

TOWN OF RUSTON, WASHINGTON
SEWER REVENUE BOND ANTICIPATION NOTE, 2011
(U.S. BANK LINE OF CREDIT)

\$4,900,000

ORDINANCE NO. 1329

AN ORDINANCE of the Town of Ruston, Washington, authorizing improvements to facilities of the Town's sewer utility; declaring the estimated cost of the project; authorizing the issuance of a sewer revenue bond anticipation note of the Town in the principal amount of \$4,900,000 to establish a line of credit to provide interim financing for the project; fixing the date, form, terms, maturity, covenants and interest rate for the note; and confirming the sale of the note to U.S. Bank National Association.

PASSED: February 22, 2011

Prepared By:

K&L GATES LLP
Seattle, Washington

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* This Table of Contents and the cover page are provided for convenience of the reader only and are not a part of this ordinance.

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WHEREAS, the Town of Ruston, Washington (the "Town"), operates a sewer utility, including sewage collection and treatment facilities (the "System"); and

WHEREAS, the Town Council of the Town (the "Council") has determined that certain facilities of the System are in need of replacement and improvement (as described more fully herein, the "Project"); and

WHEREAS, long-term financing for the Project will be provided by a loan from the United States Department of Agriculture, Rural Development ("Rural Development"), evidenced by a revenue bond secured by a pledge of System revenue (the "Bond"); and

WHEREAS, the Town now wishes to undertake the Project and requires interim financing pending issuance and sale of the Bond to Rural Development; and

WHEREAS, the Town is authorized by chap. 39.50 RCW to issue a bond anticipation note (the "Note") pending the issuance of the Bond and is authorized by RCW 39.46.050 to establish a line of credit with a qualified public depository to be drawn upon in exchange for the Note; and

WHEREAS, the Town has received the offer of U.S. Bank National Association, Seattle, Washington (the "Bank"), to establish a line of credit in the principal amount of not to exceed \$4,900,000 in exchange for the Note in the principal amount of \$4,900,000, and the Council wishes to accept such offer on the terms and conditions set forth herein and in the Bank's offer to purchase the Note and establish the line of credit;

NOW, THEREFORE, THE TOWN COUNCIL OF THE TOWN OF RUSTON, WASHINGTON, DO ORDAIN, as follows:

Section 1. Definitions. As used in this ordinance, unless a different meaning clearly appears from the context:

Bank means U.S. Bank National Association, Seattle, Washington, or its corporate successor.

Bond means the \$4,900,000 par value sewer revenue bond of the Town authorized by this ordinance to be issued to Rural Development to provide long-term financing for the Project.

Bond Fund means a special fund of the Town to be established upon the issuance of the Bond to pay and secure the payment of the Bond and any Future Parity Bonds.

Clerk-Treasurer means the Town's Clerk-Treasurer, or any successor or successors to duties of that office.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder.

Costs of Maintenance and Operation means all necessary operating expenses, current maintenance expenses, expenses of reasonable upkeep and repairs, and insurance and administrative expenses of the System, but excludes depreciation, payments for debt service or into reserve accounts and costs of capital additions to or replacements of the System, taxation by the Town or payments in lieu of taxes.

Council means the duly constituted Town Council as the general legislative body of the Town.

Future Parity Bonds means any revenue bonds or other obligations payable from Revenue of the System issued after the date of the issuance of the Bond that are payable from the Bond Fund and the payment of which, both principal and interest, will constitute a lien and charge upon Net Revenue of the System and upon any ULID Assessments equal in rank to the lien and charge thereon for the payments required to pay and secure the payment of the Bond. The ordinance of the Town authorizing the issuance of the Bond shall establish conditions for the issuance of Future Parity Bonds, in accordance with any limitations or requirements of Rural Development.

Gross Revenue means all earnings, revenue and money, except ULID Assessments, received by the Town from the operation of the System, including proceeds from the sale, lease or other disposition of any of the properties or facilities of the System, and the income from investments of money in the Revenue Fund and any bond fund or from any other investment thereof except the income from investments irrevocably pledged to the payment of revenue bonds pursuant to a plan of retirement or refunding. The term "Gross Revenue" does not include grants or bond proceeds, but does include federal or state reimbursements of operating expenses to the extent that such expenses are included as Costs of Maintenance and Operation.

Letter of Conditions means USDA's Letter of Conditions dated September 13, 2009, and as it may be amended and supplemented.

Net Revenue means Gross Revenue less the Costs of Maintenance and Operation.

Note means the Town of Ruston, Washington, Sewer Revenue Bond Anticipation Note, 2011, authorized to be issued pursuant to this ordinance.

Note Fund means the special fund of the Town designated as the "Sewer Revenue Bond Anticipation Note Fund, 2011" authorized to be created pursuant to Section 7 of this ordinance.

Note Registrar means the Clerk-Treasurer, or her designated agent, for the purposes of registering and authenticating the Note, maintaining the Note register and paying interest on and principal of the Note.

Outstanding Principal Balance means on any particular day the aggregate of all funds that the Town has drawn from the Bank under the Note to that day, less the aggregate of all principal payments on the Note made by the Town on or before that day.

Prime Rate means the rate of interest publicly announced from time to time by the Bank as its Prime Rate. The Prime Rate is set by the Bank based on various factors, including the Bank's cost of funds and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above, or below the Prime Rate. Any change in the Prime Rate will take effect at the opening of business of the day specified in the public announcement of a change in the Bank's Prime Rate.

Project means the plan or system of additions and betterments to and extensions to the System as specified and adopted in Section 2 of this ordinance.

Project Fund means the special fund of the Town designated as the "2011 Sewer Line Project Fund" authorized to be created pursuant to Section 8 of this ordinance.

Rural Development means the United States of America, acting through the United States Department of Agriculture, Rural Development.

Town means the Town of Ruston, Washington, a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington.

ULID Assessments means assessments (including interest and penalties) levied in any utility local improvement district established by the Town to finance the acquisition or construction of additions and improvements to and extension of the System, if such assessments are pledged to be paid into the Bond Fund.

Section 2. The Project. The Council hereby specifies and adopts the following plan of improvements, additions and betterments to and extensions to the System: acquiring and installing replacement sewer lines throughout the Town, identified in the Town's comprehensive sewer plans as the Ruston Sanitary Sewer Collection System Replacement Project, together with all planning, design, legal and financing costs (the "Project").

Section 3. Costs of the Project. The estimated cost of the Town's share of the Project is hereby declared to be, as near as may be, the sum of \$5,000,000, which shall be provided from the following sources: loan from Rural Development (evidenced by the Bond) - \$4,900,000, and the balance from Gross Revenue and other legally available sources.

Section 4. Authorization of Bond. The Town hereby authorizes the issuance of a sewer revenue bond of the Town, to be issued to Rural Development under the terms and conditions set forth in the Letter of Conditions (the "Bond"). The Bond shall be issued in the principal amount of not to exceed \$4,900,000, or such larger amount as may be permitted by the Letter of Conditions, shall be payable solely from the Bond Fund and shall be payable with interest at the rate set forth in the Letter of Conditions. The date, form, terms, final principal amount and maturity of the Bond shall be as hereafter fixed by ordinance of the Council.

Section 5. Authorization of Note. For the purpose of providing interim financing for costs of the Project, the Town shall issue its sewer revenue bond anticipation note in the aggregate principal amount of \$4,900,000 (or so much thereof as shall be drawn from time to time) (the "Note"). The Note shall mature on the date that is 24 months following the date of its issuance to the Bank, shall be designated as the "Town of Ruston, Washington, Sewer Revenue Bond Anticipation Note, 2011"; shall be dated as of the date of its initial issuance and delivery to the Bank; shall be issued in fully registered form in the denomination of \$4,900,000; and shall be numbered in such manner and with any additional designation as the Note Registrar deems necessary for purposes of identifications.

The Outstanding Principal Balance shall be due and payable upon the maturity or earlier prepayment of the Note and shall bear interest at a fully floating variable per annum rate equal to 84% of the Prime Rate. Interest on a particular principal amount drawn on the line of credit established hereunder shall be determined from the date the Bank honors such draw and shall be payable upon the maturity or earlier prepayment in full of the Note. Interest shall be calculated on the basis of a year of 360 days and twelve months of 30 days.

The Clerk-Treasurer will act as authenticating agent, paying agent and registrar for the Note (the "Note Registrar"). The Note Registrar shall maintain books for the registration and transfer of the Note. The Note may be transferred by the registered owner thereof, provided that such transfer relates to the entire unpaid principal amount of the Note, upon the written request of the registered owner or its duly authorized agent. No such transfer shall be valid unless noted by the Note Registrar on the registration books of the Note Registrar.

Both principal of and interest on the Note shall be payable in lawful money of the United States of America. Principal of and interest on the Note shall be payable upon presentation and surrender thereof by the registered owner at the office of the Note Registrar. The Note shall be an obligation only of the Note Fund and shall be payable and secured as provided herein. The Note is not a general obligation of the Town. The Note does not constitute an indebtedness of the Town within the meaning of the constitutional provisions and limitations of the State of Washington.

Section 6. Prepayment. The Outstanding Principal Balance may be prepaid, in whole or in part, at any time prior to the maturity of the Note. The Town will give the Bank three Business Days' notice of its intent to make a prepayment.

Section 7. Note Fund. A special fund of the Town to be designated as the "Sewer Revenue Bond Anticipation Note Fund, 2011" (the "Note Fund") is hereby authorized to be

created in the office of the Clerk-Treasurer for the purpose of paying and securing the payment of the Note. The Note Fund shall be held separate and apart from all other funds and accounts and shall be a trust fund for the owner of the Note.

The Town hereby irrevocably obligates and binds itself for as long as the Note remains outstanding to set aside and pay into the Note Fund, out of the proceeds of sale of the Bond, or a refunding bond anticipation note of the Town, or Net Revenue (subject to any prior liens thereon), such amounts as are required to pay the interest on and principal of the Note at its maturity or earlier prepayment of the Note.

The Town hereby covenants that it will issue the Bond or a refunding bond anticipation note in an amount sufficient, with other money of the Town legally available and set aside for such purpose, to pay the principal of and interest on the Note on or prior to its scheduled maturity.

The Town further covenants that, simultaneously with the receipt of such proceeds of sale of the Bond or a refunding bond anticipation note, it will pay into the Note Fund money sufficient to pay the principal of and interest on the Note and will apply that money to the payment of the Note in accordance with its terms.

Section 8. Project Fund; Disposition of Drawings Under the Note. There is hereby authorized to be created in the office of the Clerk-Treasurer a special fund of the Town to be designated the "2011 Sewer Line Project Fund." Following the execution and delivery of the Note, the Clerk-Treasurer or her designee shall notify the Bank in writing, by such means as the Bank shall designate in accordance with its offer to purchase the Note, each time that a draw is required to pay costs of the Project or costs of issuance of the Note. Prior to making each draw, the Town shall obtain the approval of Rural Development of the costs to be paid from the draw. It is anticipated that draws will be made on no more than a monthly basis and shall be made in an amount sufficient to pay warrants approved by the Council for costs of the Project and costs of issuance of the Note. The proceeds of the Note shall be paid into the Project Fund to provide for the payment of the cost of the Project. The Project Fund shall be maintained as an account with the Bank. Earnings on such investments shall accrue to the benefit of the Project Fund.

Any part of the proceeds of the Note remaining in the Project Fund after all costs of the Project and the costs of issuance of the Note have been paid shall be transferred to the Note Fund or the Bond Fund for the uses and purposes therein provided.

Section 9. Tax Covenants; Special Designation.

A. The Town hereby covenants that it will not make any use of the proceeds of sale of the Note or any other funds of the Town that may be deemed to be proceeds of the Note pursuant to Section 148 of the Code that will cause the Note to be an "arbitrage bond" within the meaning of said section and said regulations.

The Town further covenants that it will not take any action or permit any action to be taken that would cause the Note to constitute a "private activity bond" under Section 141 of the Code.

B. The Town hereby designates the Note as a "qualified tax exempt obligation" within the meaning of Section 265(b)(3) of the Code. The Town does not intend to issue more than \$10,000,000 in qualified tax exempt obligations during 2011.

Section 10. Lost, Stolen or Destroyed Note. In case the Note is lost, stolen or destroyed, the Town may execute and deliver a new Note of like date, number and tenor to the Bank upon the Bank's paying the expenses and charges of the Town in connection therewith and upon its filing with the Note Registrar evidence satisfactory to the Note Registrar that the Note was actually lost, stolen or destroyed.

Section 11. Form of Note and Certificate of Authentication. The Note shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. N-1

\$4,900,000
(or as much thereof
as shown on the
attached grid)

STATE OF WASHINGTON

TOWN OF RUSTON, WASHINGTON

SEWER REVENUE BOND ANTICIPATION NOTE, 2011

Maturity Date: _____, 2013

Interest Rate: Variable Rate as provided herein

Registered Owner: U.S. BANK NATIONAL ASSOCIATION

Tax Identification Number: _____

Principal Amount: \$4,900,000 (or so much thereof as is shown on the grid attached to this Note)

THE TOWN OF RUSTON, WASHINGTON (the "Town"), a municipal corporation duly organized and existing under the laws of the State of Washington, hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Outstanding Principal Balance (as defined below) drawn on this Note, in an amount not to exceed the Principal Amount indicated

above. The Outstanding Principal Balance means on any particular day the aggregate of all funds that the Town has drawn from the Bank under this Note to that day, less the aggregate of all principal payments on this Note made by the Town on or before that day.

The Outstanding Principal Balance shall bear interest at a fully floating variable per annum rate equal to 84% of the Prime Rate. Interest on a particular principal amount drawn on the nonrevolving line of credit secured by this Note shall be determined from the date the Bank honors such draw and shall be payable on the Maturity Date or upon any earlier prepayment in full of the Note. Interest shall be calculated on the basis of a year of 360 days and twelve months of 30 days.

This Note will not be valid or become obligatory for any purpose or be entitled to any security or benefit under Ordinance No. 1329 of the Town (the "Note Ordinance") until the Certificate of Authentication hereon has been manually signed by the Note Registrar.

This Note is issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and ordinances of the Town, including the Note Ordinance. This Note is issued pursuant to the Note Ordinance for the purpose of providing interim financing for certain improvements to facilities of the Town's sewer utility. The Note is subject to optional prepayment as provided in the Note Ordinance.

Both principal of and interest on this Note are payable solely out of the special fund of the Town known as the "Sewer Revenue Bond Anticipation Note Fund, 2011" created by the Note Ordinance (the "Note Fund"). The Town does hereby pledge and bind itself to set aside and pay into the Note Fund the amount required by the Note Ordinance to be paid therein on the date of maturity of this Note, from the proceeds of the Bond, or a refunding bond anticipation note, or Net Revenue (subject to any prior liens thereon), as provided in the Note Ordinance. This Note is not a general obligation of the Town.

This Note may be transferred by the registered owner thereof, provided that such transfer relates to the entire unpaid principal amount of the note, upon the written request of the registered owner or its duly authorized agent. No such transfer shall be valid unless noted by the Note Registrar on the registration books of the Town maintained by the Note Registrar.

This note is not a "private activity bond" as such term is defined in the Internal Revenue Code of 1986, as amended (the "Code"). The Town has designated this Note as a "qualified tax-exempt obligation" within the meaning of Section 265(b) of the Code.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done and performed precedent to and in the issuance of this Note have happened, been done and performed and that the issuance of this Note does not violate any constitutional, statutory or other limitation upon the amount of indebtedness that the Town may incur.

IN WITNESS WHEREOF, the Town of Ruston, Washington, has caused this Note to be signed with the manual or facsimile signature of the Mayor, to be attested by the manual or facsimile signature of the Clerk-Treasurer, as of this _____ day of _____, 2011.

TOWN OF RUSTON, WASHINGTON

By _____ /s/ _____
Mayor

ATTEST:

_____/s/_____
Clerk-Treasurer

The Note Registrar's Certificate of Authentication on the Note shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

Date of Authentication:

This is the Sewer Revenue Bond Anticipation Note, 2011, of the Town, dated _____, 2011, as described in the within-mentioned Note Ordinance.

CLERK-TREASURER, as Note Registrar

By _____

acceptance of such proposal and all terms and conditions contained therein is hereby ratified and confirmed. A loan fee of \$1,500 is authorized to be paid to the Bank upon issuance of the Note.

The proper officials of the Town are hereby authorized and directed to do all things necessary for the prompt execution and delivery of the Note and the items required to be delivered to the Bank under the terms of its proposal and for the proper use and application of the proceeds of sale thereof.

Section 14. Ongoing Disclosure. The Town hereby covenants and agrees for as long as the Note remains outstanding that the Town will provide to the Government Banking Division of the Bank copies of the Town's annual audited financial statements within 330 days of the end of each fiscal year of the Town. The Note is not subject to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), and the Town makes no undertaking under the Rule regarding ongoing disclosure with respect to the Note.

Section 15. Representations and Warranties. The Town hereby makes the following representations, warranties and agreements.

(a) The Town has full legal right, power and authority (1) to pass this ordinance, (2) to sell, issue and deliver the Note as provided herein, and (3) to carry out and consummate all other transactions contemplated by this ordinance.

(b) By all necessary official action prior to or concurrently herewith, the Town has duly authorized and approved the execution and delivery of, and the performance by the Town of its obligations contained in the Note and this ordinance and the consummation by it of all other transactions contemplated by this ordinance in connection with the issuance of the Note, and such authorizations and approvals are in full force and effect and have not been amended, modified or supplemented in any material respect.

(c) This ordinance constitutes the legal, valid and binding obligation of the Town.

(d) The Note, when issued, authenticated and delivered, will constitute the legal, valid and binding obligation of the Town, in accordance with its terms.

(e) The Town is not in breach of or default under any applicable judgment or decree or any loan agreement, ordinance, bond, note, ordinance, agreement or other instrument to which the Town is a party or to which the Town or any of its property or assets is otherwise subject where such breach or default would have a material adverse effect on the operations or financial condition of the Town; and (i) the passage of this ordinance, and (ii) the sale, issuance and delivery of the Note, and compliance with the provisions on the Town's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, ordinance, agreement or other instrument to which the Town is a party or to which the Town or any of its property or assets is otherwise subject, nor will any such passage, execution, delivery, sale, issuance or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Town.

or under the terms of any such law, regulation or instrument, except as provided by the Note and this ordinance.

Section 16. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the Town shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Note.

Section 17. Effective Date. This ordinance will become effective five days after its passage and publication, as required by law.

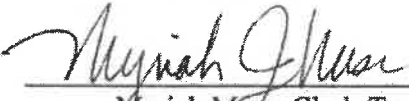
PASSED by the Town Council of the Town of Ruston, Washington, at a regular meeting thereof, held on February 22, 2011.

TOWN OF RUSTON, WASHINGTON



Bruce Hopkins, Mayor

ATTEST:



Myriah Mesa, Clerk-Treasurer

CERTIFICATE

I, Myriah Mesa, Clerk-Treasurer of the Town of Ruston, Washington (the "Town") and keeper of the records of the Town Council (the "Council"), DO HEREBY CERTIFY:

1. That the attached ordinance is a true and correct copy of Ordinance No. 1329 of the Town (the "Ordinance"), duly passed at a regular meeting of the Council held on February 22, 2011.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of the Ordinance; that all other requirements and proceedings incident to the proper passage of the Ordinance have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 22nd day of February, 2011.



Myriah Mesa, Clerk-Treasurer