

EAST WENATCHEE WATER DISTRICT

DOUGLAS COUNTY, WASHINGTON

RESOLUTION NO. 536

A RESOLUTION of the Board of Water Commissioners of East Wenatchee Water District, Douglas County, Washington, providing for the issuance of \$8,245,000 par value Water Revenue Refunding Bonds, 2004, of the District to provide funds with which to pay the cost of refunding, paying and redeeming all of the District's outstanding Water Improvement and Refunding Revenue Bonds, 1993, Water Revenue Bonds, 1997, and Water Improvement Revenue Bonds, 1999, and paying the administrative costs of such refunding and the costs of issuance and sale of such bonds; fixing the date, form, maturities, interest rates, terms, covenants and uses of the proceeds of those bonds; creating certain funds and accounts of the District and providing for the deposit therein of bond proceeds and other money of the District; providing for and authorizing the purchase of certain obligations out of the proceeds of the sale of the bonds herein authorized and for the use and application of the money derived from those investments; authorizing the execution of an agreement with U.S. Bank National Association of Seattle, Washington, as refunding trustee; providing for the call, payment and redemption of the outstanding bonds to be refunded; providing for bond insurance and reserve insurance; and approving the sale and providing for the delivery of those bonds to D.A. Davidson & Co. of Spokane, Washington.

ADOPTED JANUARY 21, 2004

*Prepared by: Foster Pepper & Shefelman PLLC
1111 Third Avenue, Suite 3400
Seattle, Washington
(206) 447-4400*

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WHEREAS, East Wenatchee Water District, Douglas County, Washington (the "District"), now owns, operates and maintains a water supply and distribution system (the "System"); and

WHEREAS, the original comprehensive scheme or plan of water supply for East Wenatchee Water District, Douglas County, Washington (the "District"), was adopted by the Board of Water Commissioners of the District (the "Board") by Resolution No. 2 and ratified by the qualified voters of the District at an election held on August 27, 1940, which original comprehensive scheme or plan of water supply has been supplemented by additions and betterments thereto at various times since that date (the "Original Comprehensive Plan"); and

WHEREAS, pursuant to Resolution No. 406 adopted June 17, 1993, the District issued its \$2,210,000 par value Water Improvement and Refunding Revenue Bonds, 1993 (the "1993 Bonds"), to refund all existing water revenue bonds of the District and to pay the cost of carrying out a plan of additions and betterments to the Original Comprehensive Plan specified, adopted and ordered to be carried out by Resolution No. 406, and by that resolution reserved the right to redeem the 1993 Bonds prior to their maturity as a whole at any time on or after February 1, 2004, at a price of par plus accrued interest to the date of redemption; and

WHEREAS, there are presently outstanding \$1,195,000 par value of 1993 Bonds maturing on February 1 of each of the years 2005 through 2008, inclusive, and in 2012, and bearing various interest rates from 5.65% to 6.00% (the "1993 Refunded Bonds"); and

WHEREAS, pursuant to Resolution No. 455 adopted January 16, 1997, the District issued its \$1,600,000 par value Water Revenue Bonds, 1997 (the "1997 Bonds"), on a parity of lien with the 1993 Bonds to pay the cost of carrying out a plan of additions and betterments to the Original Comprehensive Plan specified, adopted and ordered to be carried out by Resolution No. 455, and by that resolution reserved the right to redeem the 1997 Bonds prior to their maturity as a whole on February 1, 2007, at a price of 102% of par plus accrued interest to the date of redemption; and

WHEREAS, there are presently outstanding \$1,015,000 par value of 1997 Bonds maturing on February 1 of each of the years 2005 through 2012, inclusive, and bearing various interest rates from 5.25% to 6.00% (the "1997 Refunded Bonds"); and

WHEREAS, by Resolution No. 458, adopted April 1, 1997, the Board adopted the 1996 Comprehensive Water System Plan of the District (the "1996 Comprehensive Plan"), which plan has received all required approvals; and

WHEREAS, pursuant to Resolution No. 479 adopted February 11, 1999, the District issued its \$6,305,000 par value Water Improvement Revenue Bonds, 1999 (the "1999 Bonds"), on a parity of lien with the 1993 Bonds and 1997 Bonds to pay the cost of carrying out a plan of additions and betterments to the 1996 Comprehensive Plan specified, adopted and ordered to be carried out by Resolution No. 479, and by that resolution reserved the right to redeem the 1999 Bonds prior to their maturity as a whole on February 1, 2009, at a price of par plus accrued interest to the date of redemption; and

WHEREAS, there are presently outstanding \$6,240,000 par value of 1999 Bonds maturing on February 1 of each of the years 2005 through 2014, inclusive, and 2019 and 2024, and bearing various interest rates from 3.90% to 5.00% (the "1999 Refunded Bonds"); and

WHEREAS, after due consideration, it appears to the Board that the Refunded Bonds may be refunded by the issuance and sale of the water revenue refunding bonds authorized herein (the "Bonds") to modify bond covenants, to effect a savings to the District and its ratepayers, and to create a rate stabilization account to reduce future rate fluctuations, which refunding will be effected by:

- (a) The issuance of the Bonds and the payment of the costs of the issuance of the Bonds and the costs of the refunding;
- (b) The use of money deposited in the Reserve Account of the District's Water Revenue Bond Fund, 1993,
- (c) The call, payment and redemption on March 8, 2004, of all of the 1993 Refunded Bonds at a price of par plus accrued interest;
- (d) The payment of the principal of and interest on the 1997 Refunded Bonds when due up to and including February 1, 2007, and the call, payment and redemption on February 1, 2007, of all of the then-outstanding 1997 Refunded Bonds at a price of 102% of par; and
- (e) the payment of the principal of and interest on the 1999 Refunded Bonds when due up to and including February 1, 2009, and the call, payment and

redemption on February 1, 2009, of all of the then-outstanding 1999 Refunded Bonds at a price of par;

and

WHEREAS, to effect that refunding in the manner that will be most advantageous to the District and its ratepayers, it is found necessary and advisable that certain Acquired Obligations (hereinafter defined) bearing interest and maturing at such time or times as necessary to accomplish the refunding as aforesaid be purchased out of the proceeds of the Bonds and other money of the District; and

WHEREAS, the 1993 Bonds, the 1997 Bonds and the 1999 Bonds are the only outstanding revenue obligations of the District pledged against the Net Revenue of the System (as hereinafter defined), and upon the refunding of the Refunded Bonds provided for herein, the 1993 Bonds, the 1997 Bonds and the 1999 Bonds will have been fully retired or defeased in accordance with their respective authorizing resolutions and will no longer be outstanding; and

WHEREAS, MBIA Insurance Corporation of Armonk, New York (the "Bond Insurer"), has made a commitment to issue an insurance policy (the "Financial Guaranty Bond Insurance Policy") insuring the payment when due of the principal of and interest on the Bonds as provided therein, and the Board deems that the purchase of the Financial Guaranty Insurance Policy is in the best interest of the District; and

WHEREAS, D.A. Davidson & Co. of Spokane, Washington, has offered to purchase the Bonds under the terms and conditions set forth in this resolution; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF WATER COMMISSIONERS OF EAST WENATCHEE WATER DISTRICT, DOUGLAS COUNTY, WASHINGTON, as follows:

Section 1. Definitions. As used in this resolution the following words shall have the following meanings:

"Acquired Obligations" means those Government Obligations purchased to accomplish the refunding of the Refunded Bonds as authorized by this resolution.

"Alternate Security" means any bond insurance, collateral, security, letter of credit, guaranty, surety bond or similar credit enhancement device providing for or securing the payment of all or part of the principal of and interest on the Parity Bonds, issued by an institution which has been assigned a credit rating at the time of issuance of those Parity Bonds, respectively, secured by such Alternate Security equal to or better than the highest then-existing rating for any of any Parity Bonds.

"Annual Debt Service" for the applicable series of Parity Bonds for any year means all the interest, plus all principal (except principal of Term Bonds due in any Term Bond Maturity Year), plus all mandatory redemption sinking fund installments for that year, less all bond interest payable from the proceeds of any such bonds in that year.

"Assessment Bonds" means the original principal amount of any issue of Parity Bonds equal to the total remaining unpaid principal amount (at the time of adoption of the resolution providing for the issuance and sale of those bonds) of ULID Assessments on any final assessment roll or rolls of one or more ULIDs formed in connection with the improvements being financed by that issue of Parity Bonds (or bonds being refunded by those Parity Bonds). The original principal amount of such issue of bonds in excess of Assessment Bonds shall be referred to as "bonds that are not Assessment Bonds." Assessment Bonds shall be allocated to each \$5,000 of bonds in proportion to their percentage of the entire issue of bonds. When a bond of any issue of bonds containing Assessment Bonds is redeemed or purchased, and retired, the same percentage of that bond as the percentage of Assessment Bonds is to that total issue of bonds shall be treated as being redeemed or purchased, and retired.

“Average Annual Debt Service” means, at the time of its calculation, the sum of the Annual Debt Service for the remaining years to the last scheduled maturity of the applicable issue or issues of Parity Bonds divided by the number of those years. For purposes of computing the Reserve Requirement the estimated amount of Parity Bonds to be redeemed prior to maturity may be taken into account if required under federal arbitrage regulations.

“Board” means the Board of Water Commissioners of the District.

“Bond Fund” means the East Wenatchee Water District Revenue Bond Fund created and established by this resolution in the office of the Treasurer for the payment of the principal of and interest on the Parity Bonds.

“Bond Insurer” means MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York.

“Bond Register” means the books or records maintained by the Bond Registrar on which are recorded the names and addresses of the owners of each of the Bonds and the principal amount and number of Bonds held by each owner.

“Bond Registrar” means the Fiscal Agent.

“Bonds” means the \$8,245,000 par value Water Revenue Refunding Bonds, 2004, issued for the purposes provided in and pursuant to this resolution.

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

“Coverage Requirement” in any year means (1) an amount of Net Revenue of the System at least equal to 1.20 times the Maximum Annual Debt Service on all outstanding Parity Bonds that are not Assessment Bonds and (2) an amount of Net Revenue of the System, together

with ULID Assessments, at least equal to the Maximum Annual Debt Service on all outstanding Parity Bonds which are Assessment Bonds.

“District” means East Wenatchee Water District, Douglas County, Washington, a municipal corporation duly organized and existing under the laws of the State of Washington.

“DTC” means The Depository Trust Company, New York, New York.

“Financial Guaranty Agreement” means the Financial Guaranty Agreement between the District and the Reserve Insurer relating to the Surety Bond.

“Financial Guaranty Insurance Policy” means the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal and interest on the Bonds as provided therein.

“Fiscal Agent” means the fiscal agent of the State of Washington, as the same may be designated from time to time.

“Future Parity Bonds” means any and all water revenue bonds of the District issued after the date of the issuance of the Bonds, the payment of the principal of and interest on which constitutes a charge or lien on the Gross Revenue of the System and ULID Assessments equal in rank with the charge and lien upon such revenue and assessments required to be paid into the Bond Fund to pay and secure the payment of the principal of and interest on the Bonds.

“Government Obligations” means those government obligations defined by RCW 39.53.010(4) as it now reads or hereafter may be amended and which are otherwise Legal Investments of the District at the time of such investment. As long as the Bonds are insured by the Bond Insurer, Government Obligations as used in Section 19 of this resolution means those investments set forth in Exhibit A attached to this resolution.

“Gross Revenue of the System” or **“Gross Revenue”** means all earnings, revenues and money received by the District from or on account of the operation of the System, including income from meter sales and from investments of money in the Maintenance Fund and the Bond Fund or from any other investment thereof and shall also include any federal or state reimbursements of operating expenses to the extent such expenses are included as Operating and Maintenance Expense, but shall not include grants in aid of construction, District-levied taxes, ULID Assessments, proceeds from the sale of District property, principal proceeds of bonds and earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund District obligations (until commingled with other earnings and revenues of the District) or held in a special account for the purpose of paying a rebate to the United States Government under the Code.

“Legal Investments” means any investments now or hereafter authorized for the District under the laws of the State of Washington.

“Letter of Representations” means the Blanket Issuer Letter of Representations between the District and DTC dated February 18, 1999.

“Maintenance Fund” means the Maintenance Fund of the District created and maintained in the office of the Treasurer.

“Maximum Annual Debt Service” means at the time of calculation, the maximum amount of Annual Debt Service that will mature or come due in the current year or any future year on the outstanding Parity Bonds.

“Net Revenue of the System” or **“Net Revenue”** means the Gross Revenue minus (1) Operating and Maintenance Expense, (2) deposits into the Rate Stabilization Account and

(3) proceeds from the sale of property of the System, and plus withdrawals from the Rate Stabilization Account.

“1993 Refunded Bonds” means those outstanding Water Improvement and Refunding Revenue Bonds, 1993, maturing in the years 2005 through 2008, inclusive, and in 2012.

“1997 Refunded Bonds” means those outstanding Water Revenue Bonds, 1997, maturing in the years 2005 through 2012, inclusive.

“1999 Refunded Bonds” means those outstanding Water Improvement Revenue Bonds, 1999, maturing in the years 2005 through 2014, inclusive, and 2019 and 2024.

“Operating and Maintenance Expense” means all reasonable expenses incurred by the District in causing the System of the District to be operated and maintained in good repair, working order and condition, including payments made to any other municipal corporation or private entity for water service or for sewage treatment and disposal service or other utility service in the event the District combines such service into the System and enters into a contract for such service, but not including any depreciation or taxes levied or imposed by the District or payments to the District in lieu of taxes, or capital additions or capital replacements to the System.

“Parity Bonds” means the then-outstanding Bonds and any Future Parity Bonds.

“Principal and Interest Account” means the account of that name created in the Bond Fund for the payment of the principal of and interest on the Parity Bonds.

“Rate Stabilization Account” means the account of that name created by this resolution in the Maintenance Fund of the District.

“Refunded Bond Resolutions” means, collectively, Resolution No. 406 authorizing the 1993 Refunded Bonds, Resolution No. 455 authorizing the 1997 Refunded Bonds and Resolution No. 479 authorizing the 1999 Refunded Bonds.

“Refunded Bonds” means, collectively, the 1993 Refunded Bonds, 1997 Refunded Bonds and 1999 Refunded Bonds, the refunding of which has been provided for by this resolution.

“Refunding Plan” means:

- (a) the placement of sufficient proceeds of the Bonds which, with other money of the District, if necessary, will acquire the Acquired Obligations to be deposited, with cash, if necessary, with the Trustee;
- (b) the call, payment and redemption on March 8, 2004, of all of the 1993 Refunded Bonds at a price of par plus accrued interest;
- (c) the payment of the principal of and interest on the 1997 Refunded Bonds when due up to and including February 1, 2007, and the call, payment and redemption on February 1, 2007, of all of the then-outstanding 1997 Refunded Bonds at a price of 102% of par;
- (d) the payment of the principal of and interest on the 1999 Refunded Bonds when due up to and including February 1, 2009, and the call, payment and redemption on February 1, 2009, of all of the then-outstanding 1999 Refunded Bonds at a price of par; and
- (e) the payment of the costs of issuing the Bonds and the costs of carrying out the foregoing elements of the Refunding Plan.

“Refunding Trust Agreement” means a Refunding Trust Agreement between the District and the Refunding Trustee substantially in the form of that which is on file with the Secretary of the Board and by this reference incorporated herein.

“Refunding Trustee” means U.S. Bank National Association of Seattle, Washington, serving as trustee or escrow agent or any successor trustee or escrow agent.

“Reserve Account” means the account of that name created in the Bond Fund for the purpose of securing the payment of the principal of and interest on the Parity Bonds.

“Reserve Insurance” means, in lieu of cash and investments, insurance obtained by the District equal to part or all of the Reserve Requirement for any Parity Bonds then outstanding for which such insurance is obtained.

“Reserve Insurer” means MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York.

“Reserve Requirement” means, as of any date, the least of (1) Maximum Annual Debt Service, (2) 125% of Average Annual Debt Service and (3) 10% of the issue price of the then-outstanding Parity Bonds.

“Surety Bond” means the Reserve Insurance in the form of a surety bond issued by the Reserve Insurer guaranteeing certain payments into the Reserve Account with respect to the Bonds as provided in and subject to the limitations set forth in the Surety Bond.

“System” means the existing water supply and distribution system of the District as the same shall be added to, bettered, improved and extended (including any sewer system hereafter acquired which is lawfully combined into the System) for as long as any of the Parity Bonds are outstanding.

“Term Bond Maturity Year” means any calendar year in which Term Bonds are scheduled to mature.

“Term Bonds” means those bonds designated as such in the resolution authorizing the issuance and sale of those bonds.

“Treasurer” means the Treasurer of Douglas County, Washington, *ex officio* treasurer for the District, or any successor treasurer who hereafter may be designated in accordance with applicable law.

“ULID” means utility local improvement district.

“ULID Assessments” means all assessments levied and collected in ULID No. 1 and any other ULID of the District created for the acquisition or construction of additions to and extensions and betterments of the System if such assessments are pledged to be paid into the Bond Fund (less any prepaid assessments permitted by law to be paid into a construction fund or account). ULID Assessments shall include installments thereof and any interest or penalties that may be due thereon.

“ULID No. 1” means Utility Local Improvement District No. 1 created by Resolution No. 471 of the District, adopted September 3, 1998.

Section 2. Authorization and Description of Bonds. For the purpose of providing part of the funds required to pay the cost of carrying out the Refunding Plan and to pay the costs of issuance and sale of the Bonds, including reserve and bond insurance, the District shall issue the Bonds in the principal amount of \$8,245,000. The Bonds shall be designated Water Revenue Refunding Bonds, 2004; shall be dated February 1, 2004; shall be in the denomination of \$5,000 or any integral multiple thereof within a single maturity; shall be numbered separately, in the manner and with any additional designation as the Bond Registrar deems necessary for the purpose of identification; shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on each February 1 and August 1, commencing August 1, 2004; and shall mature on February 1 in years and amounts and bear interest at the rates per annum as follows:

<u>Maturity Dates</u>	<u>Amounts</u>	<u>Interest Rates</u>
2005	\$310,000	2.00%
2006	310,000	2.00
2007	320,000	2.00
2008	325,000	2.25
2009	335,000	2.35
2010	340,000	2.65
2011	350,000	2.85
2012	365,000	3.10
2013	375,000	3.25
2014	385,000	3.45
2015	405,000	3.60
2016	415,000	3.75
2017	430,000	4.00
2018	450,000	4.00
2019	465,000	4.05
2020	485,000	4.15
2021	510,000	4.25
2022	535,000	4.35
2023	555,000	4.40
2024	580,000	4.45

Section 3. Registration and Transfer of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and recorded on the Bond Register. The Bond Register shall contain the name and mailing address of the owner of each Bond and the principal amount and number of each of the Bonds held by each owner.

Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any principal payment or redemption date.

The Bonds initially shall be registered in the name of CEDE & CO., as the nominee of DTC. The Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of the Letter of Representations. Neither the District nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to be given to registered owners hereunder (except such notice as is required to be given by the Bond Registrar to DTC).

For so long as any Bonds are held in fully immobilized form, DTC, its nominee or its successor depository shall be deemed to be the registered owner for all purposes hereunder and all references to registered owners, bondowners, bondholders or the like shall mean DTC or its nominee and shall not mean the owners of any beneficial interests in the Bonds. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except: (i) to any successor of DTC or its nominee, if that successor shall be qualified under any applicable laws to provide the services proposed to be provided by it; (ii) to any substitute depository appointed by the District or such substitute depository's successor; or (iii) to any person if the Bonds are no longer held in immobilized form.

Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by the District that it no longer wishes to continue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the District may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

If (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the District determines that the Bonds are to be in certificated form, the ownership of Bonds may be transferred to any person as provided herein and the Bonds no longer shall be held in fully immobilized form.

Section 4. Payment of Bonds. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by checks or drafts of the Bond Registrar mailed on the interest payment date to the registered owners at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners to the Bond Registrar. The Bonds shall be payable solely out of the Bond Fund and shall not be general obligations of the District. Notwithstanding the foregoing, as long as the Bonds are registered in the name of DTC or its nominee, payment of principal of and interest on the Bonds shall be made in the manner set forth in the Letter of Representations.

Section 5. Redemption Provisions and Open Market Purchase of Bonds. Bonds maturing in the years 2005 through 2014, inclusive, shall be issued without the right or option of the District to redeem those Bonds prior to their stated maturity dates. The District reserves the right and option to redeem Bonds maturing on or after February 1, 2015, prior to their stated maturity dates at any time on or after February 1, 2014, as a whole or in part (within one or more maturities selected by the District and randomly within a maturity in such manner as the Bond Registrar shall determine), at par plus accrued interest to the date fixed for redemption.

Portions of the principal amount of any Bond, in installments of \$5,000 or any integral multiple thereof, may be redeemed. If less than all of the principal amount of any Bond is

redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond (or Bonds, at the option of the registered owner) of the same maturity and interest rate in any of the denominations authorized by this resolution in the aggregate total principal amount remaining unredeemed.

The District further reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price acceptable to the District plus accrued interest to the date of purchase.

All Bonds purchased or redeemed under this section shall be cancelled.

Notwithstanding the foregoing, there shall be no optional redemption of Bonds unless all amounts owed to the Reserve Insurer under the terms of the Financial Guaranty Agreement or other applicable documents have been paid in full.

Notwithstanding the foregoing, for as long as the Bonds are registered in the name of DTC or its nominee, selection of Bonds for redemption shall be in accordance with the Letter of Representations.

Section 6. Notice of Redemption. The District shall cause notice of any intended redemption of Bonds to be given not less than 30 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the owner of any Bond. Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call. In addition, the redemption notice shall be mailed within the same period, postage prepaid,

to Moody's Investors Service, Inc., and Standard & Poor's at their offices in New York, New York, or their successors, to the Bond Insurer at its principal office in Armonk, New York, or its successor, to D.A. Davidson & Co. at its principal office in Spokane, Washington, or its successor, to each NRMSIR or the MSRB and to such other person and with such additional information as the District shall determine, but these additional mailings shall not be a condition precedent to the redemption of Bonds. Notwithstanding the foregoing, for as long as the Bonds are registered in the name of DTC or its nominee, notice of redemption shall be given in accordance with the Letter of Representations.

Section 7. Failure to Redeem Bonds. If any Bond is not redeemed when properly presented at its maturity or call date, the District shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund and the Bond has been called for payment by giving notice of that call to the registered owner of each of those unpaid Bonds.

Section 8. Form and Execution of Bonds. The Bonds shall be printed or lithographed on good bond paper in a form consistent with the provisions of this resolution and state law and shall be signed by the President and Secretary of the Board, either or both of whose signatures may be manual or in facsimile, and the seal of the District or a facsimile reproduction thereof shall be impressed or printed thereon.

Only Bonds bearing a Certificate of Authentication in the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution:

CERTIFICATE OF AUTHENTICATION

This Bond is one of the fully registered East Wenatchee Water District, Douglas County, Washington, Water Revenue Refunding Bonds, 2004, described in the Bond Resolution.

WASHINGTON STATE FISCAL AGENT
Bond Registrar

By _____
Authorized Signer

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered and are entitled to the benefits of this resolution.

If any officer whose facsimile signature appears on the Bonds ceases to be an officer of the District authorized to sign bonds before the Bonds bearing his or her facsimile signature are authenticated or delivered by the Bond Registrar or issued by the District, those Bonds nevertheless may be authenticated, delivered and issued and, when authenticated, issued and delivered, shall be as binding on the District as though that person had continued to be an officer of the District authorized to sign bonds. Any Bond also may be signed on behalf of the District by any person who, on the actual date of signing of the Bond, is an officer of the District authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Bonds.

Section 9. Bond Registrar. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the District. The Bond Registrar is authorized, on behalf of the District, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this resolution, to serve as the District's paying agent for the Bonds and to carry out all of the Bond

Registrar's powers and duties under this resolution and District Resolution No. 361 establishing a system of registration for the District's bonds and obligations.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become the owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Bond owners.

Section 10. Bond Fund. The Bond Fund is hereby created in the office of the Treasurer as a special fund to be known as the East Wenatchee Water District Revenue Bond Fund, which fund shall be divided into two accounts: the Principal and Interest Account and the Reserve Account. So long as any Parity Bonds are outstanding against the Bond Fund, the District shall set aside and pay into the Bond Fund all ULID Assessments on their collection and, out of the Net Revenue of the System, certain fixed amounts without regard to any fixed proportion, namely:

(a) Into the Principal and Interest Account, monthly, on or before the first day of each month beginning with the month of March, 2004, an amount, together with other money on deposit therein, sufficient to pay 1/5 of the interest requirement on the Bonds due August 1, 2004, and 1/11 of the principal requirement of the Bonds due February 1, 2005, and thereafter on or before the first day of each succeeding month, an amount, together with other money on deposit therein, sufficient to pay 1/6 of the next ensuing interest requirement on the Bonds and 1/12 of the next ensuing principal requirement on the Bonds; and

(b) Into the Reserve Account, Reserve Insurance in the form of a Surety Bond in an amount no less than the Reserve Requirement for the Bonds.

Except for withdrawals therefrom as authorized herein, the Reserve Account shall be maintained at the Reserve Requirement, as it is adjusted from time to time, at all times so long as

any Parity Bonds are outstanding. When the total amount in the Bond Fund shall equal the total amount of principal and interest for all outstanding Parity Bonds to the last maturity thereof, no further payment need be made into the Bond Fund.

If there shall be a deficiency in the Principal and Interest Account in the Bond Fund to meet maturing installments of either principal or interest, as the case may be, that deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom for that purpose and after all cash has been depleted, then by draws on the Surety Bond for that purpose. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up from ULID Assessment payments and the Net Revenue of the System first available after making necessary provisions for the required payments into the Principal and Interest Account. The Reserve Insurer and any other provider of Alternate Security shall be reimbursed first, within one year, to reinstate the Surety Bond and other Alternate Security on a pro rata basis, before the balance of the Reserve Requirement is restored. The money in the Reserve Account otherwise shall be held intact and may be applied against the last outstanding Parity Bonds, except that if the Reserve Account is fully funded, any money in excess of the Reserve Requirement may be withdrawn and deposited in the Principal and Interest Account and spent for the purpose of retiring Parity Bonds or may be deposited in any other fund and spent for any other lawful System purpose.

The District may provide for the purchase, redemption or defeasance of Parity Bonds by the use of money on deposit in any account in the Bond Fund as long as the money remaining in those accounts is sufficient to satisfy the required deposits in those accounts for the remaining Parity Bonds outstanding.

All money in the Bond Fund may be kept in cash or invested in Legal Investments maturing not later than the date when the funds are required for the payment of principal of or interest on the outstanding Parity Bonds (for investments in the Principal and Interest Account) or having a guaranteed redemption price prior to maturity and, in no event, maturing later than the last maturity of any remaining outstanding Parity Bonds (for investments in the Reserve Account). Earnings from investments in the Principal and Interest Account shall be deposited in that account. Earnings from investments in the Reserve Account shall be deposited in that account until the amount therein is equal to the Reserve Requirement of all Parity Bonds and thereafter shall be deposited in the Principal and Interest Account. Notwithstanding the provisions for the deposit of earnings, any earnings that are subject to federal arbitrage rebate requirements may be withdrawn from the Bond Fund for deposit into a separate fund or account created for the purpose of compliance with those rebate requirements.

The District may create sinking fund accounts or other accounts in the Bond Fund for the payment or securing the payment of Parity Bonds as long as the maintenance of such accounts does not conflict with the rights of the owners of Parity Bonds.

If the District fails to set aside and pay into the Bond Fund the amounts set forth above, the owner of any of the outstanding Parity Bonds may bring action against the District and compel such setting aside and payment.

Section 11. Rate Stabilization Account. There is hereby created a Rate Stabilization Account in the Maintenance Fund of the District. The District may at any time, as determined by the District and as consistent with Section 15 of this resolution, deposit in the Rate Stabilization Account Gross Revenue and any other money received by the System during a fiscal year and available to be used therefor, excluding principal proceeds of Parity Bonds or other borrowing.

The District may, by resolution, withdraw money from the Rate Stabilization Account for inclusion in the Net Revenue of the System at any time for the current fiscal year, except that the total amount withdrawn from the Rate Stabilization Account in any fiscal year of the System may not exceed the total debt service of the System in that year. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the fiscal year for which the deposit or withdrawal will be included as Net Revenue for that fiscal year.

Earnings from investments in the Rate Stabilization Account shall be deposited in that account and shall not be included as Net Revenue unless and until withdrawn from that account as provided herein.

No deposit of Gross Revenue shall be made into the Rate Stabilization Account to the extent that such deposit would prevent the District from meeting the Coverage Requirement in the relevant fiscal year.

Section 12. Revocation of Right to Issue Prior Lien Bonds. The right of the District to issue bonds on a parity of lien with the Refunded Bonds in accordance with the provisions of Section 23 of Resolution No. 406 is permanently revoked.

Section 13. Finding as to Sufficiency of Revenue, Pledge of Revenue and Lien Position. The Board finds and determines that the Gross Revenue and benefits to be derived from the operation and maintenance of the System of the District at the rates to be charged for water service from the System will be more than sufficient to meet all Operating and Maintenance Expense and to permit the setting aside into the Bond Fund out of the Gross Revenue of amounts sufficient to pay the principal of and interest on the Bonds when due. The Net Revenue of the System and ULID Assessments are pledged to the payment of any Parity Bonds, and the Parity

Bonds shall constitute a lien and charge upon such Net Revenue and ULID Assessments prior and superior to any other charges whatsoever.

Section 14. Covenants. The District covenants and agrees with the owner of each Bond at any time outstanding, as follows:

(a) Maintenance and Operation. It will at all times maintain, preserve and keep the properties of the System in good repair, working order and condition, will make all necessary and proper additions, betterments, renewals and repairs thereto, and improvements, replacements and extensions thereof, and will at all times operate or cause to be operated the properties of the System and the business in connection therewith in an efficient manner and at a reasonable cost.

(b) Establishment and Collection of Rates and Charges. It will establish, maintain and collect rates and charges for all services and facilities provided by the System which will be fair and nondiscriminatory, and will adjust those rates and charges from time to time so that:

(1) The Gross Revenue of the System will at all times be sufficient to (i) pay all Operating and Maintenance Expense on a current basis, (ii) pay when due all amounts that the District is obligated to pay into the Bond Fund and the accounts therein, including the payment of any amounts owing to a provider of Reserve Insurance, and (iii) pay all taxes, assessments or other governmental charges lawfully imposed on the System or the revenue therefrom or payments in lieu thereof and any and all other amounts which the District may now or hereafter become obligated to pay from the Gross Revenue of the System by law or contract.

(2) The Net Revenue of the System in each calendar year will be at least equal to the Coverage Requirement.

To the extent allowable by law, those to which service of the System is available will be charged for that service at the prevailing rate within 30 days of the availability of that service.

(c) Sale or Disposition of the System. It will not sell or otherwise dispose of the System in its entirety unless, simultaneously with such sale or other disposition, all Parity Bonds are defeased under the applicable sections of the resolution authorizing the issuance of those Parity Bonds.

It will not sell, lease, mortgage or otherwise dispose of any part of the System, including all additions and improvements thereto and extensions thereof at any time made, that are used, useful or material in the operation of the System, unless simultaneously with such sale or disposition, Parity Bonds in a principal

amount at least equal to the greatest of the following are defeased under the applicable sections of the resolutions authorizing the issuance of those Parity Bonds:

(1) An amount which will be in the same proportion to the net amount of Parity Bonds then outstanding (defined as the total amount of the Parity Bonds less the amount of cash and investments in the Bond Fund and accounts therein) that the Gross Revenue of the System from the portion of the System sold or disposed of for the preceding year bears to the total Gross Revenue of the System for that period; or

(2) An amount which will be in the same proportion to the net amount of Parity Bonds then outstanding (as defined above) that the Net Revenue from the portion of the System sold or disposed of for the preceding year bears to the total Net Revenue of the System for such period; or

(3) An amount which will be in the same proportion to the net amount of Parity Bonds then outstanding (as defined above) that the depreciated cost value of the facilities sold or disposed of bears to the depreciated cost value of the entire System immediately prior to such sale or disposition.

Notwithstanding any other provision of this subsection, (i) the District in its discretion may sell or otherwise dispose of any of the works, plant, properties or facilities of the System or any real or personal property comprising a part of the same which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or no longer necessary, material to or useful to the operation of the System, without accomplishing a defeasance of Parity Bonds as otherwise required by this subsection, and (ii) the District may transfer without any such defeasance all or part of the System, if permitted by law, to Sewer District No. 1, Douglas County, Washington, so long as ULID Assessments and Net Revenue of the portion of the System so transferred are used for payment of debt service on any Parity Bonds prior to any other purpose.

(d) Liens Upon the System. It will not at any time create or permit to accrue or to exist any lien or other encumbrance or indebtedness upon the Gross Revenue of the System, or any part thereof, prior or superior to the lien thereon for the payment of the Parity Bonds, and will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Gross Revenue of the System, or any part thereof, prior to or superior to the lien of the Parity Bonds, or which might impair the security of the Parity Bonds.

(e) Books and Accounts, and Application of Funds. It will keep proper books, records and accounts with respect to the operations, income and expenditures of the System in accordance with proper accounting procedures and any applicable

rules and regulations prescribed by the State of Washington. It will prepare annual financial and operating statements within 90 days of the close of each fiscal year showing in reasonable detail the financial condition of the System as of the close of the previous year, and the income and expenses for such year, including the amounts paid into the Bond Fund and into any and all special funds or accounts created pursuant to the provisions of this resolution, the status of all funds and accounts as of the end of such year, and the amounts expended for maintenance, renewals, replacements and capital additions to the System. Such statements shall be sent to the owner of any Parity Bonds upon written request therefor being made to the District.

In the event of a merger of the District with Sewer District No. 1, Douglas County, Washington, such statements for the activities of the System and the District shall continue to be prepared and made available, separately from the other books and accounts of the merger district, as they were prior to any such merger, and Gross Revenue of the System and ULID assessments shall be applied in strict conformity with Section 15 of this resolution for as long as any Bonds or Future Parity Bonds remain outstanding and undefeased.

(f) No Free Service. Except to aid the poor or infirm, to provide for resource conservation or to provide for the proper handling of hazardous materials, it will not furnish or supply or permit the furnishing or supplying of any service or facility in connection with the operation of the System free of charge to any person, firm or corporation, public or private, other than the District, so long as any Parity Bonds are outstanding.

(g) Collection of Delinquent Accounts. On at least an annual basis, it will determine all accounts that are delinquent and will take all necessary action to enforce payment of such accounts against those property owners whose accounts are delinquent.

(h) Fire and Extended Coverage Insurance. It at all times will carry fire and extended coverage and such other forms of insurance with responsible insurers and with policies payable to the District on such of the buildings, equipment, works, plants, facilities and properties of the District as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, or will implement and maintain a self-insurance or an insurance pool program with reserves adequate, in the reasonable judgment of the District, to protect the System and the owners of the Parity Bonds against loss.

(i) Public Liability and Property Damage Insurance. It at all times will keep or arrange to keep in full force and effect such policies of public liability and property damage insurance with responsible insurers and with policies payable to the District against such claims for damages as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, or will implement and maintain a self-insurance or an insurance pool program with reserves adequate,

in the reasonable judgment of the Board, to protect the District and the owners of the Parity Bonds against loss.

Section 15. Flow of Funds. All ULID Assessments shall be paid into the Bond Fund as provided by Section 10. The Gross Revenue of the System shall be used for the following purposes only and shall be applied in the following order of priority:

- (a) To pay the Operating and Maintenance Expense;
- (b) To pay the principal of and interest on the Parity Bonds as they come due or as the principal is required to be paid and to make all payments required to be made into any mandatory redemption or sinking fund account created to provide for the payment of the principal of Term Bonds;
- (c) To reimburse amounts advanced by the Reserve Insurer under the Surety Bond or other provider of Alternate Security.
- (d) To make all payments required to be made into the Reserve Account;
- (e) To pay to the Reserve Insurer or other provider of Alternate Security interest on amounts advanced under the Surety Bond or Alternate Security.
- (f) To make all payments required to be made into any revenue bond, note, warrant or other revenue obligation redemption fund, debt service account or reserve account created to pay or secure the payment of the principal of and interest on any revenue bonds, notes, warrants or other obligations of the District having a lien upon the revenue of the System junior and inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds; and
- (g) To retire by redemption or purchase in the open market any outstanding revenue bonds or other revenue obligations of the District, to make necessary additional betterments, improvements and repairs to or extensions and replacements of the System, to make deposits into the Rate Stabilization Account, or for any other lawful District purposes.

The District may transfer any money from any funds or accounts of the District legally available therefor, except bond redemption funds, refunding escrow funds or defeasance funds, to meet the required payments to be made into the Bond Fund.

Section 16. Provisions for Future Parity Bonds. The District reserves the right to issue Future Parity Bonds for purposes of the system or to refund a portion of the Parity Bonds if the

following conditions were met and complied with at the time of issuance of those Future Parity Bonds:

(a) There shall be no deficiency in the Bond Fund.

(b) The resolution providing for the issuance of the Future Parity Bonds shall provide that all assessments and interest thereon that may be levied in any ULID created for the purpose of paying, in whole or in part, the principal of and interest on those Future Parity Bonds, shall be paid directly into the Bond Fund, except for any prepaid assessments permitted by law to be paid into a construction fund or account.

(c) The resolution providing for the issuance of such Future Parity Bonds shall provide for the payment of the principal thereof and interest thereon out of the Bond Fund.

(d) The resolution providing for the issuance of such Future Parity Bonds shall provide for the deposit into the Reserve Account of (i) an amount equal to the Reserve Requirement for those Future Parity Bonds from the Future Parity Bond proceeds or other money legally available, or (ii) Reserve Insurance or Alternate Security or an amount plus Reserve Insurance or Alternate Security equal to the Reserve Requirement for those Future Parity Bonds, or (iii) to the extent that the Reserve Requirement is not funded from Future Parity Bond proceeds, other legally available money or Reserve Insurance or Alternate Security at the time of issuance of those Future Parity Bonds, within five years from the date of issue of the Future Parity Bonds from ULID Assessments, if any, levied and first collected for the payment of the principal of and interest on those Future Parity Bonds and, to the extent that ULID Assessments are insufficient, then from the Net Revenue of the System in five approximately equal annual payments. No Reserve Insurance or Alternate Security may be used to satisfy the Reserve Requirement for Future Parity Bonds unless (i) the insurance policy or Alternate Security is non-cancelable and (ii) the insurer or provider of the Alternate Security as of the time of issuance of such insurance or Alternate Security is rated in the highest rating categories by both Moody's Investors Service, Inc., and Standard & Poor's Corporation, and, if rated by A.M. Best & Company, must also be rated in the highest rating category by A.M. Best & Company.

(e) The resolution authorizing the issuance of such Future Parity Bonds shall provide for the payment of mandatory redemption or sinking fund requirements into the Bond Fund for any Term Bonds to be issued and for regular payments to be made for the payment of the principal of such Term Bonds on or before their maturity, or, as an alternative, the mandatory redemption of those Term Bonds prior to their maturity date from money in the Principal and Interest Account.

(f) There shall be on file a certificate of the District's Manager or finance officer, or of a licensed professional engineer experienced in the design, construction and operation of municipal utilities, or of an independent certified public accountant, showing that in his or her professional opinion the Net Revenue of the System for any 12 consecutive calendar months out of the immediately preceding 24 calendar months shall be equal to the Coverage Requirement for each year thereafter. The certificate of the District's Manager or finance officer shall be based on actual historical Net Revenue of the System and no adjustments to that revenue shall be allowed. The certificate of the licensed professional engineer or independent certified public accountant, in estimating the Net Revenue of the System available for debt service, may adjust Net Revenue of the System to reflect:

(1) Any changes in rates in effect and being charged or expressly committed by resolution to be made in the future;

(2) Income derived from customers of the System who have become customers during the 12 consecutive month period or thereafter adjusted to reflect one year's net revenue from those customers;

(3) Income from any customers to be connected to the System who have paid the required connection charges;

(4) The engineer's or accountant's estimate of the Net Revenue of the System to be derived from customers anticipated to connect for whom building permits have been issued;

(5) Income received or to be received which is derived from any person, firm, corporation or municipal corporation under any executed contract for water or other utility service, which revenue was not included in the historical Net Revenue of the System;

(6) The engineer's or accountant's estimate of the Net Revenue of the System to be derived from customers with existing homes or buildings which will be required to connect to any additions to and improvements and extensions of the System constructed and to be paid for out of the proceeds of the sale of the additional Future Parity Bonds or other additions to and improvements and extensions of the System then under construction and not fully connected to the facilities of the System when such additions, improvements and extensions are completed; and

(7) Any increases or decreases in Net Revenue as a result of any actual or reasonably anticipated changes in Operating and Maintenance Expense subsequent to the 12-month period.

If Future Parity Bonds proposed to be so issued are for the sole purpose of refunding outstanding bonds payable from the Bond Fund, such certification of coverage shall not be required if the amount required for the payment of the principal and interest in each year for the refunding bonds is not increased more than \$5,000 over the amount for that same year required for the bonds or the portion of that bond issue to be refunded thereby and if the maturities of such refunding bonds are not extended beyond the maturities of the bonds to be refunded thereby.

Nothing contained herein shall prevent the District from issuing Future Parity Bonds to refund maturing Parity Bonds then outstanding, money for the payment of which is not otherwise available.

Nothing contained herein shall prevent the District from issuing revenue bonds that are a charge upon the Gross Revenue of the System of the District subordinate to the payments required to be made therefrom into the Bond Fund for the payment of the Parity Bonds or from pledging the payment of utility local improvement district assessments into a bond redemption fund created for the payment of the principal of and interest on those junior lien bonds as long as such utility local improvement district assessments are levied for improvements constructed from the proceeds of those junior lien bonds.

Section 17. Preservation of Tax Exemption for Interest on Bonds. The District covenants that it will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the District treated as proceeds of the Bonds at any time during the term of the Bonds which will cause interest on the Bonds to be included in gross income for federal income tax purposes. The District also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Code is applicable to the Bonds, take all actions necessary to comply (or to be treated as having

complied) with that requirement in connection with the Bonds, including the calculation and payment of any penalties that the District has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Bonds from being included in gross income for federal income tax purposes. The District certifies that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

Section 18. Designation of Bonds as "Qualified Tax-Exempt Obligations." The District has determined and certifies that (a) the Bonds are not "private activity bonds" within the meaning of Section 141 of the Code; (b) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) that the District and any entity subordinate to the District (including any entity that the District controls, that derives its authority to issue tax-exempt obligations from the District or that issues tax-exempt obligations on behalf of the District) will issue during the calendar year in which the Bonds are issued will not exceed \$10,000,000; and (c) the amount of tax-exempt obligations, including the Bonds, designated by the District as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Bonds are issued does not exceed \$10,000,000. The District designates the Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

Section 19. Refunding or Defeasance of Bonds. The District may issue refunding bonds pursuant to the laws of the State of Washington or use money available from any other lawful source to pay the principal of and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, release, refund or defease all such

then-outstanding Bonds (hereinafter collectively called the “defeased Bonds”) and to pay the costs of such refunding or defeasance. If money and/or Government Obligations sufficient in amount, together with known earned income from the investments thereof, to redeem and retire, release, refund or defease the defeased Bonds in accordance with their terms, are set aside irrevocably in a special trust fund or escrow account for and pledged irrevocably to such redemption, retirement or defeasance of defeased Bonds (hereinafter called the “trust account”), then all right and interest of the owners of the defeased Bonds in the covenants of this resolution and in the Gross Revenue of the System, ULID Assessments, funds and accounts obligated to the payment of such defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter shall cease and become void. The owners of the defeased Bonds thereafter shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account. The District shall include in the refunding or defeasance plan such provisions as the District deems necessary for the random selection of any defeased Bonds that constitute less than all of a particular maturity of the Bonds, for notice of the defeasance to be given to the owners of the defeased Bonds and to such other persons as the District shall determine, and for any required replacement of Bond certificates for defeased Bonds.

After the establishing and full funding of such a trust account, the District then may apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the owners of any other Parity Bonds then outstanding.

If the refunding plan provides that the defeased Bonds or the refunding bonds to be issued be secured by money and/or Government Obligations pending the prior redemption of the defeased Bonds and if such refunding plan also provides that certain money and/or Government Obligations

are pledged irrevocably for the prior redemption of the defeased Bonds included in that refunding plan, then only the debt service on the Bonds which are not defeased Bonds and the refunding bonds, the payment of which is not so secured by the refunding plan, shall be included in the computation of the Coverage Requirement in connection with the issuance of Future Parity Bonds and annual compliance with the rate covenants.

Notwithstanding anything in this section to the contrary, if the principal of and/or interest due on the Bonds is paid by the Bond Insurer pursuant to the Financial Guaranty Insurance Policy, the Bonds shall be treated as remaining outstanding for all purposes and shall not be considered paid the District, and the covenants, agreements and other obligations of the District to the registered owners of the Bonds shall continue to exist and run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of the registered owners.

The Bond Insurer shall be provided with an opinion of counsel acceptable to the Bond Insurer that the defeased Bonds have been legally defeased and that the escrow agreement, if any, establishing such defeasance operates to legally defease the defeased Bonds within the meaning of this resolution. In addition, the Bond Insurer will be entitled to receive (i) 15 business days notice of any advance refunding of the defeased Bonds and (ii) an accountant's report with respect to the sufficiency of the amounts deposited in escrow to defease the defeased Bonds.

Section 20. Undertaking to Provide Continuing Disclosure. To meet the conditions of paragraph (d)(2) of United States Securities and Exchange Commission ("SEC") Rule 15c2-12 (the "Rule") as required to qualify for the limited exemption from paragraph (b)(5) of the Rule, as applicable to a participating underwriter for the Bonds, the District makes the following undertaking (the "Undertaking") for the benefit of holders of the Bonds:

(a) Undertaking to Provide Annual Financial Information and Notice of Material Events. The District undertakes to provide or cause to be provided, either directly or through a designated agent:

(i) To any person upon request, or annually to a state information depository, if any, established in the state of Washington (the "SID"), annual financial information and operating data of the type included in the final official statement for the Bonds ("annual financial information") that is customarily prepared by the District and is otherwise publicly available; and

(ii) To each nationally recognized municipal securities information repository designated by the SEC in accordance with the Rule ("NRMSIR") or the Municipal Securities Rulemaking Board ("MSRB"), and to the SID, timely notice of the occurrence of any of the following events with respect to the Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds); (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes.

The annual financial information that the District undertakes to provide shall be available from the Assistant Manager of the District, whose current address and telephone number are identified in the final official statement for the Bonds.

(c) Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency, NRMSIR, the SID or the MSRB, under the circumstances and in the manner permitted by the Rule.

The District will give notice to each NRMSIR or the MSRB, and the SID, of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. The Undertaking evidenced by this section shall inure to the benefit of the District and any holder of Bonds, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The District's obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the District's obligations under this Undertaking shall terminate if those provisions of the Rule which require the District to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the District, and the District provides timely notice of such termination to each NRMSIR or the MSRB and the SID.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the District learns of any failure to comply with the Undertaking, the District will proceed with due diligence to cause such noncompliance to be corrected. No failure by the District or other obligated person to comply with the Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond shall be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the District or other obligated person to comply with the Undertaking.

(g) Designation of Official Responsible to Administer Undertaking. The Manager of the District (or such other officer of the District who may in the future perform the duties of the Manager) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking of the District in respect of the Bonds set forth in this section and in accordance with the Rule.

Section 21. Disposition of Bond Proceeds. The principal proceeds received from the issuance and sale of the Bonds shall be deposited as follows: (1) an amount equal to the bond insurance premium shall be paid directly to the Bond Insurer at closing; (2) an amount equal to the reserve insurance premium shall be paid directly to the Reserve Insurer at closing; and (3) the balance shall be deposited with the Refunding Trustee and used in accordance with Section 22 of this resolution. The accrued interest on the Bonds, if any, received at the time the Bonds are delivered to the initial purchaser shall be deposited into the Principal and Interest Account of the Bond Fund.

Section 22. Refunding of the Refunded Bonds.

(a) Appointment of Refunding Trustee. U.S. Bank National Association of Seattle, Washington, is appointed Refunding Trustee.

(b) Use of Bond Proceeds; Acquisition of Acquired Obligations. A sufficient amount of the proceeds of the sale of the Bonds shall be deposited immediately upon the receipt thereof with the Refunding Trustee and used, together with money on deposit in the bond redemption fund for the Refunded Bonds to be deposited with the Refunding Trustee, to discharge the obligations of the District relating to the Refunded Bonds under the Refunded Bond Resolutions by providing for the payment of the amounts required to be paid by the Refunding Plan. To the extent practicable, such obligations shall be discharged fully by the Refunding Trustee's simultaneous purchase of the Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for the payment of the amount required to be paid by the Refunding Plan. The Acquired Obligations are listed and more particularly described in Exhibit A attached to the Refunding Trust Agreement between the District and the Refunding

Trustee, but are subject to substitution as set forth below. Any Bond proceeds or other money deposited with the Refunding Trustee not needed to purchase the Acquired Obligations and provide a beginning cash balance, if any, and pay the costs of issuance of the Bonds shall be returned to the District at the time of delivery of the Bonds to the initial purchaser thereof and deposited in the Principal and Interest Account to pay interest on the Bonds on the first interest payment date.

(c) Substitution of Acquired Obligations. Prior to the purchase of any Acquired Obligations by the Refunding Trustee, the District reserves the right to substitute other Government Obligations ("Substitute Obligations") for any of the Acquired Obligations and to use any savings created thereby for any lawful District purpose if, (a) in the opinion of Foster Pepper & Shefelman PLLC, the District's bond counsel, the interest on the Bonds and the Refunded Bonds will remain excluded from gross income for federal income tax purposes under Sections 103, 148, and 149(d) of the Code, and (b) such substitution shall not impair the timely payment of the amounts required to be paid by the Refunding Plan, as verified by a nationally recognized independent certified public accounting firm.

After the purchase of the Acquired Obligations by the Refunding Trustee, the District reserves the right to substitute therefor cash or Substitute Obligations subject to the conditions that such money or securities held by the Refunding Trustee shall be sufficient to carry out the Refunding Plan, that such substitution will not cause the Bonds and the Refunded Bonds to be arbitrage bonds within the meaning of Section 148 of the Code and regulations thereunder in effect on the date of such substitution and applicable to obligations issued on the issue date of the Bonds, and that the District obtain, at its expense: (1) a verification by a nationally recognized independent certified public accounting firm acceptable to the Refunding Trustee confirming that

the payments of principal of and interest on the substitute securities, if paid when due, and any other money held by the Refunding Trustee will be sufficient to carry out the Refunding Plan; and (2) an opinion from Foster Pepper & Shefelman PLLC, bond counsel to the District, its successor, or other nationally recognized bond counsel to the District, to the effect that the disposition and substitution or purchase of such securities, under the statutes, rules, and regulations then in force and applicable to the Bonds, will not cause the interest on the Bonds or the Refunded Bonds to be included in gross income for federal income tax purposes and that such disposition and substitution or purchase is in compliance with the statutes and regulations applicable to the Bonds. Any surplus money resulting from the sale, transfer, other disposition, or redemption of the Acquired Obligations and the substitutions therefor shall be released from the trust estate and transferred to the District to be used for any lawful District purpose.

(d) Administration of Refunding Plan. The Refunding Trustee is authorized and directed to purchase the Acquired Obligations (or Substitute Obligations) and to make the payments required to be made by the Refunding Plan from the Acquired Obligations (or Substitute Obligations) and money deposited with the Refunding Trustee pursuant to this resolution. All Acquired Obligations (or Substitute Obligations) and the money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of the Refunded Bond Resolutions, this resolution, chapter 39.53 RCW and other applicable statutes of the State of Washington and the Refunding Trust Agreement. All necessary and proper fees, compensation, and expenses of the Refunding Trustee for the Bonds and all other costs incidental to the setting up of the escrow to accomplish the refunding of the Refunded Bonds and costs related to the issuance and delivery of the Bonds,

including bond printing, verification fees, bond and reserve insurance premiums, bond counsel's fees, and other related expenses, shall be paid out of the proceeds of the Bonds.

(e) Authorization for Refunding Trust Agreement. To carry out the Refunding Plan provided for by this resolution, the President or Secretary of the Board is authorized and directed to execute and deliver to the Refunding Trustee a Refunding Trust Agreement substantially in the form on file with the Secretary of the Board and by this reference made a part hereof setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption, and retirement of the Refunded Bonds as provided herein and stating that the provisions for payment of the fees, compensation, and expenses of such Refunding Trustee set forth therein are satisfactory to it. Prior to executing the Refunding Trust Agreement, the President or Secretary of the Board is authorized to make such changes therein that do not change the substance and purpose thereof or that assure that the escrow provided therein and the Bonds are in compliance with the requirements of federal law governing the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 23. Calls for Redemption of the Refunded Bonds. The District calls the Refunded Bonds for redemption on the dates and at the prices (expressed as a percentage of par) set forth below:

<u>Refunded Bonds</u>	<u>Call Date</u>	<u>Redemption Price</u>
1993 Refunded Bonds	March 8, 2004	100%
1997 Refunded Bonds	February 1, 2007	102
1999 Refunded Bonds	February 1, 2009	100

Such calls for redemption shall be irrevocable after the delivery of the Bonds to the initial purchaser thereof. The dates on which the Refunded Bonds are herein called for redemption are the first date on which each series of Refunded Bonds may be called.

The proper District officials are authorized and directed to give or cause to be given such notices as required, at the times and in the manner required, pursuant to the applicable Refunded Bond Resolutions in order to effect the redemption prior to their maturity of the Refunded Bonds.

Section 24. District Findings with Respect to Refunding. The Board finds and determines that the issuance and sale of the Bonds at this time will effect a savings to the District and is in the best interest of the District and its ratepayers and in the public interest. In making such finding and determination, the Board has given consideration to the fixed maturities of the Bonds and the Refunded Bonds, the costs of issuance of the Bonds and the known earned income from the investment of the proceeds of the issuance and sale of the Bonds and other money of the District used in the Refunding Plan pending payment and redemption of the Refunded Bonds.

The Board further finds and determines that the money to be deposited with the Refunding Trustee for the Refunded Bonds in accordance with Section 22 of this resolution will discharge and satisfy the obligations of the District under the applicable Refunded Bond Resolutions with respect to the Refunded Bonds, and the pledges, charges, trusts, covenants, and agreements of the District therein made or provided for as to the Refunded Bonds, and that the Refunded Bonds shall no longer be deemed to be outstanding under such resolution immediately upon the deposit of such money with the Refunding Trustee.

Section 25. Approval of Bond Purchase Contract. D.A. Davidson & Co. of Spokane, Washington (the “Purchaser”), has presented a bond purchase agreement (the “Bond Purchase Contract”) to the District offering to purchase the Bonds under the terms and conditions provided in the Bond Purchase Contract, which written Bond Purchase Contract is on file with the Secretary of the Board and is incorporated herein by this reference. The Board finds that

entering into the Bond Purchase Contract is in the District's best interest and, therefore, accepts the offer contained therein and authorizes its execution by District officials.

The Bonds will be printed at District expense and will be delivered to the Purchaser in accordance with the terms of the Bond Purchase Contract with the approving legal opinion of Foster Pepper & Shefelman, municipal bond counsel of Seattle, Washington, regarding the issuance of the Bonds.

The proper District officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to the Purchaser and for the proper application and use of the proceeds of the sale thereof.

Section 26. Preliminary Official Statement Deemed Final. The Board has been provided with copies of a preliminary official statement dated January 13, 2004 (the "Preliminary Official Statement"), prepared in connection with the sale of the Bonds. For the sole purpose of the Purchaser's compliance with SEC Rule 15c2-12(b)(1), the District "deems final" that Preliminary Official Statement as of its date, except for the omission of information as to offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, maturity dates, options of redemption, delivery date, ratings and other terms of the Bonds dependent on such matters.

Section 27. Bond Insurance. The Board finds that it is in the District's best interest to purchase, and that a savings will result from purchasing, the Financial Guaranty Insurance Policy for the Bonds. The District shall purchase from the Bond Insurer the Financial Guaranty Insurance Policy insuring the prompt payment of the principal of and interest on the Bonds and agrees to the conditions for obtaining that policy, including the payment of the premium therefor and the

following provisions entitled "Payments under the Policy" required by the Bond Insurer to be included in this resolution:

"A. In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the Obligations, the Paying Agent [the Bond Registrar] has not received sufficient moneys to pay all principal of and interest on the Obligations due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

"B. If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Insurer or its designee.

"C. In addition, if the Paying Agent has notice that any Bondholder has been required to disgorge payments of principal or interest on the Obligations to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

"D. The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Obligations as follows:

"1. If and to the extent there is a deficiency in amounts required to pay interest on the Obligations, the Paying Agent shall (a) execute and deliver to U.S. Bank Trust National Association, or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and

"2. If and to the extent of a deficiency in amounts required to pay principal of the Obligations, the Paying Agent shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Obligation surrendered to the Insurance Paying

Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

“E. Payments with respect to claims for interest on and principal of Obligations disbursed by the Paying Agent from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Obligations, and the Insurer shall become the owner of such unpaid Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

“F. Irrespective of whether any such assignment is executed and delivered, the Issuer and the Paying Agent hereby agree for the benefit of the Insurer that:

“1. They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Obligations, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Issuer, with interest thereon as provided and solely from the sources stated in this Indenture and the Obligations; and

“2. They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the Obligations, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Obligations to Holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

“G. In connection with the issuance of additional Obligations, the Issuer shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional Obligations.

“H. Copies of any amendments made to the documents executed in connection with the issuance of the Obligations which are consented to by the Insurer shall be sent to Standard & Poor’s Corporation.

“I. The Insurer shall receive notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto.

“J. The Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the Issuer’s audited financial statements and Annual Budget.

“Notices: Any notice that is required to be given to a holder of the Obligation or to the Paying Agent pursuant to the Indenture shall also be provided to the Insurer. All notices required to be given to the Insurer under the Indenture shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.”

“K. The Issuer/Obligor agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys’ fees and expenses, incurred by the Insurer in connection with (i) the enforcement by the Insurer of the Issuer’s/Obligor’s obligations, or the preservation or defense of any rights of the Insurer, under this Resolution/Indenture and any other document executed in connection with the issuance of the Obligations, and (ii) any consent, amendment, waiver or other action with respect to the Resolution/Indenture or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at Citibank’s Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

“L. The Issuer/Obligor agrees not to use MBIA’s name in any public document including, without limitation, a press release or presentation, announcement or forum without MBIA’s prior consent. In the event that the Issuer/Obligor is advised by counsel that it has a legal obligation to disclose MBIA’s name in any press release, public announcement or other public document, the Issuer/Obligor shall provide MBIA with at least three (3) business days’ prior written notice of its intent to use MBIA’s name together with a copy of the proposed use of MBIA’s name and of any description of a transaction with MBIA and shall obtain MBIA’s prior consent as to the form and substance of the proposed use of MBIA’s name and any such description.

“M. The Issuer/Obligor shall not enter into any agreement nor shall it consent to or participate in any arrangement pursuant to which Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Bonds without the prior written consent of MBIA.”

Any notices required to be given under the terms of this resolution shall also be given to the Bond Insurer, Attn.: Insured Portfolio Management.

Section 28. Reserve Insurance and Payment Procedures Under Surety Bond. The District is authorized to purchase from the Reserve Insurer the Surety Bond and agrees to the terms and conditions relating to the Reserve Insurance contained in the commitment of the Reserve Insurer. The President or Secretary of the Board or the Manager of the District is authorized to execute and deliver the Financial Guaranty Agreement on behalf of the District, which agreement shall be in substantially the form on file with the Secretary of the Board.

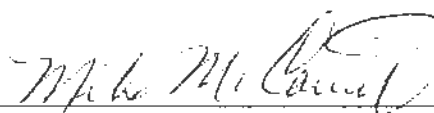
The Bond Registrar is hereby required to deliver a Demand For Payment, in the form attached to the Surety Bond as Attachment 1, at least three days prior to the date on which funds are required. Provision shall be made for the Reserve Insurer to be paid all amounts owed to it under the terms of the Financial Guaranty Agreement or any other documents before this resolution may be terminated.

ADOPTED by the Board of Water Commissioners of East Wenatchee Water District, Douglas County, Washington, at a regular open public meeting this 21st day of January, 2004.

President and Commissioner



Commissioner



Secretary and Commissioner

EXHIBIT A

Government Obligations

1. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series -- "SLGS").
2. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.
3. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.
4. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.
5. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:
 - a. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
 - b. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
 - c. Federal Financing Bank
 - d. General Services Administration
Participation certificates
 - e. U.S. Maritime Administration
Guaranteed Title XI financing
 - f. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

CERTIFICATION

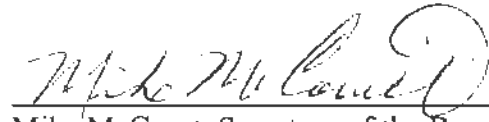
I, the undersigned, Secretary of the Board of Water Commissioners (the "Board") of East Wenatchee Water District, Douglas County, Washington (the "District"), hereby certify as follows:

1. The attached copy of Resolution No. 536 (the "Resolution") is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board held at the regular meeting place thereof on January 21, 2004, as that resolution appears on the minute book of the District; and the Resolution is now in full force and effect; and

2. A quorum of the members of the Board was present throughout the meeting and a majority of those members present voted in the proper manner for the adoption of the Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of January, 2004.

EAST WENATCHEE WATER DISTRICT,
DOUGLAS COUNTY, WASHINGTON



Mike McCourt, Secretary of the Board



1/3 *Original*

D.A. Davidson & Co.
member SIPC

ORIGINAL

Jack McLaughlin
Vice President Public Finance
Spokane Regional Office

\$8,245,000
EAST WENATCHEE WATER DISTRICT
DOUGLAS COUNTY, WASHINGTON
WATER REVENUE REFUNDING BONDS, 2004

BOND PURCHASE AGREEMENT

January 21, 2004

Board of District Commissioners
East Wenatchee Water District
692 Eastmont Avenue
East Wenatchee, Washington 98802-7190

On January 21, 2004, the Board of District Commissioners (the "Board") of East Wenatchee Water District, Douglas County, Washington (the "District") adopted Resolution Number 536 (the "Resolution") authorizing the sale, issuance and delivery of the District's Water Revenue Refunding Bonds, 2004 (the "Bonds"), and the District's execution and delivery of this Bond Purchase Agreement (the "Agreement"). In light of such authority, D. A. Davidson & Co. (the "Underwriter") hereby offers to enter into this Agreement with the District on January 21, 2004. Upon your acceptance, this Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the District and the Underwriter.

- 1) Upon the terms and conditions and in reliance upon the representations set forth herein, the Underwriter hereby agrees to purchase from the District and the District hereby agrees to sell to the Underwriter all (but not less than all) of the Bonds in the aggregate principal amount of \$8,245,000, at an aggregate purchase price of \$8,145,880.25 (representing the par amount of the Bonds, less an underwriter's discount of \$88,941.25 (\$10.79/\$1,000 of the par value of the Bonds), less an original issue discount of \$2,971.60, and less \$7,206.90 to compensate the Underwriter for expenses incurred to prepare, print and mail the Preliminary Official Statement and the Official Statement and travel). The Bonds shall be issued and secured under and pursuant to the Resolution, shall be dated February 1, 2004, and shall mature, bear interest and be subject to redemption as set forth in Exhibit A hereto. The Underwriter agrees to make a public offering of the Bonds at the initial offering prices set forth in the Official Statement referred to in Section 2 herein, which prices may be changed from time to time by the Underwriter.

- 2) The District shall deliver or cause to be delivered to the Underwriter, promptly after acceptance hereof, five copies of the Official Statement, substantially in the form of the Preliminary Official Statement dated January 13, 2004 (the "Preliminary Official Statement") with only such changes therein as shall have been accepted by us (such Preliminary Official Statement with such changes, if any, and including the cover page and all appendices, exhibits and statements included therein or attached thereto being called the "Official Statement"). The Official Statement is to be dated January 21, 2004. The District hereby authorizes the distribution by the Underwriter of the Preliminary Official Statement and the Official Statement, when available, in offering the Bonds for sale to prospective purchasers of the Bonds.
- 3) On February 5, 2004, or on such earlier or later date as the Underwriter and the District may mutually agree (the "Closing Date"), the Underwriter will accept delivery of the Bonds and pay the purchase price thereof as set forth in Section 1 herein by Federal Reserve System wire transfer in immediately available Federal funds or by any other form of immediately available Federal funds. The Bonds shall be delivered through The Depository Trust Company, New York, New York ("DTC") in definitive form, bearing CUSIP numbers and issued under a book-entry system.
- 4) The District makes the following representations and warranties:
 - a) The District is a public body corporate organized and existing under the laws of the State of Washington and is authorized to issue the Bonds, to enter into this Agreement and all other agreements contemplated hereby and to adopt the Resolution.
 - b) The District has complied to date with all applicable provisions of the laws of the State of Washington in connection with the execution and issuance of the Bonds.
 - c) The Resolution and this Agreement have been duly and validly authorized and executed by the District.
 - d) The District has authorized all necessary action to be taken by it for (i) the issuance and sale of the Bonds upon the terms set forth herein, in the Official Statement and in the Resolution; (ii) the execution, delivery, receipt and due performance of this Agreement, the Bonds and the Resolution and all other agreements contemplated hereby or required in order to carry out, give effect to and consummate the transactions contemplated hereby; and (iii) carrying out, giving effect to and consummation of the transactions contemplated hereby.
 - e) The Bonds when issued, delivered and paid for as provided for herein and in the Resolution, will have been duly and validly authorized and issued and will constitute general obligations of the District secured as provided in the Resolution and as described in the Official Statement.
 - f) To the best knowledge of the District, there are no legal or governmental proceedings pending or threatened, or any basis therefore, wherein an unfavorable decision, ruling or finding would have a material adverse effect on the validity or security of the Bonds, the Resolution, this Agreement or the transactions contemplated thereby or the power of the District to execute and deliver the Bonds or this Agreement, or adopt the Resolution.
 - g) As of the date hereof, the Preliminary Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for such information that may be omitted from a preliminary official statement pursuant to Rule 15c2-12).

h) The Preliminary Official Statement is deemed "final" in accordance with Rule 15c2-12(b)(1) under the Securities Exchange Act of 1934.

5) The Underwriter enters into this Agreement in reliance upon the representations and warranties of the District contained herein and in the Resolution and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the District and its obligations hereunder both on and as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligation under this Agreement to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the District of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

a) the representations and warranties of the District contained herein shall be true and correct on the date hereof and of the Closing, as if made on and at the Closing;

b) at or prior to the Closing, the Underwriter shall receive the following documents:

- i) certified copies of the Resolution;
- ii) the opinion of Foster Pepper & Shefelman PLLC, as Bond Counsel, dated the Closing Date, substantially in the form of Appendix C to the Official Statement;
- iii) evidence of the insurance policy issued by MBIA Insurance Corporation;
- iv) evidence satisfactory to the Underwriter that Moody's Investors Service has issued ratings for the Bonds not lower than Aaa (underlying rating of A3) and that such ratings have not been withdrawn; and
- v) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request.

If the conditions to the Underwriter's obligations contained in this Agreement are not satisfied (unless otherwise waived in writing by the Underwriter) or if the Underwriter's obligations shall be terminated for any reason permitted herein, this Agreement shall terminate and neither the Underwriter nor the District shall have any further obligation hereunder except to reimburse the Underwriter for expenses related to the preparation, printing and mailing of the preliminary and final official statements, as detailed in paragraph 1 of this Agreement.

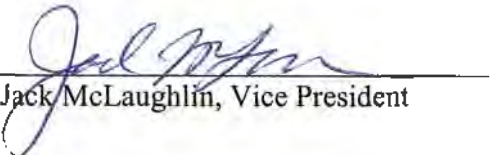
6) During the initial public offering of the Bonds (a period concluding the final date the Underwriter is charged with furnishing a copy of the Official Statement to a potential customer under SEC Rule 15c2-12 but no later than six months after the Closing Date), the District will (a) not consent to the distribution of any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall object in writing or which shall be disapproved by counsel for the Underwriter and (b) if any event shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser, consent to the distribution of an amendment of or supplement to the Official Statement, prepared without expense to the District (in form and substance satisfactory to the Underwriter) in a reasonable number of copies which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

- 7) The Underwriter shall have the right to cancel its obligation to purchase the Bonds if between the date hereof and the Closing, (i) legislation shall have been enacted by the Congress of the United States or the legislature of the State of Washington or legislation shall have been reported out of committee of either body or be pending in committee of either body, or a decision shall have been rendered by a court of the United States or of the State of Washington or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States or the Internal Revenue Service, with respect to federal taxation upon revenues or other income of the general character of the Bonds which, in the reasonable judgment of the Underwriter, materially adversely affects the market for the Bonds, or (ii) there shall exist any event which, in the reasonable judgment of the Underwriter, either (a) makes untrue or incorrect in any material aspect as of such time any statement or information contained in the Official Statement or (b) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect, or (iii) there shall have occurred an escalation of hostilities or any other national or international calamity or crisis, the effect of which outbreak, calamity or crisis on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would make it impracticable for the Underwriter to market or enforce contracts for the sale of the Bonds, or (iv) there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction, or (v) a general banking moratorium shall have been declared by either Federal, State of Washington or New York authorities having jurisdiction and be in force, or (vi) there shall be established any new restriction on transactions in securities materially affecting the free market for securities (including the imposition of any limitation on interest rates) or extension of credit by, or charge to the net capital requirements of, Underwriter established by the New York Stock Exchange, the Securities and Exchange Commission, any other federal or state agency or the Congress of the United States, or by Executive Order.
- 8) All fees, expenses and costs incident to the execution and performance of this Agreement and to the authorization, issuance and sale of the Bonds to the Underwriter, including, but not limited to: the cost of printing the Bonds, if any (and full execution thereof); the fees and charges of Moody's Investors Service, the fees of the paying agent and registrar, the fees of escrow verification; the fees of the escrow trustee; the fees of MBIA Insurance Corporation for bond insurance; cost of preparation, printing and distribution of the Preliminary and final Official Statement and travel; and the fees and expenses of Bond Counsel shall be paid by the District. All expenses to be paid by the District pursuant to this Agreement may be paid from Bond proceeds to the extent permitted by the Resolution. The obligation of the District under this Section 8 shall survive the payment of the Bonds.
- 9) Any notice or other communication to be given to the District under this Agreement may be given by delivering the same in writing at the address set forth above and any such notice or other communications to be given to the Underwriter may be given by delivering the same in writing to D.A. Davidson & Co., P.O. Box 423, Spokane, Washington 99210, Attention: Mr. Jack McLaughlin. The approval of the Underwriter when required hereunder or the determination of its satisfaction as to any document referred to herein shall be in writing signed by the Underwriter and delivered to you.

- 10) This Agreement is made solely for the benefit of the District and the Underwriter (including successors or assigns of the Underwriter, but excluding any purchaser, as such purchaser, of Bonds from the Underwriter) and, to the extent expressed herein, controlling persons thereof, and no other persons, partnership, association or corporation shall acquire to have any right hereunder or by virtue hereof. All representations and agreements of the parties to this Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds. Time shall be of the essence of this Agreement. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Washington. This Agreement may be executed in any number of counterparts each of which shall be an original but all of which together will constitute one and the same instrument.

Very truly yours,

D.A. DAVIDSON & CO.

By: 
Jack McLaughlin, Vice President

Accepted and Agreed to:

EAST WENATCHEE WATER DISTRICT, DOUGLAS COUNTY, WASHINGTON, acting by and through its Board of Commissioners

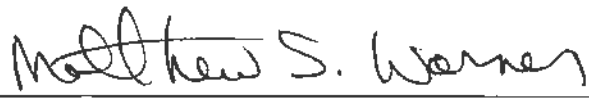
By: 
Matthew S. Warner, Vice President

EXHIBIT A

FINAL

\$8,245,000

EAST WENATCHEE WATER DISTRICT

Water Improvement Revenue Refunding Bonds, 2004

MBIA Bond Insurance Aaa/A3 BQ

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
02/01/2005	Serial Coupon	2.000%	1.150%	310,000.00	100.833%	312,582.30
02/01/2006	Serial Coupon	2.000%	1.430%	310,000.00	101.113%	313,450.30
02/01/2007	Serial Coupon	2.000%	1.710%	320,000.00	100.841%	322,691.20
02/01/2008	Serial Coupon	2.250%	2.050%	325,000.00	100.762%	327,476.50
02/01/2009	Serial Coupon	2.350%	2.350%	335,000.00	100.000%	335,000.00
02/01/2010	Serial Coupon	2.650%	2.650%	340,000.00	100.000%	340,000.00
02/01/2011	Serial Coupon	2.850%	2.880%	350,000.00	99.811%	349,338.50
02/01/2012	Serial Coupon	3.100%	3.110%	365,000.00	99.929%	364,740.85
02/01/2013	Serial Coupon	3.250%	3.310%	375,000.00	99.536%	373,260.00
02/01/2014	Serial Coupon	3.450%	3.500%	385,000.00	99.581%	383,386.85
02/01/2015	Serial Coupon	3.600%	3.630%	405,000.00	99.729%	403,902.45
02/01/2016	Serial Coupon	3.750%	3.800%	415,000.00	99.521%	413,012.15
02/01/2017	Serial Coupon	4.000%	3.870%	430,000.00	101.068%	434,592.40
02/01/2018	Serial Coupon	4.000%	4.000%	450,000.00	100.000%	450,000.00
02/01/2019	Serial Coupon	4.050%	4.100%	465,000.00	99.443%	462,409.95
02/01/2020	Serial Coupon	4.150%	4.200%	485,000.00	99.421%	482,191.85
02/01/2021	Serial Coupon	4.250%	4.300%	510,000.00	99.401%	506,945.10
02/01/2022	Serial Coupon	4.350%	4.350%	535,000.00	100.000%	535,000.00
02/01/2023	Serial Coupon	4.400%	4.420%	555,000.00	99.744%	553,579.20
02/01/2024	Serial Coupon	4.450%	4.470%	580,000.00	99.736%	578,468.80
Total	-	-	-	\$8,245,000.00	-	\$8,242,028.40

General Description

The Bonds will be issued in the aggregate amount of \$8,245,000 in fully registered form, will be in the denomination of \$5,000 each or any integral multiples thereof within a single maturity and will be dated February 1, 2004. Individual purchases may be made in book-entry form only. The Bonds, when issued, will be registered in the name of Cede & Co., as Registered Owner and nominee of the Depository Trust Company, New York, New York ("DTC"). The Bonds shall mature on February 1 in the years and amounts set forth above. The Bonds will bear interest from February 1, 2004, or the most recent interest payment date to which interest has been paid or duly provided for, whichever is later, at the rates per annum set forth on the inside cover hereof. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months, and will be payable semiannually on February 1 and August 1, commencing August 1, 2004.

Optional Redemption

Bonds maturing in the years 2005 through and including 2014 are not subject to redemption prior to their stated maturities. Bonds maturing on or after February 1, 2015, are subject to redemption at the option of the District prior to their stated maturity dates at any time on or after February 1, 2014, as a whole or in part (within one or more maturities selected by the District and randomly within a maturity in such manner as the Bond Registrar shall determine), at par plus accrued interest to the date fixed for redemption. Portions of the principal amount of any Bond, in installments of \$5,000 or any integral multiple thereof, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond at either of the principal offices of the Bond Registrar, there shall be issued to the Registered Owner, without charge therefor, a new Bond (or Bonds, at the option of the registered owner) of the same maturity and interest rate in any of the denominations authorized by the Bond Resolution in the aggregate total principal amount remaining unredeemed. The District further reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price acceptable to the District plus accrued interest to the date of purchase.

\$8,245,000

EAST WENATCHEE WATER DISTRICT

Water Improvement Revenue Refunding Bonds, 2004

MBIA Bond Insurance Aaa/A3 BQ

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FINAL

\$8,245,000

EAST WENATCHEE WATER DISTRICT

Water Improvement Revenue Refunding Bonds, 2004

MBIA Bond Insurance Aaa/A3 BQ

Sources & Uses

Dated 02/01/2004 | Delivered 02/05/2004

Sources Of Funds

Par Amount of Bonds	\$8,245,000.00
Accrued Interest from 02/01/2004 to 02/05/2004	3,213.72
Transfers from Prior Issue DSR Funds	984,031.25
Total Sources	\$9,232,244.97

Uses Of Funds

Original Issue Discount (OID)	2,971.60
Total Underwriter's Discount (1.079%)	88,941.25
Costs of Issuance	48,856.90
Gross Bond Insurance Premium	43,000.00
Surety Bond Fees	15,000.00
Deposit to Debt Service Fund	3,213.72
Deposit to Net Cash Escrow Fund	9,028,072.37
Rounding Amount	2,189.13
Total Uses	\$9,232,244.97

FINAL

\$8,245,000

EAST WENATCHEE WATER DISTRICT
 Water Improvement Revenue Refunding Bonds, 2004
 MBIA Bond Insurance Aaa/A3 BQ

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
02/01/2005	Serial Coupon	2.000%	1.150%	310,000.00	100.833%	312,582.30
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02/01/2008	Serial Coupon	2.250%	2.050%	325,000.00	100.762%	327,476.50
02/01/2009	Serial Coupon	2.350%	2.350%	335,000.00	100.000%	335,000.00
02/01/2010	Serial Coupon	2.650%	2.650%	340,000.00	100.000%	340,000.00
02/01/2011	Serial Coupon	2.850%	2.880%	350,000.00	99.811%	349,338.50
02/01/2012	Serial Coupon	3.100%	3.110%	365,000.00	99.929%	364,740.85
02/01/2013	Serial Coupon	3.250%	3.310%	375,000.00	99.536%	373,260.00
02/01/2014	Serial Coupon	3.450%	3.500%	385,000.00	99.581%	383,386.85
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02/01/2017	Serial Coupon	4.000%	3.870%	430,000.00	101.068%	434,592.40
02/01/2018	Serial Coupon	4.000%	4.000%	450,000.00	100.000%	450,000.00
02/01/2019	Serial Coupon	4.050%	4.100%	465,000.00	99.443%	462,409.95
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02/01/2021	Serial Coupon	4.250%	4.300%	510,000.00	99.401%	506,945.10
02/01/2022	Serial Coupon	4.350%	4.350%	535,000.00	100.000%	535,000.00
02/01/2023	Serial Coupon	4.400%	4.420%	555,000.00	99.744%	553,579.20
02/01/2024	Serial Coupon	4.450%	4.470%	580,000.00	99.736%	578,468.80
Total	-	-	-	\$8,245,000.00	-	\$8,242,028.40

Bid Information

Par Amount of Bonds	\$8,245,000.00
Reoffering Premium or (Discount)	(2,971.60)
Gross Production	\$8,242,028.40
Total Underwriter's Discount (1.079%)	\$(88,941.25)
Bid (98.885%)	8,153,087.15
Accrued Interest from 02/01/2004 to 02/05/2004	3,213.72
Total Purchase Price	\$8,156,300.87
Bond Year Dollars	\$96,005.00
Average Life	11.644 Years
Average Coupon	3.9145331%
Net Interest Cost (NIC)	4.0102707%
True Interest Cost (TIC)	3.9905427%

FINAL

\$8,245,000

EAST WENATCHEE WATER DISTRICT

Water Improvement Revenue Refunding Bonds, 2004

MBIA Bond Insurance Aaa/A3 BQ

Gross Debt Service Comparison -- ACCRUAL BASIS

Calendar Year	Principal	Coupon	Interest	New D/S	OLD D/S	Savings
2004	-	-	144,617.50	139,214.65	217,475.63	78,260.98
2005	310,000.00	-	286,135.00	596,135.00	673,371.26	77,236.26
2006	310,000.00	-	279,935.00	589,935.00	669,740.01	79,805.01
2007	320,000.00	-	273,635.00	593,635.00	670,167.51	76,532.51
2008	325,000.00	-	266,778.75	591,778.75	669,666.88	77,888.13
2009	335,000.00	-	259,186.25	594,186.25	673,010.00	78,823.75
2010	340,000.00	-	250,745.00	590,745.00	670,141.25	79,396.25
2011	350,000.00	-	241,252.50	591,252.50	671,082.50	79,830.00
2012	365,000.00	-	230,607.50	595,607.50	670,602.50	74,995.00
2013	375,000.00	-	218,856.25	593,856.25	671,345.00	77,488.75
2014	385,000.00	-	206,121.25	591,121.25	673,600.00	82,478.75
2015	405,000.00	-	192,190.00	597,190.00	674,000.00	76,810.00
2016	415,000.00	-	177,118.75	592,118.75	672,500.00	80,381.25
2017	430,000.00	-	160,737.50	590,737.50	670,000.00	79,262.50
2018	450,000.00	-	143,137.50	593,137.50	671,375.00	78,237.50
2019	465,000.00	-	124,721.25	589,721.25	671,500.00	81,778.75
2020	485,000.00	-	105,241.25	590,241.25	670,375.00	80,133.75
2021	510,000.00	-	84,340.00	594,340.00	672,875.00	78,535.00
2022	535,000.00	-	61,866.25	596,866.25	673,875.00	77,008.75
2023	555,000.00	-	38,020.00	593,020.00	673,375.00	80,355.00
2024	580,000.00	-	12,905.00	592,905.00	671,375.00	78,470.00
-	\$8,245,000.00	-	\$3,758,147.50	\$11,997,744.65	\$13,651,452.54	\$1,653,707.89

PV Analysis Summary (Gross to Gross)

Net FV Cashflow Savings	1,653,707.89
Gross PV Debt Service Savings	1,132,577.29
Accrued Interest Credit to Debt Service Fund	3,213.72
Transfers from Prior Issue DSR Fund	(984,031.25)
Contingency or Rounding Amount	2,189.13
Net Present Value Benefit	\$153,948.89
Net PV Benefit / \$8,450,000 Refunded Principal	1.822%
Net PV Benefit / \$8,245,000 Refunding Principal	1.867%
Average Annual Cash Flow Savings	82,685.39

Refunding Bond Information

Refunding Dated Date	2/01/2004
Refunding Delivery Date	2/05/2004

FINAL

\$8,245,000

EAST WENATCHEE WATER DISTRICT

Water Improvement Revenue Refunding Bonds, 2004

MBIA Bond Insurance Aaa/A3 BQ

Summary Of Bonds Refunded

Issue	Maturity	Type of Bond	Coupon	Maturity		Call Price
				Value	Call Date	
W REV REF IMP, 1993	02/01/2005	Serial Coupon	5.650%	125,000	03/08/2004	100.000%
W REV REF IMP, 1993	02/01/2006	Serial Coupon	5.750%	135,000	03/08/2004	100.000%
W REV REF IMP, 1993	02/01/2007	Serial Coupon	5.850%	135,000	03/08/2004	100.000%
W REV REF IMP, 1993	02/01/2008	Serial Coupon	5.875%	145,000	03/08/2004	100.000%
W REV REF IMP, 1993	02/01/2009	Term 1 Coupon	6.000%	150,000	03/08/2004	100.000%
W REV REF IMP, 1993	02/01/2010	Term 1 Coupon	6.000%	155,000	03/08/2004	100.000%
W REV REF IMP, 1993	02/01/2011	Term 1 Coupon	6.000%	170,000	03/08/2004	100.000%
W REV REF IMP, 1993	02/01/2012	Term 1 Coupon	6.000%	180,000	03/08/2004	100.000%
Subtotal	-	-	-	\$1,195,000	-	-
W REV, 1997	02/01/2005	Serial Coupon	5.250%	105,000	-	-
W REV, 1997	02/01/2006	Serial Coupon	5.400%	110,000	-	-
W REV, 1997	02/01/2007	Serial Coupon	5.500%	115,000	-	-
W REV, 1997	02/01/2008	Serial Coupon	5.500%	120,000	02/01/2007	102.000%
W REV, 1997	02/01/2009	Serial Coupon	5.600%	130,000	02/01/2007	102.000%
W REV, 1997	02/01/2010	Serial Coupon	5.750%	135,000	02/01/2007	102.000%
W REV, 1997	02/01/2011	Serial Coupon	5.800%	145,000	02/01/2007	102.000%
W REV, 1997	02/01/2012	Serial Coupon	6.000%	155,000	02/01/2007	102.000%
Subtotal	-	-	-	\$1,015,000	-	-
W REV IMP, 1999	02/01/2005	Serial Coupon	3.900%	15,000	-	-
W REV IMP, 1999	02/01/2006	Serial Coupon	4.000%	10,000	-	-
W REV IMP, 1999	02/01/2007	Serial Coupon	4.100%	20,000	-	-
W REV IMP, 1999	02/01/2008	Serial Coupon	4.200%	20,000	-	-
W REV IMP, 1999	02/01/2009	Serial Coupon	4.300%	25,000	-	-
W REV IMP, 1999	02/01/2010	Serial Coupon	4.400%	30,000	02/01/2009	100.000%
W REV IMP, 1999	02/01/2011	Serial Coupon	4.500%	25,000	02/01/2009	100.000%
W REV IMP, 1999	02/01/2012	Serial Coupon	4.500%	25,000	02/01/2009	100.000%
W REV IMP, 1999	02/01/2013	Serial Coupon	4.550%	380,000	02/01/2009	100.000%
W REV IMP, 1999	02/01/2014	Serial Coupon	4.550%	400,000	02/01/2009	100.000%
W REV IMP, 1999	02/01/2015	Term 1 Coupon	5.000%	420,000	02/01/2009	100.000%
W REV IMP, 1999	02/01/2016	Term 1 Coupon	5.000%	440,000	02/01/2009	100.000%
W REV IMP, 1999	02/01/2017	Term 1 Coupon	5.000%	460,000	02/01/2009	100.000%
W REV IMP, 1999	02/01/2018	Term 1 Coupon	5.000%	485,000	02/01/2009	100.000%
W REV IMP, 1999	02/01/2019	Term 1 Coupon	5.000%	510,000	02/01/2009	100.000%
W REV IMP, 1999	02/01/2020	Term 2 Coupon	5.000%	535,000	02/01/2009	100.000%
W REV IMP, 1999	02/01/2021	Term 2 Coupon	5.000%	565,000	02/01/2009	100.000%
W REV IMP, 1999	02/01/2022	Term 2 Coupon	5.000%	595,000	02/01/2009	100.000%
W REV IMP, 1999	02/01/2023	Term 2 Coupon	5.000%	625,000	02/01/2009	100.000%
W REV IMP, 1999	02/01/2024	Term 2 Coupon	5.000%	655,000	02/01/2009	100.000%
Subtotal	-	-	-	\$6,240,000	-	-
Total	-	-	-	\$8,450,000	-	-

File | EAST WENATCHEE WATER DISTRICT.SF | WATER REV REF, 2004 | SINGLE PURPOSE | 1/21/2004 | 12:53 PM

D. A. Davidson & Co./Jack McLaughlin

Public Finance

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FINAL

\$8,245,000

EAST WENATCHEE WATER DISTRICT

Water Improvement Revenue Refunding Bonds, 2004

MBIA Bond Insurance Aaa/A3 BQ

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
02/01/2005	310,000.00	2.000%	289,235.00	599,235.00
02/01/2006	310,000.00	2.000%	283,035.00	593,035.00
02/01/2007	320,000.00	2.000%	276,835.00	596,835.00
02/01/2008	325,000.00	2.250%	270,435.00	595,435.00
02/01/2009	335,000.00	2.350%	263,122.50	598,122.50
02/01/2010	340,000.00	2.650%	255,250.00	595,250.00
02/01/2011	350,000.00	2.850%	246,240.00	596,240.00
02/01/2012	365,000.00	3.100%	236,265.00	601,265.00
02/01/2013	375,000.00	3.250%	224,950.00	599,950.00
02/01/2014	385,000.00	3.450%	212,762.50	597,762.50
02/01/2015	405,000.00	3.600%	199,480.00	604,480.00
02/01/2016	415,000.00	3.750%	184,900.00	599,900.00
02/01/2017	430,000.00	4.000%	169,337.50	599,337.50
02/01/2018	450,000.00	4.000%	152,137.50	602,137.50
02/01/2019	465,000.00	4.050%	134,137.50	599,137.50
02/01/2020	485,000.00	4.150%	115,305.00	600,305.00
02/01/2021	510,000.00	4.250%	95,177.50	605,177.50
02/01/2022	535,000.00	4.350%	73,502.50	608,502.50
02/01/2023	555,000.00	4.400%	50,230.00	605,230.00
02/01/2024	580,000.00	4.450%	25,810.00	605,810.00
Total	\$8,245,000.00	-	\$3,758,147.50	\$12,003,147.50

Yield Statistics

Accrued Interest from 02/01/2004 to 02/05/2004	3,213.72
Bond Year Dollars	\$96,005.00
Average Life	11.644 Years
Average Coupon	3.9145331%
Net Interest Cost (NIC)	4.0102707%
True Interest Cost (TIC)	3.9905427%
Bond Yield for Arbitrage Purposes	3.9482463%
All Inclusive Cost (AIC)	4.1384212%

IRS Form 8038

Net Interest Cost	3.9254093%
Weighted Average Maturity	11.615 Years

FINAL

\$8,245,000

EAST WENATCHEE WATER DISTRICT

Water Improvement Revenue Refunding Bonds, 2004

MBIA Bond Insurance Aaa/A3 BQ

Primary Purpose Fund Optimized Dedicated Portfolio

Maturity	Type	Coupon	Yield	\$ Price	Par Amount	Principal Cost	+Accrued Interest	= Total Cost
03/08/2004	FNMA-D	0.900%	0.913%	99.9200000%	1,205,000	1,204,036.00	-	1,204,036.00
01/14/2005	FHLB	4.125%	1.245%	102.6875000%	110,000	112,956.25	264.69	113,220.94
01/15/2006	FNMA	2.000%	1.868%	100.2500000%	111,000	111,277.50	283.67	111,561.17
01/15/2007	FNMA	5.000%	2.412%	107.3125000%	824,000	884,255.00	2,288.89	886,543.89
01/15/2009	FNMA	5.250%	3.320%	108.7343750%	6,156,000	6,693,688.13	17,955.00	6,711,643.13
-	-	-	-	-	\$8,406,000	\$9,006,212.88	\$20,792.25	\$9,027,005.13

Composition Of Initial Deposit

Cash Deposit	1,067.24
Cost of Investments Purchased with Bond Proceeds	9,027,005.13
Total Cost of Investments	\$9,028,072.37