1,000, any unpaid principal of this Series 2011 Bond at a price equal to the principal amount to be redeemed plus interest accrued to the date of redemption, without premium; provided that while this Series 2011 Bond is registered in the name of the United States of America, the Town may redeem any unpaid principal on any date and in any amount. Notice of any such prepayment will be mailed by the Town not less than 30 days prior to the date specified for payment, to the registered holder of this Series 2011 Bond at his address as it appears on the Bond Register.

The Town has designated this Series 2011 Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

This Series 2011 Bond shall be registered in the name of the Holder on the bond register of the Town kept by the Town Clerk-Treasurer as Bond Registrar. This Series 2011 Bond is transferable by the registered Holder or its attorney duly authorized in writing, upon presentation hereof with a written instrument of transfer satisfactory to the Town and duly executed by the registered holder or its attorney. Such transfer shall be noted on the bond register and hereon. The Town will, upon request, issue to the registered Holder or transferee, upon surrender of this Series 2011 Bond, one or more other bonds, in an aggregate principal amount (and, if more than one bond is to be issued, in denominations that are multiples of \$1,000, to the extent practicable) equal to the principal amount of the Series 2011 Bond that then remains 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 Town with respect to such exchange. The Town may treat the person in whose name this Series 2011 Bond is registered as the absolute owner hereof, whether this Series 2011 Bond is overdue or not, for the purpose of receiving payment of principal and interest and all other purposes, and shall not be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Town will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Sewer System Fund into which the Gross Revenues (as defined in the Resolution) of the System will be paid, and a separate and special Debt Service Account in that fund, into which will be paid each month, from the Net Revenues of the System then on hand an amount not less than the installment next payable on the Series 2000 Bonds and on this Bond and any Additional Bonds that are payable monthly, and, if Additional Bonds are issued that are payable semi-annually, not less than one-sixth of the interest due on such outstanding

Bonds within the next six months and one-twelfth of the principal on such outstanding Bonds due within the next twelve months; that it will transfer to the Reserve Account in the Sewer System Fund monthly out of the remaining Net Revenues a minimum of \$280 per month and such additional amounts as may be necessary to accumulate therein over a period concluding on the tenth anniversary of the date hereof, a reserve equal to 100% of the maximum Principal and Interest Requirements on the Bonds then outstanding in the current or any future Fiscal Year (the initial Reserve Requirement (as defined in the Resolution)), and such additional amounts as may be necessary thereafter to maintain therein a balance equal to the Reserve Requirement; that the Debt Service Account and the Reserve Account will be used only to pay the principal of, premium, if any, and interest on the Bonds; that the rates and charges for the System will from time to time be made and kept sufficient to provide Net Revenues (as defined in the Resolution) during each Fiscal Year at least equal to 110% of the maximum Principal and Interest Requirements in the current or any future Fiscal Year; that sufficient Net Revenues shall be available to fund the Reserve Account, and sufficient Surplus Net Revenues shall be available to fund the Short-Lived Asset Replacement Reserve Subaccount as described in the Resolution; that Additional Bonds may be issued and made payable from the Sewer System Fund on a parity with the Series 2000 Bonds and the Series 2011 Bond upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues, whether or not such obligation shall also constitute a general obligation and indebtedness of the Town, unless the lien thereof shall be expressly made subordinate to the lien of the Series 2000 Bonds, the Series 2011 Bond, and any Additional Bonds on such Net Revenues; that all provisions for the security of the holder of this Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Town to be done, to exist, to happen and to be performed in order to make this Series 2011 Bond a valid and binding special obligation of the Town according to its terms have been done, do exist, have happened and have been performed as so required; and that this Bond and the interest and premium, if any, hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Debt Service Account and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision; and the issuance of the Series 2011 Bond does not cause the indebtedness of the Town to exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF the Town of Stevensville, Ravalli County, State of Montana, by its Town Council, has caused this Bond to be executed on its behalf by its Mayor and Town Clerk-Treasurer, sealed with the official corporate seal of the Town, and has caused this Bond to be dated as of December 15, 2011.

TOWN OF STEVENSVILLE, MONTANA

By _____
Mayor

Attest:

Town Clerk-Treasurer

(SEAL)

PROVISIONS FOR REGISTRATION OF TRANSFER AND EXCHANGE

The ownership of this Series 2011 Bond and of the interest payable hereon may be transferred to a bona fide purchaser only by delivery hereof with an assignment duly executed by the registered owner or his attorney or legal representative, and the Town may treat the registered owner as the person exclusively entitled to receive payments of principal of and interest on this Series 2011 Bond and to exercise all the rights and powers of an owner until this Series 2011 Bond is presented to the Town Clerk-Treasurer of the Town of Stevensville, Montana, as Bond Registrar, accompanied by said assignment and by assurance of the nature provided by law that the same is genuine and effective, and until such transfer is duly registered on the books of the Town and noted hereon by the Bond Registrar.

REGISTER

The ownership of the unpaid principal balance of this Series 2011 Bond and the interest accruing thereon is registered on the books of the Town of Stevensville, in the name of the registered holder as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of Town Clerk-Treasurer</u>
December 15, 2011	United States of America, United States Department of Agriculture Office of the Deputy Chief Financial Officer 4300 Goodfellow Blvd. St. Louis, Missouri 63120	

NO WRITING HEREON EXCEPT BY TOWN CLERK-TREASURER
AS BOND REGISTRAR

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

<u>Date of Transfer</u>	<u>Registered Assign</u>	<u>Signature of Bond Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the Town of Stevensville, Montana (the "Town"), hereby certify that the attached resolution is a true copy of Resolution No. 279, entitled: "RESOLUTION RELATING TO \$780,000 SEWER SYSTEM REVENUE BOND, SERIES 2011, CONFIRMING THE ISSUANCE THEREOF AND THE SECURITY THEREFOR AND MAKING CERTAIN DESIGNATIONS AND COVENANTS IN RESPECT OF THE BOND" (the "Resolution"), on file in the original records of the Town in my legal custody; that the Resolution was duly adopted by the Town Council of the Town at a meeting on November 28, 2011, and that the meeting was duly held by the Town Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: Desera Towle, Dan mullan, Robin Holcomb, Pat Groninger; voted against the same: N/A; abstained from voting thereon: N/A; or were absent: N/A

WITNESS my hand officially this 3 day of December ~~November~~, 2011.

[Signature]
Town Clerk-Treasurer

3 originals to Tricia 12-3-11

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the Town of Stevensville, Montana (the "Town"), hereby certify that the attached resolution is a true copy of Resolution No. 307, entitled: "RESOLUTION AMENDING RESOLUTION NO. 270 RELATING TO THE TOWN'S WATER SYSTEM REVENUE BOND ANTICIPATION NOTE, SERIES 2011, TO EXTEND THE FINAL MATURITY DATE OF THE NOTE" (the "Resolution"), on file in the original records of the Town in my legal custody; that the Resolution was duly adopted by the Town Council of the Town at a regular meeting on December 20, 2012, and that the meeting was duly held by the Town Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: Councilperson Klaphake,
Councilperson Holcomb, Councilperson Towle ;
voted against the same: N/A ;
abstained from voting thereon: N/A ;
or were absent: Councilperson Perrin .

WITNESS my hand officially this 20th day of December, 2012.

Stacy Bartlett
Town Clerk

RESOLUTION NO. 307

RESOLUTION AMENDING RESOLUTION NO. 270
RELATING TO THE TOWN'S WATER SYSTEM REVENUE
BOND ANTICIPATION NOTE, SERIES 2011, TO EXTEND
THE FINAL MATURITY DATE OF THE NOTE

WHEREAS, the Town of Stevensville, Montana (the "Borrower"), pursuant to Resolution No. 270 (the "2011 Resolution"), adopted by this Council on March 14, 2011, authorized the issuance and delivery of the Borrower's Water System Revenue Bond Anticipation Note, Series 2011, in the principal amount of \$2,173,000 (the "Original Series 2011 Note") to provide interim financing in order to pay for acquisition, construction and installation of various improvements to the System, including water meter installation and installation of a new transmission main from the well field to the Town and new water supply wells and pump house construction, distribution system improvements, decommissioning of the existing infiltration gallery, construction of a booster station and installation of pressure reducing valves, and related improvements (the "2011 Project," as defined in the 2011 Resolution). The Original Series 2011 Note was issued to the Board of Investments of the State of Montana, in Helena, Montana (the "BOI"), in anticipation of the issuance of the Town's Water System Revenue Bond (the "Definitive Bond"), evidencing a loan (the "Loan") through the United States of America acting through Rural Utilities Service, United States Department of Agriculture (the "USDA") to be issued in an amount not to exceed \$2,173,000 to provide permanent financing for the 2011 Project; and

WHEREAS, under the terms of the Commitment Letter, the USDA will loan the Town a sum not to exceed \$2,173,000 and in evidence of such Loan will purchase the Definitive Bond on or before August 15, 2013; and

WHEREAS, at the time the Town authorized the issuance of the Original Series 2011 Note the estimated completion date of the 2011 Project was expected to be November 30, 2012 and the Definitive Bond was to be issued on or before February 15, 2013; and

WHEREAS, the Town's consulting engineering firm on the 2011 Project is Professional Consultants, Inc., of Missoula, Montana (the "Consulting Engineer"); and

WHEREAS, the Consulting Engineer has determined additional time will be needed to complete the 2011 Project and, accordingly, the final maturity date of the Original Series 2011 Note will need to be extended; and

WHEREAS, the BOI and USDA have agreed to an extension of the final maturity date of the Original Series 2011 Note to August 15, 2013.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE BORROWER, AS FOLLOWS:

Section 1. Definitions. All capitalized terms used in this resolution but not defined herein shall have the meanings as set forth in the 2011 Resolution.

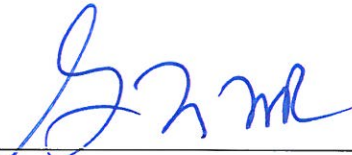
Section 2. Amendments to the 2011 Resolution. The written agreement by the BOI and USDA to extending the maturity date of the Original Series 2011 Note having been obtained, this resolution amends and supplements the 2011 Resolution. All references in the 2011 Resolution to "February 15, 2013" as the maturity date of the Original Series 2011 Note are hereby amended to read "August 15, 2013" and all references to "the maturity date of the Series 2011 Note" or similar references shall mean August 15, 2013.

Section 3. Effect of Amendments. Except as amended hereby, the 2011 Resolution remains unamended and in full force and effect.

Section 4. Authorization of Extension of Final Maturity Date of Note; Amendment of Note. The Town hereby authorizes the extension of the final maturity date of the Original Series 2011 Note to August 15, 2013. The Mayor, the Town Clerk, and the Treasurer are authorized to deliver to the Trustee, in exchange for the Original Series 2011 Note, an executed Amended Series 2011 Note, in substantially the form attached as Appendix A hereto, with the same payment terms as the Original Series 2011 Note, except that the maturity date of the Amended Series 2011 Note shall be August 15, 2013.

Section 5. Effective Date. This resolution shall take effect immediately.

PASSED AND ADOPTED by the Town Council of the Town of Stevensville, Montana, on this 20th day of December, 2012.



Mayor

Attest:



Town Clerk

APPENDIX A

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF RAVALLI

TOWN OF STEVENSVILLE

WATER SYSTEM REVENUE BOND ANTICIPATION NOTE
AMENDED SERIES 2011

No. R-1 \$2,173,000.00

<u>Maturity</u>	<u>Date of Original Issue</u>
August 15, 2013	April 8, 2011

REGISTERED OWNER: BOARD OF INVESTMENTS OF THE STATE OF MONTANA

PRINCIPAL AMOUNT: TWO MILLION ONE HUNDRED SEVENTY-THREE
THOUSAND AND NO/100 DOLLARS

This Amended Series 2011 Note (as hereinafter defined) is given in substitution of and exchange for the Series 2011 Note, dated as of April 8, 2011 (the "Original Series 2011 Note"), which shall be cancelled upon delivery hereof. This Amended Series 2011 Note has the effect of extending the final maturity date of the Original Series 2011 Note from February 15, 2013 to August 15, 2013, but otherwise does not alter the terms of the Original Series 2011 Note.

FOR VALUE RECEIVED, THE TOWN OF STEVENSVILLE, Montana, a municipal corporation and political subdivision of the State of Montana (the "Town"), acknowledges itself to be indebted and hereby promises to pay to the registered owner named above, or registered assigns, but solely out of the Note Account (the "Note Account") in its Water System Fund (the "Fund"), the principal sum equal to the sum of the amounts entered on Schedule A hereto under "Total Amount Advanced," on the maturity date specified above, with interest on such amount as advanced hereunder, at the Variable Rate (as is hereafter defined), until paid or discharged, all subject to the provisions hereof relating to the redemption of this Note before maturity. Interest shall be computed on the basis of the actual number of days in the year. Principal and interest hereon are payable at maturity or upon redemption hereof. Upon presentation and surrender hereof at the office of the Town Treasurer in Stevensville, Montana, the interest hereon and the principal hereof are payable in lawful money of the United States of America to the registered owner of this Note as it appears in the Note Register of the Town.

This Note shall be deemed to have been delivered to the registered owner named above as of April 8, 2011. This Note shall bear interest from April 8, 2011 until paid at the Variable Rate, as such may be adjusted from time to time as hereinafter provided. Until the initial Adjustment Date (as hereafter defined), the Variable Rate shall be one and ninety-five

hundredths percent (1.95%) per annum. Thereafter, for the Adjustment Period (as hereafter defined), the Variable Rate shall be the rate per annum equal to the interest rate then borne by the Board of Investment's Annual Adjustable Rate Tender Option, Municipal Finance Consolidation Act Bonds (INTERCAP Revolving Program), plus up to one and one-half percent (1.50%) per annum, as certified by the Board of Investments as of the Adjustment Date, but in no event to exceed fifteen percent (15.00%) per annum. If for any reason the interest rate cannot be established as so provided or is held invalid or unenforceable by a court of law, the interest rate for this Note for the Adjustment Period shall be a rate equal to the largest integral multiple of five hundredths of one percent (0.05%) that is equal to or less than eighty percent (80%) of the average yield, evaluated at par, of United States Treasury obligations with a stated or remaining maturity of one year, as reported in *The Wall Street Journal* (Des Moines Edition) (or, if such paper is no longer published or fails to report such information, in any other financial periodical selected by the U.S. Bank National Association, of Seattle, Washington, and reasonably acceptable to the holders of this Note) on the Adjustment Date or, if the Adjustment Date is not a Business Day, the next preceding Business Day, but in no event to exceed fifteen percent (15.00%) per annum. As used herein, "Adjustment Date" means each February 16 and "Adjustment Period" means the period beginning on an Adjustment Date and ending on the day before the next succeeding Adjustment Date or the final Stated Maturity of this Note, whichever is earlier; provided that if this Note is not paid at its final Stated Maturity, the final Adjustment Period with respect to this Note shall extend until it is paid or provision has been duly made for its payment.

Upon each disbursement of proceeds of this Note, the Holder shall enter the amount advanced on Schedule A attached hereto under "Advances" and the total amount advanced under this Resolution, including such disbursement, under "Total Amount Advanced."

This Note is one in number and comprises all of a duly authorized issue of Notes of the Town (the "Amended Series 2011 Note") issued pursuant to, and in anticipation of the issuance by the Town of its Water System Revenue Bond, Series 20__ (the "Definitive Bond"), evidencing a loan (the "Loan") from the United States of America through Rural Utilities Service, United States Department of Agriculture, authorized to be issued under Resolution No. 270 adopted by the Town Council of the Town on March 14, 2011, as amended and supplemented by Resolution No. 307, adopted by the Town Council of the Town on December 20, 2012 (together, the "Resolution"), to which Resolution, copies of which are on file with the Town, reference is hereby made for a description of the nature and extent of the security for the Amended Series 2011 Note, the conditions under which additional Bonds may be issued on a parity as to payment with the Amended Series 2011 Note or otherwise, the conditions under which the Resolution may be amended and the rights of the Holders of the Amended Series 2011 Note. The Amended Series 2011 Note is issued by the Town for the purpose of providing interim financing for improvements to the Town's municipal water system (the "System") consisting of water meter installation and installation of a new transmission main from the well field to the Town and new water supply wells and pump house construction, distribution system improvements, decommissioning of the existing infiltration gallery, construction of a booster station and installation of pressure reducing valves, related improvements, and costs of issuance the Amended Series 2011 Note.

This Amended Series 2011 Note is issued pursuant to and in full compliance with the Constitution and laws of the State of Montana, particularly Montana Code Annotated, Section 7-7-109, and Title 7, Chapter 7, Parts 44 and 45, as amended (the "Act"), and pursuant to the Resolution. This Amended Series 2011 Note is payable from and secured by a lien on the net revenues of the System (as defined in the Resolution, "Net Revenues") and other revenues and income pledged and appropriated and from time to time credited to the Note Account in the Water System Fund (the "Note Account"), including the proceeds of the Definitive Bond, which the Town has covenanted to issue and sell prior to the maturity of this Note in an amount sufficient, with other funds on hand, to pay the principal hereof and interest hereon.

This Amended Series 2011 Note is not a general obligation of the Town and the Town's general credit and taxing powers are not pledged to the payment of this Amended Series 2011 Note or interest thereon. This Amended Series 2011 Note does not constitute an indebtedness of the Town within the meaning of any constitutional or statutory provisions.

The Town may redeem on any date, in whole but not in part, the unpaid principal of this Note at a price equal to the principal amount to be redeemed plus interest accrued to the date of redemption, without premium. Notice of any such prepayment will be mailed by the Town not less than 15 days prior to the date specified for payment, to the registered holder of this Note at his address as it appears on the Note Register maintained by the Town Treasurer.

The Town has designated this Note as a "qualified tax-exempt obligation" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

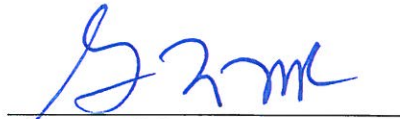
As provided in the Resolution and subject to certain limitations set forth therein, this Note is transferable upon the books of the Town at the office of the Town Treasurer, by the registered owner hereof in person or by his attorney duly authorized in writing upon surrender hereof together with a written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

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

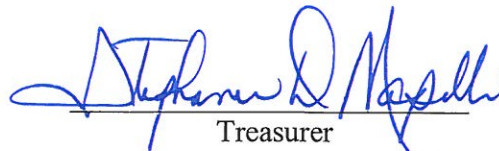
IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Montana to be done, to exist, to happen and to be performed precedent to and in the issuance of this Note in order to make it a valid and binding special obligation of the Town according to its terms, have been done, do exist, have happened and have been performed in regular and due time, form and manner as so required; that the Town, in and by the Resolution, has validly made and entered into covenants and agreements with and for the benefit of the Holders from time to time of the Amended Series 2011 Note including covenants that the rates and charges for the System will from time to time be made and kept sufficient to provide gross income and revenues adequate to

pay promptly the reasonable and current expenses of operating and maintaining the System and to produce in each fiscal year, Net Revenues in excess of such current expenses, equal to at least 110% of the maximum amount of principal and interest payable from the Debt Service Account in any subsequent fiscal year, commencing with the fiscal year ending June 30, 2011; that the Town has received a written commitment for the Loan from the United States of America in an amount equal to \$2,173,000 and has by resolution covenanted to satisfy the conditions of the commitment; that the Town has appropriated to the Note Account the proceeds of the Loan to the extent required to pay principal hereof or interest hereon; that by the Resolution, the Town has covenanted, at or prior to the maturity of this Note, to sell and issue the Definitive Bond, either to the United States of America in evidence of the Loan or otherwise pursuant to the Act and the Resolution in a principal amount so as to provide funds sufficient, together with any money on deposit in the Note Account and available therefor, to pay in full the principal of and interest on this Note at maturity; that if this Note is not paid in full at maturity, the owner hereof may require the Town to issue, in exchange for this Note, on a par-for-par basis, one or more of such Water System Revenue Bonds amortized in semiannual installments over a ten-year period or fifteen-year period (at the option of the Holder) and bearing interest at a rate equal to the Variable Rate as defined herein; that all provisions for the security of the Holder of this Amended Series 2011 Note set forth in the Resolution will be punctually and faithfully performed as therein stipulated; and that the issuance of this Note does not cause the general or special indebtedness of the Town to exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the Town of Stevensville, Montana, by its Town Council, has caused this Note to be executed on its behalf by the signature of the Mayor and Treasurer, attested by the Town Clerk, sealed with the official corporate seal of the Town, and has caused this Note to be dated effective as of April 8, 2011.



Mayor



Treasurer

Attest:



Town Clerk

(SEAL)

PROVISIONS FOR REGISTRATION OF TRANSFER

The ownership of this Note and of the interest payable hereon may be transferred to a bona fide purchaser only by delivery with an assignment duly executed by the registered owner or his attorney or legal representative, and the Town may treat the registered owner as the person exclusively entitled to receive payments of principal of and interest on this Note and to exercise all the rights and powers of an owner until this Note is presented to the Town Treasurer of the Town of Stevensville, accompanied by said assignment and by assurance of the nature provided by law that the same is genuine and effective, and until such transfer is registered on the books of the Town and noted hereon by the Town Treasurer.

REGISTER

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

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Town Treasurer</u>
_____, 2013	Board of Investments 2401 Colonial Dr. P.O. Box 200126 Helena, MT 59620-0126	

NO WRITING HEREON EXCEPT BY TOWN TREASURER
AS NOTE REGISTRAR

The Town Treasurer has transferred on the books of the Town of Stevensville, Ravalli County, Montana, on the date last noted below, to the registered assign noted opposite said date, ownership of the principal amount of and interest on this Note, except the amounts of principal and interest theretofore paid:

<u>Date of Transfer</u>	<u>Registered Assign</u>	<u>Signature of Town Treasurer</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

SCHEDULE A

SCHEDULE OF AMOUNTS ADVANCED

Date	Advances	Total Amount Advanced	Notation Made By
04/08/11	\$ 54,753.44	\$ 54,753.44	
05/06/11	49,210.04	103,963.48	
06/10/11	11,898.59	115,862.07	
08/26/11	16,684.38	132,546.45	
07/08/11	6,175.25	138,721.70	
07/29/11	32,112.23	170,833.93	
08/19/11	44,495.67	215,329.60	
09/30/11	45,376.82	260,706.42	
11/18/11	46,644.34	307,350.76	
12/02/11	186,442.13	493,792.89	
12/23/11	55,231.56	549,024.45	
02/03/12	25,401.48	574,425.93	
03/16/12	44,708.64	619,134.57	
03/30/12	16,493.80	635,628.37	
05/04/12	16,670.44	652,298.81	
05/25/12	30,954.50	683,253.31	
06/22/12	10,401.42	693,654.73	
07/27/12	11,991.57	705,646.30	
08/31/12	8,501.12	714,147.42	
09/28/12	7,181.51	721,328.93	
10/19/12	5,056.00	726,384.93	
11/30/12	24,274.87	750,659.80	

RESOLUTION NO. 319

RESOLUTION RELATING TO UP TO \$2,173,000 WATER SYSTEM REVENUE BOND, SERIES 2013, CONFIRMING THE ISSUANCE THEREOF AND THE SECURITY THEREFOR AND MAKING CERTAIN DESIGNATIONS AND COVENANTS IN RESPECT OF THE BOND

BE IT RESOLVED by the Town Council (the “Council”) of the Town of Stevensville, Montana (the “Town”), as follows:

Section 1. Authorization and Recitals.

1.01. Authorization. Under Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended (the “Act”), the Town is authorized to issue and sell its revenue bonds payable during a term not exceeding forty years from their date of issue, to provide funds for the reconstruction, improvement, betterment and extension of a municipal water system and to issue refunding bonds to refund bonds issued for such purposes, provided that the bonds and the interest thereon are to be payable solely out of the income and revenues to be derived from rates, fees and charges for the services, facilities and commodities furnished by such water system, and are not to create any obligation for the payment of which taxes may be levied except to pay for services provided by the water system to the Town.

1.02. Outstanding Bonds and Bond Anticipation Note. In accordance with the authorization described in Section 1.01 and pursuant to Resolution No. 270 adopted by the Town Council of the Town on March 14, 2011, as amended and supplemented by Resolution No. 307, adopted by the Town Council of the Town on December 20, 2012 (together, the “Original Resolution”), the Town issued and sold its \$2,173,000 Water System Revenue Bond Anticipation Note, Amended Series 2011 (the “Series 2011 Note”), issued in anticipation of the issuance of up to \$2,173,000 Water System Revenue Bonds to finance a portion of the costs of additional improvements to the water system (the “2011 Project”). Apart from the Series 2011 Note, there are no other Bonds or indebtedness of the Town outstanding that are payable in whole or in part from or secured by revenues of the water system of the Town (the “System”). Terms used with initial capital letters but not defined herein shall have the meanings given them in the Resolution. The Town proposes to issue its Definitive Bond in the amount of up to \$2,173,000. The Definitive Bond identified in the Resolution is the Series 2013 Bond described herein.

1.03. The 2011 Project. Work on the 2011 Project is anticipated to be substantially complete by June 30, 2014. The Town estimates, with the assistance of its Consulting Engineer, that the costs of the 2011 Project are as follows:

Construction	\$3,259,173.00
Construction Cost Overrun	364,100.00
Basic Engineering	474,768.00
Construction Inspection	87,000.00

Additional Services	15,000.00
Project Contingency	325,959.00
Interim Interest	42,500.00
Legal Fees	95,000.00
Audit Fees	10,000.00
Bond Counsel	15,000.00
<u>TOTAL</u>	<u>\$4,688,500.00</u>

The total project costs were initially estimated to be \$4,324,000. It now appears that project costs will be \$4,688,500. Costs of the 2011 Project in excess of \$2,173,000 are expected to be paid from a Treasure State Endowment Program grant in the amount of \$500,000, a Water Resources Development Act grant in the amount of \$175,000, a Water Resources Development Act special appropriation in the amount of \$487,500, USDA Rural Development grants in the amount of \$864,900 and \$329,100, a Department of Natural Resources and Conservation Grant in the amount of \$100,000, and funds the Town has on hand and available therefor in the amount of approximately \$59,000.

Section 2. Issuance of the Series 2013 Bond. Pursuant to the Original Resolution, this Council determined, declared and found that the Town is authorized to issue the Definitive Bond in the aggregate principal amount of \$2,173,000 for the purpose of paying and redeeming the Series 2011 Note. The principal and interest outstanding on the Series 2011 Note as of August 15, 2013 is expected to be \$894,348.94. Because the final maturity date of the Series 2011 Note is August 15, 2013 and the 2011 Project is not expected to be substantially complete until June 30, 2014, USDA has agreed to refund and redeem the outstanding Series 2011 Note as of August 15, 2013 and has agreed to advance to the Town the remaining 2011 Project costs to be paid from loan amounts from the remaining proceeds of the Series 2013 Bond (as defined below) on a draw down basis.

The Town is authorized to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the System, and to pledge and appropriate to its \$2,173,000 Water System Revenue Bond, Series 2013 (the "Series 2013 Bond") the Net Revenues to be derived from the operation of the System, including improvements, betterments or extensions thereof hereafter constructed or acquired. The Net Revenues to be produced by such rates, charges and rentals, during the term of the Series 2013 Bond are estimated to be more than sufficient to pay the principal and interest when due on the Series 2013 Bond, to create and maintain reasonable reserves therefor, and to provide an allowance for replacement and depreciation, as prescribed by the Original Resolution.

Pursuant to the authority recited in Section 1.01 of this Supplemental Resolution and for the purpose of paying and redeeming the Series 2011 Note, paying remaining costs of the 2011 Project, and paying costs of issuance, this Council hereby ratifies and confirms its authorization to issue the Series 2013 Bond (known then as the Definitive Bond) as provided in the Original Resolution, as modified by this Supplemental Resolution. The USDA has agreed, subject to the terms and conditions of a Letter of Conditions, dated May 31, 2010, as amended by a Letter of Conditions, dated June 27, 2013 (together, the "Commitment Letter"), to lend the Town up to \$2,173,000 to pay and redeem a short-term note and to finance a portion of the costs of the 2011 Project and pay costs of issuance. The terms and conditions of the Loan evidenced by the

Series 2013 Bond, as set forth in the Commitment Letter, are reasonable and advantageous to the Town and are accepted. The Town has adopted a Loan Resolution, dated June 14, 2010, and a Letter of Intent To Meet Conditions, dated May 31, 2010, pursuant to which the Town has agreed to issue the Definitive Bond, in the aggregate principal amount of \$2,173,000, in accordance with the provisions of the Original Resolution, as amended and supplemented by this Supplemental Resolution, and the Commitment Letter.

The Council hereby ratifies and confirms its finding and determination contained in the Original Resolution that it is necessary and expedient for the Town to issue and sell to the USDA, pursuant to Montana Code Annotated, Section 7-7-4433(1), the Series 2013 Bond, in the aggregate principal amount of up to \$2,173,000, at a price equal to its principal amount, upon satisfaction of the conditions precedent to the Loan.

The conditions precedent to the purchase of the Series 2013 Bond by the United States of America acting through the United States Department of Agriculture (the "USDA") have been or shortly will be satisfied.

The Town hereby determines the Series 2013 Bond shall be issued as "Water System Revenue Bond, Series 2013" in the maximum authorized principal amount of \$2,173,000.

Section 3. Amendments. Pursuant Section 8 of the Original Resolution and with the consent of USDA, the Original Resolution is hereby amended.

Section 3.1. Section 4. Section 4 of Resolution No. 270 is hereby amended in its entirety as shown below:

"Section 4. The Series 2013 Bond.

4.01. Disbursements. Subject to the Town's satisfaction of the terms and conditions herein and of the Commitment Letter, the Purchaser shall, upon the Town's request, disburse to the Town all or a portion of the Loan within ten Business Days after a request therefor, provided that disbursements will not be made more frequently than once every 30 days. Before or upon each disbursement of the Loan, the Purchaser shall note such disbursement of principal of the Series 2013 Bond on Schedule A to the Series 2013 Bond under "Advances" and the total amount then advanced, including such disbursement, under "Total Amount Advanced," which entry the Town shall confirm prior to the attachment of Schedule A to the Bond. The payments of principal and interest shall be due as specified in Section 4.02 and in the amounts shown on Schedule B to the Series 2013 Bond, as such Schedule B shall be modified from time to time by the Purchaser before or upon each disbursement, the modification of which the Town shall confirm prior to the attachment of Schedule B to the Bond. Once construction of the 2011 Project has been completed, the Town shall so notify the Purchaser, and the Purchaser and the Town shall agree on the final Schedule B, which shall thereupon be attached to the Series 2013 Bond.

4.02. Date, Maturity and Interest. The Series 2013 Bond to be issued and sold pursuant to this Resolution shall be designated a "Water System Revenue Bond, Series

2013,” shall be in the maximum principal amount of \$2,173,000, shall be one in number, shall be dated as of the date of delivery to and payment therefor by the Purchaser, and shall bear interest at the rate of two and three-quarters percent (2.75%) per annum. Interest shall be computed on the basis of a 365-day year based on the actual number of days elapsed. Amortized payments of principal and interest will be deferred from the date of issuance of the Series 2013 Bond to the first anniversary thereof (such year, the “Deferral Year”), provided that interest on Loan amounts advanced under the Series 2013 Bond shall accrue from the date of the advance and all interest accrued during the Deferral Year shall be paid by the Town on the final day of the Deferral Year. From and after the conclusion of the Deferral Year, principal of and interest on the Series 2013 Bond shall be payable in equal monthly installments of \$7,584, amortized over 39 years, or such lesser amount as may be necessary to amortize fully in equal monthly installments over 39 years the total principal amount of the Series 2013 Bond advanced with interest thereon, commencing on the first anniversary of the date of issuance of the Series 2013 Bond, with the first such installment due on a date certain in the calendar month next succeeding the calendar month containing such first anniversary, but no later than the 28th day of the month, and the final installment being due and payable not later than forty (40) years from the date of issuance of the Series 2013 Bond. The final payment will be in such lesser or greater amount as is necessary to pay the balance of principal and interest then remaining due. Such installment payments shall be made to the registered holder of the Series 2013 Bond, at its address as it appears on the Bond Register on the date such principal and interest are payable, or as otherwise provided in Section 4.03, in lawful money of the United States of America.

4.03. Registration. The Series 2013 Bond shall be fully registered as to both principal and interest and shall be initially registered in the name of and payable to the United States of America acting through Rural Utilities Service, United States Department of Agriculture. While held by the United States of America acting through Rural Utilities Service, United States Department of Agriculture, the address of the registered holder shall be the Office of the Deputy Chief Financial Officer, USDA, at 4300 Goodfellow Boulevard, St. Louis, Missouri 63120, or such other address as the USDA may designate in writing and delivered to the Registrar for the Series 2013 Bond, and principal of and interest on the Series 2013 Bond shall be payable at the State Office of the USDA Rural Development, at 2229 Boot Hill Court, Bozeman, Montana 59715, or such other place as may be designated by the USDA in writing and delivered to the Registrar for the Series 2013 Bond. The Town Treasurer and successors in that office shall act as Registrar for the Series 2013 Bond and as such shall establish and maintain a Bond Register for the purpose of recording the names and addresses of the registered holder or assigns of the Series 2013 Bond, and the date of registration. The Town reserves the right to appoint a successor Registrar which may be a financial institution. The Town shall pay all fees and charges of such Registrar for such services.

4.04. Redemption. The Town shall have the right, on any installment payment date to redeem installments of principal of the Series 2013 Bond, in whole or in part, and if in part, in multiples of \$1,000, at a price equal to the principal amount to be redeemed plus accrued interest without premium; provided, that so long as the Series

2013 Bond is registered in the name of the United States of America, the Town may redeem all or any portion of the principal on any date without penalty or premium. All such prepayments shall be applied to installments of principal in inverse order of their maturity dates. The Town Treasurer shall, at least 30 days prior to the designated redemption date, cause notice of the redemption to be mailed to the registered holder of the Bond at its address as it appears in the bond register described in Section 5.01(b). The Registrar shall enter in the Bond Register the amount and date of each prepayment.

4.04. Assignment and Exchange. The Series 2013 Bond shall be transferable by the registered owner or its attorney duly authorized in writing upon presentation thereof to the Registrar together with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or its attorney. The following form of assignment shall be sufficient for the purpose:

For value received _____
_____ hereby sells, assigns
and transfers unto _____ the within Bond of the
Town of Stevensville, Montana, and does hereby irrevocably constitute
and appoint _____, Attorney, to transfer said
Bond on the books of said Town with full power of substitution in the
premises.

Dated: _____

Registered Owner

Such transfer shall also be noted on the Series 2013 Bond and in the Bond Register. Upon request of the registered owner or transferee, and upon surrender of any Series 2013 Bond, the Town shall execute and deliver, and the Registrar shall authenticate, one or more bonds, in an aggregate principal amount (and, if more than one bond is to be issued, in denominations that are multiples of \$1,000, to the extent practicable) equal to the principal amount of the Series 2013 Bond that then remains unpaid, and maturing at the same time or times as the then unpaid principal installments of the Series 2013 Bond, and the Series 2013 Bond shall be promptly cancelled by the Registrar. No service charge shall be made for such transfer or exchange, but the Town may require payment of a sum sufficient to cover any tax, fee or governmental charge or other expense incurred by the Town with respect to such exchange. In the event of a request for the issuance of more than one new bond upon any such exchange, the Town Council shall, by resolution, make such provisions relative to the form of such bonds as shall be deemed necessary or desirable to ensure that the terms of and the security for the indebtedness represented by the Series 2013 Bond shall not be varied in any material respect by reason of such exchange.

4.05. Execution and Delivery. The Series 2013 Bond shall be prepared under the direction of the Town Clerk and shall be executed on behalf of the Town by the signature of the Mayor, the Town Treasurer, and Town Clerk, and sealed with the official corporate seal of the Town. When the Series 2013 Bond has been executed, the

Town Clerk shall cause it to be dated as of the date of delivery and delivered to the USDA, as the Original Purchaser thereof, upon payment of the purchase price heretofore agreed upon, and the USDA shall not be obligated to see to the application of the purchase price.

4.06. Refinancing. If, at any time it shall appear to the Rural Utilities Service that the Town is able to refinance the principal amount of the Series 2013 Bond then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources at reasonable rates and terms for loans for similar purposes and periods of time, the Town will, upon request of the USDA, apply for and accept such loan in a sufficient amount to repay the USDA and will take all such action as may be required in connection with such loan.

4.07. Transcript Certification. The officers of the Town are directed to furnish to Bond Counsel and the USDA certified copies of all proceedings and information in their official records relevant to the authorization, sale, execution and issuance of the Series 2013 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 2013 Bond, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations and recitals of the Town as to the correctness of all facts stated therein and the completion of all proceedings stated therein to have been taken.

4.08. Form of Series 2013 Bond. The Series 2013 Bond shall be prepared in substantially the form attached as Exhibit A to this Resolution, which is hereby incorporated herein and made a part hereof, with such appropriate variations, omissions, new terms and insertions as are permitted or required by this Resolution or any Supplemental Resolution.

4.09. Appropriation of Series 2013 Bond Proceeds. The proceeds of the Series 2013 Bond are appropriated to the Note Account to the extent required to pay principal of and interest on the Series 2011 Note and otherwise to the Construction Account in the Water System Fund and applied to the costs of the 2011 Project, including costs of issuance of the Series 2013 Bond.”

Section 3.2. Section 6.05. Section 6.05 of Resolution No. 270 is hereby amended in its entirety as shown below (underlining indicates insertions; strike-through deletions):

“6.05. Reserve Account. The Reserve Account is hereby established as a separate account within the Water System Fund. Subject to any additional funding requirements resulting from the issuance of any Additional Bonds, commencing with the monthly amortization payments under Section 4.01 with regard to the Definitive Bond and simultaneously therewith throughout the first ten years of such payments, and in addition to and from the Net Revenues remaining after each monthly credit to the Debt Service Account required by Section 6.04, the Town shall credit to the Reserve Account in regards to the Definitive Bond a minimum of ~~814~~ 759 per month (or, in the event less than the total principal amount of the Definitive Bond is advanced, such

lesser amount as will be necessary to total the initial Reserve Requirement in 120 equal monthly installments) to accumulate over such period in respect of the Definitive Bond a balance in the Reserve Account equal to ~~\$97,272~~ \$91,008 (the initial Reserve Requirement for the Definitive Bond assuming all of the principal amount of the Definitive Bond is advanced) or such lesser amount to equal the initial Reserve Requirement on the total principal amount of the Definitive Bond advanced. Thereafter, upon each monthly apportionment, if the balance in the Reserve Account is less than the Reserve Requirement, all Net Revenues in the Water System Fund remaining after the required credit to the Debt Service Account shall be credited to the Reserve Account until the balance therein equals the Reserve Requirement. If the monthly credit of ~~\$811~~ \$759 would cause the Reserve Requirement to be exceeded, such monthly credit shall not be required to be made, unless and until the balance in the Reserve Account should be less than the Reserve Requirement, in which case, the Town shall cause the amount in the Reserve Account to equal the Reserve Requirement as soon as practicable and in any event shall resume depositing ~~\$811~~ \$759 per month into the Reserve Account until the Reserve Requirement is satisfied.

If on any Interest Payment Date or Principal Payment Date there shall exist a deficiency in the Debt Service Account, the Town shall immediately transfer from the Reserve Account to the Debt Service Account an amount equal to such deficiency.

If the Town issues Additional Bonds the Town shall, upon issuance of the Additional Bonds or within 36 months thereafter, in not less than equal monthly installments, from the Net Revenues remaining after the apportionment to the Debt Service Account, increase the balance in the Reserve Account to the Reserve Requirement, calculated after giving effect to the issuance of such Additional Bonds.

Except as provided in Section 6.08, money held in the Reserve Account shall be used only to pay maturing principal and interest when money in the Debt Service Account is insufficient therefor or to pay or defease a series of Bonds as provided in Section 6.04.

If at any time (including, but not limited to, any Principal Payment Date and any Redemption Date), the balance in the Reserve Account exceeds the Reserve Requirement, the Town shall transfer such excess to the Debt Service Account to meet the requirements thereof or to the Repair and Replacement Account.”

Section 4. Miscellaneous. Pursuant to the Original Resolution, the Town shall deposit in the Short-Lived Asset Replacement Reserve Subaccount from Surplus Net Revenues \$1,395 per month until the amount accumulated therein is ultimately equal to \$169,000 or as adjusted for inflation. Money in the Short-Lived Asset Replacement Reserve Subaccount is to be used for the replacement of Short-Lived Assets, but may be applied to pay and discharge the Series 2013 Bond, together with other available funds of the Town, if the amount therein together with other available funds is then sufficient to pay and discharge the Series 2013 Bond in full. The Town shall maintain the balance in the Short-Lived Asset Replacement Reserve Subaccount at \$169,000.

This Council hereby ratifies and confirms the issuance of the Series 2013 Bond, in the principal amount of \$2,173,000, and the sale thereof to the USDA, on the terms and conditions, substantially in the form and otherwise as authorized and provided in the Original Resolution, as modified as provided above. The proceeds of the principal amount of the Series 2013 Bond shall be applied, with other funds of the Town to the extent required, to pay the Series 2011 Note. The conditions precedent to the issuance of the Series 2013 Bond are hereby found and determined to have been satisfied. On August 15, 2013, the proceeds of the Series 2013 Bond will be used to pay the principal of and interest on the outstanding Series 2011 Note. The Original Resolution shall be read liberally to conform to the provisions of this Supplemental Resolution. If there is a conflict between the provisions of this Supplemental Resolution and Original Resolution, the provisions of this Supplemental Resolution shall control.

Section 5. Designation as “Qualified Tax-Exempt Obligations.” Pursuant to Section 265(b)(3)(D)(ii) of the Code, the Town hereby designates the Series 2013 Bond as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code, and this Council hereby confirms such designation. The Town hereby represents that the Town and all “subordinate entities” thereof do not reasonably anticipate issuing in 2013 obligations bearing interest exempt from federal income taxation under Section 103 of the Code (including “qualified 501(c)(3) bonds” but excluding other “private activity bonds,” as defined in Sections 141(a) and 145(a) of the Code) in an amount greater than \$10,000,000.

Section 6. Tax Covenants.

6.01. Use of 2011 Project. The 2011 Project as part of the System will be owned and operated by the Town and available for use by members of the general public on a substantially equal basis. The Town shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the 2011 Project or the System or security for the payment of the Series 2013 Bond which might cause the Series 2013 Bond to be considered a “private activity bond” or a “private loan bond” within the meaning of Section 141 of the Code.

6.02. General Covenant. The Town covenants and agrees with the owners from time to time of the Series 2013 Bond 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 2013 Bond to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations thereunder (the “Regulations”), and covenants to take any and all actions within its powers to ensure that the interest on the Series 2013 Bond will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

6.03. Arbitrage Certification. The Mayor, the Town Clerk and the Town Treasurer, being among the officers of the Town charged with the responsibility for issuing the Series 2013 Bond pursuant to this Supplemental Resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with the provisions of Section 148 of the Code, and Section 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 2013 Bond, it is reasonably expected that the proceeds of the Series 2013 Bond will be used in a manner that would not cause the Series 2013 Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

6.04. Arbitrage Rebate Exemption.

(a) The Town hereby represents that the Series 2013 Bond qualifies for the exception for small governmental units to the arbitrage rebate provisions contained in Section 148(f) of the Code. Specifically, the Town represents:

- (1) Substantially all (not less than 95%) of the proceeds of the Series 2013 Bond (except for amounts to be applied to the payment of costs of issuance) will be used for local governmental activities of the Town.
- (2) The aggregate face amount of all “tax-exempt bonds” (including warrants, contracts, leases and other indebtedness, but excluding private activity bonds) issued by or on behalf of the Town and all subordinate entities thereof during 2013 is reasonably expected not to exceed \$5,000,000. To date in 2013, the Town has not issued any such tax-exempt bonds, and in the calendar years 2008 through 2012, the Town did not issue any tax-exempt bonds, except the Series 2011 Note.

(b) If notwithstanding the provisions of paragraph (a) of this Section 6.04, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Series 2013 Bond, the Town hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f).

Section 7. Information Reporting. The Town shall file with the Secretary of the Treasury, not later than November 15, 2013, a statement concerning the Series 2013 Bond containing the information required by Section 149(e) of the Code.

Section 8. Authentication of Transcript. The officers of the Town are hereby authorized and directed to furnish to the USDA and to bond counsel certified copies of all proceedings relating to the issuance of the Series 2013 Bond and such other certificates and affidavits as may be required to show the right, power and authority of the Town to issue the Series 2013 Bond, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the Town as to the truth of the statements of fact purported to be shown thereby.

Section 9. Effective Date. This Supplemental Resolution shall be in full force and effect from and after its passage.

Passed and adopted by the Town Council of the Town of Stevensville, Montana, this 25th day of July, 2013.



Mayor

Attest: 

Town Clerk

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF RAVALLI

TOWN OF STEVENSVILLE

WATER SYSTEM REVENUE BOND
SERIES 20__

[the series designation to be completed with the calendar year
in which the Bond is issued]

No. R-1

\$2,173,000.00

FOR VALUE RECEIVED, THE TOWN OF STEVENSVILLE (the "Town"), a duly organized municipal corporation of the State of Montana, acknowledges itself to be specially indebted and hereby promises to pay, solely from the Debt Service Account of its Water System Fund, to the United States of America acting through Rural Utilities Service, United States Department of Agriculture, or any successor agency under Public Law 103-354 (the "USDA"), or registered assigns (the "Holder"), the principal sum of the amounts entered on Schedule A hereto under "Total Amount Advanced," in installments as set forth below, and to pay interest thereon, solely from the Debt Service Account, at two and three-quarters percent (2.750%) per annum. Interest shall be computed on the basis of a 365-day year based on the actual number of days elapsed from and after each advance. Amortized payments of principal and interest will be deferred from the date of issuance of this Series 2013 Bond to the first anniversary hereof (the "Deferral Year"), provided that interest on amounts advanced hereunder during the Deferral Year shall accrue from the date of the advance and all interest accrued on amounts advanced during the Deferral Year shall be paid on the final day of the Deferral Year. From and after the conclusion of the Deferral Year, principal of interest on this Series 2009 Bond shall be payable in equal monthly installments of \$7,584, amortized over 39 years, or such lesser amount as may be necessary to amortize fully in equal monthly installments of principal and interest over 39 years the principal amount of this Series 2013 Bond advanced, commencing on September 15, 2014, and payable on the 15th day of each month thereafter until the principal and interest are fully paid, except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable forty years from the date hereof, subject to the right of prepayment set forth below. Each installment shall be in the amount set forth opposite its due date in Schedule B attached hereto under "Total Loan Installment." The portion of such installment consisting of principal and of interest shall be as set forth on Schedule B. Upon each disbursement of amounts under the Resolution (as hereinafter defined), the Holder shall enter, with the Town's confirmation, the amount advanced in Schedule A under "Advances" and the total amount advanced, including such disbursement, under "Total Amount Advanced." The Holder, with the confirmation of the Town, shall prepare and revise Schedule B as provided in Sections 4.01 and 4.02 of the Resolution. The installments of principal and interest are payable at State Office of the USDA Rural Development, at 2229 Boot Hill Court, Bozeman Montana 59715, or such other place as the USDA shall designate in writing, except that in the event that the United States of America has assigned this Bond, the installments of principal and interest

are payable to the registered Holder at his address as it appears on the Bond Register of the Town. Principal and interest are payable in any coin or currency of the United States of America which on the respective dates of payment is legal tender for public and private debts.

This Bond is one of an issue of Water System Revenue Bonds, issuable in one or more series from time to time (the "Bonds"), pursuant to Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended (the "Act"), and Resolution No. 270 duly adopted by the Town Council of the Town on March 14, 2011, as amended and supplemented by Resolution Nos. 307 and _____, adopted by the Town Council of the Town on December 20, 2012 and July 25, 2013, respectively (as so amended and supplemented, the "Resolution"). This Bond (the "Series 2013 Bond") is issued for the purpose of refinancing a portion of the costs the construction, improvement, extension and rehabilitation of certain improvements (the "Improvements") to the municipal water system of the Town (the "System"), through the refunding of a valid outstanding Water System Revenue Bond Anticipation Note, Amended Series 2011, issued by the Town in the original principal amount of \$2,173,000, paying remaining costs of the Improvements, and paying costs of issuance, all pursuant to and in full conformity with the Constitution and laws of the State of Montana and resolutions of the Town thereunto enabling, including the Act and the Resolution, to which Resolution reference is made for the terms and conditions, other than those herein stated, upon which this Bond is issued and secured. The Series 2013 Bond and any additional Bonds issued on a parity therewith under the Resolution are referred to as the "Bonds." The Bonds, including the interest thereon, are payable solely from the revenues pledged to the payment thereof and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision.

The Town may redeem on any installment payment date, in whole or part and if in part, in multiples of \$1,000, any unpaid principal of this Series 2013 Bond at a price equal to the principal amount to be redeemed plus interest accrued to the date of redemption without premium; provided that while this Series 2013 Bond is registered in the name of the United States of America, the Town may redeem any unpaid principal on any date and in any amount. Notice of any such prepayment will be mailed by the Town not less than 30 days prior to the date specified for payment, to the registered holder of this Series 2013 Bond at his address as it appears on the Bond Register.

The Town has designated this Series 2013 Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

This Series 2013 Bond shall be registered in the name of the Holder on the bond register of the Town kept by the Town Treasurer as Bond Registrar. This Series 2013 Bond is transferable by the registered Holder or its attorney duly authorized in writing, upon presentation hereof with a written instrument of transfer satisfactory to the Town and duly executed by the registered holder or its attorney. Such transfer shall be noted on the bond register and on the reverse hereof. The Town will, upon request, issue to the registered Holder or transferee, upon surrender of this Series 2013 Bond, one or more other bonds, in an aggregate principal amount (and, if more than one bond is to be issued, in denominations that are multiples of \$1,000, to the extent practicable) equal to the principal amount of the Series 2013 Bond that then remains 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 Town with respect to such exchange. The Town may treat the person in whose name this Series 2013 Bond is registered as the absolute owner hereof, whether this Series 2013 Bond is overdue or not, for the purpose of receiving payment of principal and interest and all other purposes, and shall not be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Town will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Water System Fund into which the Revenues (as defined in the Resolution) of the System will be paid, and a separate and special Debt Service Account in that fund, into which will be credited periodically, at least once in each calendar month, Net Revenues of the System then on hand (the Revenues remaining after the payment of Operating Expenses of the System) an amount not less than the installment next payable on this Series 2013 Bond and any Additional Bonds payable on a monthly basis and, if Additional Bonds are issued that are payable on a semi-annual basis, not less than one-sixth of the interest due on such Outstanding Bonds within the next six months and one-twelfth of the principal on such Outstanding Bonds due within the next twelve months; that it will transfer to the Reserve Account in the Water System Fund monthly out of the remaining Net Revenues a minimum of \$759 per month, assuming the full principal amount of this Series 2013 Bond is advanced, and such additional amounts as may be necessary to accumulate therein over a period concluding on the tenth anniversary of the final day of the Deferral Year, a reserve equal to 100% of the maximum Principal and Interest Requirements on the Series 2013 Bond (the initial Reserve Requirement (as defined in the Resolution)), and such additional amounts as may be necessary thereafter to maintain therein a balance equal to the Reserve Requirement; that the Debt Service Account and the Reserve Account will be used only to pay the principal of, premium, if any, and interest on the Bonds; that the rates and charges for the System will, from time to time be made and kept sufficient to provide Net Revenues during each Fiscal Year that Bonds are outstanding equal to at least 110% of the maximum Principal and Interest Requirements on the Bonds in the current or any future Fiscal Year; that sufficient Surplus Net Revenues shall be available to fund the Short-Lived Asset Replacement Reserve Subaccount as described in the Resolution; that Additional Bonds may be issued and made payable from the Water System Fund on a parity with the Series 2013 Bond upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues, unless the lien thereof shall be expressly made subordinate to the lien of the Series 2013 Bond on such Net Revenues; that all provisions for the security of the Holder of this Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Town to be done, to exist, to happen and to be performed in order to make this Bond a valid and binding special obligation of the Town according to its terms have been done, do exist, have happened and have been performed as so required; and that this Bond and the interest and premium, if any, hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Debt Service Account and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision and the issuance of this Series 2013 Bond does not cause either the general or the special indebtedness of the Town to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF the Town of Stevensville, Ravalli County, State of Montana, by its Town Council, has caused this Bond to be executed on its behalf by the signature of the Mayor, the Town Treasurer and the Town Clerk and sealed with the official corporate seal of the Town, and has caused this Bond to be dated as of _____, 2013.

TOWN OF STEVENSVILLE, MONTANA

Mayor

Town Treasurer

Town Clerk

(SEAL)

PROVISIONS FOR REGISTRATION OF TRANSFER AND EXCHANGE

The ownership of this Series 2013 Bond and of the interest payable hereon may be transferred to a bona fide purchaser only by delivery hereof with an assignment duly executed by the registered owner or his attorney or legal representative, and the Town may treat the registered owner as the person exclusively entitled to receive payments of principal of and interest on this Series 2013 Bond and to exercise all the rights and powers of an owner until this Series 2013 Bond is presented to the Town Treasurer of the Town of Stevensville, Montana, as Bond Registrar, accompanied by said assignment and by assurance of the nature provided by law that the same is genuine and effective, and until such transfer is duly registered on the books of the Town and noted hereon by the Bond Registrar.

REGISTER

The ownership of the unpaid Principal Balance of this Series 2013 Bond and the interest accruing thereon is registered on the books of the Town of Stevensville, Montana, in the name of the registered holder as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of Town Treasurer</u>
_____, 2013	United States of America, United States Department of Agriculture Office of the Deputy Chief Financial Officer 4300 Goodfellow Boulevard St. Louis, Missouri 63120	_____

NO WRITING HEREON EXCEPT BY TOWN TREASURER
AS BOND REGISTRAR

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

<u>Date of Transfer</u>	<u>Registered Assign</u>	<u>Signature of Bond Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

SCHEDULE B

FROM ISSUANCE DATE OF SERIES 2013 BOND TO FIRST ANNIVERSARY THEREOF

<u>Date</u>	<u>Principal Advanced</u>	<u>Interest Rate</u>	<u>Interest Payment Due on August 15, 2014</u>
08/15/2013		2.750%	
		TOTAL:	

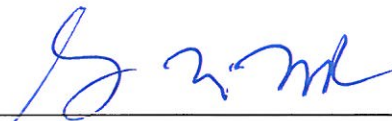
FROM AND AFTER FIRST ANNIVERSARY OF SERIES 2013 BOND

	<u>Monthly Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Loan Installment</u>
1. Equal Monthly Installment of Principal and Interest	15th day of month, commencing September 15, 2014			
2. Final Installment of Principal and Interest (468th Installment)	August 15, 2053			

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as Mayor of the Town of Stevensville
 hereby certify that the Town Council of such Association is composed of
4 members, of whom, 4 constituting a quorum, were present at a meeting thereof duly called and
 held on the 14th day of June 2010; and that the foregoing resolution was adopted at such meeting
 by the vote shown above, I further certify that as of August 15, 2013,
 the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been
 rescinded or amended in any way.

Dated, this 15th day of August 2013



 Gene Mim Mack
 Title Mayor

Scanned/mailed
 Dan Johnson
 8/15/13
 Keep Orig. Town
 Copy

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the Town of Stevensville, Montana (the "Town"), hereby certify that the attached resolution is a true copy of Resolution No. 39, entitled: "RESOLUTION RELATING TO UP TO \$2,173,000 WATER SYSTEM REVENUE BOND, SERIES 2013, CONFIRMING THE ISSUANCE THEREOF AND THE SECURITY THEREFOR AND MAKING CERTAIN DESIGNATIONS AND COVENANTS IN RESPECT OF THE BOND" (the "Resolution"), on file in the original records of the Town in my legal custody; that the Resolution was duly adopted by the Town Council of the Town at a meeting on July 25, 2013, and that the meeting was duly held by the Town Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, pursuant to Council meeting minutes, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: Councilpersons Ferrin, Towle, Holcomb and Klaphake; voted against the same: N/A; abstained from voting thereon: N/A; or were absent: N/A.

WITNESS my hand officially this 25th day of July, 2013.

Stacy Bartlett
Town Clerk

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the Town of Stevensville, Montana (the "Town"), hereby certify that the attached resolution is a true copy of Resolution No. 372, entitled: "RESOLUTION RELATING TO UP TO \$1,250,000 SEWER SYSTEM REVENUE BONDS, CONSISTING OF \$800,000 SERIES 201_A BOND AND \$450,000 SERIES 201_B BOND, AND A \$1,250,000 SEWER SYSTEM REVENUE BOND ANTICIPATION NOTE TO BE ISSUED IN ANTICIPATION THEREOF; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF AND THE SECURITY THEREFOR" (the "Resolution"), on file in the original records of the Town in my legal custody; that the Resolution was duly adopted by the Town Council of the Town at a regular meeting on May 14, 2015, and that the meeting was duly held by the Town Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: Jim Crews, Robin Holcomb, Tim Hunter and Bill Perrin; voted against the same: —; abstained from voting thereon: —; or were absent: —.

WITNESS my hand officially this 14th day of May, 2015.

Stacy Bartlett
Town Clerk

RESOLUTION NO. 372

RESOLUTION RELATING TO UP TO \$1,250,000 SEWER SYSTEM REVENUE BONDS, CONSISTING OF \$800,000 SERIES 201_A BOND AND \$450,000 SERIES 201_B BOND, AND A \$1,250,000 SEWER SYSTEM REVENUE BOND ANTICIPATION NOTE TO BE ISSUED IN ANTICIPATION THEREOF; AUTHORIZING THE ISSUANCE AND FIXING THE TERMS AND CONDITIONS THEREOF AND THE SECURITY THEREFOR

BE IT RESOLVED by the Town Council (the "Council") of the Town of Stevensville, Montana (the "Town"), as follows:

Section 1. Definitions. Terms used with initial capital letters but not defined herein shall have the meanings given them in the Original Resolution (as hereinafter defined). The terms defined in this Section 1 shall for all purposes of this Supplemental Resolution and the Resolution have the meanings herein specified, unless the context clearly otherwise requires:

Closing Date shall mean the date of delivery of the Series 2015 Note and receipt of the first advance of principal thereof.

Commitment Letter shall mean the Amended Letter of Conditions Replacing the May 9, 2014 Letter of Conditions from USDA to the Town, dated March 9, 2015.

Consulting Engineer shall mean HDR Engineering, Inc., of Missoula, Montana.

Definitive Bonds shall mean, together, the Town's Series 201_A Bond and its Series 201_B Bond.

Loans shall mean, together, the 201_A Loan and the 201_B Loan.

Original Purchaser shall mean, with respect to any series of Obligations, the original purchaser or underwriter of such series of Obligations. The Original Purchaser of the Series 2015 Note is the Board of Investments of the State of Montana, in Helena, Montana. The Original Purchaser of the Definitive Bonds is the United States of America acting through Rural Utilities Service, United States Department of Agriculture.

Original Resolution shall mean Resolution Nos. 255, 167, 274, and 279, adopted by this Council on July 12, 1999, December 11, 2000, June 27, 2011, and November 28, 2011, respectively.

Resolution shall mean the Original Resolution as amended and supplemented by this Supplemental Resolution, as such resolution may from time to time be further amended or supplemented in accordance with its terms.

Series 2000 Bonds shall mean, collectively, the Town's \$1,250,000 Sewer System Revenue Bond, Series 2000A, and \$814,000 Sewer System Revenue Bond, Series 2000B, dated as of December 19, 2000, and issued pursuant to the Original Resolution as then in effect.

Series 2011 Bond shall mean the Town's \$780,000 Sewer System Revenue Bond, Series 2011, dated as of December 15, 2011 and issued pursuant to the Original Resolution.

Series 2015 Note shall mean the Town's Sewer System Revenue Bond Anticipation Note, Series 2015, to be issued in the maximum principal amount of \$1,250,000 in anticipation of the issuance of the Definitive Bonds pursuant to the Original Resolution as amended and supplemented by this Supplemental Resolution.

Series 201_ Bonds means the Series 201_A Bond and the Series 201_B Bond.

Series 201_A Bond shall mean the Town's Sewer System Revenue Bond, Series 201_A, to be issued in the maximum original principal amount of \$800,000, or such lesser amount as is actually loaned to the Town, pursuant to the Original Resolution, as amended and supplemented by this Supplemental Resolution and a subsequent resolution.

Series 201_B Bond shall mean the Town's Sewer System Revenue Bond, Series 201_B, to be issued in the maximum original principal amount of \$450,000, or such lesser amount as is actually loaned to the Town, pursuant to the Original Resolution, as amended and supplemented by this Supplemental Resolution and a subsequent resolution.

Supplemental Resolution shall mean any resolution supplementary or amendatory to the Resolution in accordance with the terms of the Resolution, including this Supplemental Resolution.

2015 Project shall mean the improvements to the System described in Section 2.03.

201 Loan shall mean, collectively, the 201_A Loan and the 201_B Loan.

201 A Loan shall mean the loan from the USDA to the Town in an amount not to exceed \$800,000 to provide funds to pay a portion of the costs of the 2015 Project and to pay costs of issuance.

201 B Loan shall mean the loan from the USDA to the Town in an amount not to exceed \$450,000 to provide funds to pay a portion of the costs of the 2015 Project and to pay costs of issuance.

USDA shall mean the United States of America acting through Rural Utilities Service, United States Department of Agriculture, or any successor agency under Public Law 103-354.

Section 2. Authorization and Recitals.

2.01. Authorization. Under Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended (the "Act"), the Town is authorized to issue and sell its revenue bonds payable during a term not exceeding forty years from their date of issue, to provide funds for the reconstruction, improvement, betterment and extension of a municipal sewer system and to issue refunding bonds to refund bonds issued for such purposes, provided that the bonds and the interest thereon are to be payable solely out of the income and revenues to be derived from rates, fees and charges for the services, facilities and commodities furnished by such sewer system, and

are not to create any obligation for the payment of which taxes may be levied except to pay for services provided by the sewer system to the Town.

2.02. Outstanding Debt. Pursuant to the Act and the Original Resolution, the Town has issued and there is outstanding its Series 2000 Bonds and its Series 2011 Bond issued to finance or refinance the costs of acquiring and constructing improvements to the System. Apart from the Series 2000 Bonds and the Series 2011 Bond, there are no other bonds or indebtedness of the Town outstanding that are payable in whole or in part from or secured by revenues of the System.

2.03. The 2015 Project. The Town with the assistance of the Consulting Engineer has determined the necessity of upgrading the sewer system of the Town (the "System") to meet certain state and federal requirements. The 2015 Project consists of the acquisition, construction and installation of various improvements to the System, including construction of a new headworks building, installing perforated plate screen and vortex grit removal tank, converting a portion of the aerobic digester to conventional biological nutrient removal, adding a sludge press, and related improvements (the "2015 Project"). The estimated costs of the 2015 Project, including engineering and financing costs, are presently estimated to be \$4,549,000, and consist of the following items:

Engineering – PER	\$ 35,000.00
Engineering – Preliminary Design	50,458.00
Engineering – Final Design	278,905.00
Engineering – Const. Admin. – Bidding	11,147.00
Engineering – Const. Admin. – Construction	124,470.00
Engineering – Inspection – RPR	100,258.00
Engineering – Const. Admin. – Post Construction	38,764.00
Construction	3,519,850.00
Contingency	352,148.00
Office Costs	1,000.00
Audit Costs	6,000.00
Legal Services	1,000.00
Bond Counsel	20,000.00
Interim Interest	10,000.00
<u>TOTAL</u>	<u>\$4,549,000.00</u>

Costs of the 2015 Project in excess of proceeds of the Series 2015 Note available for payment of costs of the 2015 Project are expected to be paid from grants from the USDA in the total amount of \$2,155,000, a Treasure State Endowment Program grant in the amount of \$750,000, a Treasure State Endowment Program planning grant in the amount of \$15,000, a Department of Natural Resources and Conservation Renewable Resource grant in the amount of \$100,000, and funds that the Town has on hand in the amount of \$279,000.

2.04. Additional Bonds. The Town has reserved the right under Section 5 of the Original Resolution, as amended, to issue Additional Bonds on a parity with other then Outstanding Bonds for the purpose of financing a Project or refunding Outstanding Bonds, which Additional

Bonds may be made payable from and secured by the Net Revenues to be derived from the operation of the System, upon compliance with the provisions of said Section.

To satisfy Section 5.01 of the Original Resolution, as amended, this Council hereby authorizes the Mayor, the Town Treasurer, and Town Clerk to sign a certificate stating that the Town is not in default under the Original Resolution and the Town has provided for increasing the balance in the Reserve Account to the Reserve Requirement with respect to the Series 2000 Bonds, the Series 2011 Bond, and the Definitive Bonds and to increase such other balances in accordance with the Resolution. In addition, the United States of America is the Holder of the Series 2000 Bonds and the Series 2011 Bond, so its consent to the issuance of the Series 2015 Note and Definitive Bonds is deemed given by purchase of the Definitive Bonds. Finally, the Town has directed the Consulting Engineer to deliver an appropriate certificate under Section 5.01(E) of the Original Resolution. This Council hereby finds and determines that the conditions set forth in Section 5.01 can be satisfied so that the Definitive Bonds may be issued as Additional Bonds under the Original Resolution.

2.05. Net Revenues Available. The Town is authorized to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the System, and to pledge and appropriate to the Series 2000 Bonds, the Series 2011 Bond, the Series 2015 Note, and the Definitive Bonds herein authorized the Net Revenues to be derived from the operation of the System, including improvements, betterments or extensions thereof hereafter constructed or acquired. The Net Revenues to be produced by such rates, charges and rentals during the term of the Series 2000 Bonds, the Series 2011 Bond, and the Definitive Bonds will be more than sufficient each fiscal year to pay the principal and interest when due on the Series 2000 Bonds, the Series 2011 Bond, and the Definitive Bonds, and to create and maintain reasonable reserves therefor and to provide an allowance for replacement and depreciation, as prescribed by the Original Resolution as amended by this Supplemental Resolution.

2.06. Sale and Authorization of Series 2015 Note. In anticipation of the receipt of the proceeds of the Loan and the issuance and delivery of the Definitive Bonds, and in order to provide funds during construction of the 2015 Project to pay the costs thereof, it is necessary that the Town provide for the issuance and sale of the Series 2015 Note under and pursuant to Section 7-7-109 of the Act. The Town has received an offer from the Board of Investments of the State of Montana, in Helena, Montana (the Original Purchaser thereof), to purchase the Series 2015 Note at a price of up to \$1,250,000, upon the further terms and conditions herein set forth. The terms and conditions of the offer are reasonable and advantageous to the Town and are hereby accepted. The Town is authorized and shall proceed to issue and deliver the Series 2015 Note in the form and upon the terms and conditions provided in this Resolution.

2.07. Authorization of the Series 201_ Bonds. Pursuant to the authority recited in Section 2.01 and for the purpose of paying and redeeming the Series 2015 Note and financing a portion of the cost of the 2015 Project, this Council hereby authorizes the issuance of the Series 201_ Bonds. The USDA has agreed, subject to the terms and conditions of the Commitment Letter, to lend the Town up to \$800,000 with respect to the Series 201_A Bond and \$450,000 with respect to the Series 201_B Bond to finance a portion of the costs of the 2015 Project. The terms and conditions of the 201_A Loan and the 201_B Loan, as set forth in the Commitment Letter, are reasonable and advantageous to the Town and are hereby accepted. The Town has

adopted Loan Resolutions on May 15, 2014 and March 12, 2015, and Letters of Intent To Meet Conditions, dated May 9, 2014 and March 9, 2015, pursuant to which the Town has agreed to issue its Series 201_ Bonds, in the maximum aggregate principal amount of up to \$1,250,000, in accordance with the provisions of this Supplemental Resolution and the Commitment Letter.

It is hereby found and determined to be necessary and expedient for the Town to issue and sell to the USDA, pursuant to Montana Code Annotated, Section 7-7-4433, the Series 201_ Bonds, to be designated as (i) "Sewer System Revenue Bond, Series 201_A" (the series designation to be completed with the calendar year in which the Series 201_A Bond is issued) in the maximum principal amount of \$800,000, at a price equal to its principal amount, upon satisfaction of the conditions precedent to the 201_A Loan, and (ii) "Sewer System Revenue Bond, Series 201_B" (the series designation to be completed with the calendar year in which the Series 201_B Bond is issued) in the maximum principal amount of \$450,000, at a price equal to its principal amount, upon satisfaction of the conditions precedent to the 201_B Loan.

2.08. Recitals. All acts, conditions and things required by the Constitution and laws of the State of Montana to be done, to exist, to happen and to be performed prior to the issuance of the Series 2015 Note have been done, do exist, have happened, and have been performed in due time, form and manner, wherefore it is now necessary for this Council to establish the form and terms of the Series 2015 Note and the Definitive Bonds, to provide for the security thereof and to provide for the delivery of the Series 2015 Note and to issue the Definitive Bonds.

Section 3. The Series 2015 Note.

3.01. General Terms. The Town shall forthwith issue the Series 2015 Note in the maximum principal amount of \$1,250,000. The Series 2015 Note is issued as an Additional Note under Section 5.02 of the Original Resolution. The Series 2015 Note shall be dated as of the date of its delivery. Upon each disbursement of the Series 2015 Note proceeds, the Board of Investments of the State of Montana shall enter the amount advanced on Schedule A attached to the Series 2015 Note under "Advances" and the total amount advanced under the Resolution, including such disbursement, under "Total Amount Advanced." The Series 2015 Note shall be lettered and numbered R-1 and shall mature, subject to redemption as herein provided, on August 15, 2016 (the "Stated Maturity"), and shall bear interest on the principal amount thereof at the rate per annum equal to the Variable Rate (as hereinafter defined), as such may be adjusted from time to time as hereinafter provided. Interest shall be computed on the basis of the actual number of days in the year and the actual number of days the Series 2015 Note is outstanding. Principal and interest shall be payable on its Stated Maturity or upon earlier redemption of the Series 2015 Note.

Principal of the Series 2015 Note from time to time outstanding shall bear interest from the date of issuance thereof, as provided above in this Section 3.01 of this Supplemental Resolution, until paid at the Variable Rate, as such may be adjusted from time to time as hereinafter provided. Until the initial Adjustment Date (as hereafter defined), the Variable Rate shall be one and one-quarter percent (1.25%) per annum. Thereafter, for the Adjustment Period (as hereafter defined), the Variable Rate shall be the rate per annum equal to the interest rate then borne by the Board of Investment's Annual Adjustable Rate Tender Option, Municipal Finance Consolidation Act Bonds (INTERCAP Revolving Program), plus up to one and one-half percent

(1.50%) per annum, as certified by the Board of Investments as of the Adjustment Date, but in no event to exceed fifteen percent (15.00%) per annum. If for any reason the interest rate cannot be established as so provided or is held invalid or unenforceable by a court of law, the interest rate for the Series 2015 Note for the Adjustment Period shall be a rate equal to the largest integral multiple of five hundredths of one percent (0.05%) that is equal to or less than eighty percent (80%) of the average yield, evaluated at par, of United States Treasury obligations with a stated or remaining maturity of one year, as reported in *The Wall Street Journal* (Des Moines Edition) (or, if such paper is no longer published or fails to report such information, in any other financial periodical selected by the U.S. Bank National Association, of Seattle, Washington, and reasonably acceptable to the Holders of the Series 2015 Note) on the Adjustment Date or, if the Adjustment Date is not a Business Day, the next preceding Business Day, but in no event to exceed fifteen percent (15.00%) per annum. As used herein, "Adjustment Date" means each February 16 and "Adjustment Period" means the period beginning on an Adjustment Date and ending on the day before the next succeeding Adjustment Date or the final Stated Maturity of the Series 2015 Note, whichever is earlier; provided that if the Series 2015 Note is not paid at its final Stated Maturity, the final Adjustment Period with respect to the Series 2015 Note shall extend until it is paid or provision has been duly made for its payment.

3.02. Registration. The Series 2015 Note shall be fully registered as to both principal and interest and shall initially be registered in the name of and payable to the Original Purchaser thereof. The Town Treasurer shall act as Note Registrar and as such shall establish and maintain a Note Register for the purpose of recording the names and addresses of the registered owners of the Series 2015 Note and the date of registration of any transfer.

3.03. Redemption. The Series 2015 Note shall be subject to redemption in whole but not in part, on any date, at the principal amount thereof plus accrued interest, without premium. Not less than 15 days before the date specified for redemption thereof, the Town Treasurer shall mail notice of the redemption to the registered owner thereof at the address as it appears on the registration books of the Note Registrar.

3.04. Form of Series 2015 Note. The Series 2015 Note shall be prepared in substantially the form attached as Exhibit A to this Supplemental Resolution, which is hereby incorporated herein and made a part hereof, with such appropriate variations, omissions and insertions as are permitted or required by this Supplemental Resolution.

3.05. Assignment. The Series 2015 Note shall be transferable by the registered owner or attorney duly authorized in writing upon presentation thereof to the Town Treasurer together with a written instrument of transfer satisfactory to the Town Treasurer duly executed by the registered owner or its attorney. Such transfer shall be noted on the Series 2015 Note. Upon request of the registered owner or transferee, the Town shall execute and deliver another Series 2015 Note of a principal amount equal to the outstanding principal amount of the Series 2015 Note and maturing at the same time as the Series 2015 Note so transferred, and the Series 2015 Note so surrendered for transfer shall be promptly cancelled by the Town Treasurer. No service charge shall be made for such transfer, but the Town may require payment of a sum sufficient to cover any tax, fee or governmental charge or other expense incurred by the Town with respect to such transfer. Until and unless otherwise provided by resolution of this Council, the following shall be a sufficient written instrument of transfer within the meaning of this Section 3.05:

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto: _____ the Sewer System Revenue Bond Anticipation Note, Series 2015, No. R-_, of the Town of Stevensville, Montana, and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Registered Owner

3.06. Preparation, Execution and Delivery of Series 2015 Note. The Series 2015 Note shall be issued and delivered to the Original Purchaser thereof upon payment of the purchase price thereof. The Series 2015 Note shall be prepared under the direction of the Town Clerk and when so prepared shall be executed on behalf of the Town by the Mayor, the Town Treasurer, and the Town Clerk, and sealed with the corporate seal of the Town. When the Note has been so executed, it shall be delivered by the Town Clerk to the Original Purchaser thereof, and the Original Purchaser shall not be required to see to the application thereof.

3.07. The Loan. The Town will observe and perform all of its obligations and duties under and do all acts and things as may be necessary or appropriate to satisfy the terms and conditions of the Commitment Letter, and all other regulations and requirements of the USDA relating to the Loan and the receipt of the proceeds therefrom to the end that the Loan may be closed and the Definitive Bonds issued and delivered in evidence thereof on or before the maturity of the Series 2015 Note.

3.08. Issuance of Definitive Bonds. Interest on the Series 2015 Note shall be payable from and secured by the Net Revenues available in the Note Account. The payment of principal of the Series 2015 Note and interest thereon is payable from proceeds to be received upon the sale and issuance of up to \$1,250,000 principal amount of the Definitive Bonds authorized by Sections 4 and 5 of this Supplemental Resolution and to be issued and sold by the Town prior to the maturity of the Note to provide funds to be used, with other available funds of the Town, to refund the principal amount thereof then outstanding and interest accrued thereon to the date of redemption.

The Town hereby covenants and agrees for the benefit from time to time of the owners of the Series 2015 Note that on or before August 15, 2016, it will authorize, issue and offer for sale and use its best efforts to sell the Definitive Bonds or other Additional Bonds to refund the Series 2015 Note at its stated maturity. In the event the Town is unable to sell the Definitive Bonds herein authorized or such Additional Bonds, the Holders of the Series 2015 Note shall be entitled, at their option, to exchange the Series 2015 Note for one or more Definitive Bonds amortized in semiannual installments over a ten-year period or fifteen-year period (at the election of the Holders of the Series 2015 Note) and bearing interest at a rate equal to the Variable Rate as defined in Section 3.01 of this Resolution on a par-for-par basis, and the Town covenants and

agrees to increase the rates and charges of the System, if necessary, to comply with Section 6.09, as amended hereby, within 18 months after the date of issuance thereof.

3.09. Increase in Rates and Charges. It is expressly understood that the Definitive Bonds will be payable from and secured by the Net Revenues of the System. The Town hereby covenants and agrees with the Holder of the Series 2015 Note that the Town has increased the rates, charges and rentals for all services directly or indirectly furnished by the System, effective as of July 1, 2014, such that such rates, charges and rentals are reasonable and expected to be sufficient to produce Net Revenues of the System in each Fiscal Year, commencing with the Fiscal Year ending June 30, 2015, not less than 110% of the maximum Principal and Interest Requirements on the Bonds.

3.10. Application of Proceeds. All of the proceeds of the Series 2015 Note shall be deposited in the Construction Account established in and pursuant to Section 6.02 of the Original Resolution and used solely to defray expenses of the 2015 Project, and costs of issuance or to the transfer to the Note Account, created pursuant to Section 6.09 of the Original Resolution, as amended, to the extent necessary, of amounts sufficient for the payment of interest and principal due upon the Series 2015 Note.

Section 4. The Series 201_A Bond.

4.01. Date, Maturity and Interest. The Series 201_A Bond to be issued and sold pursuant to this Supplemental Resolution shall be designated a Sewer System Revenue Bond, Series 201_A, shall be in the maximum principal amount of \$800,000, shall be one in number, shall be dated as of the date of delivery to the USDA in exchange for payment therefor by the USDA, and shall bear interest at the rate of two and one-half percent (2.50%) per annum. Interest shall be computed on the basis of a 365-day year based on the actual number of days elapsed. Assuming the full principal amount of the Series 201_A Bond is advanced, principal of and interest on the Series 201_A Bond shall be payable in equal amortized monthly installments of \$2,640 commencing on the same date as the date of issuance of the Series 201_A Bond in the calendar month next succeeding the calendar month containing such date of issuance, but no later than the 28th day of the month, the final installment being due and payable not later than forty (40) years from the date of the Series 201_A Bond. The final payment will be in such lesser or greater amount as is necessary to pay the balance of principal and interest then remaining due. Such installment payments shall be made to the registered holder of the Series 201_A Bond, at its address as it appears on the Bond Register on the date such principal and interest are payable, or as otherwise provided in Section 4.02, in lawful money of the United States of America.

4.02. Registration. The Series 201_A Bond shall be fully registered as to both principal and interest and shall be initially registered in the name of and payable to the United States of America acting through Rural Utilities Service, United States Department of Agriculture. While held by the United States of America acting through Rural Utilities Service, United States Department of Agriculture, the address of the registered holder shall be the Office of the Deputy Chief Financial Officer, USDA, at 4300 Goodfellow Boulevard, St. Louis, Missouri 63120, or such other address as the USDA may designate in writing and delivered to the Registrar for the Series 201_A Bond, and principal of and interest on the Series 201_A Bond shall be payable at

the State Office of the USDA Rural Development, at 2229 Boot Hill Court, Bozeman, Montana 59715, or such other place as may be designated by the USDA in writing and delivered to the Registrar for the Series 201_A Bond. The Town Treasurer and his or her successors in office shall act as Registrar for the Series 201_A Bond and as such shall establish and maintain a Bond Register for the purpose of recording the names and addresses of the registered holder or assigns of the Series 201_A Bond, and the date of registration. The Town reserves the right to appoint a successor Registrar which may be a financial institution. The Town shall pay all fees and charges of such Registrar for such services.

4.03. Redemption. The Town shall have the right, on any installment payment date, to redeem installments of principal of the Series 201_A Bond, in whole or in part, and if in part, in multiples of \$1,000, at a price equal to the principal amount to be redeemed plus accrued interest, without premium; provided, that so long as the Series 201_A Bond is registered in the name of the United States of America, the Town may redeem all or any portion of the principal on any date without penalty or premium. All such prepayments shall be applied to installments of principal in inverse order of their maturity dates. The Town Treasurer shall, at least 30 days prior to the designated redemption date, cause notice of the redemption to be mailed to the registered holder of the Bond at its address as it appears in the bond register described in Section 4.02. The Registrar shall enter in the Bond Register the amount and date of each prepayment.

4.04. Assignment and Exchange. The Series 201_A Bond shall be transferable by the registered owner or its attorney duly authorized in writing upon presentation thereof to the Registrar together with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or its attorney. The following form of assignment shall be sufficient for the purpose:

For value received _____ hereby sells,
assigns and transfers unto _____ the within Bond of the
Town of Stevensville, Montana, and does hereby irrevocably constitute and
appoint _____, Attorney, to transfer said Bond on the
books of said Town with full power of substitution in the premises.
Dated: _____

Registered Owner

Such transfer shall also be noted on the Series 201_A Bond and in the Bond Register. Upon request of the registered owner or transferee, and upon surrender of any Series 201_A Bond, the Town shall execute and deliver, and the Registrar shall authenticate, one or more bonds, in an aggregate principal amount (and, if more than one bond is to be issued, in denominations that are multiples of \$1,000, to the extent practicable) equal to the principal amount of the Series 201_A Bond that then remains unpaid, and maturing at the same time or times as the then unpaid principal installments of the Series 201_A Bond, and the Series 201_A Bond shall be promptly cancelled by the Registrar. No service charge shall be made for such transfer or exchange, but the Town may require payment of a sum sufficient to cover any tax, fee or governmental charge or other expense incurred by the Town with respect to such exchange. In the event of a request for the issuance of more than one new bond upon any such exchange,

the Town Council shall, by resolution, make such provisions relative to the form of such bonds as shall be deemed necessary or desirable to ensure that the terms of and the security for the indebtedness represented by the Series 201_A Bond shall not be varied in any material respect by reason of such exchange.

4.05. Execution and Delivery. The Series 201_A Bond shall be prepared under the direction of the Town Clerk and shall be executed on behalf of the Town by the signatures of the Mayor, the Town Treasurer, and the Town Clerk and sealed with the official corporate seal of the Town. When the Series 201_A Bond has been executed, the Town Clerk shall cause it to be dated as of the date of delivery and delivered to the USDA, as the Original Purchaser thereof, upon payment of the purchase price heretofore agreed upon, and the USDA shall not be obligated to see to the application of the purchase price.

4.06. Refinancing. If, at any time it shall appear to the USDA that the Town is able to refinance the principal amount of the Series 201_A Bond then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources at reasonable rates and terms for loans for similar purposes and periods of time, the Town will, upon request of the USDA, apply for and accept such loan in a sufficient amount to repay the USDA and will take all such action as may be required in connection with such loan.

4.07. Transcript Certification. The officers of the Town are directed to furnish to Bond Counsel and the USDA certified copies of all proceedings and information in their official records relevant to the authorization, sale, execution and issuance of the Series 2015 Note and the Series 201_A 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 2015 Note and the Series 201_A Bond, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations and recitals of the Town as to the correctness of all facts stated therein and the completion of all proceedings stated therein to have been taken.

4.08. Form of Series 201_A Bond. The Series 201_A Bond shall be prepared in substantially the form attached as Exhibit B to this Supplemental Resolution, which is hereby incorporated herein and made a part hereof, with such appropriate variations, omissions and insertions as are permitted or required by the Resolution.

4.09. Appropriation of Series 201_A Bond Proceeds. The proceeds of the Series 201_A Bond are appropriated to the Note Account to the extent required to pay principal of and interest on the Series 2015 Note and otherwise to the Construction Account in the Sewer System Fund and applied to the costs of the 2015 Project, including costs of issuance of the Series 201_A Bond.

4.10. No Escrow Defeasance. As provided more particularly in Section 9.04 of the Original Resolution, the Town may not defease the Series 201_A Bond by depositing in escrow in advance of the redemption date cash or government obligations.

Section 5. The Series 201_B Bond.

5.01. Date, Maturity and Interest. The Series 201_B Bond to be issued and sold pursuant to this Supplemental Resolution shall be designated a Sewer System Revenue Bond, Series 201_B, shall be in the maximum principal amount of \$450,000, shall be one in number, shall be dated as of the date of delivery to the USDA in exchange for payment therefor by the USDA, and shall bear interest at the rate of two and one-quarter percent (2.25%) per annum. Interest shall be computed on the basis of a 365-day year based on the actual number of days elapsed. Assuming the full principal amount of the Series 201_B Bond is advanced, principal of and interest on the Series 201_B Bond shall be payable in equal amortized monthly installments of \$1,427 commencing on the same date as the date of issuance of the Series 201_B Bond in the calendar month next succeeding the calendar month containing such date of issuance, but no later than the 28th day of the month, the final installment being due and payable not later than forty (40) years from the date of the Series 201_B Bond. The final payment will be in such lesser or greater amount as is necessary to pay the balance of principal and interest then remaining due. Such installment payments shall be made to the registered holder of the Series 201_B Bond, at its address as it appears on the Bond Register on the date such principal and interest are payable, or as otherwise provided in Section 5.02, in lawful money of the United States of America.

5.02. Registration. The Series 201_B Bond shall be fully registered as to both principal and interest and shall be initially registered in the name of and payable to the United States of America acting through Rural Utilities Service, United States Department of Agriculture. While held by the United States of America acting through Rural Utilities Service, United States Department of Agriculture, the address of the registered holder shall be the Office of the Deputy Chief Financial Officer, USDA, at 4300 Goodfellow Boulevard, St. Louis, Missouri 63120, or such other address as the USDA may designate in writing and delivered to the Registrar for the Series 201_B Bond, and principal of and interest on the Series 201_B Bond shall be payable at the State Office of the USDA Rural Development, at 2229 Boot Hill Court, Bozeman, Montana 59715, or such other place as may be designated by the USDA in writing and delivered to the Registrar for the Series 201_B Bond. The Town Treasurer and his or her successors in office shall act as Registrar for the Series 201_B Bond and as such shall establish and maintain a Bond Register for the purpose of recording the names and addresses of the registered holder or assigns of the Series 201_B Bond, and the date of registration. The Town reserves the right to appoint a successor Registrar which may be a financial institution. The Town shall pay all fees and charges of such Registrar for such services.

5.03. Redemption. The Town shall have the right, on any installment payment date, to redeem installments of principal of the Series 201_B Bond, in whole or in part, and if in part, in multiples of \$1,000, at a price equal to the principal amount to be redeemed plus accrued interest, without premium; provided, that so long as the Series 201_B Bond is registered in the name of the United States of America, the Town may redeem all or any portion of the principal on any date without penalty or premium. All such prepayments shall be applied to installments of principal in inverse order of their maturity dates. The Town Treasurer shall, at least 30 days prior to the designated redemption date, cause notice of the redemption to be mailed to the registered holder of the Bond at its address as it appears in the bond register described in Section 5.02. The Registrar shall enter in the Bond Register the amount and date of each prepayment.

5.04. Assignment and Exchange. The Series 201_B Bond shall be transferable by the registered owner or its attorney duly authorized in writing upon presentation thereof to the Registrar together with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or its attorney. The following form of assignment shall be sufficient for the purpose:

For value received _____ hereby sells, assigns and transfers unto _____ the within Bond of the Town of Stevensville, Montana, and does hereby irrevocably constitute and appoint _____, Attorney, to transfer said Bond on the books of said Town with full power of substitution in the premises.
Dated: _____

Registered Owner

Such transfer shall also be noted on the Series 201_B Bond and in the Bond Register. Upon request of the registered owner or transferee, and upon surrender of any Series 201_B Bond, the Town shall execute and deliver, and the Registrar shall authenticate, one or more bonds, in an aggregate principal amount (and, if more than one bond is to be issued, in denominations that are multiples of \$1,000, to the extent practicable) equal to the principal amount of the Series 201_B Bond that then remains unpaid, and maturing at the same time or times as the then unpaid principal installments of the Series 201_B Bond, and the Series 201_B Bond shall be promptly cancelled by the Registrar. No service charge shall be made for such transfer or exchange, but the Town may require payment of a sum sufficient to cover any tax, fee or governmental charge or other expense incurred by the Town with respect to such exchange. In the event of a request for the issuance of more than one new bond upon any such exchange, the Town Council shall, by resolution, make such provisions relative to the form of such bonds as shall be deemed necessary or desirable to ensure that the terms of and the security for the indebtedness represented by the Series 201_B Bond shall not be varied in any material respect by reason of such exchange.

5.05. Execution and Delivery. The Series 201_B Bond shall be prepared under the direction of the Town Clerk and shall be executed on behalf of the Town by the signatures of the Mayor, the Town Treasurer, and the Town Clerk and sealed with the official corporate seal of the Town. When the Series 201_B Bond has been executed, the Town Clerk shall cause it to be dated as of the date of delivery and delivered to the USDA, as the Original Purchaser thereof, upon payment of the purchase price heretofore agreed upon, and the USDA shall not be obligated to see to the application of the purchase price.

5.06. Refinancing. If, at any time it shall appear to the USDA that the Town is able to refinance the principal amount of the Series 201_B Bond then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources at reasonable rates and terms for loans for similar purposes and periods of time, the Town will, upon request of the USDA, apply for and accept such loan in a sufficient amount to repay the USDA and will take all such action as may be required in connection with such loan.

5.07. Transcript Certification. The officers of the Town are directed to furnish to Bond Counsel and the USDA certified copies of all proceedings and information in their official records relevant to the authorization, sale, execution and issuance of the Series 2015 Note and the Series 201_B 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 2015 Note and the Series 201_B Bond, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations and recitals of the Town as to the correctness of all facts stated therein and the completion of all proceedings stated therein to have been taken.

5.08. Form of Series 201_B Bond. The Series 201_B Bond shall be prepared in substantially the form attached as Exhibit C to this Supplemental Resolution, which is hereby incorporated herein and made a part hereof, with such appropriate variations, omissions and insertions as are permitted or required by the Resolution.

5.09. Appropriation of Series 201_B Bond Proceeds. The proceeds of the Series 201_B Bond are appropriated to the Note Account to the extent required to pay principal of and interest on the Series 2015 Note and otherwise to the Construction Account in the Sewer System Fund and applied to the costs of the 2015 Project, including costs of issuance of the Series 201_B Bond.

5.10. No Escrow Defeasance. As provided more particularly in Section 9.04 of the Original Resolution, the Town may not defease the Series 201_B Bond by depositing in escrow in advance of the redemption date cash or government obligations.

Section 6. Security for the Definitive Bonds; Deposits; Reports; Insurance.

6.01. Lien on Net Revenues. The Definitive Bonds are issued under Section 5.01 of the Original Resolution and shall, with the Series 2000 Bonds and the Series 2011 Bond now Outstanding and any other Additional Bonds issued under the provisions of Section 5.01 of the Original Resolution, as amended, be equally and ratably secured by the provisions of the Resolution, and payable out of the Net Revenues pledged to the Debt Service Account, without preference or priority, all as provided in the Resolution. The Town shall keep, perform and observe each and every of its covenants and undertakings set forth in the Resolution.

6.02. Deposits. Commencing with the first monthly payment of the Series 201_Bonds, and in addition to and from the Net Revenues remaining after each monthly credit to the Debt Service Account required by Section 6.04 of the Original Resolution, as amended, the Town shall credit to the Reserve Account a minimum amount per month and such additional amounts as may be necessary to accumulate over a period concluding on the tenth anniversary of the date of issuance of the Series 201_Bonds, a balance in the Reserve Account an amount equal to the Reserve Requirement. It is expected that to fulfill the requirements of the preceding sentence and assuming the full principal amounts of the Series 201_Bonds are advanced, the Town will credit to the Reserve Account a minimum amount of \$264 per month with respect to the Series 201_A Bond and a minimum of \$143 per month with respect to the Series 201_B Bond. Once the Reserve Requirement has been satisfied and so long as it continues to be satisfied, monthly

payments in the amount of \$407 may be applied to prepay the Series 201_ Bonds or credited to the Replacement and Depreciation Account.

6.03. Reports. The Town shall, so long as either of the Series 201_ Bonds is Outstanding and the United States of America is the holder thereof, prior to the beginning of each Fiscal Year submit to the USDA a proposed budget for the ensuing Fiscal Year and shall also submit to the USDA a quarterly income and expense statement for the three complete Fiscal Years after completion of the 2015 Project.

6.04. Improvements. So long as the Series 201_ Bonds are outstanding and the United States of America is the holder thereof, the Town will not make any improvements or modifications to the System without the approval of the USDA.

Section 7. Amendments.

7.01. Amendments. Pursuant to the written consent of the United States of America, being the Holder of all of the outstanding Bonds, the Original Resolution is hereby amended as follows.

7.01.1. Section 6.06. Section 6.06 of the Original Resolution, as amended by Resolution No. 274, is hereby amended to read as follows in its entirety (underlining indicates additions; strikethroughs, deletions):

“6.06. Repair and Replacement Account. The Repair and Replacement Account is hereby established as a separate account within the Sewer System Fund. As of each monthly apportionment, there shall be credited to the Repair and Replacement Account such portion of the Net Revenues, in excess of the current requirements of the Debt Service Account and the Reserve Account (which portion of the Revenues is referred to herein as “Surplus Net Revenues”), as the Town shall determine to be required for replacement or renewal of worn out, obsolete or damaged properties and equipment of the System, provided, however, that if the Definitive Bond is Outstanding and if the balance in the Reserve Account equals the maximum Reserve Requirement and the Town is otherwise in compliance with its covenants herein, the amount in excess of the Reserve Requirement, to the extent not credited to the Debt Service Account as provided in the last paragraph of Section 6.05, will be placed in the Repair and Replacement Account or the Surplus Account. The Town hereby establishes a subaccount in the Repair and Replacement Account denominated the Short-Lived Asset Replacement Reserve Subaccount. ~~On or before the date of delivery of the Definitive Bond, the Town shall deposit from funds it has on hand and available therefor the amount of \$44,100 in the Short-Lived Asset Replacement Reserve Subaccount.~~ Commencing on the date that is one month following the date of issuance of the Definitive Bonds and monthly thereafter throughout the ensuing years for so long as the Series 2011 Bond and Definitive Bonds are outstanding, the Town shall deposit in the Short-Lived Asset Replacement Reserve Subaccount from Surplus Net Revenues \$595 per month or as adjusted for inflation. Money in the Short-Lived Asset Replacement Reserve Subaccount is to be used for the replacement of Short-Lived Assets, but may be applied to pay and discharge the Series 2011 Bond or a Definitive Bond, together with other available funds of the Town, if the

amount therein is then sufficient to pay and discharge the Series 2011 Bond or a Definitive Bond in full. ~~The Town shall maintain the balance in the Short Lived Asset Replacement Reserve Subaccount at \$44,100.~~ Money in the Repair and Replacement Account shall be used only for the purposes above stated or, but only if the above requirements of the Repair and Replacement Account are satisfied, including those relating to funding the Short-Lived Asset Replacement Reserve Account, and if so directed by the Council, to pay Operating Expenses, to redeem Obligations which are prepayable according to their terms, to pay principal or interest when due thereon as required in Section 6.04 or Section 6.09, to pay the cost of improvements to the System ~~or,~~ to be transferred to the Rebate Account as provided in Section 6.08 or to be transferred to the Surplus Account; provided that in the event construction and installation of additional improvements or additions to the System are financed other than from Obligations, so long as the amounts required are on deposit in the Short-Lived Asset Replacement Reserve Subaccount, Surplus Net Revenues from time to time received may be segregated and paid into one or more separate and additional accounts for the repayment of such indebtedness and interest thereon, in advance of payments required to be made into the Repair and Replacement Account; and provided further that amounts in the Short-Lived Asset Replacement Reserve Subaccount may be used only for the replacement of Short-Lived Assets or to discharge the Series 2011 Bond and a Definitive Bond (or any of them) as stated above. As long as the United States of America is the holder of the Series 2011 Bond and a Definitive Bond (or any of them) and no Additional Bonds are Outstanding, the Town may not use or obligate moneys on hand in the Repair and Replacement Account without the written approval of the USDA.”

7.01.2. Section 6.09. Section 6.09 of the Original Resolution is hereby further amended to read as follows in its entirety (underlining indicates additions; strikethroughs, deletions):

“6.09. Note Account. There is hereby established in the Sewer System Fund and the ~~Town Clerk-Treasurer~~ Town Treasurer shall maintain a separate and special Note Account (the “Note Account”). If a Note is Outstanding, all Net Revenues remaining after the required credits to the Debt Service Account, the Reserve Account and the Replacement and Depreciation Account pursuant to this Resolution shall be credited to the Note Account. The Town irrevocably appropriates to the Note Account (a) Net Revenues as described in the immediately preceding sentence ~~the proceeds of the Loans, as received,~~ (b) the proceeds of all definitive sewer system revenue bonds issued pursuant to ~~Section 3.08 of this~~ the Resolution as then in effect, and (c) such other money as shall be appropriated to the Note Account from time to time.

Amounts on deposit in the Note Account shall be used solely to pay the principal of and interest on the Series 1999 Note and any Additional Notes made payable therefrom; provided that, except in the case of the Series 1999 Note, if on any date the balance in the Debt Service Account or the Reserve Account is less than then required, an amount equal to such deficiency will be transferred from the Net Revenues and investment income therefrom on deposit in the Note Account. Upon payment or discharge of the Series 1999 Note, ~~and the Series 2011 Note,~~ and the Series 2015 Note and any Additional Notes and upon the making of the credits to the Note Account

required in connection with any other Notes made payable therefrom, all surplus funds therein shall be transferred to the Surplus Account. Until the Series 1999 Note, and the Series 2011 Note, and the Series 2015 Note and any Additional Notes and interest thereon have been paid or discharged, no credits shall be made to the Surplus Account.”

Section 8. Tax Covenants relating to the Series 2015 Note and Definitive Bonds.

8.01. Use of 2015 Project. The 2015 Project is and will be owned and operated by the Town and used by the Town to provide sewer services to members of the general public as part of the System. No user of the System is granted any concession, license or special arrangement with respect to the System or any part thereof. The Town shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the 2015 Project or the System or security for the payment of the Series 2015 Note or the Definitive Bonds which might cause either the Series 2015 Note or the Definitive Bonds to be considered a “private activity bonds” or a “private loan bonds” within the meaning of Section 141 of the Code.

7.02. General Covenant. The Town covenants and agrees with the owners from time to time of the Series 2015 Note or the Definitive 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 2015 Note or the Definitive Bonds to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations (the “Regulations”), and covenants to take any and all actions within its powers to ensure that the interest on the Series 2015 Note or the Definitive Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

7.03. Arbitrage Certification. The Mayor, the Town Treasurer, and the Town Clerk, being the officers of the Town charged with the responsibility for issuing the Series 2015 Note and the Definitive Bonds pursuant to this Supplemental Resolution, are authorized and directed to execute and deliver to the Original Purchasers thereof a certificate in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(b) of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the respective dates of issue and delivery of the Series 2015 Note or the Definitive Bonds, it is reasonably expected that the proceeds thereof will be used in a manner that would not cause the Series 2015 Note or the Definitive Bonds to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

7.04. Arbitrage Rebate Exception.

(a) The Town hereby represents that the Series 2015 Note qualifies for the exception for small governmental units to the arbitrage rebate provisions contained in Section 148(f) of the Code. Specifically, the Town represents:

(1) The 2015 Project is to be used solely by members of the general public and no special concession or contract is or will be granted to any user of the 2015 Project.

(2) Substantially all (not less than 95%) of the proceeds of the Series 2015 Note will be used for local governmental activities of the Town.

(3) The aggregate face amount of all “tax-exempt bonds” (including warrants, contracts, leases and other indebtedness, but excluding private activity bonds) issued by the Town and all subordinate entities thereof during 2015 is not reasonably expected to exceed \$5,000,000. To date in 2015, the Town has not issued any such tax-exempt bonds, and in the calendar years 2010 through 2014, the Town did not issue any tax-exempt bonds, except its Water System Revenue Bond, Series 2013 and the Series 2011 Bond.

(b) If notwithstanding the provisions of paragraph (a) of this Section 7.04, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Series 2015 Note, the Town hereby covenants and agrees to make the determinations, retain records, and rebate to the United States the amounts at the times, required by said Section 148(f).

7.05. Information Reporting. The Town shall file with the Secretary of the Treasury a statement concerning the Series 2015 Note containing the information required by Section 149(e) of the Code.

7.06. Qualified Tax-Exempt Obligation. Pursuant to Section 265(b)(3)(B)(ii) of the Code, the Town hereby designates the Series 2015 Note as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code. The Town has not designated under Section 265(b) any obligations in 2015 other than the Series 2015 Note under Section 265(b)(3). The Town hereby represents that it does not anticipate that obligations bearing interest not includable in gross income for purposes of federal income taxation under Section 103 of the Code (including refunding obligations as provided in Section 265(b)(3) of the Code and including “qualified 501(c)(3) bonds” but excluding other “private activity bonds,” as defined in Sections 141(a) and 145(a) of the Code) will be issued by or on behalf of the Town and all “subordinate entities” of the Town in 2015 in an amount greater than \$10,000,000.

Section 8. Effective Date; Repeals. This Resolution shall become effective upon passage and all provisions of ordinances, resolutions and other actions and proceedings of the Town which are in any way inconsistent with the terms and provisions of this Resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this Resolution.

Passed by the Town Council of the Town of Stevensville, Montana, on this 14th day of May, 2015.

Attest: Stacy Bartlett
Town Clerk

[Signature]
Mayor

(SEAL)

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF RAVALLI

TOWN OF STEVENSVILLE

SEWER SYSTEM REVENUE BOND ANTICIPATION NOTE
SERIES 2015

No. R-1 \$1,250,000.00

<u>Maturity</u>	<u>Date of Original Issue</u>
August 15, 2016	_____, 2015

REGISTERED OWNER: BOARD OF INVESTMENTS OF THE STATE OF MONTANA

PRINCIPAL AMOUNT: ONE MILLION TWO HUNDRED FIFTY THOUSAND AND
NO/100 DOLLARS

FOR VALUE RECEIVED, TOWN OF STEVENSVILLE, MONTANA (the "Town"), a municipal corporation and political subdivision of the State of Montana, acknowledges itself to be indebted and hereby promises to pay to the registered owner named above, or registered assigns, but solely out of the Note Account (the "Note Account") in its Sewer System Fund (the "Fund"), the principal sum equal to the sum of the amounts entered on Schedule A hereto under "Total Amount Advanced," on the maturity date specified above, with interest on such amount as advanced hereunder, at the Variable Rate (as is hereafter defined), until paid or discharged, all subject to the provisions hereof relating to the redemption of this Note before maturity. Interest shall be computed on the basis of the actual number of days in the year. Principal and interest hereon are payable at maturity or upon redemption hereof. Upon presentation and surrender hereof at the office of the Town Treasurer in Stevensville, Montana, the interest hereon and the principal hereof are payable in lawful money of the United States of America to the registered owner of this Note as it appears in the Note Register of the Town.

This Note shall bear interest from the date hereof until paid at the Variable Rate, as such may be adjusted from time to time as hereinafter provided. Until the initial Adjustment Date (as hereafter defined), the Variable Rate shall be one and one-quarter percent (1.25%) per annum. Thereafter, for the Adjustment Period (as hereafter defined), the Variable Rate shall be the rate per annum equal to the interest rate then borne by the Board of Investment's Annual Adjustable Rate Tender Option, Municipal Finance Consolidation Act Bonds (INTERCAP Revolving Program), plus up to one and one-half percent (1.50%) per annum, as certified by the Board of

Investments as of the Adjustment Date, but in no event to exceed fifteen percent (15.00%) per annum. If for any reason the interest rate cannot be established as so provided or is held invalid or unenforceable by a court of law, the interest rate for this Note for the Adjustment Period shall be a rate equal to the largest integral multiple of five hundredths of one percent (0.05%) that is equal to or less than eighty percent (80%) of the average yield, evaluated at par, of United States Treasury obligations with a stated or remaining maturity of one year, as reported in *The Wall Street Journal* (Des Moines Edition) (or, if such paper is no longer published or fails to report such information, in any other financial periodical selected by the U.S. Bank National Association, of Seattle, Washington, and reasonably acceptable to the holders of this Note) on the Adjustment Date or, if the Adjustment Date is not a Business Day, the next preceding Business Day, but in no event to exceed fifteen percent (15.00%) per annum. As used herein, "Adjustment Date" means each February 16 and "Adjustment Period" means the period beginning on an Adjustment Date and ending on the day before the next succeeding Adjustment Date or the final Stated Maturity of this Note, whichever is earlier; provided that if this Note is not paid at its final Stated Maturity, the final Adjustment Period with respect to this Note shall extend until it is paid or provision has been duly made for its payment.

Upon each disbursement of proceeds of this Note, the Holder shall enter the amount advanced on Schedule A attached hereto under "Advances" and the total amount advanced under this Resolution, including such disbursement, under "Total Amount Advanced."

This Note is one in number and comprises all of a duly authorized issue of Notes of the Town (the "Series 2015 Note") issued pursuant to, and in anticipation of the issuance by the Town of its Sewer System Revenue Bonds (the "Definitive Bonds"), evidencing loans (the "Loans") from the United States of America through Rural Utilities Service, United States Department of Agriculture, authorized to be issued under Resolution Nos. 255, 167, 274, and 279, adopted by this Council on July 12, 1999, December 11, 2000, June 27, 2011, and November 28, 2011, respectively, as amended and supplemented by Resolution No. 372, adopted by the Town Council on May 14, 2015 (as so amended and supplemented, the "Resolution"), to which Resolution, copies of which are on file with the Town, reference is hereby made for a description of the nature and extent of the security for the Series 2015 Note, the conditions under which Additional Bonds may be issued on a parity as to payment with the Outstanding Bonds or otherwise, the conditions under which the Resolution may be amended and the rights of the Holders of the Series 2015 Note. Terms used with initial capital letters but not defined herein have the meanings given to them in the Resolution. The Series 2015 Note is issued by the Town for the purpose of providing interim financing for improvements to the Town's municipal sewer system (the "System") consisting of construction of a new headworks building, installing perforated plate screen and vortex grit removal tank, converting a portion of the aerobic digester to conventional biological nutrient removal, adding a sludge press, and related improvements (the "2015 Project") and paying costs of issuing the Series 2015 Note.

This Series 2015 Note is issued pursuant to and in full compliance with the Constitution and laws of the State of Montana, particularly Montana Code Annotated, Section 7-7-109, and Title 7, Chapter 7, Parts 44 and 45, as amended (the "Act"), and pursuant to the Resolution. Interest on this Series 2015 Note is payable from and secured by a lien on the Net Revenues of the System, but subordinate to the application of Net Revenues to pay the Series 2000 Bonds and

the Series 2011 Bond and the principal of and interest on this Note are payable from the proceeds of the Definitive Bonds appropriated to the Note Account in the Sewer System Fund (the "Note Account"), including the proceeds of the Definitive Bonds, which the Town has covenanted to issue and sell prior to the maturity of this Note in an amount sufficient, with other funds on hand, to pay the principal hereof and interest hereon.

This Series 2015 Note is not a general obligation of the Town and the Town's general credit and taxing powers are not pledged to the payment of this Series 2015 Note or interest thereon. This Series 2015 Note does not constitute an indebtedness of the Town within the meaning of any constitutional or statutory provisions.

The Town may redeem on any date, in whole but not in part, the unpaid principal of this Note at a price equal to the principal amount to be redeemed plus interest accrued to the date of redemption, without premium. Notice of any such prepayment will be mailed by the Town not less than 15 days prior to the date specified for payment, to the registered holder of this Note at his address as it appears on the Note Register maintained by the Town Treasurer.

The Town has designated this Note as a "qualified tax-exempt obligation" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

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

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

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Montana to be done, to exist, to happen and to be performed precedent to and in the issuance of this Note in order to make it a valid and binding special obligation of the Town according to its terms, have been done, do exist, have happened and have been performed in regular and due time, form and manner as so required; that the Town, in and by the Resolution, has validly made and entered into covenants and agreements with and for the benefit of the Holders from time to time of the Series 2015 Note including covenants that the rates and charges for the System will from time to time be made and kept sufficient to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce in each fiscal year, Net Revenues in excess of such current expenses, equal to at least 110% of the maximum amount of principal and interest payable from the Debt Service Account in any subsequent fiscal year, commencing with the fiscal year ending June 30, 2015; that the Town has

received a written commitment for Loans from the United States of America in an amount equal to \$1,250,000 and has by resolution covenanted to satisfy the conditions of the commitment; that the Town has appropriated to the Note Account the proceeds of the Loans to the extent required to pay principal hereof or interest hereon; that by the Resolution, the Town has covenanted, at or prior to the maturity of this Note, to sell and issue the Definitive Bonds, either to the United States of America in evidence of the Loans or otherwise pursuant to the Act and the Resolution in a principal amount so as to provide funds sufficient, together with any money on deposit in the Note Account and available therefor, to pay in full the principal of and interest on this Note at maturity; that if this Note is not paid in full at maturity, the owner hereof may require the Town to issue, in exchange for this Note, on a par-for-par basis, one or more of such Sewer System Revenue Bonds amortized in semiannual installments over a ten-year period or fifteen-year period (at the option of the Holder) and bearing interest at a rate equal to the Variable Rate as defined herein; that all provisions for the security of the Holder of this Series 2015 Note set forth in the Resolution will be punctually and faithfully performed as therein stipulated; and that the issuance of this Note does not cause the general or special indebtedness of the Town to exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the Town of Stevensville, Montana, by its Town Council, has caused this Note to be executed on its behalf by the signature of the Mayor, the Town Treasurer and the Town Clerk and sealed with the official corporate seal of the Town, and has caused this Note to be dated as of _____, 2015.

TOWN OF STEVENSVILLE, MONTANA

Mayor

Town Treasurer

Town Clerk

(SEAL)

PROVISIONS FOR REGISTRATION OF TRANSFER

The ownership of this Note and of the interest payable hereon may be transferred to a bona fide purchaser only by delivery with an assignment duly executed by the registered owner or his attorney or legal representative, and the Town may treat the registered owner as the person exclusively entitled to receive payments of principal of and interest on this Note and to exercise all the rights and powers of an owner until this Note is presented to the Town Treasurer of the Town of Stevensville, accompanied by said assignment and by assurance of the nature provided by law that the same is genuine and effective, and until such transfer is registered on the books of the Town and noted hereon by the Town Treasurer.

REGISTER

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

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Town Treasurer</u>
_____, 2015	Board of Investments 2401 Colonial Dr. P.O. Box 200126 Helena, MT 59620-0126	_____

NO WRITING HEREON EXCEPT BY TOWN TREASURER AS NOTE REGISTRAR

The Town Treasurer has transferred on the books of the Town of Stevensville, Montana, on the date last noted below, to the registered assign noted opposite said date, ownership of the principal amount of and interest on this Note, except the amounts of principal and interest theretofore paid:

<u>Date of Transfer</u>	<u>Registered Assign</u>	<u>Signature of Town Treasurer</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

EXHIBIT B

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF RAVALLI

TOWN OF STEVENSVILLE

SEWER SYSTEM REVENUE BOND
SERIES 201_A

[the series designation to be completed with the calendar year
in which the Bond is issued]

No. R-1

\$800,000.00

FOR VALUE RECEIVED, THE TOWN OF STEVENSVILLE, MONTANA (the "Town"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and hereby promises to pay, solely from the Debt Service Account of its Sewer System Fund, to the United States of America acting through Rural Utilities Service, United States Department of Agriculture, or any successor agency under Public Law 103-354 (the "USDA"), or registered assigns (the "Holder"), the principal sum of EIGHT HUNDRED THOUSAND AND NO/100 DOLLARS (\$800,000.00), in installments as set forth below, and to pay interest thereon, from and after the date of each such principal amount advanced as shown on the attached Schedule A, solely from the Debt Service Account, at the rate of [two and one-half] percent ([2.50]%) per annum. Interest shall be computed on the basis of a 365-day year based on the actual number of days elapsed from and after each advance. Principal and interest are payable in equal monthly installments in the amount of [\$2,640.00], commencing on _____, _____, and payable on the ____ day of each month thereafter until the principal and interest are fully paid, except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable forty years from the date hereof, subject to the right of prepayment set forth below. The installments of principal and interest are payable at State Office of the USDA, at USDA Rural Development, 2229 Boot Hill Court, Bozeman, Montana 59715, or such other place as the Purchaser shall designate in writing, except that in the event that the USDA has assigned this Bond, the installments of principal and interest are payable to the registered Holder at his address as it appears on the Bond Register of the Town. Principal and interest are payable in any coin or currency of the United States of America which on the respective dates of payment is legal tender for public and private debts.

This Bond is one of an issue of Sewer System Revenue Bonds, heretofore and hereafter issuable in one or more series from time to time (the "Bonds"), pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended (the "Act"), and Resolution Nos. 255, 167, 274, 279, and 372 adopted by this Council on July 12, 1999, December 11, 2000, June 27, 2011, November 28, 2011, and May 14, 2015, respectively, as amended and

supplemented by Resolution No. _____, adopted by the Town Council on _____, 20__ (as so amended and supplemented, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given to them in the Resolution. This Bond (the "Series 201_A Bond"), together with the \$450,000 Sewer System Revenue Bond, Series 201_B (the "Series 201_B Bond"), which is being issued simultaneously herewith, is issued for the purpose of paying and redeeming the Town's Sewer System Revenue Bond Anticipation Note, Series 2015 (the "Series 2015 Note"), which was issued to finance a portion of the costs associated with improvements (the "Improvements") to the municipal sewer system of the Town (the "System"), which term includes all improvements, betterments, extensions and alterations of the System, and to pay costs of issuing the Series 2015 Note. The Town's outstanding \$1,250,000 Sewer System Revenue Bond, Series 2000A, and \$814,000 Sewer System Revenue Bond, Series 2000B (collectively, the "Series 2000 Bonds"), \$780,000 Sewer System Revenue Bond, Series 2011 (the "Series 2011 Bond"), Series 201_A Bond, Series 201_B Bond, and any Additional Bonds issued under the Resolution on a parity therewith (collectively, the "Bonds"), including the interest thereon, are payable solely from the Net Revenues pledged to the payment thereof and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision.

The Town may redeem on any installment payment date, in whole or part and if in part, in multiples of \$1,000, any unpaid principal of this Series 201_A Bond at a price equal to the principal amount to be redeemed plus interest accrued to the date of redemption, without premium; provided that while this Series 201_A Bond is registered in the name of the United States of America, the Town may redeem any unpaid principal on any date and in any amount. Notice of any such prepayment will be mailed by the Town not less than 30 days prior to the date specified for payment, to the registered holder of this Series 201_A Bond at his address as it appears on the Bond Register.

The Town has designated this Series 201_A Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

This Series 201_A Bond shall be registered in the name of the Holder on the bond register of the Town kept by the Town Treasurer as Bond Registrar. This Series 201_A Bond is transferable by the registered Holder or its attorney duly authorized in writing, upon presentation hereof with a written instrument of transfer satisfactory to the Town and duly executed by the registered holder or its attorney. Such transfer shall be noted on the bond register and hereon. The Town will, upon request, issue to the registered Holder or transferee, upon surrender of this Series 201_A Bond, one or more other bonds, in an aggregate principal amount (and, if more than one bond is to be issued, in denominations that are multiples of \$1,000, to the extent practicable) equal to the principal amount of the Series 201_A Bond that then remains 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 Town with respect to such exchange. The Town may treat the person in whose name this Series 201_A Bond is registered as the absolute owner hereof, whether this Series 201_A Bond is overdue or not, for the purpose of receiving payment of principal and interest and all other purposes, and shall not be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Town will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Sewer System Fund into which the Revenues of the System will be paid, and a separate and special Debt Service Account in that fund, into which will be paid each month, from the Net Revenues of the System then on hand an amount not less than the installment next payable on the Series 2000 Bonds, the Series 2011 Bond, the Series 201_A Bond, and the Series 201_B Bond and any Additional Bonds payable monthly, and, if Additional Bonds are issued that are payable semi-annually, not less than one-sixth of the interest due on such outstanding Bonds within the next six months and one-twelfth of the principal on such outstanding Bonds due within the next twelve months; that it will transfer to the Reserve Account in the Sewer System Fund monthly out of the remaining Net Revenues a minimum of [\$264] per month and such additional amounts as may be necessary to accumulate therein over a period concluding on the tenth anniversary of the date hereof, a reserve equal to 100% of the maximum Principal and Interest Requirements on the Bonds then outstanding in the current or any future Fiscal Year (the initial Reserve Requirement), and such additional amounts as may be necessary thereafter to maintain therein a balance equal to the Reserve Requirement; that the Debt Service Account and the Reserve Account will be used only to pay the principal of, premium, if any, and interest on the Bonds; that the rates and charges for the System will from time to time be made and kept sufficient to provide Net Revenues during each Fiscal Year at least equal to 110% of the maximum Principal and Interest Requirements in the current or any future Fiscal Year; that sufficient Net Revenues shall be available to fund the Reserve Account, and sufficient Surplus Net Revenues shall be available to fund the Short-Lived Asset Replacement Reserve Subaccount as described in the Resolution; that Additional Bonds may be issued and made payable from the Sewer System Fund on a parity with the Series 2000 Bonds, the Series 2011 Bond, the Series 201_A Bond, and the Series 201_B Bond upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues, whether or not such obligation shall also constitute a general obligation and indebtedness of the Town, unless the lien thereof shall be expressly made subordinate to the lien of the Series 201_A Bond on such Net Revenues; that all provisions for the security of the holder of this Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Town to be done, to exist, to happen and to be performed in order to make this Series 201_A Bond a valid and binding special obligation of the Town according to its terms have been done, do exist, have happened and have been performed as so required; and that this Bond and the interest and premium, if any, hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Debt Service Account and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision; and the issuance of the Series 201_A Bond does not cause the indebtedness of the Town to exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF the Town of Stevensville, Ravalli County, State of Montana, by its Town Council, has caused this Bond to be executed on its behalf by the signature of the Mayor, the Town Treasurer and the Town Clerk and sealed with the official corporate seal of the Town, and has caused this Bond to be dated as of _____, 20__.

TOWN OF STEVENSVILLE, MONTANA

Mayor

Town Treasurer

Town Clerk

(SEAL)

PROVISIONS FOR REGISTRATION OF TRANSFER AND EXCHANGE

The ownership of this Series 201_A Bond and of the interest payable hereon may be transferred to a bona fide purchaser only by delivery hereof with an assignment duly executed by the registered owner or his attorney or legal representative, and the Town may treat the registered owner as the person exclusively entitled to receive payments of principal of and interest on this Series 201_A Bond and to exercise all the rights and powers of an owner until this Series 201_A Bond is presented to the Town Treasurer of the Town of Stevensville, Montana, as Bond Registrar, accompanied by said assignment and by assurance of the nature provided by law that the same is genuine and effective, and until such transfer is duly registered on the books of the Town and noted hereon by the Bond Registrar.

REGISTER

The ownership of the unpaid principal balance of this Series 201_A Bond and the interest accruing thereon is registered on the books of the Town of Stevensville, in the name of the registered holder as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of Town Treasurer</u>
_____ 201_	United States of America, United States Department of Agriculture Office of the Deputy Chief Financial Officer 4300 Goodfellow Blvd. St. Louis, Missouri 63120	_____

NO WRITING HEREON EXCEPT BY TOWN TREASURER
AS BOND REGISTRAR

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

<u>Date of Transfer</u>	<u>Registered Assign</u>	<u>Signature of Bond Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

EXHIBIT C

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF RAVALLI

TOWN OF STEVENSVILLE

SEWER SYSTEM REVENUE BOND
SERIES 201_B

[the series designation to be completed with the calendar year
in which the Bond is issued]

No. R-1

\$450,000.00

FOR VALUE RECEIVED, THE TOWN OF STEVENSVILLE, MONTANA (the "Town"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and hereby promises to pay, solely from the Debt Service Account of its Sewer System Fund, to the United States of America acting through Rural Utilities Service, United States Department of Agriculture, or any successor agency under Public Law 103-354 (the "USDA"), or registered assigns (the "Holder"), the principal sum of FOUR HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$450,000.00), in installments as set forth below, and to pay interest thereon, from and after the date of each such principal amount advanced as shown on the attached Schedule A, solely from the Debt Service Account, at the rate of [two and one-quarter] percent ([2.25]%) per annum. Interest shall be computed on the basis of a 365-day year based on the actual number of days elapsed from and after each advance. Principal and interest are payable in equal monthly installments in the amount of [\$1,427.00], commencing on _____, _____, and payable on the ____ day of each month thereafter until the principal and interest are fully paid, except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable forty years from the date hereof, subject to the right of prepayment set forth below. The installments of principal and interest are payable at State Office of the USDA, at USDA Rural Development, 2229 Boot Hill Court, Bozeman, Montana 59715, or such other place as the Purchaser shall designate in writing, except that in the event that the USDA has assigned this Bond, the installments of principal and interest are payable to the registered Holder at his address as it appears on the Bond Register of the Town. Principal and interest are payable in any coin or currency of the United States of America which on the respective dates of payment is legal tender for public and private debts.

This Bond is one of an issue of Sewer System Revenue Bonds, heretofore and hereafter issuable in one or more series from time to time (the "Bonds"), pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended (the "Act"), and Resolution Nos. 255, 167, 274, 279, and 372 adopted by this Council on July 12, 1999, December 11, 2000, June 27, 2011, November 28, 2011, and May 14, 2015, respectively, as amended and

supplemented by Resolution No. _____, adopted by the Town Council on _____, 20__ (as so amended and supplemented, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given to them in the Resolution. This Bond (the "Series 201_B Bond"), together with the \$800,000 Sewer System Revenue Bond, Series 201_A (the "Series 201_A Bond"), which is being issued simultaneously herewith, is issued for the purpose of paying and redeeming the Town's Sewer System Revenue Bond Anticipation Note, Series 2015 (the "Series 2015 Note"), which was issued to finance a portion of the costs associated with improvements (the "Improvements") to the municipal sewer system of the Town (the "System"), which term includes all improvements, betterments, extensions and alterations of the System, and to pay costs of issuing the Series 2015 Note. The Town's Outstanding \$1,250,000 Sewer System Revenue Bond, Series 2000A, and \$814,000 Sewer System Revenue Bond, Series 2000B (collectively, the "Series 2000 Bonds"), \$780,000 Sewer System Revenue Bond, Series 2011 (the "Series 2011 Bond"), Series 201_A Bond, Series 201_B Bond, and any Additional Bonds issued under the Resolution on a parity therewith (collectively, the "Bonds"), including the interest thereon, are payable solely from the Net Revenues pledged to the payment thereof and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision.

The Town may redeem on any installment payment date, in whole or part and if in part, in multiples of \$1,000, any unpaid principal of this Series 201_B Bond at a price equal to the principal amount to be redeemed plus interest accrued to the date of redemption, without premium; provided that while this Series 201_B Bond is registered in the name of the United States of America, the Town may redeem any unpaid principal on any date and in any amount. Notice of any such prepayment will be mailed by the Town not less than 30 days prior to the date specified for payment, to the registered holder of this Series 201_B Bond at his address as it appears on the Bond Register.

The Town has designated this Series 201_B Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

This Series 201_B Bond shall be registered in the name of the Holder on the bond register of the Town kept by the Town Treasurer as Bond Registrar. This Series 201_B Bond is transferable by the registered Holder or its attorney duly authorized in writing, upon presentation hereof with a written instrument of transfer satisfactory to the Town and duly executed by the registered holder or its attorney. Such transfer shall be noted on the bond register and hereon. The Town will, upon request, issue to the registered Holder or transferee, upon surrender of this Series 201_B Bond, one or more other bonds, in an aggregate principal amount (and, if more than one bond is to be issued, in denominations that are multiples of \$1,000, to the extent practicable) equal to the principal amount of the Series 201_B Bond that then remains 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 Town with respect to such exchange. The Town may treat the person in whose name this Series 201_B Bond is registered as the absolute owner hereof, whether this Series 201_B Bond is overdue or not, for the purpose of receiving payment of principal and interest and all other purposes, and shall not be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Town will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Sewer System Fund into which the Revenues of the System will be paid, and a separate and special Debt Service Account in that fund, into which will be paid each month, from the Net Revenues of the System then on hand an amount not less than the installment next payable on the Series 2000 Bonds, the Series 2011 Bond, the Series 201_A Bond, and the Series 201_B Bond and any Additional Bonds payable monthly, and, if Additional Bonds are issued that are payable semi-annually, not less than one-sixth of the interest due on such outstanding Bonds within the next six months and one-twelfth of the principal on such outstanding Bonds due within the next twelve months; that it will transfer to the Reserve Account in the Sewer System Fund monthly out of the remaining Net Revenues a minimum of [\$143] per month and such additional amounts as may be necessary to accumulate therein over a period concluding on the tenth anniversary of the date hereof, a reserve equal to 100% of the maximum Principal and Interest Requirements on the Bonds then outstanding in the current or any future Fiscal Year (the initial Reserve Requirement), and such additional amounts as may be necessary thereafter to maintain therein a balance equal to the Reserve Requirement; that the Debt Service Account and the Reserve Account will be used only to pay the principal of, premium, if any, and interest on the Bonds; that the rates and charges for the System will from time to time be made and kept sufficient to provide Net Revenues during each Fiscal Year at least equal to 110% of the maximum Principal and Interest Requirements in the current or any future Fiscal Year; that sufficient Net Revenues shall be available to fund the Reserve Account, and sufficient Surplus Net Revenues shall be available to fund the Short-Lived Asset Replacement Reserve Subaccount as described in the Resolution; that Additional Bonds may be issued and made payable from the Sewer System Fund on a parity with the Series 2000 Bonds, the Series 2011 Bond, the Series 201_A Bond, and the Series 201_B Bond upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues, whether or not such obligation shall also constitute a general obligation and indebtedness of the Town, unless the lien thereof shall be expressly made subordinate to the lien of the Series 201_B Bond on such Net Revenues; that all provisions for the security of the holder of this Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Town to be done, to exist, to happen and to be performed in order to make this Series 201_B Bond a valid and binding special obligation of the Town according to its terms have been done, do exist, have happened and have been performed as so required; and that this Bond and the interest and premium, if any, hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Debt Service Account and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision; and the issuance of the Series 201_B Bond does not cause the indebtedness of the Town to exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF the Town of Stevensville, Ravalli County, State of Montana, by its Town Council, has caused this Bond to be executed on its behalf by the signature of the Mayor, the Town Treasurer and the Town Clerk and sealed with the official corporate seal of the Town, and has caused this Bond to be dated as of _____, 20__.

TOWN OF STEVENSVILLE, MONTANA

Mayor

Town Treasurer

Town Clerk

(SEAL)

PROVISIONS FOR REGISTRATION OF TRANSFER AND EXCHANGE

The ownership of this Series 201_B Bond and of the interest payable hereon may be transferred to a bona fide purchaser only by delivery hereof with an assignment duly executed by the registered owner or his attorney or legal representative, and the Town may treat the registered owner as the person exclusively entitled to receive payments of principal of and interest on this Series 201_B Bond and to exercise all the rights and powers of an owner until this Series 201_B Bond is presented to the Town Treasurer of the Town of Stevensville, Montana, as Bond Registrar, accompanied by said assignment and by assurance of the nature provided by law that the same is genuine and effective, and until such transfer is duly registered on the books of the Town and noted hereon by the Bond Registrar.

REGISTER

The ownership of the unpaid principal balance of this Series 201_B Bond and the interest accruing thereon is registered on the books of the Town of Stevensville, in the name of the registered holder as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of Town Treasurer</u>
_____ 201_	United States of America, United States Department of Agriculture Office of the Deputy Chief Financial Officer 4300 Goodfellow Blvd. St. Louis, Missouri 63120	_____

NO WRITING HEREON EXCEPT BY TOWN TREASURER
AS BOND REGISTRAR

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

<u>Date of Transfer</u>	<u>Registered Assign</u>	<u>Signature of Bond Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

DAN SEMMENS
semmens.dan@dorsey.com

May 13, 2015

Mayor Gene Mim Mack
Town of Stevensville
P.O. Box 30
Stevensville, MT 59036

Re: Sewer System Revenue Bonds
Town of Stevensville, Montana

Dear Gene:

We are pleased to submit this letter regarding our serving as bond counsel to the Town of Stevensville, Montana (the "Town") in connection with its issuance of a Sewer System Revenue Bond, Series 2015A in the maximum amount of \$800,000 (the "Series 2015A Bond") and a Sewer System Revenue Bond, Series 2015B in the maximum amount of \$450,000 (the "Series 2015B Bond" and, together with the Series 2015A Bond, the "Bonds") to finance a portion of the costs of certain improvements to the Town's sewer system (the "Project").

The Town has applied to Rural Development ("RD") for loans in the amounts of \$800,000 and \$450,000. The loans will be evidenced by the Series 2015A Bond and the Series 2015B Bond, respectively. The purpose of this letter is to set forth the services we will provide to the Town as bond counsel.

As bond counsel, our principal function is to render an opinion or opinions with respect to the authorization and issuance of the Bonds. In that capacity, we have provided or will provide the following services:

1. coordinate and consult with the Town and RD as to statutory and other requirements related to the issuance of the Bond;
2. prepare the preliminary opinion, resolution, and other preliminary transcript documents for submission to RD consistent with the terms and conditions of the RD Commitment Letter;
3. coordinate approval of documents with RD;
4. prepare the final bond resolution and forms of Bonds;
5. coordinate with the Town's Clerk-Treasurer the adoption of resolutions and other actions to be taken by the Town;

Mayor Gene Mim Mack
May 13, 2015
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6. coordinate with the Town's consulting engineer the financial requirements of the Project and financial requirements of the sewer system necessary to pay debt service on the Bonds;
7. review sewer rate ordinances and resolutions to confirm they are in effect at the time the Bonds are issued and adopted in accordance with the provisions of law;
8. prepare closing documents and supervise the closing;
9. deliver an unqualified opinion or opinions of bond counsel to the Town and RD, as the purchaser of the Bonds; and
10. deliver a transcript of proceedings to RD and the Town.

The fee for our services is a function of the size of the total Project, the principal amount of the bond issue, whether interim financing is required, and the amount of time expended. Based on the Project as proposed and the fact that RD will require interim financing during construction and that there are two series of Bonds, we estimate a combined fee of approximately \$20,000 for the services listed in items 1 through 10 above as bond counsel in connection with (i) the long-term financing with RD to be evidenced by the Bonds, and (ii) the interim financing to be evidenced by the bond anticipation note (the "Note") described below. We would expect to be paid at the time of closing of the Note for the Note proceedings and bond proceedings then completed and at the time of issuance of the Bonds for the balance of the proceedings relating to the Bonds. Our fees are eligible costs of the Project and can be paid from the proceeds of the Note and Bonds. It is mutually agreed that the services set forth in this letter are solely for the benefit of the Town.

For a financing in excess of \$500,000, RD customarily requires that a Note be issued to evidence construction financing and that the Bonds be issued to evidence the long-term financing. We understand that the Town has applied and been approved for interim financing from the Board of Investments of the State of Montana (the "BOI") through its INTERCAP program, which will purchase the Note in anticipation of the issuance of the Bonds to be issued to RD. We will prepare the necessary Note documents and deliver them to the BOI (or other source of interim financing) with the required legal opinion.

With respect to the Note, we will provide the following services to the Town:

1. Consult with the Town, RD and BOI regarding the legal and financial requirements for the issuance of the Note.
2. Draft the Note and Bond Resolution and prepare the Note.
3. Provide an approving opinion to the BOI and the Town that the Note is a valid and binding obligation.

To issue the Note, Section 7-7-109(2), M.C.A., requires that all conditions precedent to the offering of the Bonds for sale must be met before the Note can be sold and issued.

Mayor Gene Mim Mack
May 13, 2015
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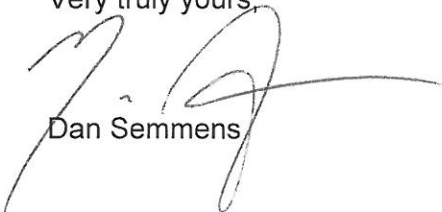
Please be aware that we serve as Bond Counsel to the BOI in connection with the INTERCAP Program. As bond counsel for the Town's Note, we would not represent the BOI in the negotiation of the terms of the Note, the resolution authorizing the Note, or other aspects of the proposed financing. The terms of the Note financing are already established and are dictated by the financing made available from RD. We do not anticipate that our acting as bond counsel to the BOI with respect to the INTERCAP Program will represent any practical impediment to our acting as bond counsel to the Town with respect to the Note, and, in fact, may prove to be helpful to the Town.

We trust that our serving as bond counsel to the Town for its Note and as bond counsel to the BOI with respect to the INTERCAP Program is acceptable to you. If our serving as bond counsel to the Town as outlined herein is acceptable to you, please acknowledge such acceptance by signing below and returning a copy of this letter to us.

Please have this letter signed and return a copy to us if it looks acceptable. In any event, I look forward to hearing from you with any questions you may have.

Please call if you have any questions.

Very truly yours,



Dan Semmens

DPS/dk

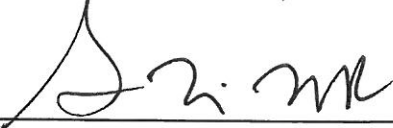
Mayor Gene Mim Mack
May 13, 2015
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ACKNOWLEDGMENT

The undersigned acknowledges receipt of the attached and foregoing engagement letter dated May 13, 2015, and confirms the consent of the Town to the representation described therein.

Accepted this 18th day of May, 2015.

TOWN OF STEVENSVILLE, MONTANA

By: 

Its: MAYOR TOWN OF STEVENSVILLE

RESOLUTION NO. 378

**RESOLUTION OF THE TOWN OF STEVENSVILLE,
MONTANA TO INCREASE THE RATES FOR THE
USERS OF
THE MUNICIPAL WATER SYSTEM**

WHEREAS, the Town pursuant to authority conferred by Montana Code Annotated (M.C.A.), Title 7, Chapter 13, Parts 43 and 44, as amended (the "Act"), and other laws of the State of Montana, has established and presently owns and operates a municipal water system (the "System"); and

WHEREAS, pursuant to Section 7-13-4307, M.C.A., the rates and charges established for the services and facilities afforded by the System shall be sufficient in each year to provide income and revenues adequate for the payment of reasonable expense and operation and maintenance and for the accumulation of such reserves and the making of such expenditures for depreciation and replacement of the System; and

WHEREAS, it is necessary to collect sufficient revenues and pay costs associated with the operation and maintenance of the System; and

WHEREAS, the Town has determined that the current rates and charges for the services and facilities afforded by the System are inadequate to meet the requirements of Section 7-13-4307, M.C.A.; and

WHEREAS, pursuant to Sections 7-13-4308 and 69-7-101, M.C.A., the Town has the power and authority to regulate, establish, and change, as it considers proper, rates, charges, and classifications imposed for utility services to its inhabitants and other persons served by the municipal systems. Rates, charges, and classifications must be reasonable and just; and

WHEREAS, the Town in consultation with its Engineer and the Montana Rural Water Users Association has determined it to be in the best interest of the Town and the users of the System to increase the rates and charges for the services provided by the System in order to collect sufficient revenues to meet the requirements of Section 7-13-4307, M.C.A.; and

WHEREAS, a notice of public hearing was mailed to all users of the Town's System notifying them of the proposal to increase the rates and charges for water service and notice of public hearing was published as required by Section 69-7-111, M.C.A. A public hearing was held on September 10, 2015 at 6:00 p.m. at the Chambers of the Town Council, Town Hall, 206 Buck Street, Stevensville, Montana, for the purpose of hearing comments from the public on the water rate increase; and

WHEREAS, all persons appearing were given an opportunity to speak at the public hearing.

NOW, THEREFORE, BE IT RESOLVED, THAT, by the Town Council (the "Council") of the Town of Stevensville, Montana, the new rates for O&M for water shall be effective November 1, 2015 and shall increase 3% per year until November 1, 2020, unless amended,

Section 1. Determination of Annual Budget for System. Each year the Council of the Town shall determine the amount of money needed to pay the costs of the System including but not limited to: (a) the payment of the reasonable expense of operation and maintenance of the System; (b) administration of the System; (c) the payment of principal and interest on any bonded or other indebtedness of the System; and (d) the establishment or maintenance of any required reserves, including reserves needed for expenditures for depreciation and replacement of facilities, as may be determined necessary from time to time by the Council or as covenanted in the ordinance or resolution authorizing any outstanding bonds of the System. Based on the annual needs of the System, the Council will establish monthly charges for the use of the System.

Section 2. Equivalent Dwelling Unit and Water Usage. The Town utilizes an equivalent dwelling unit methodology for billing rates and charges, which is based on the size of the water line or meter servicing each connection. A ¾ inch service, which is the standard service for single family residential users, is 1 Equivalent Dwelling Unit (EDU). The following table shows the number of EDUs for each size of service, based on current metered connections:

Water Line/Meter Size	Connections	Multiplier	EDUs
¾ inch	739	1.00	739.00
1 inch	41	1.79	73.39
1.5 inch	20	4.00	80.00
2 inch	3	7.14	21.42
3 inch	0	16.00	0
4 inch	0	28.57	0
Total			913.81

There are currently 913.81 metered EDUs in the Town.

Section 3. Current Rate. The Town currently bills O&M rates and charges to users of the System on a monthly billing cycle.

Water Line/Meter Size	Cost per EDU	Multiplier	Base Rate
¾"	\$13.11	1.00	\$13.11
1"	\$13.11	1.79	23.48
1.5"	\$13.11	4.00	52.46
2"	\$13.11	7.14	93.64
3"	\$13.11	16.00	209.76
4"	\$13.11	28.57	374.55

Section 4. Rates for November 1, 2016

Water Line/Meter Size	Cost per EDU	Multiplier	Base Rate
¾"	\$13.50	1.00	\$13.50
1"	\$13.50	1.79	24.16
1.5"	\$13.50	4.00	54.00
2"	\$13.50	7.14	96.39
3"	\$13.50	16.00	216.00
4"	\$13.50	28.57	385.69

Rates for November 1, 2017

Water Line/Meter Size	Cost per EDU	Multiplier	Base Rate
¾"	\$13.90	1.00	\$13.90
1"	\$13.90	1.79	24.88
1.5"	\$13.90	4.00	55.60
2"	\$13.90	7.14	99.25
3"	\$13.90	16.00	222.40
4"	\$13.90	28.57	397.12

Rates for November 1, 2018

Water Line/Meter Size	Cost per EDU	Multiplier	Base Rate
¾"	\$14.32	1.00	\$14.32
1"	\$14.32	1.79	25.63
1.5"	\$14.32	4.00	57.28
2"	\$14.32	7.14	102.24
3"	\$14.32	16.00	229.12
4"	\$14.32	28.57	409.12

Rates for November 1, 2019

Water Line/Meter Size	Cost per EDU	Multiplier	Base Rate
¾"	\$14.75	1.00	\$14.75
1"	\$14.75	1.79	26.40
1.5"	\$14.75	4.00	59.00
2"	\$14.75	7.14	105.31
3"	\$14.75	16.00	236.00
4"	\$14.75	28.57	421.41

The Town will continue the monthly usage charge (the "Usage Charge") of \$1.85 per 1,000 gallons of water used in excess of each user's Base Usage Allowance. For this purpose, "Base Usage Allowance" equals (i) 3,000 gallons, multiplied by (ii) the multiplier for such user, based on the water line/meter size for such user. All water used each month up to the Base Usage Allowance is included in the Base Rate. For example, a user with a ¾" line has a Base Usage Allowance of 3,000 gallons, and will incur the Usage Charge for the amount of water used in excess of 3,000 gallons in a month. The Base Usage Allowance for each line size is shown below.

<u>Water Line/Meter Size</u>	<u>Multiplier</u>	<u>Base Usage Allowance</u>
¾"	1.00	3,000 gallons
1"	1.79	5,370 gallons
1.5"	4.00	12,000 gallons
2.0"	7.14	21,420 gallons
3.0"	16.00	48,000 gallons
4.0"	28.57	85,710 gallons


Upon the implementation of the Base Rate and the Usage Charge, the monthly charge for the use and availability of the System for each user will be the sum of the user's Base Rate and Usage Charge.

Section 5. Further Rate Increases. Subsequent adjustments to the Base Rate and Usage Charge or other charges will be made by resolution of the Town Council duly adopted after a public hearing with notice thereof given as provided by law.

Section 6. Effective Date of Resolution. This resolution shall be immediately filed with the Town Clerk and shall become effective upon passage.

Passed and approved this 10th day of September, 2015.

ATTEST:



 Gene Mim Mack, Mayor



 Stacy Bartlett, Town Clerk

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the Town of Stevensville, Ravalli County, Montana (the "Town"), hereby certify that the attached resolution is a true copy of a Resolution entitled: "RESOLUTION OF THE TOWN OF STEVENSVILLE, MONTANA TO INCREASE THE RATES FOR THE USERS OF THE MUNICIPAL WATER SYSTEM" (the "Resolution"), on file in the original records of the Town in my legal custody; that the Resolution was duly adopted by the Town Council of the Town at a regular meeting on September 10, 2015, and that the meeting was duly held by the Town Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: Councilmember Perrin, Councilmember Hunter and Councilmember Crews. Councilmember Holcomb voted against the same. Vote: 3-1.

WITNESS my hand officially this 10th day of September, 2015.



Stacy Bartlett, Town Clerk

RESOLUTION NO. 379

**TOWN OF STEVENSVILLE, MONTANA TO INCREASE
THE
RATES FOR THE USERS OF THE MUNICIPAL SEWER
SYSTEM**

WHEREAS, the Town of Stevensville, Montana (the "Town") pursuant to authority conferred by Montana Code Annotated (M.C.A.), Title 7, Chapter 13, Part 43, as amended (the "Act"), and other laws of the State of Montana, has established and presently owns and operates a municipal sewer system (the "System"); and

WHEREAS, pursuant to Section 7-13-4307, M.C.A., the rates and charges established for the services and facilities afforded by the System must be sufficient in each year to provide income and revenues adequate for the payment of reasonable expense and operation and maintenance and for payment of the sums required to be paid into the sinking fund and for the accumulation of reserves and the making of such expenditures for depreciation and replacement of the System; and

WHEREAS, it is necessary to collect sufficient revenues to repay such sewer system revenue bonds and pay costs associated with the operation and maintenance of the System; and

WHEREAS, the Town has determined that the current rates and charges for the services and facilities afforded by the System are inadequate to meet the requirements of Section 7-13-4307, M.C.A.; and

WHEREAS, pursuant to Sections 7-13-4308 and 69-7-101, M.C.A., the Town has the power and authority to regulate, establish, and change, as it considers proper, rates, charges, and classifications imposed for utility services to its inhabitants and other persons served by the municipal systems. Rates, charges, and classifications must be reasonable and just; and

WHEREAS, the Town in consultation with its engineer has determined it to be in the best interest of the Town and the users of the System to increase the rates and charges for the services provided by the System in order to collect sufficient revenues to meet the requirements of Sections 7-13-4307 and 7-7-4424. M.C.A.; and

WHEREAS, a notice of public hearing was mailed to all users of the Town's System notifying them that it was the intention of the Town to increase the rates and charges for the System and notice of public hearing was published as required by Section 69-7-11 J, M.C.A. A public hearing was held on September 10, 2015 at 6:00 p.m. at the Chambers of the Town Council, Town Hall, 206 Buck Street, Stevensville, Montana, for the purpose of hearing comments from the public on the sewer rate increase; and

WHEREAS, all persons appearing were given an opportunity to speak at the public hearing.

NOW, THEREFORE, BE IT RESOLVED, THAT, by the Town Council (the "Council") of the Town of Stevensville the new rates for O&M for water shall be effective November 1, 2015 and shall increase 3% per year until November 1, 2020, unless amended, as follows:

Section 1. Determination of Annual Budget for System. Each year the Council of the Town shall determine the amount of money needed to pay the costs of the System including but not limited to: (a) the payment of the reasonable expense of operation and maintenance of the System; (b) administration of the System; (c) the payment of principal and interest on any bonded or other indebtedness of the System; and (d) the establishment or maintenance of any required reserves, including reserves needed for expenditures for depreciation and replacement of facilities, as may be determined necessary from time to time by the Council or as covenanted in the ordinance or resolution authorizing any outstanding bonds of the System. Based on the annual needs of the System, the Council will establish monthly charges for the use and availability of the System.

Section 2. Equivalent Dwelling Unit and Water Usage. The Town utilizes an equivalent dwelling unit methodology for imposing rates and charges, which is based on the size of the water line or meter servicing each connection. A 3/4 inch service, which is the standard service for single family residential users, is **1** Equivalent Dwelling Unit (EDU). The following table shows the number of EDUs for each size of service:

<u>Water Line/Meter Size</u>	<u>Connections</u>	<u>Multiplier</u>	<u>EDU</u>
3/4"	703	1.0	703
1"	40	1.79	71.60
1.5"	20	4.00	80.00
2.0	3	7.14	21.42

There are currently 876.02 EDUs in the Town.

Section 3. Monthly O&M Sewer Charge. The Town currently charges users of the System a base rate charge for O&M per EDU per month (the "Base Rate Charge") as follows:

Section 4. Current Rate. The Town currently bills O&M rates and charges to users of the System on a monthly billing cycle.

Water Line/Meter Size	Cost per EDU	Multiplier	Base Rate
¾"	\$28.08	1.00	\$28.08
1"	\$28.08	1.79	50.26
1.5"	\$28.08	4.00	112.32
2"	\$28.08	7.14	200.49

Rates for November 1, 2016

Water Line/Meter Size	Cost per EDU	Multiplier	Base Rate
¾"	\$28.92	1.00	\$28.92
1"	\$28.92	1.79	51.77
1.5"	\$28.92	4.00	115.68
2"	\$28.92	7.14	206.49

Rates for November 1, 2017

Water Line/Meter Size	Cost per EDU	Multiplier	Base Rate
¾"	\$29.79	1.00	\$29.79
1"	\$29.79	1.79	53.32
1.5"	\$29.79	4.00	119.16
2"	\$29.79	7.14	212.70

Rates for November 1, 2018

Water Line/Meter Size	Cost per EDU	Multiplier	Base Rate
¾"	\$30.68	1.00	\$30.68
1"	\$30.68	1.79	54.92
1.5"	\$30.68	4.00	122.72
2"	\$30.68	7.14	219.05

Rates for November 1, 2019

Water Line/Meter Size	Cost per EDU	Multiplier	Base Rate
¾"	\$31.60	1.00	\$31.60
1"	\$31.60	1.79	56.56
1.5"	\$31.60	4.00	126.40
2"	\$31.60	7.14	225.62

Section 5. Further Rate Increases. Subsequent adjustments to the Base Rate and Usage Charge or other charges will be made by resolution of the Town Council duly adopted after a public hearing with notice thereof given as provided by law.

Section 6. Effective Date of Resolution. This resolution shall be immediately filed with the Town Clerk and shall become effective upon passage.

Passed and approved this 10th day of September, 2015.

ATTEST:



Gene Mim Mack, Mayor



Stacy Bartlett, Town Clerk

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the Town of Stevensville, Ravalli County, Montana (the "Town"), hereby certify that the attached resolution is a true copy of a Resolution entitled: "RESOLUTION OF THE TOWN OF STEVENSVILLE, MONTANA TO INCREASE THE RATES FOR THE USERS OF THE MUNICIPAL SEWER SYSTEM" (the "Resolution"), on file in the original records of the Town in my legal custody; that the Resolution was duly adopted by the Town Council of the Town at a regular meeting on September 10, 2015, and that the meeting was duly held by the Town Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: Councilmember Perrin, Councilmember Hunter and Mayor Mim Mack. Councilmember Holcomb and Councilmember Crews voted against the same. Vote: 3-2.

WITNESS my hand officially this 10th day of September, 2015.


Stacy Bartlett, Town Clerk

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the Town of Stevensville, Montana (the "Town"), hereby certify that the attached resolution is a true copy of Resolution No. 384, entitled: "RESOLUTION RELATING TO \$1,250,000 SEWER SYSTEM REVENUE BONDS, CONSISTING OF \$800,000 SERIES 2016A BOND AND \$450,000 SERIES 2016B BOND, CONFIRMING THE ISSUANCE THEREOF AND THE SECURITY THEREFOR AND MAKING CERTAIN DESIGNATIONS AND COVENANTS IN RESPECT OF THE BONDS" (the "Resolution"), on file in the original records of the Town in my legal custody; that the Resolution was duly adopted by the Town Council of the Town at a meeting on January 28, 2016, and that the meeting was duly held by the Town Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: Councilmembers Robin Holcomb, Jim Crows, Stacie Barker, and Bob Michalson; voted against the same: _____; abstained from voting thereon: _____; or were absent: 0.

WITNESS my hand officially this 28th day of January, 2016.

Stacy Bartlett
Town Clerk

RESOLUTION NO. 384

RESOLUTION RELATING TO \$1,250,000 SEWER SYSTEM
REVENUE BONDS, CONSISTING OF \$800,000 SERIES
2016A BOND AND \$450,000 SERIES 2016B BOND,
CONFIRMING THE ISSUANCE THEREOF AND THE
SECURITY THEREFOR AND MAKING CERTAIN
DESIGNATIONS AND COVENANTS IN RESPECT OF THE
BONDS

BE IT RESOLVED by the Town Council (the “Council”) of the Town of Stevensville, Montana (the “Town”), as follows:

Section 1. Authorization and Recitals.

1.01. Authorization. Under Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended (the “Act”), the Town is authorized to issue and sell its revenue bonds payable during a term not exceeding forty years from their date of issue, to provide funds for the reconstruction, improvement, betterment and extension of a municipal sewer system and to issue refunding bonds to refund bonds issued for such purposes, provided that the bonds and the interest thereon are to be payable solely out of the income and revenues to be derived from rates, fees and charges for the services, facilities and commodities furnished by such sewer system, and are not to create any obligation for the payment of which taxes may be levied except to pay for services provided by the sewer system to the Town.

1.02. Outstanding Bonds and Bond Anticipation Note. In accordance with the authorization described in Section 1.01 and pursuant to Resolution No. 255, adopted by the Town Council of the Town on July 12, 1999 (the “Original Resolution”), as amended and supplemented by Resolution Nos. 167, 274, 279, and 372 adopted by this Council on December 11, 2000, June 27, 2011, November 28, 2011, and May 14, 2015, respectively (the Original Resolution, as so amended and supplemented, the “Resolution”), the Town issued and sold its \$1,250,000 Sewer System Revenue Bond Anticipation Note, Series 2015 (the “Series 2015 Note”), issued in anticipation of the issuance of up to \$1,250,000 Sewer System Revenue Bonds, Consisting of \$800,000 Series 2016A Bond (the “Series 2016A Bond”) and \$450,000 Series 2016B Bond (the “Series 2016B Bond”) to finance the costs of the acquisition, construction and installation of various improvements to the System, including construction of a new headworks building, installing perforated plate screen and vortex grit removal tank, converting a portion of the aerobic digester to conventional biological nutrient removal, adding a sludge press, and related improvements (the “2015 Project”) and pay costs of issuing the Series 2015 Note. Apart from the Series 2015 Note, there are no other Bonds or indebtedness of the Town outstanding that are payable in whole or in part from or secured by revenues of the sewer system of the Town (the “System”), except for the Town’s Sewer System Revenue Bond, Series 2000A (the “Series 2000A Bond”), its Sewer System Revenue Bond, Series 2000B (the “Series 2000B Bond”), and its \$780,000 Sewer System Revenue Bond, Series 2011 (the “Series 2011 Bond”). Terms with initial capital letters used but not defined herein shall have the meanings given them in the Resolution. The Town proposes to issue its Definitive Bonds in the aggregate total principal amount of \$1,250,000. The Definitive Bonds identified in the

Resolution are the Series 2016A Bond and the Series 2016B Bond (together, the “Series 2016 Bonds”) described herein.

1.03. The 2015 Project. Work on the 2015 Project is substantially complete. The Town estimates, with the assistance of its Consulting Engineer, that the costs of the 2015 Project are as follows:

Engineering – PER	\$ 35,000.00
Engineering – Preliminary Design	50,458.00
Engineering – Final Design	278,905.00
Engineering – Const. Admin. – Bidding	11,147.00
Engineering – Const. Admin. – Construction	124,470.00
Engineering – Inspection – RPR	100,258.00
Engineering – Const. Admin. – Post Construction	38,764.00
Construction	3,519,850.00
Contingency	359,034.66
Office Costs	1,000.00
Audit Costs	6,000.00
Legal Services	1,000.00
Bond Counsel	20,000.00
Interim Interest	3,113.34
TOTAL	\$4,549,000.00

Costs of the 2015 Project in excess of proceeds of the Series 2015 Note are expected to be paid from grants from the USDA in the total amount of \$2,155,000, a Treasure State Endowment Program grant in the amount of \$750,000, a Treasurer State Endowment Program planning grant in the amount of \$15,000, a Department of Natural Resources and Conservation Renewable Resource grant in the amount of \$100,000, and funds that the Town has on hand in the amount of \$279,000.

Section 2. Issuance of the Series 2016 Bonds. In Resolution No. 372, this Council determined, declared and found that the Town is authorized to issue the Definitive Bonds in the aggregate principal amount of \$1,250,000 for the purpose of paying and redeeming the Series 2015 Note, and paying costs associated with the issuance of the Series 2016 Bonds. The principal and interest payable on the Series 2015 Note as of February 10, 2016 is expected to be \$1,253,113.34. Amounts owing on the Series 2015 Note in excess of the proceeds of the Series 2016 Bonds (i.e., \$3,113.34) and costs of issuing the Series 21016 Bonds are expected to be paid from amounts available to the Town for the 2015 Project.

The Town is authorized to charge just and equitable rates, charges and rentals for all services directly or indirectly furnished by the System, and to pledge and appropriate to its \$1,250,000 Sewer System Revenue Bonds, Consisting of \$800,000 Series 2016A Bond and \$450,000 Series 2016B Bond the Net Revenues to be derived from the operation of the System, including improvements, betterments or extensions thereof hereafter constructed or acquired. The Net Revenues to be produced by such rates, charges and rentals, during the term of the Series 2016 Bonds, are estimated to be more than sufficient to pay the principal and interest when due on the Series 2016 Bonds and the Town’s other outstanding Bonds and Subordinate

Obligations, if any, and to create and maintain reasonable reserves therefor and to provide an allowance for replacement and depreciation, as prescribed by the Original Resolution.

Pursuant to the authority recited in Section 1.01 of this Supplemental Resolution and for the purpose of paying and redeeming the Series 2015 Note, this Council hereby ratifies and confirms its authorization to issue the Series 2016 Bonds (known then as the Definitive Bonds) as provided in the Resolution. The USDA has agreed, subject to the terms and conditions of the Amended Letter of Conditions Replacing the May 9, 2014 Letter of Conditions, dated as of March 9, 2015 (the "Replacement Commitment Letter"), to lend the Town up to \$1,250,000 to redeem the Series 2015 Note or finance a portion of the cost of the 2015 Project. Costs of issuance of the Series 2016 Bonds and interest payable on the Series 2015 Note will be paid from other funds the Town has available, including grant funds. The terms and conditions of the Loans, as set forth in the Replacement Commitment Letter, are reasonable and advantageous to the Town and are accepted. The Town has adopted Loan Resolutions on May 15, 2014 and March 12, 2015, and Letters of Intent To Meet Conditions, dated May 9, 2014 and March 9, 2015, pursuant to which the Town has agreed to issue the Definitive Bonds, in the aggregate principal amount of \$1,250,000, in accordance with the provisions of the Resolution and the Replacement Commitment Letter.

The Council hereby ratifies and confirms its finding and determination contained in the Resolution that it is necessary and expedient for the Town to issue and sell to the USDA, pursuant to Montana Code Annotated, Section 7-7-4433, the Series 2016 Bonds, in the aggregate principal amount of \$1,250,000, at a price equal to their principal amount, upon satisfaction of the conditions precedent to the Loans (as defined in Resolution No. 372).

The 2015 Project has been substantially completed and the conditions precedent to the purchase of the Series 2016 Bonds by the United States of America acting through the United States Department of Agriculture (the "USDA") have been or shortly will be satisfied.

The Town hereby determines the Series 2016 Bonds shall be issued as "Sewer System Revenue Bonds, Consisting of \$800,000 Series 2016A Bond and \$450,000 Series 2016B Bond" in the maximum authorized aggregate principal amount of \$1,250,000.

As stated in the Replacement Commitment Letter, the Series 2016A Bond and the Series 2016B Bond bear interest at the rates of two and one-half percent (2.50%) and two and one-quarter percent (2.25%) per annum, respectively, on principal amounts advanced and will be payable in monthly installments of principal and interest over 40 years, commencing on the date of issuance of the Series 2016A Bond and the Series 2016B Bond. The USDA has subsequently informed the Town that the rates of interest on the Series 2016A Bond and the Series 2016B Bond as set forth in Sections 4.01 and 5.01 of Resolution No. 372, respectively, have recently decreased from 2.50% and 2.25% per annum to 1.875% per annum. As a result of the decrease in the interest rates, it is necessary to make conforming amendments to the Original Resolution.

The Town hereby determines the Series 2016A Bond and the Series 2016B Bond shall be issued in the maximum principal amounts of \$800,000 and \$450,000, respectively, each payable over a term of 40 years, and each bear interest at the rate of 1.875% per annum, such

that the monthly principal and interest payment due on the Series 2016A Bond will be \$2,376, amortized over 40 years, or such lesser amount as may be necessary to amortize fully in equal monthly installments over 40 years the total principal amount of the Series 2016A Bond advanced with interest thereon. The monthly principal and interest payment due on the Series 2016B Bond will be \$1,337, amortized over 40 years, or such lesser amount as may be necessary to amortize fully in equal monthly installments over 40 years the total principal amount of the Series 2016B Bond advanced with interest thereon. The Town will make a monthly deposit to the Reserve Account equal to 10% of the monthly principal and interest payments (or \$238 on account of the Series 2016A Bond and \$134 on account of the Series 2016B Bond) until the balance in the Reserve Account equals the Reserve Requirement for the Series 2016A Bonds (\$28,512) and the Series 2016B Bond (\$16,044). Amortization of principal of and interest on each Loan will commence from the date of issuance of the Series 2016 Bonds. Sections 4.01, 5.01, and 6.02 of Resolution No. 372 and any other provisions of Resolution No. 372 affected by the change in the interest rate are hereby amended to reflect the foregoing changes. In all other respects, this Council hereby authorizes the issuance of the Series 2016A Bond in the principal amount of \$800,000 in substantially the form of the Series 2016A Bond attached as Exhibit A and the Series 2016B Bond in the principal amount of \$450,000 in substantially the form of the Series 2016B Bond attached as Exhibit B, which forms of such Bonds supersede the forms of such Bonds attached to Resolution No. 372.

As required by Section 6.06 of the Resolution, the Town shall deposit in the Short-Lived Asset Replacement Reserve Subaccount monthly from Surplus Net Revenues \$595. The Short-Lived Asset Replacement Reserve Subaccount deposits are to be made monthly until all Bonds held by the USDA have been paid in full. This amount may be adjusted annually based on inflation.

This Council hereby ratifies and confirms the issuance of the Series 2016 Bonds, in the aggregate principal amount of \$1,250,000, and the sale thereof to the USDA, on the terms and conditions, substantially in the form and otherwise as authorized and provided in the Original Resolution, as amended by this Supplemental Resolution. The proceeds of the principal amount of the Series 2016 Bonds shall be applied, with other funds of the Town to the extent required, to pay the Series 2015 Note as further provided in the Original Resolution. The conditions precedent to the issuance of the Series 2016 Bonds are hereby found and determined to have been satisfied. On or about February 10, 2016, the proceeds of the Series 2016 Bonds will be used to pay the principal of the outstanding Series 2015 Note. The Original Resolution shall be read liberally to conform to the provisions of this Supplemental Resolution. If there is a conflict between the provisions of this Supplemental Resolution and Original Resolution, the provisions of this Supplemental Resolution shall control.

Section 3. Designation as “Qualified Tax-Exempt Obligations.” Pursuant to Section 265(b)(3)(D)(ii) of the Code, the Town hereby designates the Series 2016 Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code, and this Council hereby confirms such designation. The Town hereby represents that the Town and all “subordinate entities” thereof do not reasonably anticipate issuing in 2016 obligations bearing interest exempt from federal income taxation under Section 103 of the Code (including “qualified 501(c)(3) bonds” but excluding other “private activity bonds,” as defined in Sections 141(a) and 145(a) of the Code) in an amount greater than \$10,000,000.

Section 4. Tax Covenants.

4.01. Use of 2015 Project. The 2015 Project as part of the System will be owned and operated by the Town and available for use by members of the general public on a substantially equal basis. The Town shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the 2015 Project or the System or security for the payment of the Series 2016 Bonds which might cause the Series 2016 Bonds to be considered “private activity bonds” or “private loan bonds” within the meaning of Section 141 of the Code.

4.02. General Covenant. The Town covenants and agrees with the owners from time to time of the Series 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 Bonds to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations thereunder (the “Regulations”), and covenants to take any and all actions within its powers to ensure that the interest on the Series 2016 Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

4.03. Arbitrage Certification. The Mayor, the Town Treasurer, and the Town Clerk being among the officers of the Town charged with the responsibility for issuing the Series 2016 Bonds pursuant to this 2016 Supplemental Resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with the provisions of Section 148 of the Code, and Section 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 Bonds, it is reasonably expected that the proceeds of the Series 2016 Bonds will be used in a manner that would not cause the Series 2016 Bonds to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

4.04. Arbitrage Rebate Exemption.

(a) The Town hereby represents that the Series 2016 Bonds qualify for the exception for small governmental units to the arbitrage rebate provisions contained in Section 148(f) of the Code. Specifically, the Town represents:

- (1) Substantially all (not less than 95%) of the proceeds of the Series 2016 Bond (except for amounts to be applied to the payment of costs of issuance) will be used for local governmental activities of the Town.
- (2) The aggregate face amount of all “tax-exempt bonds” (including warrants, contracts, leases and other indebtedness, but excluding private activity bonds) issued by or on behalf of the Town and all subordinate entities thereof during 2016 is reasonably expected not to exceed \$5,000,000. To date in 2016, the Town has issued no such tax-exempt bonds, and in the calendar years 2011 through 2015, the Town issued no tax-exempt bonds, except its Water System Revenue Bond, Series 2013 and the Series 2011 Bond.

(b) If notwithstanding the provisions of paragraph (a) of this Section 4.04, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Series 2016 Bonds, the Town hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f).


Section 5. Information Reporting. The Town shall file with the Secretary of the Treasury, not later than May 15, 2016, a statement concerning the Series 2016 Bonds containing the information required by Section 149(e) of the Code.

Section 6. Authentication of Transcript. The officers of the Town are hereby authorized and directed to furnish to the USDA and to bond counsel certified copies of all proceedings relating to the issuance of the Series 2016 Bonds and such other certificates and affidavits as may be required to show the right, power and authority of the Town to issue the Series 2016 Bonds, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the Town as to the truth of the statements of fact purported to be shown thereby.

Section 7. Effective Date; Effect of this Supplemental Resolution. This Supplemental Resolution shall be in full force and effect from and after its passage. This Supplemental Resolution amends Resolution No. 372 to the extent provided herein. Except as so amended, Resolution No. 372 is unamended and in full force and effect, and, as amended by this Supplemental Resolution, continues in full force and effect.

Passed and adopted by the Town Council of the Town of Stevensville, Montana, this 28th day of January, 2016.

Attest:


Town Clerk


Mayor

(SEAL)

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF RAVALLI

TOWN OF STEVENSVILLE

SEWER SYSTEM REVENUE BOND
SERIES 2016A

No. R-1

\$800,000.00

FOR VALUE RECEIVED, THE TOWN OF STEVENSVILLE, MONTANA (the "Town"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and hereby promises to pay, solely from the Debt Service Account of its Sewer System Fund, to the United States of America acting through Rural Utilities Service, United States Department of Agriculture, or any successor agency under Public Law 103-354 (the "USDA"), or registered assigns (the "Holder"), the principal sum of EIGHT HUNDRED THOUSAND AND NO/100 DOLLARS (\$800,000.00), in installments as set forth below, and to pay interest thereon, from and after the date of each such principal amount advanced as shown on the attached Schedule A, solely from the Debt Service Account, at the rate of one and seven-eighths percent (1.875%) per annum. Interest shall be computed on the basis of a 365-day year based on the actual number of days elapsed from and after each advance. Principal and interest are payable in equal monthly installments in the amount of \$2,376, commencing on March 10, 2016, and payable on the 10th day of each month thereafter until the principal and interest are fully paid, except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable forty years from the date hereof, subject to the right of prepayment set forth below. The installments of principal and interest are payable at State Office of the USDA, at USDA Rural Development, 2229 Boot Hill Court, Bozeman, Montana 59715, or such other place as the Purchaser shall designate in writing, except that in the event that the USDA has assigned this Bond, the installments of principal and interest are payable to the registered Holder at his address as it appears on the Bond Register of the Town. Principal and interest are payable in any coin or currency of the United States of America which on the respective dates of payment is legal tender for public and private debts.

This Bond is one of an issue of Sewer System Revenue Bonds, heretofore and hereafter issuable in one or more series from time to time (the "Bonds"), pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended (the "Act"), and Resolution Nos. 255, 167, 274, 279, and 372 adopted by this Council on July 12, 1999, December 11, 2000, June 27, 2011, November 28, 2011, and May 14, 2015, respectively, as amended and supplemented by Resolution No. 384, adopted by the Town Council on January 28, 2016 (as so amended and supplemented, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given to them in the Resolution. This Bond (the "Series

2016A Bond”), together with the \$450,000 Sewer System Revenue Bond, Series 2016B (the “Series 2016B Bond”), which is being issued simultaneously herewith, is issued for the purpose of paying and redeeming a portion of the principal amount of the Town’s Sewer System Revenue Bond Anticipation Note, Series 2015 (the “Series 2015 Note”), which was issued to finance a portion of the costs associated with improvements (the “Improvements”) to the municipal sewer system of the Town (the “System”), which term includes all improvements, betterments, extensions and alterations of the System. The Town’s outstanding \$1,250,000 Sewer System Revenue Bond, Series 2000A, and \$814,000 Sewer System Revenue Bond, Series 2000B (collectively, the “Series 2000 Bonds”), \$780,000 Sewer System Revenue Bond, Series 2011 (the “Series 2011 Bond”), Series 2016A Bond, Series 2016B Bond, and any Additional Bonds issued under the Resolution on a parity therewith (collectively, the “Bonds”), including the interest thereon, are payable solely from the Net Revenues pledged to the payment thereof and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision.

The Town may redeem on any installment payment date, in whole or part and if in part, in multiples of \$1,000, any unpaid principal of this Series 2016A Bond at a price equal to the principal amount to be redeemed plus interest accrued to the date of redemption, without premium; provided that while this Series 2016A Bond is registered in the name of the United States of America, the Town may redeem any unpaid principal on any date and in any amount. Notice of any such prepayment will be mailed by the Town not less than 30 days prior to the date specified for payment, to the registered holder of this Series 2016A Bond at his address as it appears on the Bond Register.

The Town has designated this Series 2016A Bond as a “qualified tax-exempt obligation” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

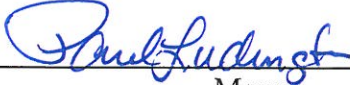
This Series 2016A Bond shall be registered in the name of the Holder on the bond register of the Town kept by the Town Treasurer as Bond Registrar. This Series 2016A Bond is transferable by the registered Holder or its attorney duly authorized in writing, upon presentation hereof with a written instrument of transfer satisfactory to the Town and duly executed by the registered holder or its attorney. Such transfer shall be noted on the bond register and hereon. The Town will, upon request, issue to the registered Holder or transferee, upon surrender of this Series 2016A Bond, one or more other bonds, in an aggregate principal amount (and, if more than one bond is to be issued, in denominations that are multiples of \$1,000, to the extent practicable) equal to the principal amount of the Series 2016A Bond that then remains 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 Town with respect to such exchange. The Town may treat the person in whose name this Series 2016A Bond is registered as the absolute owner hereof, whether this Series 2016A Bond is overdue or not, for the purpose of receiving payment of principal and interest and all other purposes, and shall not be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Town will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements

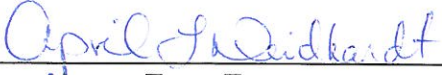
thereof, and has created a special Sewer System Fund into which the Revenues of the System will be paid, and a separate and special Debt Service Account in that fund, into which will be paid each month, from the Net Revenues of the System then on hand an amount not less than the installment next payable on the Series 2000 Bonds, the Series 2011 Bond, the Series 2016A Bond, and the Series 2016B Bond and any Additional Bonds payable monthly, and, if Additional Bonds are issued that are payable semi-annually, not less than one-sixth of the interest due on such outstanding Bonds within the next six months and one-twelfth of the principal on such outstanding Bonds due within the next twelve months; that it will transfer to the Reserve Account in the Sewer System Fund monthly out of the remaining Net Revenues a minimum of \$238 per month on account of this Series 2016A Bond and such additional amounts as may be necessary to accumulate therein over a period concluding on the tenth anniversary of the date hereof, a reserve equal to 100% of the maximum Principal and Interest Requirements on the Series 2016A Bond, and such additional amounts as may be necessary to maintain therein a balance equal to the Reserve Requirement; that the Debt Service Account and the Reserve Account will be used only to pay the principal of, premium, if any, and interest on the Bonds; that the rates and charges for the System will from time to time be made and kept sufficient to provide Net Revenues during each Fiscal Year at least equal to 110% of the maximum Principal and Interest Requirements in the current or any future Fiscal Year; that sufficient Net Revenues shall be available to fund the Reserve Account, and sufficient Surplus Net Revenues shall be available to fund the Short-Lived Asset Replacement Reserve Subaccount as described in the Resolution; that Additional Bonds may be issued and made payable from the Sewer System Fund on a parity with the Series 2000 Bonds, the Series 2011 Bond, the Series 2016A Bond, and the Series 2016B Bond upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues, whether or not such obligation shall also constitute a general obligation and indebtedness of the Town, unless the lien thereof shall be expressly made subordinate to the lien of the Bonds on such Net Revenues; that all provisions for the security of the holder of this Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Town to be done, to exist, to happen and to be performed in order to make this Series 2016A Bond a valid and binding special obligation of the Town according to its terms have been done, do exist, have happened and have been performed as so required; and that this Bond and the interest and premium, if any, hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Debt Service Account and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision; and the issuance of the Series 2016A Bond does not cause the indebtedness of the Town to exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF the Town of Stevensville, Ravalli County, State of Montana, by its Town Council, has caused this Bond to be executed on its behalf by the signature of the Mayor, the Town Treasurer and the Town Clerk and sealed with the official corporate seal of the Town, and has caused this Bond to be dated as of February 10, 2016.

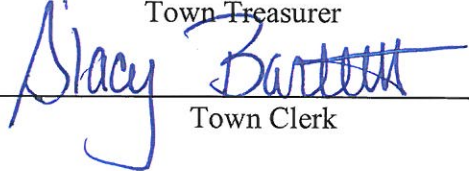
TOWN OF STEVENSVILLE, MONTANA



Mayor



Town Treasurer



Town Clerk


(SEAL)

PROVISIONS FOR REGISTRATION OF TRANSFER AND EXCHANGE

The ownership of this Series 2016A Bond and of the interest payable hereon may be transferred to a bona fide purchaser only by delivery hereof with an assignment duly executed by the registered owner or his attorney or legal representative, and the Town may treat the registered owner as the person exclusively entitled to receive payments of principal of and interest on this Series 2016A Bond and to exercise all the rights and powers of an owner until this Series 2016A Bond is presented to the Town Treasurer of the Town of Stevensville, Montana, as Bond Registrar, accompanied by said assignment and by assurance of the nature provided by law that the same is genuine and effective, and until such transfer is duly registered on the books of the Town and noted hereon by the Bond Registrar.

REGISTER

The ownership of the unpaid principal balance of this Series 2016A Bond and the interest accruing thereon is registered on the books of the Town of Stevensville, in the name of the registered holder as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of Town Treasurer</u>
February 10, 2016	United States of America, United States Department of Agriculture Office of the Deputy Chief Financial Officer 4300 Goodfellow Blvd. St. Louis, Missouri 63120	

NO WRITING HEREON EXCEPT BY TOWN TREASURER
AS BOND REGISTRAR

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

<u>Date of Transfer</u>	<u>Registered Assign</u>	<u>Signature of Bond Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

EXHIBIT B

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF RAVALLI

TOWN OF STEVENSVILLE

SEWER SYSTEM REVENUE BOND
SERIES 2016B

No. R-1

\$450,000.00

FOR VALUE RECEIVED, THE TOWN OF STEVENSVILLE, MONTANA (the "Town"), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and hereby promises to pay, solely from the Debt Service Account of its Sewer System Fund, to the United States of America acting through Rural Utilities Service, United States Department of Agriculture, or any successor agency under Public Law 103-354 (the "USDA"), or registered assigns (the "Holder"), the principal sum of FOUR HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$450,000.00), in installments as set forth below, and to pay interest thereon, from and after the date of each such principal amount advanced as shown on the attached Schedule A, solely from the Debt Service Account, at the rate of one and seven-eighths percent (1.875%) per annum. Interest shall be computed on the basis of a 365-day year based on the actual number of days elapsed from and after each advance. Principal and interest are payable in equal monthly installments in the amount of \$1,337, commencing on March 10, 2016, and payable on the 16th day of each month thereafter until the principal and interest are fully paid, except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable forty years from the date hereof, subject to the right of prepayment set forth below. The installments of principal and interest are payable at State Office of the USDA, at USDA Rural Development, 2229 Boot Hill Court, Bozeman, Montana 59715, or such other place as the Purchaser shall designate in writing, except that in the event that the USDA has assigned this Bond, the installments of principal and interest are payable to the registered Holder at his address as it appears on the Bond Register of the Town. Principal and interest are payable in any coin or currency of the United States of America which on the respective dates of payment is legal tender for public and private debts.

This Bond is one of an issue of Sewer System Revenue Bonds, heretofore and hereafter issuable in one or more series from time to time (the "Bonds"), pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 7, Parts 44 and 45, as amended (the "Act"), and Resolution Nos. 255, 167, 274, 279, and 372 adopted by this Council on July 12, 1999, December 11, 2000, June 27, 2011, November 28, 2011, and May 14, 2015, respectively, as amended and supplemented by Resolution No. 384, adopted by the Town Council on January 28, 2016 (as so amended and supplemented, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given to them in the Resolution. This Bond (the "Series

2016B Bond”), together with the \$800,000 Sewer System Revenue Bond, Series 2016A (the “Series 2016A Bond”), which is being issued simultaneously herewith, is issued for the purpose of paying and redeeming a portion of the principal amount of the Town’s Sewer System Revenue Bond Anticipation Note, Series 2015 (the “Series 2015 Note”), which was issued to finance a portion of the costs associated with improvements (the “Improvements”) to the municipal sewer system of the Town (the “System”), which term includes all improvements, betterments, extensions and alterations of the System. The Town’s Outstanding \$1,250,000 Sewer System Revenue Bond, Series 2000A, and \$814,000 Sewer System Revenue Bond, Series 2000B (collectively, the “Series 2000 Bonds”), \$780,000 Sewer System Revenue Bond, Series 2011 (the “Series 2011 Bond”), Series 2016A Bond, Series 2016B Bond, and any Additional Bonds issued under the Resolution on a parity therewith (collectively, the “Bonds”), including the interest thereon, are payable solely from the Net Revenues pledged to the payment thereof and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision.

The Town may redeem on any installment payment date, in whole or part and if in part, in multiples of \$1,000, any unpaid principal of this Series 2016B Bond at a price equal to the principal amount to be redeemed plus interest accrued to the date of redemption, without premium; provided that while this Series 2016B Bond is registered in the name of the United States of America, the Town may redeem any unpaid principal on any date and in any amount. Notice of any such prepayment will be mailed by the Town not less than 30 days prior to the date specified for payment, to the registered holder of this Series 2016B Bond at his address as it appears on the Bond Register.

The Town has designated this Series 2016B Bond as a “qualified tax-exempt obligation” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

This Series 2016B Bond shall be registered in the name of the Holder on the bond register of the Town kept by the Town Treasurer as Bond Registrar. This Series 2016B Bond is transferable by the registered Holder or its attorney duly authorized in writing, upon presentation hereof with a written instrument of transfer satisfactory to the Town and duly executed by the registered holder or its attorney. Such transfer shall be noted on the bond register and hereon. The Town will, upon request, issue to the registered Holder or transferee, upon surrender of this Series 2016B Bond, one or more other bonds, in an aggregate principal amount (and, if more than one bond is to be issued, in denominations that are multiples of \$1,000, to the extent practicable) equal to the principal amount of the Series 2016B Bond that then remains 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 Town with respect to such exchange. The Town may treat the person in whose name this Series 2016B Bond is registered as the absolute owner hereof, whether this Series 2016B Bond is overdue or not, for the purpose of receiving payment of principal and interest and all other purposes, and shall not be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Town will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements


thereof, and has created a special Sewer System Fund into which the Revenues of the System will be paid, and a separate and special Debt Service Account in that fund, into which will be paid each month, from the Net Revenues of the System then on hand an amount not less than the installment next payable on the Series 2000 Bonds, the Series 2011 Bond, the Series 2016A Bond, and the Series 2016B Bond and any Additional Bonds payable monthly, and, if Additional Bonds are issued that are payable semi-annually, not less than one-sixth of the interest due on such outstanding Bonds within the next six months and one-twelfth of the principal on such outstanding Bonds due within the next twelve months; that it will transfer to the Reserve Account in the Sewer System Fund monthly out of the remaining Net Revenues a minimum of \$134 per month on account of this Series 2016A Bond and such additional amounts as may be necessary to accumulate therein over a period concluding on the tenth anniversary of the date hereof, a reserve equal to 100% of the maximum Principal and Interest Requirements on the Series 2016A Bond, and such additional amounts as may be necessary to maintain therein a balance equal to the Reserve Requirement; that the Debt Service Account and the Reserve Account will be used only to pay the principal of, premium, if any, and interest on the Bonds; that the rates and charges for the System will from time to time be made and kept sufficient to provide Net Revenues during each Fiscal Year at least equal to 110% of the maximum Principal and Interest Requirements in the current or any future Fiscal Year; that sufficient Net Revenues shall be available to fund the Reserve Account, and sufficient Surplus Net Revenues shall be available to fund the Short-Lived Asset Replacement Reserve Subaccount as described in the Resolution; that Additional Bonds may be issued and made payable from the Sewer System Fund on a parity with the Series 2000 Bonds, the Series 2011 Bond, the Series 2016A Bond, and the Series 2016B Bond upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues, whether or not such obligation shall also constitute a general obligation and indebtedness of the Town, unless the lien thereof shall be expressly made subordinate to the lien of the Bonds on such Net Revenues; that all provisions for the security of the holder of this Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Town to be done, to exist, to happen and to be performed in order to make this Series 2016B Bond a valid and binding special obligation of the Town according to its terms have been done, do exist, have happened and have been performed as so required; and that this Bond and the interest and premium, if any, hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Debt Service Account and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision; and the issuance of the Series 2016B Bond does not cause the indebtedness of the Town to exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF the Town of Stevensville, Ravalli County, State of Montana, by its Town Council, has caused this Bond to be executed on its behalf by the signature of the Mayor, the Town Treasurer and the Town Clerk and sealed with the official corporate seal of the Town, and has caused this Bond to be dated as of February 10, 2016.

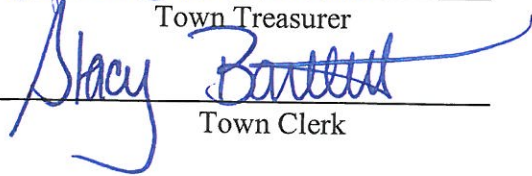
TOWN OF STEVENSVILLE, MONTANA



Mayor



Town Treasurer



Town Clerk


(SEAL)

PROVISIONS FOR REGISTRATION OF TRANSFER AND EXCHANGE

The ownership of this Series 2016B Bond and of the interest payable hereon may be transferred to a bona fide purchaser only by delivery hereof with an assignment duly executed by the registered owner or his attorney or legal representative, and the Town may treat the registered owner as the person exclusively entitled to receive payments of principal of and interest on this Series 2016B Bond and to exercise all the rights and powers of an owner until this Series 2016B Bond is presented to the Town Treasurer of the Town of Stevensville, Montana, as Bond Registrar, accompanied by said assignment and by assurance of the nature provided by law that the same is genuine and effective, and until such transfer is duly registered on the books of the Town and noted hereon by the Bond Registrar.

REGISTER

The ownership of the unpaid principal balance of this Series 2016B Bond and the interest accruing thereon is registered on the books of the Town of Stevensville, in the name of the registered holder as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of Town Treasurer</u>
February 10, 2016	United States of America, United States Department of Agriculture Office of the Deputy Chief Financial Officer 4300 Goodfellow Blvd. St. Louis, Missouri 63120	

NO WRITING HEREON EXCEPT BY TOWN TREASURER
AS BOND REGISTRAR

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

<u>Date of Transfer</u>	<u>Registered Assign</u>	<u>Signature of Bond Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

