

More Loan

Documentation

STUTSMAN RURAL WATER DISTRICT
WATER REVENUE BOND, SERIES 2012

Term Bond

Principal Amount: Eight Hundred Fourteen Thousand Dollars
(\$814,000)

Registered Holder: United States of America Acting through the Department of Agriculture

<u>Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>
May 1, 2012	May 1, 2052	3.375%	NA

<u>Interest Payment Dates</u>	<u>Initial Interest Payment Date</u>	<u>Registrar/Paying Agent</u>
Each May 1	May 1, 2013	Secretary

STUTSMAN RURAL WATER DISTRICT, JAMESTOWN, NORTH DAKOTA (the "Issuer"), a North Dakota political subdivision, existing under and pursuant to the laws of the State of North Dakota acknowledges itself indebted and for value received hereby promises to pay to the Registered Holder on the Record Date (the 15th day of the month, whether or not a business day, immediately preceding each interest payment date) the principal installments set forth on the reverse hereof and on the Maturity Date, unless redeemed prior thereto as provided in the Resolution at which time interest shall cease to accrue provided money for such redemption is on deposit with the Paying Agent, and to pay interest on the Principal Amount at the Interest Rate specified above from the Dated Date hereof to the Initial Interest Payment Date and on each Interest Payment Date thereafter including the Maturity Date. Such interest will be payable by check or wire transfer to the Registered Holder.

This term bond is the duly authorized bond of the Issuer (the "Bond") issued by the Issuer in the aggregate principal amount of \$814,000 under and pursuant to North Dakota Century Code Chapter 61-35, and the Resolution Authorizing the Issuance adopted by the Issuer on April 10, 2012 (the "Resolution"). Certified copies of the Resolution are on file in the office of the Secretary in Jamestown, North Dakota.

The Bond:

- (i) is transferable, as provided in the Resolution;
- (ii) is subject to optional redemption prior to maturity as provided in the Resolution; and
- (iii) shall be subject to the sinking fund installments set forth on the reverse hereof.

The Bond is a special obligation of the Issuer and is payable solely from a pledge of the net revenues of the Utility and from the Accounts provided for in the Resolution. The Issuer does not have taxing power. The Bond shall not constitute a charge, lien, nor encumbrance, legal or equitable, upon any property of the Issuer, or upon any income, receipts, or revenues of the Issuer other than such revenues of the Utility as further described in the Resolution. The Bond does not constitute a debt of the Issuer within the meaning of any constitutional or statutory limitation.

Additional provisions of this Bond are contained on the reverse hereof and such provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Issuer has caused the Bond to be executed in the name of the Issuer and on its behalf by the manual signature of the President of the Board of Directors and attested to by the manual signature of the Secretary.

STUTSMAN RURAL WATER DISTRICT



President
Board of Directors

ATTEST:



Secretary

PENGAD 800-631-6989

PLAINTIFF'S
EXHIBIT

2A

8. **Bond Yield**


8.1. Pursuant to Code Sections 148(h) and 1273, the yield on the Bond (the "Bond Yield") generally means that discount rate that, when used in computing the present value on the delivery date of all unconditionally payable payments of principal, interest and fees for qualified guarantees on the Bond and amounts reasonably expected to be paid as fees for qualified guarantees on the Bond, produces an amount equal to the present value on the delivery date, using the same discount rate, of the aggregate issue prices of the Bond (defined as the initial offering prices or yields to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price or yield a substantial amount of such Bond and maturity was sold). The aggregate issue price of the Bond, as so defined, and based upon certain information provided by the North Dakota Public Finance Authority, as purchaser of the Bond is \$1,455,000, which is equal to the par amount of the Bond of \$1,455,000.

9. **Governmental Bond Status**

9.1. Absent an opinion of counsel, the City will not loan more than 5% of the proceeds of the Bonds to one or more nongovernmental persons. Absent an opinion of counsel, the City will not allow more than 10% of the Sale Proceeds and investment proceeds of the Bonds, or of the assets financed with proceeds of the Bonds, to be used directly or indirectly by any nongovernmental person in any trade or business, other than as a member of the general public. For purposes of the preceding sentence, "10%" is reduced to "5%" for nongovernmental use of any facilities financed with proceeds of the Bonds that is disproportionate or unrelated to the governmental purposes of the respective issue of Bonds. Absent an opinion of counsel, for purposes of this Section, a nongovernmental person will be treated as "using" proceeds of the Bonds to the extent the nongovernmental person (i) borrows proceeds of the Bonds, or uses the Project (e.g., as owner, lessee, or as service provider, operator or manager) under contracts other than those constituting qualified management contracts within the meaning of Rev. Proc. 97-13.

Dated April 10, 2012.

STUTSMAN RURAL WATER DISTRICT


Secretary

STUTSMAN RURAL WATER DISTRICT

\$814,000

WATER REVENUE BOND, SERIES 2012

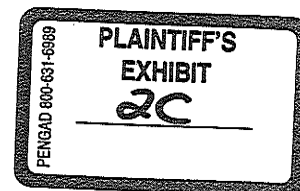
CLOSING CERTIFICATE

The undersigned hereby certify that they are, respectively, the duly elected or appointed, qualified and acting President of the Board of Directors and Secretary-Treasurer of Stutsman Rural Water District (the "District"), and as such officials they are familiar with the District's properties, affairs and records. The undersigned, as such officials, hereby further certify as follows:

- 1. A. The District is a legally constituted body politic and corporate of the State of North Dakota organized and operating pursuant to North Dakota Century Code Chapter 61-35 and the persons listed below constitute the duly elected or appointed, qualified and acting members of the governing body of the District.

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Terry Nieland	President	2012
Darrell Patzer	Vice-President	2014
Ron Wanzek	Director	2013
Roger Florhaug	Director	2013
Joel Lees	Director	2013
Nathan Hochhalter	Director	2012
Mardee Heinrich	Secretary/Treasurer	2014
Geneva Kaiser	Manager	Appointed

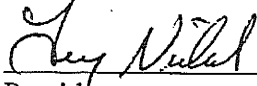
- B. All of the officers of the District as hereinabove described have been duly elected or appointed and qualified for their respective offices, and all of said officers are now in lawful incumbency of their respective offices.
- C. The District was originally created pursuant to statutes by order of the State Engineer on September 7, 1999 and encompasses portions of Foster, Griggs, LaMoure, Logan and Stutsman Counties.
- D. Regular meetings of the Board of Directors (the "Board") are held at the offices of the District in Jamestown, North Dakota on the second Tuesday of each month.
- E. The official newspaper of the District is the *Jamestown Sun* published daily, except Sundays, in Jamestown, North Dakota.
- F. The District's federal tax identification number is 45-0454647.



2. This Certificate is given with regard to the issuance of the District's Water Revenue Bond, Series 2012 in the original principal amount of not to exceed \$814,000 (the "**Bond**"). All regular or special meetings of the Board held in conjunction with the Bond were open to the public and were conducted with prior notice to the public in compliance with NDCC Sections 44-04-19 and 44-04-20.
3. The persons named below further certify that they were on the date of the execution of the Bond and are on the date hereof, the duly elected or appointed and qualified incumbents of the offices of the District set opposite their respective names.
4. Pursuant to law and the Resolution Authorizing Issuance of \$814,000 Water Revenue Bond, Series 2012 adopted May 1, 2012 (the "**Resolution**"), the undersigned President and Secretary-Treasurer certify they will sign and execute the Bond of the District, a copy of which form of Bond is attached to the Resolution. The Bond will be executed on behalf of the District with the official manual or facsimile signature of the undersigned President and attested by the official manual or facsimile signature of the undersigned Secretary-Treasurer. The undersigned President and Secretary-Treasurer are delegated with the responsibility of issuing and delivering the Bond and the District has authorized by all necessary action and execution, issuance, delivery and due performance of the Bond; and the Bond, as executed, issued and delivered, is in the form approved by the Resolution. The Bond has been sold by the District at private sale.
5. There is no litigation pending or, to the knowledge of the undersigned, threatened, to restrain or enjoin the issuance, sale or delivery of the Bond, or in any way contesting or affecting any authority for the issuance of the Bond or the validity and binding legal obligation thereof, or any substantive or procedural debt limit restrictions, or to prevent the execution, registration, certification or delivery thereof, or to amend, cancel or revoke any proceedings taken incidental to the Bond and the levy or collection of user fees for facilities or activities furnished by the District, or in any way contesting the corporate existence, boundaries or powers of the District or the right of its officers to their respective offices.
6. All outstanding obligations of the District, including the Bond, are within all applicable state constitutional and statutory debt limitations of the District.
7. The District will take such action as is necessary and within its power to assure that the interest on the Bond will not be subject to inclusion in gross income for federal income tax purposes.

Dated: May 1, 2012.

STUTSMAN RURAL WATER DISTRICT



President
Board of Directors

Attest:



Secretary-Treasurer

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE Board of Directors

OF THE Stutsman Rural Water District

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS Water

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the Stutsman Rural Water District
(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of EIGHT HUNDRED FOURTEEN THOUSAND AND XX / 100 DOLLARS (814,000.00)

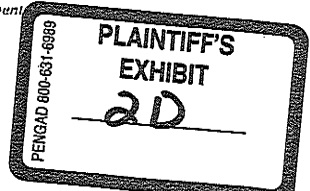
pursuant to the provisions of North Dakota Century Code Chapter 61-35; and

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legally permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, DC 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0015), Washington, DC 20503.



- 11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
- 12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
- 13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
- 14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities, and replacement of short lived assets.
- 15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
- 16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the pur-
- 17. To accept a grant in an amount not to exceed _____

under the terms offered by the Government; that President
 and Secretary/Treasurer of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

Yeas 6 Nays 0 Absent 1

IN WITNESS WHEREOF, the Board of Directors of the
Stutsman Rural Water District has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this 13th day of July, 2010

(SEAL) (if applicable)

Attest:
Mardee Heinrich
 Mardee Heinrich
 Title Secretary/Treasurer

Stutsman Rural Water District
 By Terry Nieland
 Terry Nieland
 Title President

Sinking Fund Installments

Redemption Date (May 1)	Principal Amount	Redemption Date (May 1)	Principal Amount
2015	\$10,860	2035	\$21,092
2016	\$11,226	2036	\$21,804
2017	\$11,605	2037	\$22,540
2018	\$11,997	2038	\$23,301
2019	\$12,401	2039	\$24,087
2020	\$12,820	2040	\$24,900
2021	\$13,253	2041	\$25,740
2022	\$13,700	2042	\$26,609
2023	\$14,162	2043	\$27,507
2024	\$14,640	2044	\$28,435
2025	\$15,134	2045	\$29,395
2026	\$15,645	2046	\$30,387
2027	\$16,173	2047	\$31,413
2028	\$16,719	2048	\$32,473
2029	\$17,283	2049	\$33,569
2030	\$17,867	2050	\$34,702
2031	\$18,470	2051	\$35,873
2032	\$19,093	2052	\$36,984
2033	\$19,737		
2034	\$20,404		

\$814,000

**STUTSMAN RURAL WATER DISTRICT
WATER REVENUE BOND, SERIES 2012**

We have acted as bond counsel to the Stutsman Rural Water District, Jamestown, North Dakota (the "Issuer") in connection with the issuance of its \$814,000 Water Revenue Bond, Series 2012 dated May 1, 2012 (the "Bond"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

The Bond is issued pursuant to North Dakota Century Code Chapter 61-35, and the Resolution Authorizing Issuance adopted by the Issuer on April 10, 2012 (the "Resolution"). Under the Resolution, the Issuer has pledged certain revenues (the "Revenues") for the payment of principal of, premium (if any) and interest due on the Bond.

Regarding questions of fact material to our opinion, we have relied on the representations of the Issuer contained in the Resolution, and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Issuer is a duly organized and validly existing North Dakota political subdivision, with the power to adopt the Resolution, to perform the agreements on its part contained therein, and to issue the Bond.
2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable against the Issuer.
3. The Resolution creates a valid lien on the Revenues and other funds pledged by the Resolution for the security of the Bond on a parity with other bonds (if any) issued or to be issued under the Resolution.
4. The Bond has been duly authorized, executed and delivered by the Issuer and is a valid and binding limited obligation of the Issuer, payable solely from the Revenues and other funds provided therefore in the Resolution.
5. Interest on the Bond is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bond in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bond to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bond.
6. The interest on the Bond is excludable from gross income for State of North Dakota income tax purposes (other than the tax imposed on financial institutions by NDCC Chapter 57-35.3).

The rights of the owners of the Bond and the enforceability of the Bond and the Resolution are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of any offering material or other financial disclosure relating to the Bond. Further, we express no opinion regarding tax consequences arising with respect to the Bond other than as expressly set forth herein.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in laws that may hereafter occur.

Respectfully submitted,

Arntson Stewart Wegner PC

I certify that the foregoing is a full and correct copy of the text of the legal opinion of bond counsel on the issue of the Bonds of the Stutsman Rural Water District, which includes the within Bond, rendered as of the date of the original delivery of and payment for the Bond.

Mardie Heurich

Secretary



*Amendment
re: lower interest
rate
Phase I*

Jasper Schneider
State Director

United States Department of Agriculture
Rural Development
North Dakota State Office

*Reserve Req.
\$320 mo.
until balance of \$38,400*

April 2, 2012

MS GENEVA KAISER
STUTSMAN RURAL WATER DISTRICT
1812 HWY 281 NORTH
JAMESTOWN ND 58401-2104

Dear Ms. Kaiser:

RE: Amendment No. One to Letter of Conditions dated July 1, 2010

This letter amends the letter of conditions dated July 1, 2010 and further establishes conditions which must be understood and agreed to by the District.

Subject to the requirements noted herein, all of the conditions of the July 1, 2010 letter of conditions remain in effect and must be satisfied prior to loan closing.

The conditions amended are as follows:

1. **Loan Repayment** – (Annual Installments) Your loan will be scheduled for repayment over a period of 40 years. The payments due the first two years will consist of interest only. Payments for the remaining 38 years will be equal amortized annual installments. For planning purposes, use a **3.375%** interest rate and an annual amortization factor of **.04709**, which provides for an annual payment of **\$38,332**.

The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, whichever is less, unless you choose otherwise. The interest rate will be lower at the time of loan closing than what it was at the time of loan approval; therefore, we recalculated the payment to the lower amount. The payment due date will be established as the day that the loan closes.

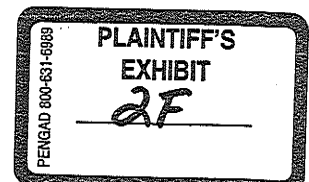
You will be required to complete Form RD 3550-28, Authorization Agreement for Preauthorized Payments for all new and existing indebtedness to RD. It will allow for your payment to be electronically debited from your account on the day your payment is due. Our office will mail the form to you closer to the time you begin making annual principal and interest payments.

220 East Rosser Ave., Room 211, PO Box 1737, Bismarck, ND 58502-1737
Phone: (701) 530-2065 • Fax: (701) 530-2111 • TDD: (701) 530-2113 Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."

To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800)795-3272 (voice) or (202) 720-6382 (TDD).



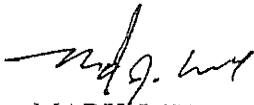
2. **Reserves** – Reserves must be properly budgeted to maintain the financial viability and sustainability of any operation. Reserves are important to fund unanticipated emergency maintenance and repairs, and assist with debt service thru a debt service reserve should the need arise. Reserves can also be established and maintained for the anticipated and expected expenses including but not limited to operation and maintenance, customer deposits, deferred interest during the construction period, and an asset management program.

As a part of this Agency loan proposal you must establish a debt service reserve fund equal to at least one annual loan installment that accumulates at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. The monthly transfer to this reserve will be **\$320/month** until it reaches a sum of **\$38,400**. You will begin making transfers no later than three years from the date of loan closing, which is when you start making amortized principal and interest payments.

Please complete the enclosed Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire further consideration be given your application.

We believe the information in this letter clearly sets forth the conditions which must be complied with; however, this letter does not relieve you from meeting the requirements of RUS Instruction 1780. If you have any questions, please do not hesitate to contact me.

Sincerely,



MARK J. WAX
Community Programs Director

Enclosure (RD 1942-46)

:: Terry Nieland, President
Bob Keller, Bartlett & West
Attorney Scott Richard Sandness, Sandness Law
Scott Wegner, Bond Counsel Attorney - Cook Wegner, PC
Duane Dunn, CPA - Schauer & Associates
Office of the General Counsel (OGC)
Valley City RD Office