

RESOLUTION NO. 319

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

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

Section 1. Authorization and Recitals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Section 4. The Series 2013 Bond.

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

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

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

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

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

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

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

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

Dated: _____

Registered Owner

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

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

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

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

4.07. Transcript Certification. The officers of the Town are directed to furnish to Bond Counsel and the USDA certified copies of all proceedings and information in their official records relevant to the authorization, sale, execution and issuance of the Series 2013 Bond, and such certificates and affidavits as to other matters appearing in their official records or otherwise known to them as may be reasonably required to evidence the validity and security of the Series 2013 Bond, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations and recitals of the Town as to the correctness of all facts stated therein and the completion of all proceedings stated therein to have been taken.

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

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

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

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

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

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

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

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

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

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

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

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

Section 6. Tax Covenants.

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

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

6.03. Arbitrage Certification. The Mayor, the Town Clerk and the Town Treasurer, being among the officers of the Town charged with the responsibility for issuing the Series 2013 Bond pursuant to this Supplemental Resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(b) of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Series 2013 Bond, it is reasonably expected that the proceeds of the Series 2013 Bond will be used in a manner that would not cause the Series 2013 Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

6.04. Arbitrage Rebate Exemption.

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

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

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

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

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

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

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



Mayor

Attest: 

Town Clerk

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF RAVALLI

TOWN OF STEVENSVILLE

WATER SYSTEM REVENUE BOND
SERIES 20__

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

No. R-1

\$2,173,000.00

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

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

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

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

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

This Series 2013 Bond shall be registered in the name of the Holder on the bond register of the Town kept by the Town Treasurer as Bond Registrar. This Series 2013 Bond is transferable by the registered Holder or its attorney duly authorized in writing, upon presentation hereof with a written instrument of transfer satisfactory to the Town and duly executed by the registered holder or its attorney. Such transfer shall be noted on the bond register and on the reverse hereof. The Town will, upon request, issue to the registered Holder or transferee, upon surrender of this Series 2013 Bond, one or more other bonds, in an aggregate principal amount (and, if more than one bond is to be issued, in denominations that are multiples of \$1,000, to the extent practicable) equal to the principal amount of the Series 2013 Bond that then remains unpaid and maturing at the same time or times as the then unpaid principal installments hereof, subject to reimbursement for any tax, fee or governmental charge or other expense incurred by

the Town with respect to such exchange. The Town may treat the person in whose name this Series 2013 Bond is registered as the absolute owner hereof, whether this Series 2013 Bond is overdue or not, for the purpose of receiving payment of principal and interest and all other purposes, and shall not be affected by any notice to the contrary.

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

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

TOWN OF STEVENSVILLE, MONTANA

Mayor

Town Treasurer

Town Clerk

(SEAL)

PROVISIONS FOR REGISTRATION OF TRANSFER AND EXCHANGE

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

REGISTER

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

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

NO WRITING HEREON EXCEPT BY TOWN TREASURER
AS BOND REGISTRAR

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

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

SCHEDULE B

FROM ISSUANCE DATE OF SERIES 2013 BOND TO FIRST ANNIVERSARY THEREOF

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

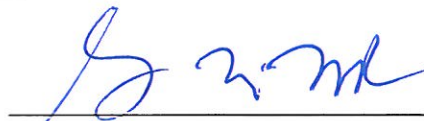
FROM AND AFTER FIRST ANNIVERSARY OF SERIES 2013 BOND

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

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

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

Dated, this 15th day of August 2013



 Gene Mim Mack
 Title Mayor

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

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

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

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

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

Stacy Bartlett
Town Clerk