



**Stevensville Mayor's Sewer & Water Advisory
Committee
Agenda for
TUESDAY, JUNE 02, 2026
4:30 PM
206 Buck Street, Town Hall**

1. Call to Order and Roll Call
2. Discussion on the Following Items
 - a. Discussion/Decision: Mission Statement
 - b. Review: Water Bond Resolution No. 319
 - c. Review: Sewer Bond Resolution No. 372
 - d. Discussion: HDR Study 2021 Needs & Improvements
 - e. Stephen Lassiter, Public Works Supervisor
3. Public Comment
4. 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.

File Attachments for Item:

b. Review: Water Bond Resolution No. 319

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
TOTAL	\$4,688,500.00

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 ~~\$811~~ \$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:	

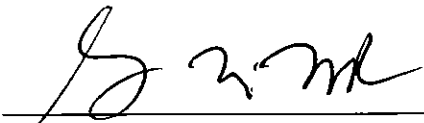
FROM AND AFTER FIRST ANNIVERSARY OF SERIES 2013 BOND

	<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

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. 319, 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, Hobcomb 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

File Attachments for Item:

c. Review: Sewer Bond Resolution No. 372

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
TOTAL	\$4,549,000.00

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>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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.

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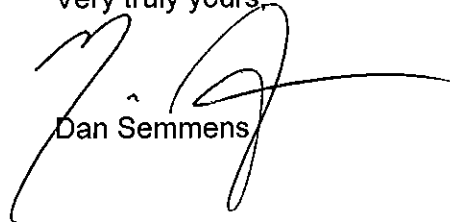
Please be aware that we serve as Bond Counsel to the BOI in connection with the INTERCAP Program. As bond counsel for the Town's Note, we would not represent the BOI in the negotiation of the terms of the Note, the resolution authorizing the Note, or other aspects of the proposed financing. The terms 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

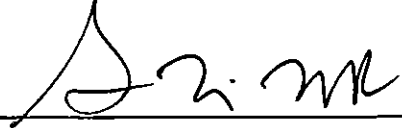
Mayor Gene Mim Mack
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ACKNOWLEDGMENT

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

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

File Attachments for Item:

d. Discussion: HDR Study 2021 Needs & Improvements

Storage

As stated in the 2009 PER and serving as the primary purpose for this report, the existing storage tank is not adequate to meet MDEQ's current water storage requirements. In addition, the existing tank is leaking and in need of repairs and rehabilitation. MDEQ Circular 1 states the following;

Storage facilities must be sufficient, as determined from engineering studies, to supplement source capacity to satisfy all system demands occurring on the maximum day, plus fire flow demands where fire protection is provided.

- a. *The minimum allowable storage must be equal to the average day demand plus fire flow demand, as defined below, where fire protection is provided.*
- b. *Any volume less than that required under a. above must be accompanied by a Storage Sizing Engineering Analysis, as defined in the glossary. Large non-residential demands must be accompanied by a Storage Sizing Engineering Analysis and may require additional storage to meet system demands.*
- c. *Where fire protection is provided, fire flow demand must satisfy the governing fire protection agency recommendation, or without such a recommendation, the fire code adopted by the State of Montana.*
- d. *Each pressure zone of systems with multiple pressure zones must be analyzed separately and provided with sufficient storage to satisfy the above requirements.*
- e. *Excessive storage capacity should be avoided to prevent water quality deterioration and potential freezing problems.*

Due to the Town's efforts, enough data has been compiled to accurately size a water tank to replace or supplement the existing one and meet ISO fire flow and peak demands for the planning period.

This need aligns with Goal #4.3 in the 2016 Growth Policy: *Water Storage Capacity is Increased*. The action item associated with this goal is to "Identify a preferred location for a new water storage tank or reservoir and apply for grant funding to construct a new water storage facility."

Supply

As previously mentioned, a new well field has been installed to increase water supply to the public with recent pump repairs and well analysis to improve operation and longevity. The system has reported no recent water quality issues.

Fire Flow

Needed fire flow (NFF) requirements were recently informed via correspondence with the town on 4/1/2021 and can be found in Appendix G. The updated NFF of 3,500 gpm for areas along Main Street were also designated by ISO Commercial Risk Services CSO in the 2009 PER (see Appendix G). The updated model was run to determine available fireflow under 2020 and 2040 average day demand (ADD) and results with negligible differences were found. Available fire flow met updated NFF values while conforming to MDEQ Circular 1 pressure requirements as depicted in Figure 3-5 below. Lower fire



flows along Creekside Dr. would likely improve with updated model controls or fire flow testing model calibration.

4 Alternatives Considered

This section should contain a description of the alternatives that were considered in planning a solution to meet the identified needs. Documentation of alternatives considered is often a report weakness. Alternative approaches to ownership and management, system design (including resource efficient or green alternatives), and sharing of services, including various forms of partnerships, should be considered. In addition, the following alternatives should be considered, if practicable: building new centralized facilities, optimizing the current facilities (no construction), developing centrally managed decentralized systems, including small cluster or individual systems, and developing an optimum combination of centralized and decentralized systems. Alternatives should be consistent with those considered in the NEPA, or state equivalent, environmental review. Technically infeasible alternatives that were considered should be mentioned briefly along with an explanation of why they are infeasible, but do not require full analysis. For each technically feasible alternative, the description should include the following information:

- a. Description*
- b. Design Criteria*
- c. Map*
- d. Environmental Impacts*
- e. Land Requirements*
- f. Potential Construction Problems*
- g. Sustainability Considerations*
- i. Water and Energy Efficiency*
 - ii. Green Infrastructure*
 - iii. Other*
- h. Cost Estimates*

4.1 Water Storage

The existing water storage tank is leaking approximately 96 gpm. A diving inspection was completed in recent years, but the cause of the leak was not apparent. It is recommended that a condition assessment is completed on the existing storage tank to determine the source of the leak and what repairs and rehabilitation are necessary.

Per section 4.3 above, water tank storage alternatives are listed below in Table 4-1.

Supply

The new well field provides adequate supply for projected water demand through 2040. Though Well No. 1 currently serves as a supplementary source, a replacement well could benefit supply and capacity in the long term. Replacing Well No. 1 could improve capacity and supply and decrease contamination risks. Generally increasing supply could supplement storage in efforts to meet fire flow demands. Table 3-2 highlights projected water demand over time and its influence on supply accounting for the well with the largest flow out of service (firm capacity) per MDEQ Circular-1.

Table 3-2. Projected Water Use and Supply

Year (YYYY)	Population (# of people)	ADD (MGD)	MDD (MGD)	Unaccounted for Water (MGD)	Firm Capacity (MGD)	Remaining Supply under ADD (MGD)	Remaining Supply under MDD (MGD)
2020	2,182	0.32	0.65	0.3	1.70	1.08	0.75
2021	2,230	0.33	0.66	0.3	1.70	1.07	0.74
2022	2,279	0.34	0.68	0.3	1.70	1.06	0.72
2023	2,328	0.34	0.69	0.3	1.70	1.05	0.71
2024	2,379	0.35	0.71	0.3	1.70	1.05	0.69
2025	2,431	0.36	0.72	0.3	1.70	1.04	0.68
2026	2,484	0.37	0.74	0.3	1.70	1.03	0.66
2027	2,538	0.38	0.76	0.3	1.70	1.02	0.64
2028	2,593	0.38	0.77	0.3	1.70	1.02	0.63
2029	2,650	0.39	0.79	0.3	1.70	1.01	0.61
2030	2,708	0.40	0.81	0.3	1.70	1.00	0.59
2031	2,767	0.41	0.82	0.3	1.70	0.99	0.58
2032	2,827	0.42	0.84	0.3	1.70	0.98	0.56
2033	2,889	0.43	0.86	0.3	1.70	0.97	0.54
2034	2,952	0.44	0.88	0.3	1.70	0.96	0.52
2035	3,016	0.45	0.90	0.3	1.70	0.95	0.50
2036	3,082	0.46	0.92	0.3	1.70	0.94	0.48
2037	3,149	0.47	0.94	0.3	1.70	0.93	0.46
2038	3,217	0.48	0.96	0.3	1.70	0.92	0.44
2039	3,288	0.49	0.98	0.3	1.70	0.91	0.42
2040	3,359	0.50	1.00	0.3	1.70	0.90	0.40

Source: Water Meter Use Data from the Town and Population Growth Data per section 2.4

Fire Flow

Current NFF values and projected growth indicate a need for increased water storage to meet MDD and fire flow requirements for the 3-hour fire flow time and emergency storage required per MDEQ Circular 1 for 3,500 gpm. Figure 3-9 depicts typical water storage allocations recommended.

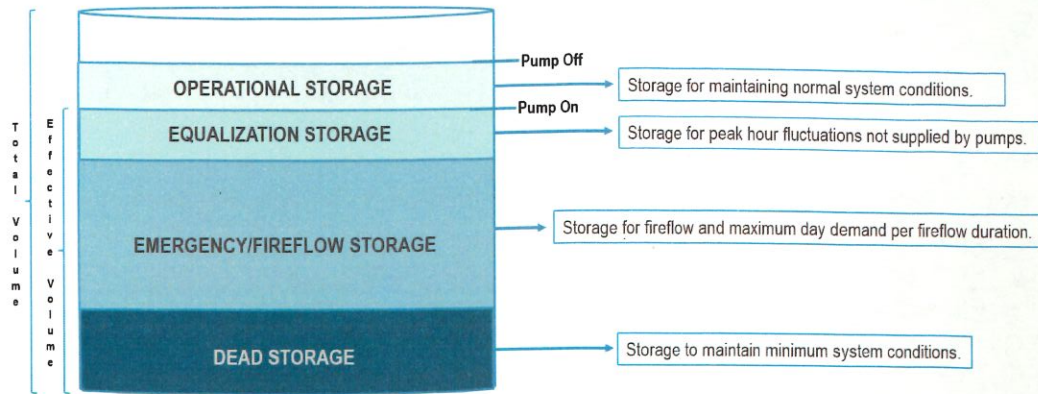


Figure 3-9. Typical Storage Allocations

Table 3-3 below summarizes the changes in emergency storage required through 2040 for a 3-hour, 3,500 gpm NFF. Table 3-4 summarizes total storage needed if the current tank is used to supplement storage or if a new tank/s is implemented.

Table 3-3. Emergency Storage Balance through 2040

Year (YYYY)	NFF (GPM)	Run Time (Hours)	Total NFF Volume (Gallons)	MDD (Gallons)	Unaccounted for Water (Gallons)	Firm Well Capacity (MGD) ²	Emergency Storage Needed (Gallons)	Current Emergency Storage (Gallons) ¹	Additional Storage Needed (Gallons)
2020	3,500	3	630,000	81,183	37,124	212,400	535,907	301,000	234,907
2025	3,500	3	630,000	90,448	37,124	212,400	545,171	301,000	244,171
2030	3,500	3	630,000	100,754	37,124	212,400	555,477	301,000	254,477
2035	3,500	3	630,000	112,213	37,124	212,400	566,937	301,000	265,937
2040	3,500	3	630,000	124,975	37,124	212,400	579,698	301,000	278,698

¹Assumes current 430,000-gallon uses 5% and 25% of storage for dead and operational/equalization storage respectively
²Firm well capacity assumes largest pump is out of service per MDEQ Circular 1 recommendations

Table 3-4. Approximate Emergency and Proposed Tank Storage Volumes

Metric	Supplemental Storage – Rehab Existing Tank (Gallons)	New Storage – Replace Existing Tank (Gallons)
Additional Emergency Storage Needed	278,698	579,700
Assumed Equalization/Operational Volume (25%)	125,000	250,000
Dead Storage (5%)	25,000	50,000
Proposed Tank Volume	500,000	1,000,000

4 Alternatives Considered

This section should contain a description of the alternatives that were considered in planning a solution to meet the identified needs. Documentation of alternatives considered is often a report weakness. Alternative approaches to ownership and management, system design (including resource efficient or green alternatives), and sharing of services, including various forms of partnerships, should be considered. In addition, the following alternatives should be considered, if practicable: building new centralized facilities, optimizing the current facilities (no construction), developing centrally managed decentralized systems, including small cluster or individual systems, and developing an optimum combination of centralized and decentralized systems. Alternatives should be consistent with those considered in the NEPA, or state equivalent, environmental review. Technically infeasible alternatives that were considered should be mentioned briefly along with an explanation of why they are infeasible, but do not require full analysis. For each technically feasible alternative, the description should include the following information:

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- i. Water and Energy Efficiency*
 - ii. Green Infrastructure*
 - iii. Other*
- h. Cost Estimates*

4.1 Water Storage

The existing water storage tank is leaking approximately 96 gpm. A diving inspection was completed in recent years, but the cause of the leak was not apparent. It is recommended that a condition assessment is completed on the existing storage tank to determine the source of the leak and what repairs and rehabilitation are necessary.

Per section 4.3 above, water tank storage alternatives are listed below in Table 4-1.

Table 4-1. Water Tank Alternatives

Tank Alternative	Tank Type	Location	Size (gallons)
1	Rehab Existing Tank	Current Location	430,000
	Additional Storage	Next to Existing Tank	500,000
2	Rehab Existing Tank	Current Location	430,000
	Additional Storage	Wye Area	500,000
3	Rehab Existing Tank	Current Location	430,000
	Additional Storage	Airport	500,000
4	Rehab Existing Tank	Current Location	430,000
	Additional Storage	Elevated Tank	500,000
5	New Tank	Current Location	500,000
	New Tank	Wye Area	500,000
6	New Tank	Current Location	500,000
	New Tank	Airport	500,000
7	New Tank	Current Location	500,000
	New Tank	Elevated Tank	500,000
8	New Tank	Current Location	1,000,000
9	New Tank	Wye Area	1,000,000
10	New Tank	Airport	1,000,000
11	New Tank	Elevated Tank	1,000,000

4.1.1 Design Criteria

An in depth tank siting study is recommended to identify tank locations that have appropriate elevation, geotechnical, and hydraulic characteristics. The siting study should include analysis using the hydraulic model to evaluate potential tank locations and sizes.

4.1.2 Map

Figure 4-1 below depicts areas with similar elevations to the existing water tank that could contain a new water tank. These depicted areas are rough estimates and a tank site study would be required before tank implementation. Preliminary hydraulic modeling of the potential tank locations was conducted under 2040 MDD. Discussion in earlier sections in regard to model improvements, controls, results, etc. apply to these preliminary model results. Figures 4-2 through 4-5 depict system conditions for each tank location under 2040 MDD from initial hydraulic model results.

4.1.4 Land Requirements

Water storage tanks require relatively small amounts of land, but associated distribution could require additional right-of-way (ROW) acquisition. A more in depth tank site study would better define land and ROW requirements.

4.1.5 Potential Construction Problems

Potential construction problems with a new tank would likely be influenced by tank location. The condition of the current tank could require more complex rehabilitation methods if the condition is poor.

4.1.6 Sustainability Considerations

Water and Energy Efficiency

Rehabilitating or replacing the existing tank would improve water efficiency by fixing the current leak from the tank. For new tank alternatives, modeling water tank levels and their relationship to pumping intervals could be used to improve pumping time and frequency, therefore improving energy efficiency.

Green Infrastructure

Further tank site examination and tank design could highlight opportunities for implementing green infrastructure.

4.1.7 Cost Estimates

See section 6.5 for a cost estimate for water storage based on the recommended alternative.

4.2 Water Distribution

Significant improvements have been made to the distribution system as recommended by the 2009 PER and due to leak remediation efforts. To help prioritize water main replacement projects, leak data was analyzed along with water main size, age, and material as shown in Figure 4-6. In addition, because at least half of the leakage is coming from water service lines, the Town would like to replace old service lines from the main to the curb box and relocate the water meters from inside the house to a meter pit at the curb box. Of the 898 meters, 767 are located in the building. Figure 4-7 shows leak data distribution, water main age, and which properties already have a meter pit. The following projects were identified as shown in Table 4-2.



Table 4-2. Water Main Replacements Projects

Project	Description	Length (ft.)	Existing Main Size, Age, Type	Proposed Size and Type	Opinion of Probable Cost	Comments
Main Street	Main and Service Replacement from Eastside Hwy to E 6th St	2,400	4" and 6" ~50-year-old Cast Iron	12" PVC	\$ 489,600	Leaks identified during assessment and improved fireflow and redundancy downtown. Cost includes 37 meter pits.
Mission Street	Mission Street from W 2nd St to South Ave	2,460	4" ~50-year-old Cast Iron	8" PVC	\$472,200	Several leaks identified with dead end mains to be connected and minimal meter pits. Cost includes 42 meter pits.
Pine Street	Pine Street from E 1st St to E 6th St	2,270	4" and 6" ~50-year-old Cast Iron	8" PVC	\$ 617,800	Numerous leaks and leak repairs. Cost includes 39 meter pits.
South Ave	South Ave. from Charlo to Buck	720	4" and 6" ~50-year-old Galvanized	8" PVC	\$161,800	
College Street	College Street from 1st St. to 5th St.	2,200	4" and 6"	8" PVC	\$ 434,600	Cost includes 38 meter pits.
Buck Street	Buck Street from South Ave to W. 2 nd St	2,820	4" ~50-year-old Cast Iron	8" PVC	\$500,200	Cost includes 40 meter pits.
W. 2 nd Street	W. 2 nd Street from Mission St. to Main St.	1,100	6" ~50-year-old Cast Iron	8" PVC	\$213,600	Cost includes 2 meter pits
W. 4 th Street	W. 4 th Street from Mission St. to Main St.	700	6" ~50-year-old Cast Iron	8" PVC	\$159,600	Cost includes 6 meter pits
Wye Area Connection				12", PVC		Connect Wye area to Stevensville water system

It is recommended that the 6-inch main along Main Street be upsized to a 12-inch water main in order to improve fireflow in the NFF area and potentially fix leaks in the older pipe.

Distribution associated with the Wye Area can be found in the Annexation Report and Medical Facility report in Appendices A and H respectively. A 12-inch distribution main may be required for a new tank site but would require further analysis before implementation.

4.2.1 Design Criteria

All distribution system changes should be modeled to confirm that changes allow the system to meet distribution system requirements per MDEQ Circular 1.



6.6 Annual Operating Budget

6.6.1 Income

The town has been saving funds for a large water system project and has about \$1.6M available. Recently, funding has become available through the American Rescue Plan Act (ARPA) and could provide additional funding for the water tank and distribution system improvements. Table 6-6 summarizes the potential available funding from ARPA to supplement current town funds.

Table 6-6. ARPA Funding Scenarios

ARPA Funding Scenario	Value
House Bill (Minimum Allocation Grant)	\$327,806 (\$132,318 match required)
Treasury (Local Fiscal Recovery Funds)	\$501,669
Town Water Utility Funds	\$1,600,000
Potential Competitive Grant	\$2,000,000
Total Potential Funds	\$4,297,157

7 Conclusions and Recommendations

Provide any additional findings and recommendations that should be considered in development of the project. This may include recommendations for special studies, highlighting of the need for special coordination, a recommended plan of action to expedite project development, and any other necessary considerations.

Considering the planning period of 2020-2040 and the influence of population growth on existing infrastructure for the Town of Stevensville, it has been determined that implementing additional water storage, replacing key distribution mains including replacing leaking service lines and moving meters to meter pits, and upgrading SCADA will increase the efficiency, security, and dependability of the existing drinking water system. Existing rate programs and leak remediation efforts have prepared the Town well to implement these recommendations.

Table 7-1 provides a summary of all recommended projects. See each respective section for project details.

Table 7-1. Potential Proposed Project Schedule

Project	Description	Opinion of Probable Cost	Priority
Existing Storage Tank Condition Assessment	The existing tank is 50 years old and leaking. Perform an inspection and condition assessment to determine rehabilitation alternatives.	\$ 25,000	Phase 1
Existing Tank Rehabilitation	Rehabilitate existing tank; possible interior coating, leak repair.	\$150,000 - \$300,000	Phase 1



Project	Description	Opinion of Probable Cost	Priority
New Water Storage Tank	Additional water storage to support existing and future growth, fire flow, and add resiliency to the system. Estimated size 0.6 MG, assuming existing tank remains in service.	\$ 782,040	Phase 1
Main Street	Main and Service Replacement from Eastside Hwy to E 6th St (2,400 LF of new 12", service line replacements and 37 meter pits)	\$ 489,600	Phase 3
Mission Street	Mission Street from W 2nd St to South Ave and South Ave from Mission to Buck (2,460 LF of new 8", service line replacements and 42 meter pits)	\$ 472,200	Phase 1
Pine Street	Pine Street from E. 1 st St., to E. 6 th St. (2,270 LF of new 8", service line replacements and 39 meter pits)	\$ 617,800	Phase 1
South Ave	South Ave. from Charlo to Mission St.	\$ 161,800	Phase 1
College Street	College Street from 1st St. to 5th St., service line replacements and 38 meter pits	\$ 434,600	Phase 2
Buck Street	Buck Street from South Ave. to W. 2 nd St.	\$ 500,200	Phase 2
W. 2 nd Street	W. 2 nd Street from Mission St. to Main St.	\$ 213,600	Phase 3
W. 4 th Street	W. 4 th Street from Mission St. to Main St.	\$ 159,600	Phase 3
Wye Area Connection	Phase I water system improvements as described in Appendix A	\$ 1,027,800	Phase 3
SCADA Improvements	Software, communications, well, and tank SCADA upgrades	\$265,000	Phase 1