

EVERETT SCHOOL DISTRICT NO. 2
SNOHOMISH COUNTY, WASHINGTON

UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, SERIES 2004

RESOLUTION NO. 795

A Resolution of the Board of Directors of Everett School District No. 2, Snohomish County, Washington, providing for the issuance and sale of general obligation refunding bonds of the District in the aggregate principal amount of \$16,980,000, for the purpose of providing the funds necessary to refund certain of the outstanding unlimited tax general obligation bonds of the District; providing and authorizing the purchase of certain obligations with the proceeds of the sale of such refunding bonds and for the use and application of the moneys to be derived from such investments; providing for the redemption of the outstanding bonds to be refunded; providing the date, form, terms and maturities of said refunding bonds and for unlimited tax levies to pay the principal thereof and interest thereon; and approving the sale of such bonds.

APPROVED ON FEBRUARY 24, 2004

PREPARED BY:

PRESTON GATES & ELLIS LLP
Seattle, Washington

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WHEREAS, Everett School District No. 2, Snohomish County, Washington (the "District") has outstanding its Unlimited Tax General Obligation Bonds, Series 1997, issued under date of January 1, 1997 pursuant to Resolution No. 606 adopted by the Board of Directors (the "Board") of the District on January 9, 1997, maturing in principal amounts and bearing interest as follows:

Maturity Dates (December 1)	Principal Amounts	Interest Rates
2004	\$ 1,825,000	4.80%
2005	4,430,000	4.95
2006	4,785,000	5.05
2007	2,000,000	5.15
2008	1,945,000	5.25
2009	2,380,000	5.35
2010	2,305,000	5.45
2011	2,520,000	5.55
2012	2,750,000	5.60
2013	4,465,000	5.65

(the "1997 Bonds"); and

WHEREAS, Resolution No. 606 provides that the District may call the 1997 Bonds maturing on and after December 1, 2008 (the "Refunded Bonds") for redemption on and after

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Exhibit A – Form of Escrow Deposit Agreement

* This Table of Contents is not a part of the following resolution.

December 1, 2007, in whole at any time, or in part on any interest payment date, at the price of par plus accrued interest, if any, to the date of redemption; and

WHEREAS, as a result of changed market conditions, it appears to the Board that a substantial debt service savings may be obtained by refunding the Refunded Bonds through the issuance of unlimited tax general obligation refunding bonds in an aggregate principal amount of \$16,980,000 herein authorized (hereinafter defined as the "Bonds"); and

WHEREAS, in order to effect such refunding in the most economical manner it is deemed necessary and advisable that the proceeds of the sale of the Bonds and, if necessary, other moneys available and required for refunding purposes be invested in obligations maturing in such amounts and of such times as are required to pay the interest on the Refunded Bonds as the same become due, and to redeem and retire the Refunded Bonds on the first date on which each series of Refunded Bonds may be called for redemption prior to their respective scheduled maturities; and

WHEREAS, the District has received an offer to purchase the Bonds from Banc of America Securities LLC and Citigroup Global Markets Inc., which offer this Board finds acceptable;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF EVERETT SCHOOL DISTRICT NO. 2, SNOHOMISH COUNTY, WASHINGTON, as follows:

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

Acquired Obligations means the Government Obligations acquired by the District under the terms of this resolution and the Escrow Agreement to effect the defeasance and refunding of the Refunded Bonds.

Board means the Board of Directors of the District as the same shall be duly and regularly constituted from time to time.

Bond Insurance Policy means the municipal bond insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

Bond Register means the registration records for the Bonds maintained by the Bond Registrar.

Bond Registrar means the fiscal agency of the State of Washington in New York, New York, whose duties include registering and authenticating the Bonds, maintaining the Bond Register, transferring ownership of the Bonds, and paying the principal of and interest on the Bonds.

Bonds mean the \$16,980,000 principal amount of Everett School District No. 2, Snohomish County, Washington Unlimited Tax General Obligation Refunding Bonds, Series 2004 issued pursuant to this resolution.

Code means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department of the Internal Revenue Service, to the extent applicable to the Bonds.

Commission means the Securities and Exchange Commission.

Credit Enhancement Program means the program for enhancing the credit of voter-approved school district general obligation bonds established by Senate Joint Resolution 8206 of the 1999 State Legislature, codified as RCW Ch. 39.98.

Debt Service Fund means the special fund of the District of that name created in the office of the Treasurer pursuant to RCW 28A.320.330.

Designated Representative means the Superintendent or Associate Superintendent, Finance and Operations of the District.

District means Everett School District No. 2, Snohomish County, Washington, a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington.

DTC means The Depository Trust Company of New York, New York, as depository for the Bonds, or any successor depository for the Bonds.

Escrow Agent means Wells Fargo Bank, National Association, Portland, Oregon.

Escrow Agreement means the Escrow Deposit Agreement to be dated as of the date of closing of the Bonds and substantially in the form attached as Exhibit A hereto.

Government Obligations means those obligations now or hereafter defined as such in Chapter 39.53 RCW, as such chapter may be hereafter amended or restated.

Insurer means Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof, as issuer of a Bond Insurance Policy for the Bonds.

Letter of Representations means the Blanket Letter of Representations from the District to DTC.

MSRB means the Municipal Securities Rulemaking Board or any successors to its functions.

1997 Bonds means the Unlimited Tax General Obligation Bonds, Series 1997 of the District, issued under date of January 1, 1997 pursuant to Resolution No. 606 adopted by the Board on January 9, 1997, and presently outstanding in the principal amount of \$29,405,000.

NRMSIR means a nationally recognized municipal securities information repository.

Purchase Contract means the bond purchase agreement between the District and the Underwriters provided for in Section 12 of this resolution.

Refunded Bonds means the 1997 Bonds maturing on and after December 1, 2008.

Registered Owner means the person in whose name a Bond is registered on the Bond Register. For so long as District utilizes the book-entry system for the Bonds, DTC shall be deemed to be the Registered Owner.

Rule means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as amended from time to time.

SID means a state information depository for the State of Washington (if one is created).

State Treasurer means the Treasurer of the State of Washington, or any successor to the functions thereof.

Treasurer means the Snohomish County Treasurer, as *ex officio* treasurer of the District, or any successor to the functions of the Treasurer.

Underwriters means Banc of America Securities LLC, Seattle, Washington and Citigroup Global Markets Inc., Seattle, Washington.

Section 2. Authorization of Bonds. For the purpose of providing for the refunding of the Refunded Bonds and thereby effecting a substantial savings to the District and its taxpayers, the District shall now issue and sell unlimited tax general obligation refunding bonds in the aggregate principal amount of \$16,980,000 (the "Bonds"). The Bonds shall be dated as of

March 1, 2004, shall be fully registered as to both principal and interest, shall be in the denomination of \$5,000 each or any integral multiple thereof, provided that no Bond shall represent more than one maturity, shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification, and shall bear interest from their date payable on June 1, 2004, and semiannually thereafter on the first days of each December and June. The Bonds shall mature in the following years and in the following amounts, bearing interest at the following rates:

<u>Maturity Years</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
06/01/2004	\$ 255,000	2.00%
12/01/2004	85,000	2.00
06/01/2008	2,000,000	5.00
06/01/2009	2,445,000	5.00
06/01/2010	2,360,000	5.00
06/01/2011	2,575,000	5.00
06/01/2012	2,795,000	5.00
06/01/2013	2,230,000	3.45
12/01/2013	2,235,000	3.50

Section 3. Registration, Payment and Transfer.

(a) *Bond Registrar/Bond Register.* The District hereby requests that the Treasurer specify and adopt the system of registration and transfer for the Bonds approved by the Washington State Finance Committee from time to time through the appointment of state fiscal agencies. The District shall cause a bond register to be maintained by the Bond Registrar. So long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration of transfer of Bonds at its principal corporate trust office. The Bond Registrar may be removed at any time at the option of the Treasurer upon prior notice to the Bond Registrar, DTC, each NRMSIR and SID, if any, and a successor Bond Registrar appointed by the Treasurer. No resignation or removal of the Bond Registrar shall be effective

until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf of the District, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this resolution and to carry out all of the Bond Registrar's powers and duties under this resolution. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

(b) *Registered Ownership.* The District and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in Section 12 of this resolution), and neither the District nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 3(h) hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 3(h) shall be valid and shall satisfy and discharge the liability of the District upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations.* To induce DTC to accept the Bonds as eligible for deposit at DTC, the District has executed and delivered to DTC a Letter of Representations.

Neither the District nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this resolution

(except such notices as shall be required to be given by the District to the Bond Registrar or to DTC (or any successor depository), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully-immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

If any bond shall be duly presented for payment and funds have not been duly provided by the District on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until such Bond is paid.

(d) *Use of Depository.*

(i) The Bonds shall be registered initially in the name of "CEDE & Co.", as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Designated Representative pursuant to subsection (ii) below or such substitute depository's successor; or (C) to any person as provided in subsection (iv) below.

(ii) 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 Designated Representative to discontinue the system of book entry transfers through DTC or its successor (or

any substitute depository or its successor), the Designated Representative may hereafter 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.

(iii) In the case of any transfer pursuant to clause (A) or (B) of subsection (i) above, the Bond Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the Designated Representative, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Designated Representative.

(iv) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Designated Representative determines that it is in the best interest of the beneficial owners of the Bonds that such owners be able to obtain such bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully-immobilized form. The Designated Representative shall deliver a written request to the Bond Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds together with a written request on behalf of the Designated Representative to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but

no transfer of any such Bond shall be valid unless such Bond is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer or to exchange any Bond during the 15 days preceding the date any such Bond is to be redeemed.

(f) *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become the Registered Owner of any Bond 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 member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

(g) *Registration Covenant.* The District covenants that, until all Bonds have been surrendered and cancelled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

(h) *Place and Medium of Payment.* The 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

calculated on the basis of a 360-day year and twelve 30-day months. For so long as all Bonds are in fully-immobilized form, such payments of principal and interest thereon shall be made as provided in the operational arrangements of DTC as referred to in the Letter of Representations.

In the event that the Bonds are no longer in fully-immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners of the Bonds at the addresses for such Registered Owners 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 such Bonds by the Registered Owners at the principal office of the Bond Registrar.

Section 4. Redemption and Purchase of Bonds.

(a) *No Redemption.* The Bonds are not subject to redemption prior to their stated maturities.

(b) *Purchase of Bonds.* The District reserves the right to purchase any of the Bonds offered to the District at any time at a price deemed reasonable by the District.

Section 5. Form of Bonds. The Bonds shall be in substantially the following form:

WASHINGTON STATE SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM

Payment of principal of and interest on this bond, when due, is guaranteed by the full faith, credit and taxing power of the STATE OF WASHINGTON under the provisions of the Washington State School District Credit Enhancement Program.

STATEMENT OF INSURANCE

Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Bond to The Bank of New York, New York, New York, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Financial Security or the Paying Agent.

UNITED STATES OF AMERICA

NO. _____

\$ _____

STATE OF WASHINGTON
EVERETT SCHOOL DISTRICT NO. 2,
SNOHOMISH COUNTY

UNLIMITED TAX GENERAL OBLIGATION REFUNDING BOND, SERIES 2004

INTEREST RATE:

MATURITY DATE:

CUSIP NO.:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

Everett School District No. 2, Snohomish County, Washington, (the "District"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from March 1, 2004, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on June 1, 2004, and semiannually thereafter on the first days of each succeeding December and June. Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the District to DTC. Principal shall be paid to the Registered Owner or assigns upon presentation and surrender of this bond at the principal office of the fiscal agency of the State of Washington in New York, New York (the "Bond Registrar").

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under Resolution No. 795 of the District (the "Bond Resolution") until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

This bond is one of an authorized issue of bonds of like date and tenor, except as to number, amount, rate of interest and date of maturity in the aggregate principal amount of \$16,980,000, and is issued for the purpose of refunding certain outstanding general obligation bonds of the District.

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and resolutions duly adopted by the Board of Directors.

The bonds of this issue are not subject to redemption prior to their scheduled maturities.

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

DATE OF AUTHENTICATION: _____

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Bond Resolution and is one of the Unlimited Tax General Obligation Refunding Bonds, Series 2004 of the District, dated March 1, 2004.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____
Authorized Signatory

Section 6. Execution of Bonds. The Bonds shall be executed on behalf of the District with the facsimile or manual signatures of the President and Secretary of its Board. In case either or both of the officers who have signed or attested any of the Bonds cease to be such officer before such Bonds have been actually issued and delivered, such Bonds shall be valid nevertheless and may be issued by the District with the same effect as though the persons who had signed or attested such Bonds had not ceased to be such officers, and any Bond may be signed or attested on behalf of the District by officers who at the date of actual execution of such Bond are the proper officers, although at the nominal date of execution of such Bond such officer was not an officer of the District.

Only Bonds that bear a Certificate of Authentication in the form set forth in Section 5, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution. Such 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.

Section 7. Lost or Destroyed Bonds. If any Bonds are lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond or Bonds of like amount, maturity and tenor to the Registered Owner upon the owner's paying the expenses and charges of the Bond Registrar and the District in connection with preparation and authentication of the replacement Bond or Bonds and upon his or her filing with the Bond Registrar and the District evidence satisfactory to both that such Bond or Bonds were actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the District and the Bond Registrar with indemnity satisfactory to both.

Section 8. Refunding Plan; Application of Bond Proceeds.

(a) *Refunding Plan.* For the purpose of realizing a debt service savings and benefiting the taxpayers of the District, the Board proposes to issue refunding bonds for the purpose of providing for the payment of the principal of and interest on and the redemption price (or principal due at maturity) of the following outstanding bonds of the District.

The Refunded Bonds shall be called for redemption at 100% of par on December 1, 2007.

(b) *Refunding Account.* There is hereby authorized to be created in the Debt Service Fund an account known as the "Refunding Account" which Account is to be drawn upon for the sole purpose of paying the principal of and interest on the Refunded Bonds until their date of redemption and of paying costs related to the refunding of the Refunded Bonds.

The proceeds of sale of the Bonds (exclusive of accrued interest thereon, which shall be paid into the Debt Service Fund and used to pay interest on the Bonds on June 1, 2004) shall be credited to the Refunding Account.

Money in the Refunding Account shall be used immediately upon receipt to defease the Refunded Bonds as authorized by the resolutions authorizing the issuance of the Refunded Bonds

and to pay costs of issuance. The District shall defease the Refunded Bonds and discharge such obligations by the use of money in the Refunding Account to purchase certain Government Obligations (which obligations so purchased, are herein called "Acquired Obligations"), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance, will provide for the payment of the redemption price of the Refunded Bonds (100% of the principal amount thereof) on December 1, 2007.

Such Acquired Obligations shall be purchased at a yield not greater than the yield permitted by the Code and regulations relating to acquired obligations in connection with refunding bond issues.

(c) *Escrow Agent/Escrow Agreement.* The District hereby appoints the corporate trust department of Wells Fargo Bank, National Association, Portland, Oregon, as the Escrow Agent for the Refunded Bonds (the "Escrow Agent"). A beginning cash balance, if any, and the Acquired Obligations shall be deposited irrevocably with the Escrow Agent in an amount sufficient to defease the Refunded Bonds. The proceeds of the Bonds remaining in the Refunding Account after acquisition of the Acquired Obligations and provision for the necessary beginning cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations and expenses of the issuance of the Bonds.

In order to carry out the purposes of this section, the President or the Secretary of the Board are authorized and directed to execute and deliver to the Escrow Agent, an Escrow Deposit Agreement, substantially in the form attached hereto as Exhibit A.

(d) *Call for Redemption of Refunded Bonds.* The District hereby irrevocably sets aside sufficient funds out of the purchase of Acquired Obligations from proceeds of the Refunded Bonds to make the payments described in Subsections (a) and (b) of this Section.

The District hereby irrevocably calls the Refunded Bonds for redemption on December 1, 2007 in accordance with the provisions of Resolution No. 606, authorizing the issuance and/or redemption of the Refunded Bonds.

Said defeasance and call for redemption of the Refunded Bonds shall be irrevocable after the final establishment of the escrow account and delivery of the Acquired Obligations to the Escrow Agent.

The Escrow Agent is hereby authorized and directed to provide for the giving of notices of the redemption of the Refunded Bonds in accordance with the applicable provisions of Resolution No. 606, authorizing the issuance of the Refunded Bonds. The Treasurer is authorized and requested to provide whatever assistance is necessary to accomplish such redemption and the giving of notices therefor. The costs of publication of such notices shall be an expense of the District.

The District will take such actions as are found necessary to ensure that all necessary and proper fees, compensation and expenses of the Escrow Agent for the Refunded Bonds shall be paid when due.

Section 9. Pledge of Taxes and Credit. The District hereby irrevocably covenants that, unless the principal of and interest on the Bonds are paid from other sources, it will make annual levies of taxes without limitation as to rate or amount upon all of the property in the District subject to taxation in amounts sufficient to pay such principal and interest as the same shall become due and will pay the same into the Debt Service Fund. The full faith, credit and

resources of the District are hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of such principal and interest.

Section 10. Defeasance. In the event that money and/or Government Obligations maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire part or all of the Bonds in accordance with their terms, are set aside in a special account of the District to effect such redemption and retirement, and such moneys and the principal of and interest on such Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Debt Service Fund for the payment of the principal of and interest on the Bonds so provided for, and such Bonds shall cease to be entitled to any lien, benefit or security of this resolution except the right to receive the moneys so set aside and pledged, and such Bonds shall be deemed not to be outstanding hereunder.

Within 60 days of any defeasance of bonds the Bond Registrar shall provide notice of defeasance of Bonds to Registered Owners and to each NRMSIR and SID, if any, in accordance with Section 14.

Section 11. Tax Covenant.

(a) *Arbitrage Covenant.* The District hereby covenants that it will not make any use of the proceeds of sale of the Bonds or any other funds of the District which may be deemed to be proceeds of such Bonds pursuant to Section 148 of the Code which will cause the Bonds to be “arbitrage bonds” within the meaning of said section. The District will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bonds) throughout the term of the Bonds.

(b) *Private Person Use Limitation for Bonds.* The District covenants that for as long as the Bonds are outstanding, it will not permit:

(i) More than 10% of the Net Proceeds of the Bonds to be allocated to any Private Person Use; and

(ii) More than 10% of the principal or interest payments on the Bonds in a Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the District) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The District further covenants that, if:

(iii) More than five percent of the Net Proceeds of the Bonds are allocable to any Private Person Use; and

(iv) More than five percent of the principal or interest payments on the Bonds in a Bond Year are (under the terms of this resolution or any underlying arrangement) directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the District) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (1) any Private Person Use of the projects described in subsection (iii) hereof or Private Person Use payments described in subsection (iv) hereof that is in excess of the five percent limitations described in such subsections (iii) or (iv) will be for a Private Person Use that is related to the state or local governmental use of the projects financed or refinanced with Bond proceeds, and (2) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the state or local

The bonds of this issue are not "private activity bonds" as such term is defined in the Internal Revenue Code of 1986, as amended (the "Code"). The bonds of this issue are not "qualified tax-exempt obligations" under Section 265(b) of the Code for banks, thrift institutions and other financial institutions.

The District has irrevocably covenanted that it will levy taxes annually upon all the taxable property in the District without limitation as to rate or amount and in amounts sufficient, with other monies legally available therefor, to pay the principal of and interest on the bonds of this issue as the same shall become due. The full faith, credit and resources of the District are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest. The pledge of tax levies may be discharged prior to maturity of the bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Resolution authorizing their issuance.

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

IN WITNESS WHEREOF, Everett School District No. 2, Snohomish County, Washington has caused this bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors as of this 1st day of March 2004.

EVERETT SCHOOL DISTRICT NO. 2,
SNOHOMISH COUNTY, WASHINGTON

By /s/ manual or facsimile
President, Board of Directors

ATTEST:

 /s/ manual or facsimile
Secretary, Board of Directors

governmental use portion of the projects to which the Private Person Use of such portion of such projects relates. The District further covenants that it will comply with any limitations on the use of the projects by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the Bonds. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds.

(c) *No Designation under Section 265(b).* The Bonds are not “qualified tax-exempt obligations” under Section 265(b)(3) of the Code for investment by financial institutions.

Section 12. Sale of the Bonds. The Board finds that the Purchase Contract that has been distributed to the Board is reasonable and that it is in the best interest of the District that the Bonds shall be sold upon the conditions set forth in the Purchase Contract. The District accepts the Purchase Contract and authorizes the President or Secretary of the Board of Directors or the Associate Superintendent, Finance and Operations to execute the Purchase Contract and deliver it to the Underwriters. The Bonds shall be issued and delivered to the Underwriters upon payment of the purchase price specified in the Purchase Contract.

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

Section 13. Official Statement. The District approves the preliminary Official Statement presented to this Board and authorizes the Underwriters’ distribution of the preliminary Official Statement in connection with the offering of the Bonds. Pursuant to the Rule, the District deems the preliminary Official Statement dated February 18, 2004 as final as of

its date except for the omission of information dependent upon the pricing of the Bonds and the completion of the Purchase Contract. The District agrees to cooperate with the Underwriters to deliver or cause to be delivered, within seven business days from the date of the sale of the Bonds and in sufficient time to accompany any confirmation that requests payment from any customer of the Underwriters, copies of a final Official Statement in sufficient quantity to comply with paragraph (b)(4) of the Rule and the rules of the MSRB. The District authorizes the Underwriters to use the Official Statement, substantially in the form of the preliminary Official Statement, in connection with the sale of the Bonds. The Secretary of the Board and/or the Associate Superintendent, Finance and Operations are hereby authorized to review and approve on behalf of the District the final Official Statement relative to the Bonds with such additions and changes as may be deemed necessary or advisable.

Section 14. Undertaking to Provide Ongoing Disclosure.

(a) *Contract/Undertaking.* This section constitutes the District's written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

(b) *Financial Statements/Operating Data.* The District agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the SEC in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 2005 for the fiscal year ended August 31, 2004):

1. Annual financial statements, which statements may or may not be audited, showing ending fund balances for the District's general fund prepared in accordance with the Budget Accounting and Reporting System prescribed by the Superintendent of Public Instruction and Washington State Auditor pursuant to RCW 43.09.200, 28A.505.020, 28A.505.090, and 28A.505.140 (or any successor statute) and generally of the type included in

the official statement for the Bonds under the heading "Comparative Statement of General Fund Revenues and Expenditures";

2. The assessed valuation of taxable property in the District;
3. Ad valorem taxes due and percentage of taxes collected;
4. Property tax levy rate per \$1,000 of assessed valuation; and
5. Outstanding general obligation debt of the District.

Items 2-5 shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be provided on or before nine months after the end of the District's fiscal year. The District's current fiscal year ends August 31. The District may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the District may cross-reference to other documents provided to the NRMSIR, the SID or to the SEC and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

If not provided as part of the annual financial information discussed above, the District shall provide the District's audited annual financial statement prepared in accordance with the Budget Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200, 28A.505.140, 28A.505.010, and 28A.505.020 (or any successor statute) when and if available to each then existing NRMSIR and the SID, if any.

(c) *Material Events.* The District agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

- Principal and interest payment delinquencies;
- Non-payment related defaults;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- Modifications to the rights of Bond owners;
- Bond calls (optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856);
- Defeasances;
- Release, substitution or sale of property securing repayment of the Bonds; and
- Rating changes.

Solely for purposes of disclosure, and not intending to modify this undertaking, the District advises that no debt service reserves, credit enhancement or property secures payment of the Bonds.

(d) *Notification Upon Failure to Provide Financial Data.* The District agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB and to

the SID, if any, notice of its failure to provide the annual financial information described in Subsection (b) above on or prior to the date set forth in Subsection (b) above.

(e) *Termination/Modification.* The District's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this section shall be null and void if the District (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (2) notifies each NRMSIR and the SID, if any, of such opinion and the cancellation of this section.

Notwithstanding any other provision of this resolution, the District may amend this section with an opinion of nationally recognized bond counsel in accordance with the Rule. In the event of any amendment of this section, the District shall describe such amendment in the next annual report, and shall include, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Subsection (c), and (ii) the annual report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(f) *Bond Owner's Remedies Under This Section.* The right of any bondowner or beneficial owner of Bonds to enforce the provisions of this section shall be limited to a right to

obtain specific enforcement of the District's obligations under this section, and any failure by the District to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds. For purposes of this section, "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

(g) *State of Washington as Obligated Party.* In accordance with the Rule, the State of Washington is also an obligated party with respect to the Bonds and will provide the information described in Appendix C of the preliminary and final Official Statement under the heading "State of Washington — Continuing Disclosure".

(h) *No Default.* The District is not and has not been in default in the performance of its obligations of any prior undertaking for ongoing disclosure with respect to its bond obligations.

Section 15. Credit Enhancement Program. The Board of Directors by Resolution No. 793 has requested that the State Treasurer issue a certificate of eligibility in favor of the district for participation by the District in the Credit Enhancement Program with respect to the Bonds, and has authorized and directed the Superintendent and/or Associate Superintendent, Finance and Operations to submit such applications, resolutions and certifications as shall be required by the State Treasurer in review of the District's request for participation. The State Treasurer has issued a certificate of eligibility in favor of the District for participation by the District in the Credit Enhancement Program with respect to the Bonds.

Section 16. Bond Insurance. In accordance with the offer of the Underwriter to purchase the Bonds, the Board hereby approves the commitment of the Insurer to provide a bond insurance policy guaranteeing the payment when due of principal of and interest on the Bonds

(the "Bond Insurance Policy"). The Board further authorizes and directs all proper officers, agents, attorneys and employees of the District to execute a commitment letter with the Insurer and to cooperate with the Insurer in preparing such additional agreements, certificates, and other documentation on behalf of the District as shall be necessary or advisable in providing for the Bond Insurance Policy.

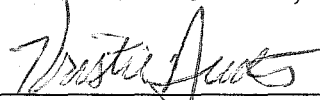
Section 17. General Authorization and Ratification. The President and Secretary of the Board of Directors and other appropriate officers of the District are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry out the terms of, and complete the transactions contemplated by, this resolution. All acts taken pursuant to the authority of this resolution but prior to its effective date are hereby ratified.

Section 18. Severability. If any provision in this resolution is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provision of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bonds.

Section 19. Effective Date. This resolution shall become effective immediately upon its adoption.

ADOPTED by the Board of Directors of Everett School District No. 2, Snohomish County, Washington, at a regular meeting thereof held this 24th day of February, 2004.

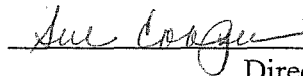
EVERETT SCHOOL DISTRICT NO. 2,
SNOHOMISH COUNTY, WASHINGTON




President and Director



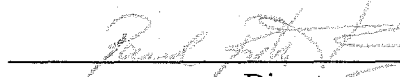
Director



Director

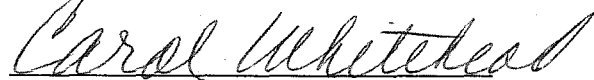


Director



Director

ATTEST:



Secretary, Board of Directors

EXHIBIT A

ESCROW DEPOSIT AGREEMENT

**EVERETT SCHOOL DISTRICT NO. 2
SNOHOMISH COUNTY, WASHINGTON
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, SERIES 2004**

THIS ESCROW AGREEMENT, dated as of March 10, 2004 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the EVERETT SCHOOL DISTRICT NO. 2, SNOHOMISH COUNTY, WASHINGTON (herein called the "District") and WELLS FARGO BANK, NATIONAL ASSOCIATION, PORTLAND, OREGON as Escrow Agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The notice addresses of the District, the District Treasurer and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

WITNESSETH:

WHEREAS, the District has issued and there presently remain outstanding the obligations described in Exhibit B (the "Refunded Bonds"); and

WHEREAS, pursuant to Resolution No. 795 adopted on February 24, 2004 (the "Bond Resolution"), the District has determined to issue its Unlimited Tax General Obligation Refunding Bonds, Series 2004 (the "Refunding Bonds"). A portion of the Refunding Bonds are being used for the purpose of providing funds to pay the costs of refunding the Refunded Bonds; and

WHEREAS, the Escrow Agent has reviewed this Agreement and the Bond Resolution, and is willing to serve as Escrow Agent; and

WHEREAS, Grant Thornton LLP, Certified Public Accountants, of Minneapolis, Minnesota has prepared a verification report which is dated March 10, 2004 (the "Verification Report") relating to the source and use of funds available to accomplish the refunding of the Refunded Bonds, the investment of such funds and the adequacy of such funds and investments to provide for the payment of the debt service due on the Refunded Bonds.

WHEREAS, pursuant to the Bond Resolution, the Refunded Bonds have been designated for redemption prior to their scheduled maturity dates and, after provision is made for such redemption, the Refunded Bonds will come due in such years, bear interest at such rates, and be payable at such times and in such amounts as are set forth in Exhibit C; and

WHEREAS, when Escrowed Securities have been deposited with the Escrow Agent for the payment of all principal and interest of the Refunded Bonds when due, then the Refunded Bonds shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

WHEREAS, the Refunding Bonds have been duly authorized to be issued, sold, and delivered for the purpose of obtaining the funds required to provide for the payment of the principal of, interest on and redemption premium (if any) on the Refunding Bonds when due as shown on Exhibit C; and

WHEREAS, the District desires that, concurrently with the delivery of the Refunding Bonds to the purchasers, the proceeds of the Refunding Bonds, together with certain other available funds of the District, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as (the "Escrowed Securities") for deposit to the credit of the Escrow Fund and to establish a beginning cash balance (if needed) in the Escrow Fund; and

WHEREAS, the Escrowed Securities shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide money which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay interest on the Refunded Bonds as it accrues and becomes payable and the principal of the Refunded Bonds as it becomes due and payable; and

WHEREAS, to facilitate the receipt and transfer of proceeds of the Escrowed Securities, particularly those in book entry form, the District desires to establish the Escrow Fund at the principal corporate trust office of the Escrow Agent; and

WHEREAS, the Escrow Agent is a party to this Agreement to acknowledge its acceptance of the terms and provisions hereof;

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of principal of and the interest on the Refunded Bonds, the District and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

Article 1. Definitions

Section 1.1. Definitions.

Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

District Treasurer means the Snohomish County Treasurer, as *ex officio* treasurer of the District, or any successor to the functions of the Treasurer.

Escrow Fund means the fund created by this Agreement to be established, held and administered by the Escrow Agent pursuant to the provisions of this Agreement.

Escrowed Securities means the noncallable Government Obligations described in Exhibit D, or cash or other noncallable obligations substituted therefor pursuant to Section 4.2 of this Agreement.

Government Obligations means direct, noncallable (a) United States Treasury Obligations, (b) United States Treasury Obligations - State and Local Government Series, (c) non-prepayable obligations which are unconditionally guaranteed as to full and timely payment of principal and interest by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States.

Paying Agent means the fiscal agency of the State of Washington, as the paying agent for the Refunded Bonds.

Section 1.2. Other Definitions.

The terms "Agreement," "District," "Escrow Agent," "Bond Resolution," "Verification Report," "Refunded Bonds," and "Refunding Bonds" when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.3. Interpretations.

The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

Article 2. Deposit of Funds and Escrowed Securities

Section 2.1. Deposits in the Escrow Fund.

Concurrently with the sale and delivery of the Refunding Bonds the District shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds sufficient to purchase the Escrowed Securities and pay costs of issuance described in Exhibit D, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the District in writing.

Article 3. Creation and Operation of Escrow Fund

Section 3.1. Escrow Fund.

The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Refunding Account (the "Escrow Fund"). The Escrow Agent agrees that upon receipt it will deposit to the credit of the Escrow Fund the funds and the Escrowed

Securities described in Exhibit D. Such deposit, all proceeds therefrom, and all cash balances on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.2. When the final transfers have been made for the payment of such principal of and interest on the Refunded Bonds, any balance then remaining in the Escrow Fund shall be transferred to the District, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.2. Payment of Principal and Interest.

The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent from the cash balances on deposit in the Escrow Fund, the amounts required to pay the principal of the Refunded Bonds at their respective redemption dates and interest thereon to such redemption dates in the amounts and at the times shown in Exhibit C.

Section 3.3. Sufficiency of Escrow Fund.

The District represents that, based upon the information provided in the Verification Report, the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from in the Escrow Fund will be at all times sufficient to provide money for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Refunded Bonds as such interest comes due and the principal of the Refunded Bonds as the Refunded Bonds are paid on an optional redemption date prior to maturity, all as more fully set forth in Exhibit E. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by the Paying Agent to make the payments set forth in Section 3.2., the District shall timely deposit in the Escrow Fund, from any funds that are lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the District's failure to make additional deposits.

Section 3.4. Trust Fund.

The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Bonds; and a special account shall at all times be maintained on the books of the Escrow Agent. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit

by the District, and the Escrow Agent shall have no right to title with respect thereto except as a Agent and Escrow Agent under the terms of this Agreement.

Article 4. Limitation on Investments

Section 4.1. Investments.

Except for the initial investment in the Escrowed Securities, and except as provided in Section 4.2, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer, or otherwise dispose of the Escrowed Securities.

Section 4.2. Substitution of Securities.

At the written request of the District, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Escrow Fund, or sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Refunded Bonds or Government Obligations which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written opinion from a firm of certified public accountants that such transaction will not cause the amount of money and securities in the Escrow Fund to be reduced below an amount sufficient to provide for the full and timely payment of principal of and interest on all of the remaining Refunded Bonds as they become due, taking into account any optional redemption thereof exercised by the District in connection with such transaction; and (b) the Escrow Agent shall have received the unqualified written legal opinion of its bond counsel or tax counsel to the effect that such transaction will not cause any of the Refunding Bonds or Refunded Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

Article 5. Application of Cash Balances

Section 5.1. In General.

Except as provided in Section 2.1, 3.2 and 4.2 hereof, no withdrawals, transfers or reinvestment shall be made of cash balances in the Escrow Fund. Cash balances shall be held by the Escrow Agent in United States currency as cash balances as shown on the books and records of the Escrow Agent and, except as provided herein, shall not be reinvested by the Escrow Agent; provided, however, a conversion to currency shall not be required (i) for so long as the Escrow Agent's internal rate of return does not exceed 20%, or (ii) if the Escrow Agent's internal rate of return exceeds 20%, the Escrow Agent receives a letter of instructions, accompanied by the opinion of nationally recognized bond counsel, approving the assumed reinvestment of such proceeds at such higher yield.

Article 6. Redemption of Refunded Bonds

Section 6.1. Call for Redemption.

The District hereby irrevocably calls the Refunded Bonds for redemption on their earliest redemption dates, as shown in the Verification Report and on Appendix A attached hereto.

Section 6.2. Notice of Redemption/Notice of Defeasance.

The Escrow Agent agrees to give a notice of defeasance and a notice of the redemption of the Refunded Bonds to the Paying Agent for dissemination in accordance with the terms of Resolution No. 606, of the Board of Directors of the District and in substantially the forms attached as and as described in Appendices A and B to the Paying Agent for distribution as described therein. The notice of defeasance shall be given immediately following the execution of this Agreement, and the notice of redemption shall be given in accordance with the ordinance or resolution authorizing the Refunded Bonds. The Escrow Agent hereby certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notice of redemption of the Refunded Bonds.

Article 7. Records and Reports

Section 7.1. Records.

The Escrow Agent will keep books of record and account in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection during business hours and after reasonable notice.

Section 7.2. Reports.

While this Agreement remains in effect, the Escrow Agent annually shall prepare and send to the District a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the Refunded Bonds or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

Article 8. Concerning the Paying Agent and Escrow Agent

Section 8.1. Representations.

The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 8.2. Limitation on Liability.

The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the District promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Bonds shall be taken as the statements of the District and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent.

The Escrow Agent is not a party to the proceedings authorizing the Refunding Bonds or the Refunded Bonds and is not responsible for nor bound by any of the provisions thereof (except to the extent that the Escrow Agent may be a place of payment and paying agent and/or a paying agent/registrar therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the District thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through its negligence or want of good faith.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the District with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the District or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the District at any time.

Section 8.3. Compensation.

The District shall pay to the Escrow Agent fees for performing the services hereunder and for the expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement pursuant to the terms of the Fee Schedule attached as Appendix C. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses as Escrow Agent or in any other capacity.

Section 8.4. Successor Escrow Agents.

If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as Escrow Agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the District, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the District within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Bonds then outstanding by an instrument or instruments in writing filed with the District, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Bond may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or any state, authorized under such laws to exercise corporate

trust powers, having a combined capital and surplus of at least \$100,000,000 and subject to the supervision or examination by federal or state authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the District and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the District shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

The obligations assumed by the Escrow Agent pursuant to this Agreement may be transferred by the Escrow Agent to a successor Escrow Agent if (a) the requirements of this Section 8.4 are satisfied; (b) the successor Escrow Agent has assumed all the obligations of the Escrow Agent under this Agreement; and (c) all of the Escrowed Securities and money held by the Escrow Agent pursuant to this Agreement have been duly transferred to such successor Escrow Agent.

Article 9. Miscellaneous

Section 9.1. Notice.

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the District, the District Treasurer or the Escrow Agent at the address shown on Exhibit A attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten days prior notice thereof.

Section 9.2. Termination of Responsibilities.

Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the District, the owners of the Refunded Bonds or to any other person or persons in connection with this Agreement.

Section 9.3. Binding Agreement.

This Agreement shall be binding upon the District and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Bonds, the District, the Escrow Agent and their respective successors and legal representatives.

Section 9.4. Severability.

In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 9.5. Washington Law Governs.

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Washington.

Section 9.6. Time of the Essence.

Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 9.7. Notice to Moody's and Standard & Poor's

In the event that this agreement or any provision thereof is severed, amended or revoked, the District shall provide written notice of such severance, amendment or revocation to Moody's Investors Service at 99 Church Street, New York, New York, 10007, Attention: Public Finance Rating Desk/ Refunded Bonds and to Standard and Poor's Ratings Services, a Division of The McGraw Hill Companies, 55 Water Street, New York, NY, 10041, Attention: Public Finance Rating Desk/Refunded Bonds.

Section 9.8. Amendments.

This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Bonds. No such amendment shall be made without first receiving written confirmation from the rating agencies, (if any) which have rated the Refunded Bonds that such administrative changes will not result in a withdrawal or reduction of its rating then assigned to the Refunded Bonds. If this Agreement is amended, prior written notice and copies of the proposed changes shall be given to the rating agencies which have rated the Refunded Bonds.

EXECUTED as of the date first written above.

**EVERETT SCHOOL DISTRICT NO. 2,
SNOHOMISH COUNTY, WASHINGTON**

Secretary, Board of Directors

**WELLS FARGO BANK, NATIONAL
ASSOCIATION, PORTLAND, OREGON**

Authorized Signatory

Exhibit A	-	Addresses of the District, the District Treasurer and the Escrow Agent
Exhibit B	-	Descriptions of the Refunded Bonds
Exhibit C	-	Schedule of Debt Service on Refunded Bonds
Exhibit D	-	Description of Beginning Cash Deposit and Escrowed Securities
Exhibit E	-	Escrow Fund Cash Flow
Appendix A	-	Notice of Redemption for the 1997 Bonds
Appendix B	-	Notice of Defeasance for the 1997 Bonds
Appendix C	-	Fee Schedule

EXHIBIT A
Addresses of the District, the District Treasurer and Escrow Agent

District: Everett School District No. 2
4730 Colby Ave.
P.O. Box 2098
Everett, WA 98203-0098
Attention: Associate Superintendent, Finance and Operations

District Treasurer: Snohomish County Treasurer
3000 Rockefeller Avenue
MS 501
Everett, WA 98201
Attention: Treasurer

Escrow Agent: Wells Fargo Bank, National Association
1300 SW 5th Avenue, MAC P6101-114
Portland, Oregon 97201
Attention: Vice President

EXHIBIT B
Description of the Refunded Bonds

Everett School District No. 2
Snohomish County, Washington
Unlimited Tax General Obligation Bonds, Series 1997
("1997 Bonds")

Maturity Years (December 1)	Principal Amounts	Interest Rates
2008	\$ 1,945,000	5.25%
2009	2,380,000	5.35
2010	2,305,000	5.45
2011	2,520,000	5.55
2012	2,750,000	5.60
2013	4,465,000	5.65

EXHIBIT C
Schedule of Debt Service on Refunded Bonds

Date	Interest	Principal/ Redemption Price	Total
06/01/2004	\$ 450,598.75		\$ 450,598.75
12/01/2004	450,598.75		450,598.75
06/01/2005	450,598.75		450,598.75
12/01/2005	450,598.75		450,598.75
06/01/2006	450,598.75		450,598.75
12/01/2006	450,598.75		450,598.75
06/01/2007	450,598.75		450,598.75
12/01/2007	<u>450,598.75</u>	<u>\$ 16,365,000.00</u>	<u>16,815,598.75</u>
TOTAL:	\$ 3,604,790.00	<u>\$ 16,365,000.00</u>	<u>\$ 19,969,790.00</u>

EXHIBIT D
Escrow Deposit

I. Cash \$0.92

II. Other Obligations

<u>Description</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Total Cost</u>
SLG-Cert.	06/01/2004	\$ 350,313	0.87%	\$ 350,313.00
SLG-Cert.	12/01/2004	229,261	1.05	229,261.00
SLG-Note	06/01/2005	231,016	1.22	231,016.00
SLG-Note	12/01/2005	232,424	1.50	232,424.00
SLG-Note	06/01/2006	234,168	1.77	234,168.00
SLG-Note	12/01/2006	236,241	2.03	236,241.00
SLG-Note	06/01/2007	238,638	2.28	236,638.00
SLG-Note	12/01/2007	<u>16,606,358</u>	2.52	<u>16,606,358.00</u>
		\$18,358,419		\$ 18,358,419.00

III. Costs of Issuance

Escrow Agent Fee.....	\$ 2,000.00
Bond Counsel Fee.....	29,000.00
Escrow Verification Fee	2,500.00
S&P Rating Fee	6,300.00
Moody's Rating Agency Fee	<u>6,250.00</u>
Total:.....	<u>\$ 46,050.00</u>

EXHIBIT E
Escrow Fund Cash Flow

<u>Date</u>	<u>Escrow Requirement</u>	<u>Net Escrow Receipts</u>	<u>Excess Receipts</u>	<u>Cash Balance</u>
03/10/2004	--	\$ 0.92	\$ 0.92	\$ 0.92
06/01/2004	\$ 450,598.75	450,598.46	(0.29)	0.63
12/01/2004	450,598.75	450,598.54	(0.21)	0.42
06/01/2005	450,598.75	450,599.22	0.47	0.89
12/01/2005	450,598.75	450,598.02	(0.73)	0.16
06/01/2006	450,598.75	450,598.84	0.09	0.25
12/01/2006	450,598.75	450,599.45	0.70	0.95
06/01/2007	450,598.75	450,598.60	(0.15)	0.80
12/01/2007	<u>16,815,598.75</u>	<u>16,815,598.12</u>	<u>(0.63)</u>	0.17
	<u>\$ 19,969,790.00</u>	<u>\$ 19,969,790.17</u>	<u>\$ 0.17</u>	

APPENDIX A-1

Notice of Redemption*
Everett School District No. 2
Snohomish County, Washington
Unlimited Tax General Obligation Bonds, Series 1997

NOTICE IS HEREBY GIVEN that the Everett School District No. 2, Snohomish County, Washington has called for redemption on December 1, 2007, its then outstanding Unlimited Tax General Obligation Bonds, Series 1997 (the "1997 Bonds").

The Bonds will be redeemed at a price of one hundred percent (100%) of their principal amount, plus interest accrued to December 1, 2007. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

The Bank of New York
Fiscal Agency Department
Ground Floor
101 Barclay Street
7 East
New York, NY 10286

-or-

Wells Fargo Bank, National
Association
Corporate Trust Department
14th Floor - M/S 257
999 Third Avenue
Seattle, WA 98104

Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on December 1, 2007.

The following Bonds are being redeemed:

Maturity Years (December 1)	Principal Amounts	Interest Rates	CUSIP Nos.
2008	\$1,945,000	5.25%	833119PC8
2009	2,380,000	5.35	833119PD6
2010	2,305,000	5.45	833119PE4
2011	2,520,000	5.55	833119PF1
2012	2,750,000	5.60	833119PG9
2013	4,465,000	5.65	833119PH7

By Order of Everett School District No. 2, Snohomish County, Washington

* This notice shall be given not more than 60 nor less than 30 days prior to December 1, 2007 by first class mail to each registered owner of the Refunded Bonds. In addition notice shall be mailed at least 30 days prior to December 1, 2007 to The Depository Trust Company of New York, New York; Citigroup Global Markets Inc., Seattle, Washington; Banc of America Securities LLC, Seattle, Washington; MBIA Insurance, Armonk, New York; Moody's Investors Service and Standard & Poor's Ratings Services.

The Bank of New York, as Paying Agent

Dated: _____.

Under the Interest and Dividend Tax Compliance Act of 1983, payor may be required to withhold 30% of the redemption price from any Bondowner who fails to provide to payor and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the Bonds are presented for payment. Bondowners who wish to avoid the application of these provisions should submit a completed Form W-9 when presenting their Bonds.

APPENDIX B-1

Notice of Defeasance*

Everett School District No. 2, Snohomish County, Washington Unlimited Tax General Obligation Bonds, Series 1997

NOTICE IS HEREBY GIVEN to the owners of that portion of the above-captioned bonds with respect to which, pursuant to an Escrow Agreement dated March 10, 2004, by and between the Everett School District No. 2, Snohomish County, Washington (the "District") and Wells Fargo Bank, National Association, Portland, Oregon, (the "Escrow Agent"), the District has deposited into an escrow account, held by the Escrow Agent, cash and non-callable direct obligations of the United States of America, the principal of and interest on which, when due, will provide money sufficient to pay each year, to and including the respective maturity or redemption dates of such bonds so provided for, the principal thereof and interest thereon (the "Defeased Bonds"). Such Defeased Bonds are therefore deemed to be no longer outstanding pursuant to the provisions of Resolution No. 606 of the District, authorizing the issuance of the Defeased Bonds, but will be paid by application of the assets of such escrow account.

The Defeased Bonds are described as follows:

Unlimited Tax General Obligation Bonds, Series 1997 (Dated January 1, 1997)

Original CUSIP Nos.	Maturity Date	Interest Rate	Par Amount Defeased	Call Date (At 100%)
833119PC8	12/01/2008	5.25%	\$ 1,945,000	12/01/2007
833119PD6	12/01/2009	5.35	2,380,000	12/01/2007
833119PE4	12/01/2010	5.45	2,305,000	12/01/2007
833119PF1	12/01/2011	5.55	2,520,000	12/01/2007
833119PG9	12/01/2012	5.60	2,750,000	12/01/2007
833119PH7	12/01/2013	5.65	4,465,000	12/01/2007

Information for Individual Registered Owner

The addressee of this notice is the registered owner of Bond Certificate No. _____ of the Defeased Bonds described above, which certificate is in the principal amount of \$ _____. All of which has been defeased as described above.

* This notice shall be given immediately by first class mail to each registered owner of the Defeased Bonds. In addition notice shall be mailed to The Depository Trust Company of New York, New York; The Bank of New York, as Fiscal Agent; Moody's Investors Service, New York, New York; and Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc., New York, New York, to the MSRB and to the NRMSIRs.

APPENDIX C

Fee Schedule

Escrow Agent Fee: \$2,000.00

CERTIFICATE

I, the undersigned, Secretary of the Board of Directors of Everett School District No. 2, Snohomish County, Washington, (the "District"), and keeper of the records of the Board of Directors (herein called the "Board"), DO HEREBY CERTIFY:

1. That the attached resolution is a true and correct copy of Resolution No. 795 of the Board (herein called the "Resolution"), duly passed at a regular meeting thereof held on the 24th day of February, 2004.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 24th day of February, 2004.


Secretary, Board of Directors



Jack L. Eaton
Managing Director
NW Public Finance

February 24, 2004

Honorable Board of Directors
Everett School District No. 2
4730 Colby Avenue
Everett, WA 98203

RE: Everett School District No. 2
Snohomish County, Washington
\$16,980,000 Unlimited Tax General Obligation Refunding Bonds, 2004

Honorable Board of Directors:

Banc of America Securities LLC, acting on behalf of itself and as representative ("Representative") of Citigroup Global Markets Inc., collectively ("the Purchasers"), offers to purchase from the Everett School District No. 2 ("Seller") all of the above-described bonds (the "Bonds"), on the terms and based upon the covenants, representations and warranties set forth below and in Appendix A, which is incorporated into this Bond Purchase Agreement (the "Agreement") by reference and contains a brief description of the Bonds, including principal amounts, maturities, interest rates, purchase price, and the proposed date and place of delivery and payment (the "Closing"). Other provisions of this Agreement are as follows:

1. Seller approved a Preliminary Official Statement and adopted a resolution on February 24, 2004 authorizing the Bonds (the "Bond Resolution") with such changes as are requested by the Seller and its counsel. The Purchasers are authorized by Seller to use these documents and the information contained in them in connection with the public offering of the Bonds and the Final Official Statement in connection with the sale and delivery of the Bonds.
2. Seller, to the best of its knowledge, represents and covenants to the Purchasers that:
 - (a) It has and will have at the Closing the power and authority to enter into and perform this Agreement, to adopt the Bond Resolution and to deliver and sell the Bonds to the Purchasers;
 - (b) This Agreement and the Bonds do not and will not conflict with, or constitute or create a breach or default under, any existing law, regulation, order or agreement to which Seller is subject;
 - (c) Other than the Bond Resolution and the State of Washington School District Credit Enhancement Program Certificate of Eligibility, no governmental approval or authorization is required in connection with the sale of the Bonds to the Purchasers;
 - (d) The Preliminary Official Statement with corrections, if any, noted by the Seller and its counsel, as of its date and (except as to matters corrected or added in the Final Official Statement) as of the Closing, is accurate and complete in all material respects as of its date with respect to matters relating to the District to the knowledge and belief of the officers and employees of the Seller, after due review;

- (e) The Seller has previously provided the Purchasers with a copy of its Preliminary Official Statement dated February 18, 2004. As of its date, the Preliminary Official Statement has been "deemed final" by the Seller for purposes of the United States Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(1);
 - (f) The Seller agrees to deliver or cause to be delivered to the Purchasers within seven business days after this Purchase Agreement and in sufficient time to accompany any confirmation that requests payment from any customer of the Purchasers, copies of a final Official Statement in sufficient quantity to comply with paragraph (b)(4) of the Securities and Exchange Commission Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board ("MSRB"). The Purchasers agrees to deliver copies of the Final Official Statement to each of the nationally recognized municipal securities information repositories on the business day on which the Final Official Statement is available, and in any event no later than seven business days after the date thereof. The Seller will have made an undertaking in its Bond Resolution to provide continuing disclosure in the form requested by the Purchasers in order to permit the Purchasers to meet the conditions of paragraph (d)(2) of the Rule as required under paragraph (b)(5) of the Rule;
 - (g) The Seller has not failed to comply with any prior undertaking to provide ongoing information pursuant to the Rule;
 - (h) The Seller has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Seller is a bond issuer whose arbitrage certificates may not be relied upon;
 - (i) If between the date of this Purchase Agreement and 25 days after the end of the underwriting period any event shall occur or any preexisting fact shall become known by the Seller which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Seller shall promptly notify the Purchasers, and if in the reasonable opinion of the Purchasers such event requires the preparation and distribution of a supplement or amendment to the Official Statement, the Seller will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Purchasers, which approval shall not be unreasonably withheld. The end of the underwriting period shall be the date of Closing unless the Seller is informed otherwise in writing by the Purchasers, in which case the end of the underwriting period may be extended, but no more than 15 days;
3. The Purchasers shall have the right to cancel the agreement to purchase the Bonds contained herein by notifying the Seller of its election to do so if, after the execution of this Agreement and prior to the Closing:
- (a) a decision by a court of the United States or the United States Tax Court shall be rendered, or a ruling or a regulation (final, temporary, or proposed) by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be issued and in the case of any such regulation, published in the Federal Register, or legislation shall have been introduced in, enacted by or favorably reported to either the House of Representatives or the Senate of the United States with respect to federal taxation upon interest received on bonds of the type and character of any of the Bonds which, in the reasonable judgment of the Purchasers, materially adversely affects the marketability of the Bonds or their sale by the Purchasers, at the contemplated public offering prices; or

- (b) the United States shall have become engaged in hostilities which have resulted in declaration of war or national emergency, or other national or international calamity or other event shall have occurred or accelerated to such an extent as, in the reasonable opinion of the Purchasers, to have a materially adverse affect on the marketability of the Bonds; or
 - (c) there shall have occurred a general suspension of trading on the New York Stock Exchange; or
 - (d) a general banking moratorium shall have been declared by United States, New York State or Washington State authorities; or
 - (e) legislation shall hereafter be enacted, or actively considered for enactment, with an effective date prior to the date of the delivery of the Bonds, or a decision by a court of the United States shall hereafter be rendered, or a ruling or regulation by the SEC or other governmental agency having jurisdiction on the subject matter shall hereafter be made, the effect of which is that:
 - (i) the Bonds are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and then in effect, or
 - (ii) the Bond Resolution is not exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect, or
 - (f) a stop order, ruling or regulation by the SEC shall hereafter be issued or made, the effect of which is that the issuance, offering or sale of the Bonds, as contemplated herein or in the Final Official Statement, is in violation of any provision of the Securities Act of 1933, as amended and as then in effect, and which, in its reasonable judgment, adversely affects the marketability of the Bonds or the market price thereof.
 - (g) An event shall have occurred which, in the reasonable opinion of the Purchasers, would materially adversely affect the ability of the Purchasers to market the Bonds or enforce contracts for the sale of the Bonds and requires the preparation and publication of a supplement or amendment to the Official Statement and such supplement or amendment has not been prepared;
4. The Purchasers' obligations hereunder are also subject to the following conditions:
- (a) At or prior to the Closing, Seller will deliver, make available to the Purchasers, or have adopted:
 - (i) The Bonds, in definitive book-entry form and duly executed;
 - (ii) A certificate from an authorized officer of Seller, in form and substance acceptable to the Seller and the Purchasers, stating that execution of the certificate shall constitute execution of the Final Official Statement by the Seller, that the Final Official Statement except for information about DTC or information about the Purchasers which is provided by the Purchasers, to the knowledge and belief of the officer signing the certificate, after due review, does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading, and that the representations of the Seller contained in this Agreement were true and correct when made and are true and correct as of the Closing;
 - (iii) The approving opinion of Bond Counsel dated the date of the Closing substantially in the form set forth on Appendix A to the final Official Statement and a supplemental opinion of Preston Gates and Ellis LLP, as Bond Counsel, dated the date of Closing and addressed to

the Purchasers, to the effect that the Bonds are not required to be registered under Securities Act of 1933, as amended, and the Bond Resolution need not be qualified under the Trust Indenture Act of 1939, as amended;

- (iv) Assignment to the Bonds of a rating of "Aaa" and "Aa3" by Moody's Investors Service and "AAA" and "AA-" by Standard & Poor's Rating Service, and the issuance of a municipal bond insurance policy and a Final Certificate of Eligibility on the Bonds by Financial Security Assurance, Inc. and the State of Washington's School District Credit Enhancement Program, respectively;
 - (v) The following documents delivered at the Closing:
 - (a) A certificate of the Seller, dated the day of the Closing to the effect that no litigation or other proceedings are pending or threatened in any way affecting the issuance, sale or delivery of, or security for, any of the Bonds.
 - (b) A certificate of the Seller setting forth the facts, estimates and circumstances in existence on the date of Closing which establish that it is not expected that the proceeds of the Bonds will be used in a manner that could cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code and any applicable regulations thereunder.
 - (c) Such additional certificates, instruments or other evidence as the Purchasers may deem reasonably necessary or desirable to evidence the due authorization, execution, authentication and delivery of the Bonds, the truth and accuracy as of the time of the Closing of the Seller's representations and warranties, and the conformity of the Bonds and Bond Resolution with the terms thereof as summarized in the Official Statement, and to cover such other matters as it reasonably requests.
 - (d) A certified copy of the Bond Resolution.
 - (e) The Washington State School District Credit Enhancement Program Final Certificate of Eligibility.
5. Seller will pay the cost of preparing, printing and executing the Bonds, the fees and disbursements of Bond Counsel, bond registration fees and expenses, bond rating fees, travel and lodging expenses of Seller's employees and representatives, and other expenses of Seller.

The Purchasers will pay fees and disbursements of Purchasers, including, but not limited to the Purchasers' travel expenses, the costs of preparing, printing and distributing the Preliminary Official Statement and Final Official Statement, the costs of any blue sky registration and the costs of complying with MSRB or other regulatory agency requirements and other expenses of the Purchasers.

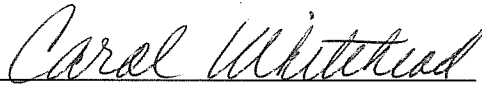
The Purchasers also may advance for Seller's account when approved or authorized by the Seller the cost of the items for which Seller is responsible by making payments to third-party vendors. In such cases, Seller shall pay such costs or expenses directly, upon submission of appropriate invoices by Purchasers, or promptly reimburse the Purchasers in the event the Purchasers has advanced such costs or expenses for Seller's account. It is understood that Seller shall be primarily responsible for payment of all such items and that the Purchasers may agree to advance the cost of such items from time to

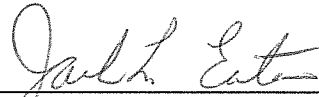
time solely as an accommodation to Seller and on the condition that it shall be reimbursed in full by Seller.

6. This Agreement is intended to benefit only the parties hereto, and Seller's representations and warranties shall survive delivery and payment for the Bonds, provided, that such representations and warranties are considered to be made only as of the date of this Agreement and the date of Closing, and the termination of this Agreement. If the Seller fails to satisfy any of the foregoing conditions or covenants, or if the Purchasers' obligations are terminated for any reason permitted under this Agreement, then neither the Purchasers nor the Seller shall have any further obligations under this Agreement, except that any expenses incurred shall be borne in accordance with Section 5.
7. This offer expires on the date, and at the time, set forth in Appendix A.

Accepted February 24, 2004
Everett School District No. 2

Respectfully submitted,
Banc of America Securities LLC


By: Carol Whitehead, Ed. D.
Title: Superintendent


By: Jack L. Eaton
Managing Director

APPENDIX A DESCRIPTION OF BONDS

- (a) **Purchase Price:** \$18,427,882.60 (\$108.526988 per \$100) plus accrued interest (if any) from the dated date to date of Closing.
- (b) **Dated Date:** March 1, 2004.
- (c) **Denominations:** \$5,000, or integral multiples thereof.
- (d) **Form :** Book-Entry Only (as defined in the DTC Book-Entry System appendix to the Preliminary Official Statement).
- (e) **Interest Payment Dates:** June 1 and December 1, commencing June 1, 2004.
- (f) **Maturity Schedule:** Principal of the Bonds shall mature and bear interest as follows:

\$16,980,000 Unlimited Tax General Obligation Refunding Bonds, 2004

Due	Amount	Rate	Yield or Price	Due	Amount	Rate	Yield or Price
6/1/2004	\$255,000	2.00%	1.00%	6/1/2011	\$2,575,000	5.00%	2.95%
12/1/2004	85,000	2.00	1.10	6/1/2012	2,795,000	5.00	3.15
6/1/2008	2,000,000	5.00	2.20	6/1/2013	2,230,000	3.45	100
6/1/2009	2,445,000	5.00	2.45	12/1/2013	2,235,000	3.50	100
6/1/2010	2,360,000	5.00	2.70				

- (g) **Optional Redemption:** The Bonds are not subject to redemption prior to maturity.
- (h) **Closing Date:** With definitive Bonds on March 10, 2004.
- (i) **Tax Exemption:** The District has NOT designated the Bonds as “qualified tax-exempt obligations” under the Internal Revenue Code of 1986, as amended.
- (j) **Offer Expires:** 11:59 p.m., (Pacific), February 24, 2004.
- (k) **Bond Counsel:** Preston Gates & Ellis LLP

For Information Purposes Only:

Gross Interest Cost	\$5,367,580.00
Less: Net Original Issue Premium	(1,551,800.20)
Plus: Purchasers' Discount	<u>103,917.60</u>
Net Interest Cost	\$3,919,697.40
Net Interest Cost (%)	3.256645%
All-In-True Interest Cost (%)	3.168357%



Jack L. Eaton
Managing Director
NW Public Finance

February 24, 2004

Honorable Board of Directors
Everett School District No. 2
4730 Colby Avenue
Everett, WA 98203

RE: Everett School District No. 2
Snohomish County, Washington
\$16,980,000 Unlimited Tax General Obligation Refunding Bonds, 2004

Honorable Board of Directors:

Banc of America Securities LLC, acting on behalf of itself and as representative ("Representative") of Citigroup Global Markets Inc., collectively ("the Purchasers"), offers to purchase from the Everett School District No. 2 ("Seller") all of the above-described bonds (the "Bonds"), on the terms and based upon the covenants, representations and warranties set forth below and in Appendix A, which is incorporated into this Bond Purchase Agreement (the "Agreement") by reference and contains a brief description of the Bonds, including principal amounts, maturities, interest rates, purchase price, and the proposed date and place of delivery and payment (the "Closing"). Other provisions of this Agreement are as follows:

1. Seller approved a Preliminary Official Statement and adopted a resolution on February 24, 2004 authorizing the Bonds (the "Bond Resolution") with such changes as are requested by the Seller and its counsel. The Purchasers are authorized by Seller to use these documents and the information contained in them in connection with the public offering of the Bonds and the Final Official Statement in connection with the sale and delivery of the Bonds.
2. Seller, to the best of its knowledge, represents and covenants to the Purchasers that:
 - (a) It has and will have at the Closing the power and authority to enter into and perform this Agreement, to adopt the Bond Resolution and to deliver and sell the Bonds to the Purchasers;
 - (b) This Agreement and the Bonds do not and will not conflict with, or constitute or create a breach or default under, any existing law, regulation, order or agreement to which Seller is subject;
 - (c) Other than the Bond Resolution and the State of Washington School District Credit Enhancement Program Certificate of Eligibility, no governmental approval or authorization is required in connection with the sale of the Bonds to the Purchasers;
 - (d) The Preliminary Official Statement with corrections, if any, noted by the Seller and its counsel, as of its date and (except as to matters corrected or added in the Final Official Statement) as of the Closing, is accurate and complete in all material respects as of its date with respect to matters relating to the District to the knowledge and belief of the officers and employees of the Seller, after due review;

- (e) The Seller has previously provided the Purchasers with a copy of its Preliminary Official Statement dated February 18, 2004. As of its date, the Preliminary Official Statement has been "deemed final" by the Seller for purposes of the United States Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(1);
 - (f) The Seller agrees to deliver or cause to be delivered to the Purchasers within seven business days after this Purchase Agreement and in sufficient time to accompany any confirmation that requests payment from any customer of the Purchasers, copies of a final Official Statement in sufficient quantity to comply with paragraph (b)(4) of the Securities and Exchange Commission Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board ("MSRB"). The Purchasers agrees to deliver copies of the Final Official Statement to each of the nationally recognized municipal securities information repositories on the business day on which the Final Official Statement is available, and in any event no later than seven business days after the date thereof. The Seller will have made an undertaking in its Bond Resolution to provide continuing disclosure in the form requested by the Purchasers in order to permit the Purchasers to meet the conditions of paragraph (d)(2) of the Rule as required under paragraph (b)(5) of the Rule;
 - (g) The Seller has not failed to comply with any prior undertaking to provide ongoing information pursuant to the Rule;
 - (h) The Seller has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Seller is a bond issuer whose arbitrage certificates may not be relied upon;
 - (i) If between the date of this Purchase Agreement and 25 days after the end of the underwriting period any event shall occur or any preexisting fact shall become known by the Seller which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Seller shall promptly notify the Purchasers, and if in the reasonable opinion of the Purchasers such event requires the preparation and distribution of a supplement or amendment to the Official Statement, the Seller will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Purchasers, which approval shall not be unreasonably withheld. The end of the underwriting period shall be the date of Closing unless the Seller is informed otherwise in writing by the Purchasers, in which case the end of the underwriting period may be extended, but no more than 15 days;
3. The Purchasers shall have the right to cancel the agreement to purchase the Bonds contained herein by notifying the Seller of its election to do so if, after the execution of this Agreement and prior to the Closing:
- (a) a decision by a court of the United States or the United States Tax Court shall be rendered, or a ruling or a regulation (final, temporary, or proposed) by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be issued and in the case of any such regulation, published in the Federal Register, or legislation shall have been introduced in, enacted by or favorably reported to either the House of Representatives or the Senate of the United States with respect to federal taxation upon interest received on bonds of the type and character of any of the Bonds which, in the reasonable judgment of the Purchasers, materially adversely affects the marketability of the Bonds or their sale by the Purchasers, at the contemplated public offering prices; or

- (b) the United States shall have become engaged in hostilities which have resulted in declaration of war or national emergency, or other national or international calamity or other event shall have occurred or accelerated to such an extent as, in the reasonable opinion of the Purchasers, to have a materially adverse affect on the marketability of the Bonds; or
 - (c) there shall have occurred a general suspension of trading on the New York Stock Exchange; or
 - (d) a general banking moratorium shall have been declared by United States, New York State or Washington State authorities; or
 - (e) legislation shall hereafter be enacted, or actively considered for enactment, with an effective date prior to the date of the delivery of the Bonds, or a decision by a court of the United States shall hereafter be rendered, or a ruling or regulation by the SEC or other governmental agency having jurisdiction on the subject matter shall hereafter be made, the effect of which is that:
 - (i) the Bonds are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and then in effect, or
 - (ii) the Bond Resolution is not exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect, or
 - (f) a stop order, ruling or regulation by the SEC shall hereafter be issued or made, the effect of which is that the issuance, offering or sale of the Bonds, as contemplated herein or in the Final Official Statement, is in violation of any provision of the Securities Act of 1933, as amended and as then in effect, and which, in its reasonable judgment, adversely affects the marketability of the Bonds or the market price thereof.
 - (g) An event shall have occurred which, in the reasonable opinion of the Purchasers, would materially adversely affect the ability of the Purchasers to market the Bonds or enforce contracts for the sale of the Bonds and requires the preparation and publication of a supplement or amendment to the Official Statement and such supplement or amendment has not been prepared;
4. The Purchasers' obligations hereunder are also subject to the following conditions:
- (a) At or prior to the Closing, Seller will deliver, make available to the Purchasers, or have adopted:
 - (i) The Bonds, in definitive book-entry form and duly executed;
 - (ii) A certificate from an authorized officer of Seller, in form and substance acceptable to the Seller and the Purchasers, stating that execution of the certificate shall constitute execution of the Final Official Statement by the Seller, that the Final Official Statement except for information about DTC or information about the Purchasers which is provided by the Purchasers, to the knowledge and belief of the officer signing the certificate, after due review, does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading, and that the representations of the Seller contained in this Agreement were true and correct when made and are true and correct as of the Closing;
 - (iii) The approving opinion of Bond Counsel dated the date of the Closing substantially in the form set forth on Appendix A to the final Official Statement and a supplemental opinion of Preston Gates and Ellis LLP, as Bond Counsel, dated the date of Closing and addressed to

the Purchasers, to the effect that the Bonds are not required to be registered under Securities Act of 1933, as amended, and the Bond Resolution need not be qualified under the Trust Indenture Act of 1939, as amended;

- (iv) Assignment to the Bonds of a rating of "Aaa" and "Aa3" by Moody's Investors Service and "AAA" and "AA-" by Standard & Poor's Rating Service, and the issuance of a municipal bond insurance policy and a Final Certificate of Eligibility on the Bonds by Financial Security Assurance, Inc. and the State of Washington's School District Credit Enhancement Program, respectively;
 - (v) The following documents delivered at the Closing:
 - (a) A certificate of the Seller, dated the day of the Closing to the effect that no litigation or other proceedings are pending or threatened in any way affecting the issuance, sale or delivery of, or security for, any of the Bonds.
 - (b) A certificate of the Seller setting forth the facts, estimates and circumstances in existence on the date of Closing which establish that it is not expected that the proceeds of the Bonds will be used in a manner that could cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code and any applicable regulations thereunder.
 - (c) Such additional certificates, instruments or other evidence as the Purchasers may deem reasonably necessary or desirable to evidence the due authorization, execution, authentication and delivery of the Bonds, the truth and accuracy as of the time of the Closing of the Seller's representations and warranties, and the conformity of the Bonds and Bond Resolution with the terms thereof as summarized in the Official Statement, and to cover such other matters as it reasonably requests.
 - (d) A certified copy of the Bond Resolution.
 - (e) The Washington State School District Credit Enhancement Program Final Certificate of Eligibility.
5. Seller will pay the cost of preparing, printing and executing the Bonds, the fees and disbursements of Bond Counsel, bond registration fees and expenses, bond rating fees, travel and lodging expenses of Seller's employees and representatives, and other expenses of Seller.

The Purchasers will pay fees and disbursements of Purchasers, including, but not limited to the Purchasers' travel expenses, the costs of preparing, printing and distributing the Preliminary Official Statement and Final Official Statement, the costs of any blue sky registration and the costs of complying with MSRB or other regulatory agency requirements and other expenses of the Purchasers.

The Purchasers also may advance for Seller's account when approved or authorized by the Seller the cost of the items for which Seller is responsible by making payments to third-party vendors. In such cases, Seller shall pay such costs or expenses directly, upon submission of appropriate invoices by Purchasers, or promptly reimburse the Purchasers in the event the Purchasers has advanced such costs or expenses for Seller's account. It is understood that Seller shall be primarily responsible for payment of all such items and that the Purchasers may agree to advance the cost of such items from time to

time solely as an accommodation to Seller and on the condition that it shall be reimbursed in full by Seller.

6. This Agreement is intended to benefit only the parties hereto, and Seller's representations and warranties shall survive delivery and payment for the Bonds, provided, that such representations and warranties are considered to be made only as of the date of this Agreement and the date of Closing, and the termination of this Agreement. If the Seller fails to satisfy any of the foregoing conditions or covenants, or if the Purchasers' obligations are terminated for any reason permitted under this Agreement, then neither the Purchasers nor the Seller shall have any further obligations under this Agreement, except that any expenses incurred shall be borne in accordance with Section 5.
7. This offer expires on the date, and at the time, set forth in Appendix A.

Accepted February 24, 2004
Everett School District No. 2

Respectfully submitted,
Banc of America Securities LLC



By: Carol Whitehead, Ed. D.
Title: Superintendent



By: Jack L. Eaton
Managing Director

APPENDIX A

DESCRIPTION OF BONDS

- (a) **Purchase Price:** \$18,427,882.60 (\$108.526988 per \$100) plus accrued interest (if any) from the dated date to date of Closing.
- (b) **Dated Date:** March 1, 2004.
- (c) **Denominations:** \$5,000, or integral multiples thereof.
- (d) **Form :** Book-Entry Only (as defined in the DTC Book-Entry System appendix to the Preliminary Official Statement).
- (e) **Interest Payment Dates:** June 1 and December 1, commencing June 1, 2004.
- (f) **Maturity Schedule:** Principal of the Bonds shall mature and bear interest as follows:

\$16,980,000 Unlimited Tax General Obligation Refunding Bonds, 2004

Due	Amount	Rate	Yield or Price	Due	Amount	Rate	Yield or Price
6/1/2004	\$255,000	2.00%	1.00%	6/1/2011	\$2,575,000	5.00%	2.95%
12/1/2004	85,000	2.00	1.10	6/1/2012	2,795,000	5.00	3.15
6/1/2008	2,000,000	5.00	2.20	6/1/2013	2,230,000	3.45	100
6/1/2009	2,445,000	5.00	2.45	12/1/2013	2,235,000	3.50	100
6/1/2010	2,360,000	5.00	2.70				

- (g) **Optional Redemption:** The Bonds are not subject to redemption prior to maturity.
- (h) **Closing Date:** With definitive Bonds on March 10, 2004.
- (i) **Tax Exemption:** The District has NOT designated the Bonds as “qualified tax-exempt obligations” under the Internal Revenue Code of 1986, as amended.
- (j) **Offer Expires:** 11:59 p.m., (Pacific), February 24, 2004.
- (k) **Bond Counsel:** Preston Gates & Ellis LLP

For Information Purposes Only:

Gross Interest Cost	\$5,367,580.00
Less: Net Original Issue Premium	(1,551,800.20)
Plus: Purchasers' Discount	<u>103,917.60</u>
Net Interest Cost	\$3,919,697.40
Net Interest Cost (%)	3.256645%
All-In-True Interest Cost (%)	3.168357%

EVERETT SCHOOL DISTRICT No. 2

\$16,980,000

Unlimited Tax General Obligation Refunding Bonds
Series 2004

Final Pricing Analysis

February 24, 2004

Jack L. Eaton
Managing Director

Banc of America Securities



EVERETT SCHOOL DISTRICT No. 2

Bond Financing Goals

Goal ⇒ Maximize Debt Service Savings through Refunding \$16,365,000 of the Callable 1997 Bonds

Result: Estimated Net Present Value Savings as a percent of the Refunded Bonds : **5.29%**. Gross Savings : **\$1,218,192.75**

Goal ⇒ Maintain Everett School District's Moody's Bond Rating and ~~Receive an~~ Upgraded Rating from S & P.

Result: Maintained S & P Rating at AA- and Moody's Rating at (Aa3)

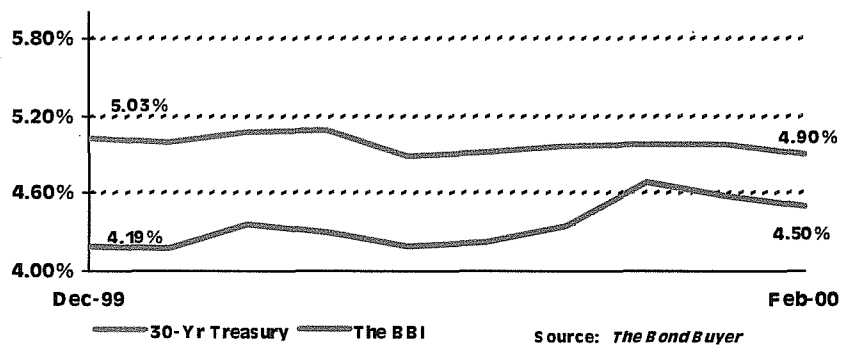
Bonds were sold with the State Guarantee and FSA Insured with AAA/Aaa ratings.

Banc of America Securities

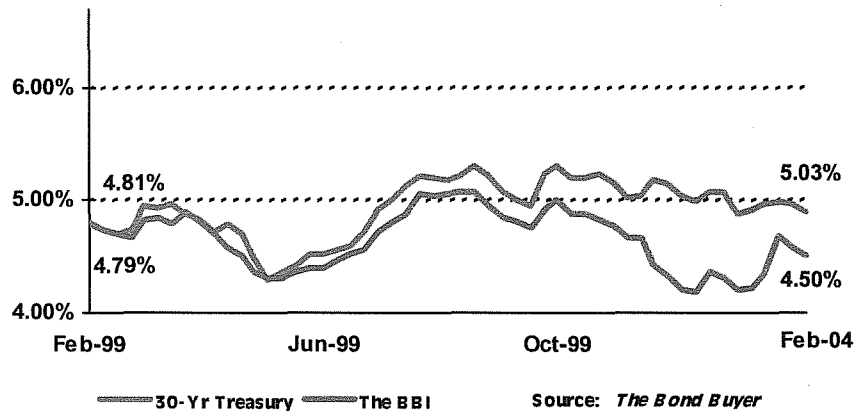


BOND BUYER INDEX

Interest Rate Change Over Last Two Months
December 18, 2003 - February 19, 2004



Interest Rate Change Over Last 12 Months
February 20, 2003 - February 19, 2004



**EVERETT SD NO. 2
COMPARABLE SALES**

Date	2/24/04	2/23/04	2/23/04	2/19/04	2/18/04
Par Amount	\$16.98 mm	\$16.55 MM	\$19.045 mm	\$64.75 mm	37.695 mm
Issuer	Everett SD	Dieringer SD #343	City of Puyallup Water/Sewer	Northshore SD #417, WA	Spokane Cnty SD #356, WA
Type	UTGO	UTGO	Rev	UTGO	UTGO
BQ	No	No	No	No	No
State Tax	No	No	No	No	No
Rating	AAA/Aaa	Aaa	AAA	AAA/Aaa	AAA/Aaa
Credit Enhancement	FSA/Sch Guar	FSA/Sch Guar	MBIA	FSA/Sch Guar	FSA/Sch Guar
Underlying Rating	Aa3/AA-	A3	A-	Aa2/AA-	A1/AA-
Call	NC	6/1/14	6/1/14	6/1/15	NC
Maturity					
2003					
2004	1.00/1.10	1.00			1.05
2005		1.17	1.20	1.20	
2006		1.50	1.45	1.50	
2007		1.75	1.75	1.75	
2008	2.20	2.21	2.25	2.22	
2009	2.45	2.51	2.50	2.49	2.40
2010	2.70	2.75	2.75	2.73	2.65
2011	2.95	3.01	3.00	2.95	2.90
2012	3.15	3.25	3.20	3.19	3.17
2013	3.45/3.50	3.45	3.45	3.39	3.35
2014		3.60	3.55	3.50	
2015			3.66	3.66	
2016		3.875	3.80	3.78	
2017			3.92	3.87	
2018			4.03	3.98	
2019			4.13		
2020		4.20	4.23		

SOURCES AND USES OF FUNDS

EVERETT SCHOOL DISTRICT NO. 2
UTGO Refunding Bonds, Series 2004

Dated Date 03/01/2004
Delivery Date 03/10/2004

Sources:

Bond Proceeds:	
Par Amount	16,980,000.00
Accrued Interest	19,267.75
Premium	1,551,800.20
	<hr/>
	18,551,067.95

Uses:

Refunding Escrow Deposits:	
Cash Deposit	0.76
SLG Purchases	18,358,419.00
	<hr/>
	18,358,419.76

Other Fund Deposits:	
Accrued Interest	19,267.75

Delivery Date Expenses:	
Cost of Issuance	46,050.00
Underwriter's Discount	103,917.60
Bond Insurance (FSA @ 9 bp)	20,112.82
	<hr/>
	170,080.42

Other Uses of Funds:	
Additional Proceeds	3,300.02
	<hr/>
	18,551,067.95

SUMMARY OF REFUNDING RESULTS

EVERETT SCHOOL DISTRICT NO. 2
UTGO Refunding Bonds, Series 2004

Dated Date	03/01/2004
Delivery Date	03/10/2004
Arbitrage yield	3.033489%
Escrow yield	2.489548%
Bond Par Amount	16,980,000.00
True Interest Cost	3.108686%
Net Interest Cost	3.256645%
Average Coupon	4.459605%
Average Life	7.063
Par amount of refunded bonds	16,365,000.00
Average coupon of refunded bonds	5.538096%
Average life of refunded bonds	7.650
PV of prior debt to 03/10/2004 @ 3.033489%	19,373,587.29
Net PV Savings	865,199.93
Percentage savings of refunded bonds	5.286892%
Percentage savings of refunding bonds	5.095406%

SAVINGS

EVERETT SCHOOL DISTRICT NO. 2
UTGO Refunding Bonds, Series 2004

Date	Prior Debt Service	Refunding Debt Service	Refunding Receipts	Refunding Net Cash Flow	Savings	Present Value to 03/10/2004 @ 3.0334894%
12/01/2004	901,197.50	915,482.50	19,267.75	896,214.75	4,982.75	5,334.53
12/01/2005	901,197.50	763,910.00		763,910.00	137,287.50	131,327.94
12/01/2006	901,197.50	763,910.00		763,910.00	137,287.50	127,432.96
12/01/2007	901,197.50	763,910.00		763,910.00	137,287.50	123,653.50
12/01/2008	2,846,197.50	2,713,910.00		2,713,910.00	132,287.50	89,336.68
12/01/2009	3,179,085.00	3,047,785.00		3,047,785.00	131,300.00	80,161.57
12/01/2010	2,976,755.00	2,842,660.00		2,842,660.00	134,095.00	81,088.27
12/01/2011	3,066,132.50	2,934,285.00		2,934,285.00	131,847.50	74,272.09
12/01/2012	3,156,272.50	3,020,035.00		3,020,035.00	136,237.50	72,814.37
12/01/2013	4,717,272.50	4,581,692.50		4,581,692.50	135,580.00	76,478.01
	23,546,505.00	22,347,580.00	19,267.75	22,328,312.25	1,218,192.75	861,899.91

Savings Summary

PV of savings from cash flow	861,899.91
Plus: Refunding funds on hand	3,300.02
Net PV Savings	865,199.93

SUMMARY OF BONDS REFUNDED

EVERETT SCHOOL DISTRICT NO. 2
UTGO Refunding Bonds, Series 2004

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
1997 UTGO BONDS, 97:					
SERIALS	12/01/2008	5.250%	1,945,000.00	12/01/2007	100.000
	12/01/2009	5.350%	2,380,000.00	12/01/2007	100.000
	12/01/2010	5.450%	2,305,000.00	12/01/2007	100.000
	12/01/2011	5.550%	2,520,000.00	12/01/2007	100.000
	12/01/2012	5.600%	2,750,000.00	12/01/2007	100.000
	12/01/2013	5.650%	4,465,000.00	12/01/2007	100.000
			16,365,000.00		

ESCROW DEPOSIT AGREEMENT

EVERETT SCHOOL DISTRICT NO. 2 SNOHOMISH COUNTY, WASHINGTON UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, SERIES 2004

THIS ESCROW AGREEMENT, dated as of March 10, 2004 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the EVERETT SCHOOL DISTRICT NO. 2, SNOHOMISH COUNTY, WASHINGTON (herein called the "District") and WELLS FARGO BANK, NATIONAL ASSOCIATION, PORTLAND, OREGON as Escrow Agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The notice addresses of the District, the District Treasurer and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

WITNESSETH:

WHEREAS, the District has issued and there presently remain outstanding the obligations described in Exhibit B (the "Refunded Bonds"); and

WHEREAS, pursuant to Resolution No. 795 adopted on February 24, 2004 (the "Bond Resolution"), the District has determined to issue its Unlimited Tax General Obligation Refunding Bonds, Series 2004 (the "Refunding Bonds"). A portion of the Refunding Bonds are being used for the purpose of providing funds to pay the costs of refunding the Refunded Bonds; and

WHEREAS, the Escrow Agent has reviewed this Agreement and the Bond Resolution, and is willing to serve as Escrow Agent; and

WHEREAS, Grant Thornton LLP, Certified Public Accountants, of Minneapolis, Minnesota has prepared a verification report which is dated March 10, 2004 (the "Verification Report") relating to the source and use of funds available to accomplish the refunding of the Refunded Bonds, the investment of such funds and the adequacy of such funds and investments to provide for the payment of the debt service due on the Refunded Bonds.

WHEREAS, pursuant to the Bond Resolution, the Refunded Bonds have been designated for redemption prior to their scheduled maturity dates and, after provision is made for such redemption, the Refunded Bonds will come due in such years, bear interest at such rates, and be payable at such times and in such amounts as are set forth in Exhibit C; and

WHEREAS, when Escrowed Securities have been deposited with the Escrow Agent for the payment of all principal and interest of the Refunded Bonds when due, then the Refunded Bonds shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

WHEREAS, the Refunding Bonds have been duly authorized to be issued, sold, and delivered for the purpose of obtaining the funds required to provide for the payment of the

principal of, interest on and redemption premium (if any) on the Refunding Bonds when due as shown on Exhibit C; and

WHEREAS, the District desires that, concurrently with the delivery of the Refunding Bonds to the purchasers, the proceeds of the Refunding Bonds, together with certain other available funds of the District, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as (the "Escrowed Securities") for deposit to the credit of the Escrow Fund and to establish a beginning cash balance (if needed) in the Escrow Fund; and

WHEREAS, the Escrowed Securities shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide money which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay interest on the Refunded Bonds as it accrues and becomes payable and the principal of the Refunded Bonds as it becomes due and payable; and

WHEREAS, to facilitate the receipt and transfer of proceeds of the Escrowed Securities, particularly those in book entry form, the District desires to establish the Escrow Fund at the principal corporate trust office of the Escrow Agent; and

WHEREAS, the Escrow Agent is a party to this Agreement to acknowledge its acceptance of the terms and provisions hereof;

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of principal of and the interest on the Refunded Bonds, the District and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

Article 1. Definitions

Section 1.1. Definitions.

Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

District Treasurer means the Snohomish County Treasurer, as *ex officio* treasurer of the District, or any successor to the functions of the Treasurer.

Escrow Fund means the fund created by this Agreement to be established, held and administered by the Escrow Agent pursuant to the provisions of this Agreement.

Escrowed Securities means the noncallable Government Obligations described in Exhibit D, or cash or other noncallable obligations substituted therefor pursuant to Section 4.2 of this Agreement.

Government Obligations means direct, noncallable (a) United States Treasury Obligations, (b) United States Treasury Obligations - State and Local Government Series, (c) non-prepayable obligations which are unconditionally guaranteed as to full and timely payment of principal and interest by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States.

Paying Agent means the fiscal agency of the State of Washington, as the paying agent for the Refunded Bonds.

Section 1.2. Other Definitions.

The terms "Agreement," "District," "Escrow Agent," "Bond Resolution," "Verification Report," "Refunded Bonds," and "Refunding Bonds" when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.3. Interpretations.

The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

Article 2. Deposit of Funds and Escrowed Securities

Section 2.1. Deposits in the Escrow Fund.

Concurrently with the sale and delivery of the Refunding Bonds the District shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds sufficient to purchase the Escrowed Securities and pay costs of issuance described in Exhibit D, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the District in writing.

Article 3. Creation and Operation of Escrow Fund

Section 3.1. Escrow Fund.

The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Refunding Account (the "Escrow Fund"). The Escrow Agent agrees that upon receipt it will deposit to the credit of the Escrow Fund the funds and the Escrowed Securities described in Exhibit D. Such deposit, all proceeds therefrom, and all cash balances on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfers of such amounts at such times as are provided for in

Section 3.2. When the final transfers have been made for the payment of such principal of and interest on the Refunded Bonds, any balance then remaining in the Escrow Fund shall be transferred to the District, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.2. Payment of Principal and Interest.

The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent from the cash balances on deposit in the Escrow Fund, the amounts required to pay the principal of the Refunded Bonds at their respective redemption dates and interest thereon to such redemption dates in the amounts and at the times shown in Exhibit C.

Section 3.3. Sufficiency of Escrow Fund.

The District represents that, based upon the information provided in the Verification Report, the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from in the Escrow Fund will be at all times sufficient to provide money for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Refunded Bonds as such interest comes due and the principal of the Refunded Bonds as the Refunded Bonds are paid on an optional redemption date prior to maturity, all as more fully set forth in Exhibit E. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by the Paying Agent to make the payments set forth in Section 3.2., the District shall timely deposit in the Escrow Fund, from any funds that are lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the District's failure to make additional deposits.

Section 3.4. Trust Fund.

The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Bonds; and a special account shall at all times be maintained on the books of the Escrow Agent. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the District, and the Escrow Agent shall have no right to title with respect thereto except as a Agent and Escrow Agent under the terms of this Agreement.

Article 4. Limitation on Investments

Section 4.1. Investments.

Except for the initial investment in the Escrowed Securities, and except as provided in Section 4.2, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer, or otherwise dispose of the Escrowed Securities.

Section 4.2. Substitution of Securities.

At the written request of the District, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Escrow Fund, or sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Refunded Bonds or Government Obligations which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written opinion from a firm of certified public accountants that such transaction will not cause the amount of money and securities in the Escrow Fund to be reduced below an amount sufficient to provide for the full and timely payment of principal of and interest on all of the remaining Refunded Bonds as they become due, taking into account any optional redemption thereof exercised by the District in connection with such transaction; and (b) the Escrow Agent shall have received the unqualified written legal opinion of its bond counsel or tax counsel to the effect that such transaction will not cause any of the Refunding Bonds or Refunded Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

Article 5. Application of Cash Balances

Section 5.1. In General.

Except as provided in Section 2.1, 3.2 and 4.2 hereof, no withdrawals, transfers or reinvestment shall be made of cash balances in the Escrow Fund. Cash balances shall be held by the Escrow Agent in United States currency as cash balances as shown on the books and records of the Escrow Agent and, except as provided herein, shall not be reinvested by the Escrow Agent; provided, however, a conversion to currency shall not be required (i) for so long as the Escrow Agent's internal rate of return does not exceed 20%, or (ii) if the Escrow Agent's internal rate of return exceeds 20%, the Escrow Agent receives a letter of instructions, accompanied by the opinion of nationally recognized bond counsel, approving the assumed reinvestment of such proceeds at such higher yield.

Article 6. Redemption of Refunded Bonds

Section 6.1. Call for Redemption.

The District hereby irrevocably calls the Refunded Bonds for redemption on their earliest redemption dates, as shown in the Verification Report and on Appendix A attached hereto.

Section 6.2. Notice of Redemption/Notice of Defeasance.

The Escrow Agent agrees to give a notice of defeasance and a notice of the redemption of the Refunded Bonds to the Paying Agent for dissemination in accordance with the terms of Resolution No. 606, of the Board of Directors of the District and in substantially the forms attached as and as described in Appendices A and B to the Paying Agent for distribution as described therein. The notice of defeasance shall be given immediately following the execution of this Agreement, and the notice of redemption shall be given in accordance with the ordinance or resolution authorizing the Refunded Bonds. The Escrow Agent hereby certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notice of redemption of the Refunded Bonds.

Article 7. Records and Reports

Section 7.1. Records.

The Escrow Agent will keep books of record and account in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection during business hours and after reasonable notice.

Section 7.2. Reports.

While this Agreement remains in effect, the Escrow Agent annually shall prepare and send to the District a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the Refunded Bonds or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

Article 8. Concerning the Paying Agent and Escrow Agent

Section 8.1. Representations.

The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 8.2. Limitation on Liability.

The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the District promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Bonds shall be taken as the statements of the District and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent.

The Escrow Agent is not a party to the proceedings authorizing the Refunding Bonds or the Refunded Bonds and is not responsible for nor bound by any of the provisions thereof (except to the extent that the Escrow Agent may be a place of payment and paying agent and/or a paying agent/registrars therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the District thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through its negligence or want of good faith.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the

performance or failure of performance of the District with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the District or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the District at any time.

Section 8.3. Compensation.

The District shall pay to the Escrow Agent fees for performing the services hereunder and for the expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement pursuant to the terms of the Fee Schedule attached as Appendix C. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses as Escrow Agent or in any other capacity.

Section 8.4. Successor Escrow Agents.

If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as Escrow Agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the District, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the District within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Bonds then outstanding by an instrument or instruments in writing filed with the District, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Bond may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$100,000,000 and subject to the supervision or examination by federal or state authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the District and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the District shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

The obligations assumed by the Escrow Agent pursuant to this Agreement may be transferred by the Escrow Agent to a successor Escrow Agent if (a) the requirements of this Section 8.4 are satisfied; (b) the successor Escrow Agent has assumed all the obligations of the Escrow Agent under this Agreement; and (c) all of the Escrowed Securities and money held by the Escrow Agent pursuant to this Agreement have been duly transferred to such successor Escrow Agent.

Article 9. Miscellaneous

Section 9.1. Notice.

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the District, the District Treasurer or the Escrow Agent at the address shown on Exhibit A attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten days prior notice thereof.

Section 9.2. Termination of Responsibilities.

Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the District, the owners of the Refunded Bonds or to any other person or persons in connection with this Agreement.

Section 9.3. Binding Agreement.

This Agreement shall be binding upon the District and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Bonds, the District, the Escrow Agent and their respective successors and legal representatives.

Section 9.4. Severability.

In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement

shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 9.5. Washington Law Governs.

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Washington.

Section 9.6. Time of the Essence.

Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 9.7. Notice to Moody's and Standard & Poor's


In the event that this agreement or any provision thereof is severed, amended or revoked, the District shall provide written notice of such severance, amendment or revocation to Moody's Investors Service at 99 Church Street, New York, New York, 10007, Attention: Public Finance Rating Desk/ Refunded Bonds and to Standard and Poor's Ratings Services, a Division of The McGraw Hill Companies, 55 Water Street, New York, NY, 10041, Attention: Public Finance Rating Desk/Refunded Bonds.

Section 9.8. Amendments.

This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Bonds. No such amendment shall be made without first receiving written confirmation from the rating agencies, (if any) which have rated the Refunded Bonds that such administrative changes will not result in a withdrawal or reduction of its rating then assigned to the Refunded Bonds. If this Agreement is amended, prior written notice and copies of the proposed changes shall be given to the rating agencies which have rated the Refunded Bonds.

EXECUTED as of the date first written above.

EVERETT SCHOOL DISTRICT NO. 2,
SNOHOMISH COUNTY, WASHINGTON



Secretary, Board of Directors

WELLS FARGO BANK, NATIONAL
ASSOCIATION, PORTLAND, OREGON

Authorized Signatory

- | | | |
|------------|---|--|
| Exhibit A | - | Addresses of the District, the District Treasurer and the Escrow Agent |
| Exhibit B | - | Descriptions of the Refunded Bonds |
| Exhibit C | - | Schedule of Debt Service on Refunded Bonds |
| Exhibit D | - | Description of Beginning Cash Deposit and Escrowed Securities |
| Exhibit E | - | Escrow Fund Cash Flow |
| Appendix A | - | Notice of Redemption for the 1997 Bonds |
| Appendix B | - | Notice of Defeasance for the 1997 Bonds |
| Appendix C | - | Fee Schedule |

EXHIBIT A
Addresses of the District, the District Treasurer and Escrow Agent

District: Everett School District No. 2
4730 Colby Ave.
P.O. Box 2098
Everett, WA 98203-0098
Attention: Associate Superintendent, Finance and Operations

District Treasurer: Snohomish County Treasurer
3000 Rockefeller Avenue
MS 501
Everett, WA 98201
Attention: Treasurer

Escrow Agent: Wells Fargo Bank, National Association
1300 SW 5th Avenue, MAC P6101-114
Portland, Oregon 97201
Attention: Vice President

EXHIBIT B
Description of the Refunded Bonds

Everett School District No. 2
Snohomish County, Washington
Unlimited Tax General Obligation Bonds, Series 1997
("1997 Bonds")

Maturity Years (December 1)	Principal Amounts	Interest Rates
2008	\$ 1,945,000	5.25%
2009	2,380,000	5.35
2010	2,305,000	5.45
2011	2,520,000	5.55
2012	2,750,000	5.60
2013	4,465,000	5.65

EXHIBIT C
Schedule of Debt Service on Refunded Bonds

Date	Interest	Principal/ Redemption Price	Total
06/01/2004	\$ 450,598.75		\$ 450,598.75
12/01/2004	450,598.75		450,598.75
06/01/2005	450,598.75		450,598.75
12/01/2005	450,598.75		450,598.75
06/01/2006	450,598.75		450,598.75
12/01/2006	450,598.75		450,598.75
06/01/2007	450,598.75		450,598.75
12/01/2007	<u>450,598.75</u>	\$ <u>16,365,000.00</u>	<u>16,815,598.75</u>
TOTAL:	\$ 3,604,790.00	\$ <u>16,365,000.00</u>	\$ <u>19,969,790.00</u>

EXHIBIT D
Escrow Deposit

I. Cash \$0.92

II. Other Obligations

<u>Description</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Total Cost</u>
SLG-Cert.	06/01/2004	\$ 350,313	0.87%	\$ 350,313.00
SLG-Cert.	12/01/2004	229,261	1.05	229,261.00
SLG-Note	06/01/2005	231,016	1.22	231,016.00
SLG-Note	12/01/2005	232,424	1.50	232,424.00
SLG-Note	06/01/2006	234,168	1.77	234,168.00
SLG-Note	12/01/2006	236,241	2.03	236,241.00
SLG-Note	06/01/2007	238,638	2.28	236,638.00
SLG-Note	12/01/2007	<u>16,606,358</u>	2.52	<u>16,606,358.00</u>
		\$18,358,419		\$ 18,358,419.00

III. Costs of Issuance

Escrow Agent Fee.....	\$ 2,000.00
Bond Counsel Fee.....	29,000.00
Escrow Verification Fee	2,500.00
S&P Rating Fee	6,300.00
Moody's Rating Agency Fee.....	<u>6,250.00</u>
Total:.....	<u>\$ 46,050.00</u>

EXHIBIT E
Escrow Fund Cash Flow

<u>Date</u>	<u>Escrow Requirement</u>	<u>Net Escrow Receipts</u>	<u>Excess Receipts</u>	<u>Cash Balance</u>
03/10/2004	--	\$ 0.92	\$ 0.92	\$ 0.92
06/01/2004	\$ 450,598.75	450,598.46	(0.29)	0.63
12/01/2004	450,598.75	450,598.54	(0.21)	0.42
06/01/2005	450,598.75	450,599.22	0.47	0.89
12/01/2005	450,598.75	450,598.02	(0.73)	0.16
06/01/2006	450,598.75	450,598.84	0.09	0.25
12/01/2006	450,598.75	450,599.45	0.70	0.95
06/01/2007	450,598.75	450,598.60	(0.15)	0.80
12/01/2007	<u>16,815,598.75</u>	<u>16,815,598.12</u>	<u>(0.63)</u>	0.17
	<u>\$ 19,969,790.00</u>	<u>\$ 19,969,790.17</u>	<u>\$ 0.17</u>	

APPENDIX A-1

Notice of Redemption*
Everett School District No. 2
Snohomish County, Washington
Unlimited Tax General Obligation Bonds, Series 1997

NOTICE IS HEREBY GIVEN that the Everett School District No. 2, Snohomish County, Washington has called for redemption on December 1, 2007, its then outstanding Unlimited Tax General Obligation Bonds, Series 1997 (the "1997 Bonds").

The Bonds will be redeemed at a price of one hundred percent (100%) of their principal amount, plus interest accrued to December 1, 2007. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

The Bank of New York
Fiscal Agency Department
Ground Floor
101 Barclay Street
7 East
New York, NY 10286

-or-

Wells Fargo Bank, National
Association
Corporate Trust Department
14th Floor - M/S 257
999 Third Avenue
Seattle, WA 98104

Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on December 1, 2007.

The following Bonds are being redeemed:

Maturity Years (December 1)	Principal Amounts	Interest Rates	CUSIP Nos.
2008	\$1,945,000	5.25%	833119PC8
2009	2,380,000	5.35	833119PD6
2010	2,305,000	5.45	833119PE4
2011	2,520,000	5.55	833119PF1
2012	2,750,000	5.60	833119PG9
2013	4,465,000	5.65	833119PH7

By Order of Everett School District No. 2, Snohomish County, Washington

The Bank of New York, as Paying Agent

Dated: _____.

* This notice shall be given not more than 60 nor less than 30 days prior to December 1, 2007 by first class mail to each registered owner of the Refunded Bonds. In addition notice shall be mailed at least 30 days prior to December 1, 2007 to The Depository Trust Company of New York, New York; Citigroup Global Markets Inc., Seattle, Washington; Banc of America Securities LLC, Seattle, Washington; MBIA Insurance, Armonk, New York; Moody's Investors Service and Standard & Poor's Ratings Services.

Under the Interest and Dividend Tax Compliance Act of 1983, payor may be required to withhold 30% of the redemption price from any Bondowner who fails to provide to payor and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the Bonds are presented for payment. Bondowners who wish to avoid the application of these provisions should submit a completed Form W-9 when presenting their Bonds.

APPENDIX B-1

Notice of Defeasance*

Everett School District No. 2, Snohomish County, Washington Unlimited Tax General Obligation Bonds, Series 1997

NOTICE IS HEREBY GIVEN to the owners of that portion of the above-captioned bonds with respect to which, pursuant to an Escrow Agreement dated March 10, 2004, by and between the Everett School District No. 2, Snohomish County, Washington (the "District") and Wells Fargo Bank, National Association, Portland, Oregon, (the "Escrow Agent"), the District has deposited into an escrow account, held by the Escrow Agent, cash and non-callable direct obligations of the United States of America, the principal of and interest on which, when due, will provide money sufficient to pay each year, to and including the respective maturity or redemption dates of such bonds so provided for, the principal thereof and interest thereon (the "Defeased Bonds"). Such Defeased Bonds are therefore deemed to be no longer outstanding pursuant to the provisions of Resolution No. 606 of the District, authorizing the issuance of the Defeased Bonds, but will be paid by application of the assets of such escrow account.

The Defeased Bonds are described as follows:

Unlimited Tax General Obligation Bonds, Series 1997 (Dated January 1, 1997)

Original CUSIP Nos.	Maturity Date	Interest Rate	Par Amount Defeased	Call Date (At 100%)
833119PC8	12/01/2008	5.25%	\$ 1,945,000	12/01/2007
833119PD6	12/01/2009	5.35	2,380,000	12/01/2007
833119PE4	12/01/2010	5.45	2,305,000	12/01/2007
833119PF1	12/01/2011	5.55	2,520,000	12/01/2007
833119PG9	12/01/2012	5.60	2,750,000	12/01/2007
833119PH7	12/01/2013	5.65	4,465,000	12/01/2007

Information for Individual Registered Owner

The addressee of this notice is the registered owner of Bond Certificate No. _____ of the Defeased Bonds described above, which certificate is in the principal amount of \$ _____. All of which has been defeased as described above.

* This notice shall be given immediately by first class mail to each registered owner of the Defeased Bonds. In addition notice shall be mailed to The Depository Trust Company of New York, New York; The Bank of New York, as Fiscal Agent; Moody's Investors Service, New York, New York; and Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc., New York, New York, to the MSRB and to the NRMSIRs.

APPENDIX C

Fee Schedule

Escrow Agent Fee: \$2,000.00

ARBITRAGE AND TAX CERTIFICATION

\$16,980,000

**EVERETT SCHOOL DISTRICT NO. 2,
SNOHOMISH COUNTY, WASHINGTON
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2004**

THIS ARBITRAGE AND TAX CERTIFICATION is dated March 10, 2004 and made by **EVERETT SCHOOL DISTRICT NO. 2, SNOHOMISH COUNTY, WASHINGTON** (the "District") in accordance with the provisions of Section 1.148-2(b)(2) of the Income Tax Regulations to establish the facts and circumstances that form the basis for the District's reasonable expectation that the bonds referred to in the caption (the "Bonds") are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and is referred to as the "Tax Certificate."

The District has authorized the issuance of the Bonds in Resolution No. 795 adopted by the District on February 24, 2004 (the "Resolution"). The Resolution provides for the Gross Proceeds of the Bonds to be applied for the purposes stated in the Resolution which are incorporated by reference.

ARTICLE ONE DEFINITIONS

In addition to the words defined in the preamble to this Tax Certificate, the following words and phrases shall have the meanings set forth in this Article. Any capitalized word or term used herein but not defined herein shall have the same meaning given in the Resolution.

Bond Year means, in reference to the Bonds, each one-year period that ends on the day selected by the District. The first and last Bond Years may be short periods. If no day is selected by the District before the earlier of the final maturity date of the Bonds or the date that is five years after March 10, 2004, Bond Years end on each anniversary of the Date of Issue and on the final maturity date.

Date of Issue means, for the Bonds, March 10, 2004.

Gross Proceeds means any Sale Proceeds, Replacement Proceeds and amounts actually or constructively received from investing such proceeds.

Investment means any security, obligation, annuity contract, investment-type property and any tax-exempt obligation that is a specified private activity bond as defined in Section 57(a)(5)(C) of the Code. Investment-type property is property held primarily for the production of income.

Issue Price means, in the case of publicly offered bonds, the first price at which 10% of the Bonds is sold to the public. The public does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers. The Issue Price of bonds that are not substantially identical is determined separately. The Issue Price of bonds for which a bona fide public offering is made is determined as of the date the Bonds are sold as stated in the Underwriter Representations based upon reasonable expectations regarding the initial public offering price.

Materially Higher Yield Investment means investments having a yield more than one-eighth of one percentage point above the Bond yield except that the investment yield for amounts to provide for payment of principal or interest on other obligations of the District and for any Replacement Proceeds is materially higher if it is more than one-thousandth of one percent above the Bond yield. If an investment is a tax-exempt obligation, but is not investment property, there is no yield limitation.

Net Sale Proceeds is the amount shown in the Sources and Uses Article hereof.

Pre-Issuance Accrued Interest means amounts representing interest that accrued on an obligation for a period not greater than one year before its issue date but only if those amounts are paid within one year after the issue date.

Prior Bonds means the District's Unlimited Tax General Obligation Bonds, Series 1997, a portion of which are being advance refunded and redeemed with proceeds of the Bonds.

Replacement Proceeds means any amounts that have a sufficiently direct nexus to the Bonds or to the governmental purposes of the Bonds to conclude that the amounts would have been used for that governmental purpose if the proceeds of the Bonds were not used for that purpose. Replacement Proceeds include, but are not limited to, sinking funds, pledged funds and other amounts that have a nexus to the governmental purposes of the Bonds to the extent that these funds or amounts are held by or derived from a substantial beneficiary of the Bonds. Replacement Proceeds also include amounts that arise to the extent that the District reasonably expects as of March 10, 2004 that the term of the Bonds will be longer than is reasonably necessary for the governmental purposes of the Bonds and there will be available amounts during the period that the Bonds remain outstanding longer than necessary.

Sale Proceeds means any amounts actually or constructively received from the sale of the Bonds including amounts used to pay underwriter's discount or compensation and accrued interest other than Pre-Issuance Accrued Interest.

ARTICLE TWO

SOURCES AND USES OF PROCEEDS

Section 1. Determination of Sale Proceeds and Net Sale Proceeds.

The Sale Proceeds and Net Sale Proceeds actually or constructively received by the District from sale of the Bonds to Banc of America Securities LLC and Citigroup Global Markets Inc. are as follows:

Face Amount of Bonds	\$16,980,000.00
Bond Premium	\$1,551,800.20
Sale Proceeds of Bonds	\$18,531,800.20
Net Sale Proceeds of Bonds	\$18,531,800.20

There is no direct monetary benefit, such as a rebate of bond insurance premium, surety bond premium or letter of credit fee, being received by the District in connection with the issuance of the Bonds.

Section 2. Pre-Issuance Accrued Interest.

The District will receive the interest accrued on the Bonds for a period not greater than one year before March 10, 2004, which will be allocated to the Bond Fund and spent to pay interest on the Bonds within one year of March 10, 2004. Pre-Issuance Accrued Interest has not been included in the computation of Net Sale Proceeds of the Bonds.

Section 3. Allocation of Sale Proceeds.

The Sale Proceeds will be allocated as follows:

Costs of Issuance	\$46,050.00
Underwriter's Discount	\$103,917.60
Credit Enhancement	\$20,112.82
Refunding Account	\$18,358,419.92
Contingency	\$3,299.86

Section 4. Replacement Proceeds.

Any money on deposit in the Debt Service Fund allocated to the Prior Bonds is Replacement Proceeds of the Bonds and will be allocated to the Debt Service Fund for the Bonds and expended within 13 months of the date of receipt. The District has expended all of the Gross Proceeds of the Prior Bonds. Except as otherwise described in this Tax Certificate, there are no sinking funds, pledged funds or other amounts that have a nexus to the purposes of the Bonds and which are expected to be held by or derived from a substantial beneficiary of the Bonds.

ARTICLE THREE REFUNDING REPRESENTATIONS

Section 1. Description of Advance Refunding.

The District has entered into an Escrow Agreement dated as of March 10, 2004 (the "Escrow Agreement") with Wells Fargo Bank, National Association, Portland, Oregon (the "Escrow Agent"). Sale Proceeds of the Bonds in the amount of \$18,358,419.92 will be deposited with the Escrow Agent in the Refunding Account to advance refund the District's Prior Bonds maturing on and after December 1, 2008 in the aggregate principal amount of \$16,365,000.00 (such maturities referred to as the "Refunded Bonds") and to discharge the Refunded Bonds on December 1, 2007 (which is the earliest date on which the Refunded Bonds may be redeemed) at par.

The Bonds are being issued to provide a present value debt service savings of approximately \$865,199.77. The issuance of the Bonds will be the only advance refunding permitted of the Refunded Bonds.

Section 2. No Transferred Proceeds.

There are no original proceeds or investment proceeds remaining with respect to the Refunded Bonds that will become Transferred Proceeds of the Bonds.

Section 3. General Refunding Representations.

(a) No proceeds or amounts treated as proceeds of the Refunded Bonds will be invested for a temporary period following March 10, 2004.

(b) In accordance with the Escrow Agreement, the Refunded Bonds will be retired at a time no later than the date the Refunded Bonds were expected to have been retired, had the Bonds not been issued for the purpose of refunding the Refunded Bonds.

(c) The District has not employed any device in connection with the issuance of the Bonds to obtain a material financial advantage (based upon arbitrage) apart from savings attributable to lower interest rates.

(d) No tax-exempt obligations will be allocated to the credit of the Refunding Account.

Section 4. Waiver of Temporary Investment Periods and Minor Portion.

With respect to Sale Proceeds of the Bonds deposited in the Refunding Account, the District waives the temporary investment periods described in Section 1.148-9(d) of the Income Tax Regulations. The District waives the minor portion described in Section 1.148-2(g) of the Income Tax Regulations.

Section 5. Refunding Account Yield Computation.

The composite yield of the State and Local Government Book Entry Securities allocated to the Refunding Account has been determined to be 2.489548%, which is less than the bond yield of 3.033489%. Determinations of yield have been made by Banc of America Securities LLC, and have been verified by the independent accountants whose opinion is incorporated herein by reference.

ARTICLE FOUR DEBT SERVICE FUND

Section 1. General Qualification.

RCW 28A.320.330(3) establishes the Debt Service Fund which is to be used primarily to achieve a proper matching of revenues with principal and interest requirements on the Bonds within each Bond Year and which will be depleted with respect to the Bonds at least once each Bond Year except for a reasonable carryover amount that will not exceed the greater of (a) the earnings on the Debt Service Fund for the immediately preceding Bond Year, or (b) one-twelfth of the principal and interest payments on the Bonds for the immediately preceding Bond Year.

Section 2. Arbitrage Rebate Treatment.

The average maturity of the Bonds is at least five years and the Bonds have a fixed rate of interest that does not vary over their term. The District will exclude earnings on the money allocated to the Bond Fund from the calculation of arbitrage rebate.

ARTICLE FIVE INVESTMENT LIMITATIONS

Section 1. Refunding Account.

The State and Local Government Book Entry Securities allocated to the credit of the Refunding Account will not be invested in Materially Higher Yield Investments.

Section 2. Debt Service Fund.

Money allocated to the credit of the Debt Service Fund will not be invested in Materially Higher Yield Investments for a period that exceeds 13 months from the date such money is deposited therein.

ARTICLE SIX QUALIFIED GUARANTEE

Section 1. Credit Enhancement; Bond Insurance.

The principal of and interest on the Bonds are secured pursuant to the terms of (a) the Washington State School District Credit Enhancement Program (the "Credit Enhancement Program") of the State of Washington (the "State") and (b) a bond insurance policy (the "Bond Insurance") of Financial Security Assurance Inc. (the "Bond Insurer").

Section 2. Interest Savings Representation.

As of the date of delivery of the Bonds, the District reasonably expects that the aggregate present value of the fees for the Credit Enhancement Program (\$100.00) and the Bond Insurance (\$20,112.82) will be less than the present value of the expected interest savings on the Bonds as a result of the Credit Enhancement Program and the Bond Insurance.

Section 3. Special Requirements.

(a) **Guarantee in Substance.** The Credit Enhancement Program and the Bond Insurance impose a secondary liability on the State and on the Bond Insurer, respectively, that unconditionally shifts substantially all of the ultimate credit risk for all or part of the payments for principal and interest, redemption prices, or tender prices, on the Bonds. The Credit Enhancement Program and the Bond Insurance do not make either the State or the Bond Insurer a co-obligor on the Bonds nor will either the State or the Bond Insurer use more than 10% of the proceeds of the Bonds.

(b) **Fees Reasonable.** The fees paid for each of the Credit Enhancement and the Bond Insurance do not exceed reasonable, arm's length charges for the respective transfers of credit risk.

(c) **Other Services.** The fees paid for the Credit Enhancement and for the Bond Insurance do not include any payment for any direct or indirect services other than the transfer of credit risk.

Section 4. Treatment of Credit Enhancement Program and Bond Insurance Fees.

The fees paid for the Credit Enhancement and the Bond Insurance will be treated as additional interest on the Bonds and will be allocated to the Bonds in a manner that properly reflects the proportionate credit risk for which the State and Bond Insurer, respectively, are being compensated.

ARTICLE SEVEN DETERMINATION OF BOND YIELD

The yield on the Bonds is used to apply the investment yield restrictions described in this Tax Certificate and to compute arbitrage rebate liability, if any. The yield on the Bonds has been computed to be 3.033489% by application of the economic accrual method required by Section 1.148-4(a) of the Income Tax Regulations. The Bonds are a fixed yield issue and the yield on the Bonds is the discount rate that, when used in computing the present value as of March 10, 2004 of all unconditionally payable payments of principal, interest, and fees for qualified guarantees, if any, to be made on the Bonds, produces an amount equal to the present value of the aggregate Issue Price of the Bonds.

ARTICLE EIGHT ADVANCE REFUNDING ARBITRAGE REBATE

The only fund or account subject to arbitrage rebate is the Refunding Account. The investments in the Refunding Account have a composite yield (2.489548%) that is less than the yield on the Bonds (3.033489%). The District does not expect to be required to make arbitrage rebate computations or payments to the United States.

ARTICLE NINE FEDERAL GUARANTEE PROHIBITION

The District will not take any action or fail to take any action if the result of such action or failure to act will cause the Bonds to become "federally guaranteed." Unless otherwise excepted under Section 149(b) of the Code, the Bonds will be considered "federally guaranteed" if (a) the payment of principal and interest with respect to the Bonds is guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof), (b) five percent or more of the proceeds of the Bonds are (1) to be used in making loans, the payment of principal or interest with respect to which are to be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) or (2) to be invested (directly or indirectly) in federally insured deposits or accounts or (c) the payment of principal of or interest on the Bonds is otherwise indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof).

ARTICLE TEN GENERAL REPRESENTATIONS

Section 1. Other Obligations.

There are no other obligations of the District that (a) have sale dates within 14 days of the sale date of the Bonds, (b) are sold pursuant to the same plan of financing together with the Bonds, and (c) are reasonably expected to be paid out of substantially the same source of funds (or will have substantially the same claim to be paid out of substantially the same source of funds) as the Bonds. For purposes of this Section 1, the sale date of a bond is the first day on which there is a binding contract in writing for the sale or exchange of the bond.

Section 2. Computations and Representations.

The District is not aware of any facts or circumstances that would cause it to question the accuracy of the computations or representations described herein.

Section 3. No Other Funds or Accounts.

Other than the funds and accounts described in this Tax Certificate, there are no other funds, accounts or money of the District held pursuant to the Resolution or otherwise, which are reasonably expected to be Replacement Proceeds of the Bonds.

Section 4. Abusive Transactions.

No portion of the proceeds of the Bonds will be used as a substitute for other funds which will otherwise be used to acquire, directly or indirectly, securities, obligations, annuity contracts or other investment type property that are Materially Higher Yield Investments.

ARTICLE ELEVEN PRIVATE ACTIVITY BOND REPRESENTATIONS

Section 1. General Private Person Use Limitations.

As long as any of the Bonds are outstanding, the District reasonably expects that either:

(a) More than 10% of the Net Sale Proceeds will not be used for any Private Person Use (the test described in this paragraph (a) is referred to as the "Private Business Use Test"); or

(b) More than 10% of the principal or interest payments on the Bonds will not be (under the terms of the Resolution or any underlying arrangement) directly or indirectly: (i) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (ii) derived from payments (whether or not made pursuant to the Resolution) in respect of property, or borrowed money, used or to be used for any Private Person Use (the test described in this paragraph (b) is referred to as the "Private Security or Payment Test").

(c) "Private Person Use" means the use of property in a trade or business by a private person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the private person as well as other arrangements that transfer to the private person the actual or beneficial use of the property (such as a lease, management contract, service or incentive payment contract, output contract or other special arrangement) in such a manner as to set the private person apart from the general public.

(d) For purposes of this article, the term "Private Person" means any person or entity other than a state or local governmental unit. The term "Private Person" includes the federal government and an organization described in Section 501(c)(3) of the Code.

Section 2. Private Loan Financing Test.

No more than the lesser of five percent or \$5 million of the proceeds of the Bonds will be used (directly or indirectly) to make or finance loans to any Private Person.

Section 3. Unrelated Use Limitations.

(a) The amount of unrelated or disproportionate private business use will not exceed five percent of the proceeds of the Bonds.

(b) A facility is generally considered to be used for an unrelated private business use if it must not be located within, or adjacent to, the governmentally used facility. Use of a facility by a Private Person for the same purpose as use by a governmental person is not treated as an unrelated use if the governmental use is not insignificant. Similarly, a use of a facility in the same manner both for private business use that is related use and private business use that is unrelated use does not result in unrelated use if the related use is not insignificant.

(c) A private business use is disproportionate to a related government use only to the extent that the amount of proceeds used for that private business use exceeds the amount of proceeds used for the related government use.

Section 4. Sale of Personal Property.

(a) Any personal property financed with the proceeds of the Bonds may be sold by the District prior to the final maturity of the Bonds. The District reasonably expects that the fair market value of such personal property on the date of its sale will not be greater than 25 percent of its cost. Such personal property is only expected to be sold if it is no longer suitable for its governmental purposes. The weighted average maturity of the Bonds is not in excess of 120 percent of the reasonably expected actual use of all of the facilities that are being financed with the proceeds of the Bonds. The shorter average life of any personal property financed with the proceeds of the Bonds has been taken into account in determining the weighted average maturity of the Bonds.

(b) The proceeds from the sale of any personal property described in paragraph (a) above will be deposited in a commingled fund with substantial tax or other governmental revenues and the District will spend such sale proceeds within six months of their receipt for governmental programs of the District.

Section 5. Change in Use.

(a) While the District does not expect that any of the property financed with the proceeds of the Bonds will be used in a manner that could cause the Bonds to become private activity bonds, in the event that circumstances change and a use is made of the property that could result in the Bonds becoming private activity bonds, the District will consult with its bond counsel and will take any remedial actions required by Section 1.141-12 of the Income Tax Regulations.

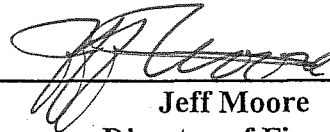
(b) The term of the Bonds is not longer than is reasonably necessary for the governmental purposes of the Bonds, and the weighted average maturity of the Bonds is not greater than 120 percent of the average reasonably expected economic life of the property financed with the proceeds of the Bonds as of the date of delivery of the Bonds.

(c) The first call date of the Bonds is not more than 10 ½ years after the date of delivery of the Bonds.

(d) The undersigned is the officer of the District delegated with the responsibility for issuing the Bonds and certifying the District's expectations regarding the amount and use of the Gross Proceeds of the Bonds.

**EVERETT SCHOOL DISTRICT NO. 2,
SNOHOMISH COUNTY, WASHINGTON**

By: _____



**Jeff Moore
Director of Finance**

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MEMORANDUM

TO: EVERETT SCHOOL DISTRICT NO. 2, SNOHOMISH COUNTY,
WASHINGTON

FROM: PRESTON GATES & ELLIS LLP

DATE: March 10, 2004

SUBJECT: UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2004, \$16,980,000--FEDERAL TAX ARBITRAGE RULES

INTRODUCTION

There are two basic arbitrage principles that apply to the above-captioned bonds (the "Bonds"). The first is that some of the Bond proceeds may be invested at a rate of return that is higher than the Bond yield only for limited periods of time. The second is that, in certain cases, investment earnings on the Bond proceeds must be paid or "rebated" to the Internal Revenue Service ("IRS").

The first of these principles is referred to as the "investment period limitation" and the second of these principles is referred to as "rebate." Both of the principles apply independently of each other so that at times they have the inconsistent effect of allowing you to invest Bond proceeds at rates of investment return in excess of the Bond yield, but requiring you to pay any excess earnings to the IRS.

The purpose of this memorandum is to provide you with simple references to how these rules apply to the Bonds. More detailed discussion and analysis is contained in the Arbitrage and Tax Certification contained in the bond transcript documents.

INVESTMENT PERIOD LIMITATIONS

Deposits of money into the various funds and accounts created for the Bonds have been structured to comply with IRS guidelines. In general, you do not need to be concerned with the investment rates of return on most of the funds or accounts.

Deposits to the following fund may be invested at the highest rate of investment return available without any limitation on the duration of the investment:

Debt Service Fund¹

REBATE DOES NOT APPLY

“Rebate” does not apply to the Bonds because the only fund subject to rebate is the Refunding Account and the investments in the Refunding Account have a composite yield of 2.489548% which is less than the yield on the Bonds (3.033489%).

CONCLUSION

This memorandum is a simplified explanation of complex IRS regulations. It is provided to you for helpful guidance in managing investment of Bond proceeds to comply with IRS regulations. As with most laws, there are nuances and exceptions that apply to many of the rules described in this memorandum. Some of these have been selectively omitted in order to keep the rules described in this memorandum as simple as possible. Please refer to the Arbitrage and Tax Certificate for a more detailed discussion of these rules. You should also feel free to contact us with any questions.

¹The Debt Service Fund may not be used to accumulate money for more than 13 months before it is spent to pay principal and interest on the Bonds.