

RESOLUTION NO. 637

A RESOLUTION OF THE BOARD OF DIRECTORS OF EVERETT SCHOOL DISTRICT NO. 2, SNOHOMISH COUNTY, WASHINGTON, AUTHORIZING THE SALE, ISSUANCE AND DELIVERY OF \$34,250,000 OF THE DISTRICT'S UNLIMITED TAX GENERAL OBLIGATION BONDS, SERIES 1998, TO PROVIDE MONEY FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF CERTAIN CAPITAL IMPROVEMENTS TO THE DISTRICT'S EDUCATION FACILITIES WITH APPROPRIATE APPURTENANCES, FIXTURES AND FURNISHINGS; PROVIDING FOR THE DESIGNATION, DATE, TERMS, MATURITIES, FORM, PAYMENT AND REDEMPTION PROVISIONS OF THE BONDS; DESIGNATING A FISCAL AGENT; PLEDGING THE DISTRICT'S FULL FAITH CREDIT AND RESOURCES TO THE PAYMENT OF THE BONDS; PROVIDING FOR DEPOSITS INTO CERTAIN FUNDS AND ACCOUNTS; COVENANTING TO COMPLY WITH CERTAIN FEDERAL TAX AND SECURITIES LAWS; PROVIDING THAT PAYMENT OF THE BONDS BE INSURED; RATIFYING CERTAIN ACTIONS IN CONNECTION WITH THE PRELIMINARY OFFICIAL STATEMENT; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

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**EVERETT SCHOOL DISTRICT NO. 2
Snohomish County, Washington**

**UNLIMITED TAX GENERAL OBLIGATION BONDS, SERIES 1998
PRINCIPAL AMOUNT OF \$34,250,000**

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

WHEREAS, the Everett School District No. 2, Snohomish County, Washington (the "District"), is a first-class school district duly organized and existing under and by virtue of the Constitution and the laws of the State of Washington (the "State");

WHEREAS, the District is authorized and empowered by chapters 28A.530, 39.36 and 39.46 RCW to sell, issue and deliver its general obligation bonds to finance the acquisition, construction and installation of capital improvements to the education facilities of the District, all as more specifically set forth in Section 3 of this Resolution;

WHEREAS, the District's Board of Directors (the "Board") has determined that it is in the best interest of the District's residents that the District acquire, construct and install said improvements;

WHEREAS, the Board, by Resolution No. 581, adopted February 26, 1996, ordered a special election to be held within the District for the submission to the qualified electors of the District the question of whether the District should issue not to exceed \$68,500,000 principal amount (the "Authorized Amount") of unlimited tax general obligation bonds to provide the money to pay the costs of said improvements;

WHEREAS, at said special election, duly noticed, held and conducted within the District on April 23, 1996, the qualified electors of the District approved the incurrence of said debt and the issuance of said bonds;

WHEREAS, pursuant to Resolution No. 606, adopted January 9, 1997, the Board authorized the issuance, sale and delivery of \$34,250,000 principal amount of said Authorized Amount;

WHEREAS, the Board deems it necessary and advisable that the District sell, issue and deliver at this time its unlimited tax general obligation bonds in the principal amount of \$34,250,000 of such Authorized Amount to pay a portion of the costs of said improvements;

WHEREAS, the principal amount of the Bonds, when added to all other outstanding general obligation debt heretofore authorized and issued by the District (\$184,879,138), does not exceed \$292,998,231, which is the District's limitation of indebtedness prescribed by RCW 39.36.020(3) and (4);

WHEREAS, pursuant to the provisions of RCW 43.80.120, the State Finance Committee from time to time designates certain financial institutions to act as the fiscal agent for the State and any political subdivisions thereof who so designate, and the District wishes to establish the procedures pursuant to which said fiscal agent will carry out its duties with respect to the Bonds;

WHEREAS, Financial Guaranty Insurance Company has offered to provide the District with an insurance policy insuring payments on the Bonds;

WHEREAS, the Board has been advised by BancAmerica ROBERTSON STEPHENS and Salomon Smith Barney (the "Underwriter") that the amount of the premium the District will be required to pay for such municipal bond insurance policy (approximately \$42,911) is less than the present value of the difference between the interest that the Bonds would bear if they are not insured and the interest that the Bonds will bear if they are insured;

WHEREAS, the Board finds that the purchase from Financial Guaranty Insurance Company of said insurance policy is in the District's best interest;

WHEREAS, Underwriter has offered to purchase the Bonds at the price and according to the terms set forth in the offer to purchase hereinafter described; and

WHEREAS, the Board has determined it to be in the best interest of the District to accept such offer and to sell the Bonds at negotiated sale pursuant to chapter 39.46 RCW;

NOW, THEREFORE, IT IS HEREBY FOUND, DETERMINED AND ORDERED as follows:

Section 1: Definitions

As used in this Resolution, the following terms have the meanings provided in this Section 1. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words imparting the singular number shall include the plural numbers and vice versa, unless the context shall otherwise dictate.

"Acquisition," "Acquiring" or "Acquire" shall include purchase, securing, lease, receipt by gift or grant, condemnation, transfer or other acquirement, or any combination thereof.

"Authorized Amount" shall mean the \$68,500,000 principal amount of unlimited tax general obligation bonds authorized at the special election held within the District on April 23, 1996.

"Board" shall mean the District's Board of Directors, as duly and regularly constituted from time to time.

"Bond Register" shall mean the registration records maintained by the Registrar on which shall appear the names and addresses of the Registered Owners.

"Bonds" shall mean the herein-authorized series of bonds, designated as "Everett School District No. 2 Unlimited Tax General Obligation Bonds, Series 1998."

"Capital Projects Fund" shall mean the District's "Capital Projects Fund" heretofore created pursuant to RCW 28A.320.330, and referred to in Section 9 of this Resolution.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any Treasury Regulations promulgated thereunder.

"Costs of the Project" shall mean all fees, costs and expenses designated by the Board as costs of the Project; which costs, at the option of the Board, may include any or all of the following, without limitation: (1) preliminary expenses advanced by the District from money available for the use therefor, or advanced from any other source, with approval of the Board, or any combination thereof; (2) the costs of making surveys, audits, preliminary plans, other plans, specifications, estimates of costs and other preliminaries; (3) the costs of Acquiring any real or personal property, tangible or intangible, and any interest in property; (4) the costs of constructing and installing the capital improvements financed with the Bond proceeds as set forth in Section 3 hereof; (5) the costs of Acquiring and installing appurtenances, equipment, fixtures and furnishings necessary to operate and maintain the capital improvements financed with the Bond proceeds, including technology improvements as set forth in Section 3 hereof; (6) the costs of appraising, printing, estimates, advice, services of engineers, architects, financial consultants, attorneys at law, clerical help or other agents or employees; (7) the costs of contingencies; (8) the costs of any discount on the Bonds, the costs of issuing, registering and authenticating the Bonds and the costs, if any, of rating agencies and of bond insurance;

(9) the costs of Acquiring any licenses, privileges, agreements and franchises; and (10) all other expenses necessary or desirable and appertaining to the Project, as estimated or otherwise ascertained by the Board.

"Debt Service Fund" shall mean the District's "Debt Service Fund" heretofore created pursuant to RCW 28A.320.330, and referred to in Section 8 of this Resolution.

"District" shall mean the Everett School District No. 2, Snohomish County, Washington.

"DTC" shall mean The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, which will act as securities depository for the Bonds.

"Government Obligations" shall have the meaning now or hereafter ascribed to such phrase in RCW 39.53.010.

"Insurer" shall mean Financial Guaranty Insurance Company.

"Letter of Representations" shall mean the letter setting forth certain understandings of the District and the Registrar with respect to DTC's services.

"Outstanding" shall mean, when used with reference to the Bonds, as of any particular date, all Bonds that have been issued, executed, authenticated and delivered except: (1) Bonds canceled because of payment prior to their stated dates of maturity and (2) any Bond (or portion thereof) deemed to have been paid pursuant to Section 15 of this Resolution.

"Participants" shall mean those broker-dealers, banks and other financial institutions from time to time for which DTC holds the Bonds as securities depository.

"President" shall mean the President of the Board, or any presiding officer or titular head of the Board, or his successor in function, if any.

"Project" shall mean the Acquisition, construction and installation of certain capital improvements to the District's education facilities, all as described in Section 3 of this Resolution.

"Registered Owner" shall mean the person named as the registered owner of a Bond on the Bond Register.

"Registrar" shall mean either of the Washington State Fiscal Agents in Seattle, Washington, or New York, New York, acting in the capacity as registrar, authenticating agent, paying agent and transfer agent of the Bonds, or their successors in functions, as now or hereafter designated.

"Resolution" shall mean this Resolution No. 637, adopted by the Board on January 14, 1998, authorizing the sale, issuance and delivery of the Bonds.

"Secretary" shall mean the Secretary of the Board, or other officer of the District who is the custodian of the records of the proceedings of the Board, or his successor in functions, if any.

"Treasurer" shall mean the Snohomish County Treasurer, as ex officio treasurer of the District and any successor in functions, if any.

"Underwriter" shall mean, collectively, BancAmerica ROBERTSON STEPHENS and Salomon Smith Barney as initial purchasers of the Bonds.

Section 2: Interpretation

For all purposes of this Resolution, except as otherwise expressly provided or unless the context otherwise requires:

A. *Internal References.* All references in this Resolution to designated "Sections" and other subdivisions are to the designated sections and other subdivisions of this Resolution. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Resolution as a whole and not to any particular section or other subdivision.

B. *Persons.* Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public boards, as well as natural persons.

C. *Headings.* Any headings preceding the text of the several sections of this Resolution and the table of contents shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect.

D. *Writing Requirement.* Every "notice," "certificate," "consent" or similar action hereunder by the District shall, unless the form thereof is specifically provided, be in writing signed by an authorized representative of the District.

E. *Time.* In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

F. *Redemption.* Words importing the redemption or redeeming of a Bond or the calling of a Bond for redemption do not include or connote the payment or redemption of such Bond at its stated maturity or the purchase of such Bond.

G. *Payment Terms.* References to the payment of the Bonds shall be deemed to include references to the payment of interest thereon.

Section 3: The Project

A. *The Project.* The Bonds are being issued to pay a portion of the Costs of the Project incurred and to be incurred by the District for the purpose of Acquiring, constructing and installing certain capital improvements and betterments to the District's education facilities (the "Project"), all of which are more particularly described as follows:

(1) the Acquisition, construction and installation of a new Elementary School No. 16;

(2) the Acquisition, construction and installation of numerous improvements to other facilities of the District, as deemed necessary by the Board;

(3) the Acquisition and installation of all necessary appurtenances, equipment, fixtures and furnishings for the foregoing, including technology improvements, as deemed necessary by the Board;

(4) the Acquisition, construction and installation of all such other capital improvements to the District's education facilities deemed necessary by the Board; and

(5) payment of the ancillary costs of engineering, architectural, construction management, attorneys' fees, costs of bond issuance, permits, accounting costs, easements and any other expenses or consultant fees incidental thereto.

Said capital improvements and betterments are to be more fully described in the plans and specifications to be prepared by the District's architects and engineers and to be filed with the District.

If, in the opinion of the Board, the needs of the District change in a manner that results in a circumstance wherein any portion of the above-referenced capital improvements is not required or in the best interest of the District, the Board retains the right not to construct such capital improvements and to reallocate the money originally contemplated therefor to other capital improvements to the District's education facilities deemed more necessary by the Board.

B. *Modifications.* The District may make alterations or modifications in the Project so long as such alterations or modifications do not significantly alter the Project.

C. *Costs of the Project.* A portion of the total Costs of the Project to be paid for with the proceeds of the Bonds, plus State of Washington matching money, is estimated to be 37,250,000.

D. *Additional Money.* In the event there are Bond proceeds remaining after the Project has been completed or the costs thereof are duly provided for, the Board retains the right to: (i) make additional capital improvements to the District's education facilities as are deemed necessary and desirable by the Board, (ii) deposit said money into the Debt Service Fund to make payments on Bonds, and/or (iii) defease a portion of the Bonds prior to maturity.

E. *Insufficient Money.* In the event the proceeds from the sale of the Bonds, plus any or all of the other legally available money, are insufficient to make the capital improvements hereinbefore provided for, the District shall use the available money for paying the cost of those improvements for which the Bonds were approved and deemed most necessary and to be in the best interest of the District by the Board.

Section 4: Authorization of the Bonds

Unlimited tax general obligation bonds of the District, designated "Everett School District No. 2 Unlimited Tax General Obligation Bonds, Series 1998" (the "Bonds"), are hereby authorized to be sold, issued and delivered pursuant to chapters 28A.530, 39.36 and 39.46 RCW. The Bonds shall be issued in the aggregate principal sum of \$34,250,000; shall be dated January 1, 1998; shall be issued in fully registered form; shall be in the denomination of \$5,000 each, or any integral multiple thereof within a maturity; shall be issued in the form of a single fully registered Bond; and shall be numbered in such manner and with any additional designation as the Registrar deems necessary for purposes of identification. The Bonds shall be in substantially the form of Exhibit "A" attached hereto and by this reference incorporated herein.

The Bonds shall bear interest from their date or from the most recent date to which interest has been paid or duly provided for, whichever is later, payable commencing on June 1, 1998, and semiannually thereafter on each December 1 and June 1 to their respective dates of maturity. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Bonds shall bear interest at the rates and shall mature in each of the years and in the principal amounts set forth in the following schedule:

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------------------|-------------------------|----------------------|
| December 1, 1998 | \$ 205,000 | 3.65% |
| December 1, 1999 | 1,675,000 | 3.75 |
| December 1, 2000 | 1,165,000 | 3.85 |
| December 1, 2001 | 885,000 | 3.95 |
| December 1, 2002 | 1,010,000 | 4.00 |
| December 1, 2003 | ***** | *** |
| December 1, 2004 | 925,000 | 4.15 |
| December 1, 2005 | 3,565,000 | 4.20 |
| December 1, 2006 | 3,885,000 | 4.30 |
| December 1, 2007 | 8,935,000 | 4.35 |
| December 1, 2008 | 9,945,000 | 4.40 |
| December 1, 2009 | 2,055,000 | 4.45 |

The Bonds shall be executed, authenticated and delivered as provided in Section 10 of this Resolution. The Bonds shall be negotiable instruments to the extent provided by chapter 62A.8-105 RCW.

Section 5: No Redemption Prior to Maturity

A. *No Optional Redemption.* The Bonds are not subject to redemption prior to their fixed dates of maturity.

B. *Open Market Purchase and Cancellation.* The District hereby reserves the right to purchase the Bonds on the open market at any time and at any price. All Bonds purchased or redeemed under this Section 5 shall be canceled.

Section 6: Place, Manner and Medium of Payment

The principal of and interest on the Bonds are payable in lawful money of the United States to the Registered Owners thereof.

Payment of each installment of interest shall be made to the Registered Owner whose name appears on the Bond Register at the close of business on the fifteenth day of the calendar month preceding the interest payment date. Each installment of interest shall be paid by check or draft of the Registrar mailed to such Registered Owner on the due date at the address appearing on the Bond Register, or at such other address as may be furnished in writing by such Registered Owner to the Registrar. Interest installments may be paid by wire transfer to a Registered Owner of at least \$1,000,000 in principal amount of the Bonds, upon written request of such Registered Owner submitted to the Registrar at least 15 days prior to the interest payment date; provided, the costs of such wire transfer shall be paid by the Registered Owner.

Principal of each Bond shall be payable to the Registered Owner, upon presentation and surrender of the Bond on or after the date of maturity, at either of the principal corporate trust offices of the Registrar; provided, the costs of such wire transfer shall be paid by the Registered Owner. Upon the payment of the Bonds at maturity, and/or upon payment of the redemption price of any Bonds being redeemed, each check or other transfer of money issued for such purpose shall bear the CUSIP number, if any, and identify by issue and maturity the Bonds being paid or redeemed with the proceeds of such check or other transfer.

The District and the Registrar may deem and treat the Registered Owner of each Bond as the absolute owner of such Bond for the purpose of receiving payments of principal and interest due on such Bond and for all other purposes, and neither the District nor the Registrar shall be affected by any notice to the contrary.

Pursuant to RCW 43.80.160 (as it now reads or is hereafter amended or recodified), the Treasurer shall submit a written request to the Registrar that the Registrar return to the Treasurer all money previously remitted to the Registrar for the payment of the Bonds that has not been distributed by the Registrar as of one year after the final maturity of all of the Bonds. The Treasurer shall deposit such money into a separate account to be held solely for the benefit of the Registered Owners of Bonds which have not been presented for payment, and which shall be used solely for paying the principal of such Bonds and the interest which had accrued thereon to the date of maturity. Interest earnings on the money in said account may be

deposited into the Debt Service Fund to pay the principal of and interest on any Bonds that are Outstanding.

Section 7: Pledge of Full Faith, Credit and Resources of the District

The full faith, credit and resources of the District are hereby irrevocably pledged for the prompt payment of the principal of and interest on the Bonds. The officers now or hereafter charged by law with the duty of levying taxes for the payment of the principal of and the interest on the Bonds shall, in the manner provided by law, make annual tax levies upon all of the taxable property within the District sufficient, together with other legally available money, to pay the maturing principal of the Bonds and the interest accruing thereon.

The District hereby irrevocably covenants that, for as long as any of the Bonds are Outstanding, it will make annual levies of ad valorem taxes without limitation as to rate or amount upon all the property within the District subject to taxation which, together with other money legally available therefor, will be sufficient in amount to pay the principal of and interest on the Bonds as the same shall become due.

Section 8: The Debt Service Fund

A. *Debt Service Fund.* There heretofore has been created pursuant to RCW 28A.320.330, and shall be maintained in the office of the Treasurer, a fund separate and distinct from all other funds of the District, designated the "Everett School District No. 2 Debt Service Fund," or such other designation conforming to accounting practices (the "Debt Service Fund"), for the purpose of paying the principal of, premium, if any, and interest on the Bonds and on all other outstanding unlimited tax general obligation bonds of the District when due.

B. *Deposits to the Debt Service Fund.* Accrued interest received from the sale of the Bonds, if any, shall be deposited in the Debt Service Fund. Tax receipts and, as from time to time directed by the Board, other District money legally available for payment of the Bonds will be deposited to the Debt Service Fund to the extent necessary to pay the principal of, premium, if any, and interest on the Bonds.

C. *Investment of Money in the Debt Service Fund.* Money in the Debt Service Fund may be invested as permitted by law, which investments shall mature prior to the date on which such money shall be needed for required interest or principal payments. All interest earned and income derived by virtue of such investments shall remain in the Debt Service Fund and be used to meet the required deposits therein.

Section 9: The Capital Projects Fund

A. *Capital Projects Fund.* There heretofore has been created pursuant to RCW 28A.320.330, and shall be maintained in the office of the Treasurer, a fund separate and distinct from all other funds of the District, designated the "Everett School District No. 2 Capital Projects Fund," or such other designation conforming to accounting practices (the "Capital Projects Fund").

B. *Deposits into the Capital Projects Fund.* The District shall deposit into the Capital Projects Fund all proceeds from the sale of the Bonds other than: (i) accrued interest, if any, received from the sale of the Bonds, which shall be deposited into the Debt Service Fund (ii) amounts paid to the Underwriter as Underwriter's discount, which shall be retained by the Underwriter; and (iii) amounts representing the municipal bond insurance premium, which shall be wired directly to the Insurer by the Underwriter. Money in the Capital Projects Fund may be invested as permitted by law. Any interest earnings on money invested from the Capital Projects Fund shall be retained in the Capital Projects Fund. The District's share of any liquidated damages or other money paid by defaulting contractors or their sureties will be deposited into the Capital Projects Fund to ensure completion of the Project.

C. *Use of the Capital Projects Fund.* Money in the Capital Projects Fund shall be used from time to time to pay the Costs of the Project. When the Project has been completed and all costs of the Project have been paid in full or duly provided for, any balance remaining in the Capital Projects Fund may be used for other capital improvements and betterments to the District's education facilities or may be deposited into the Debt Service Fund as previously described in Section 3 of this Resolution.

Section 10: Execution and Authentication of the Bonds

A. *Execution of the Bonds.* Without unreasonable delay, the District shall cause definitive Bonds to be prepared, executed, and delivered, which Bonds shall be lithographed or printed with steel engraved or lithographed borders. The Bonds shall be executed on behalf of the District by the manual or facsimile signature of the President, shall be attested by the manual or facsimile signature of the Secretary, and shall have the seal of the District impressed or imprinted thereon.

B. *Authentication of the Bonds.* The executed Bonds shall be delivered to the Registrar for authentication. The Bonds shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification. Only those Bonds that bear a Certificate of Authentication substantially in the form set forth in Exhibit "A" attached hereto, and manually executed by an authorized representative of the 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 hereunder and are entitled to the benefits of this Resolution.

C. *Temporary Bonds.* Until the definitive Bonds are prepared, the District may, if deemed necessary by the Secretary, utilize a temporary Bond which shall be typewritten and delivered to the Underwriter in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds. Such temporary Bond shall be dated as of the date of the Bonds, shall be in the denomination of \$34,250,000, shall be numbered T-1, shall be substantially of the tenor of such definitive Bonds, but with such omissions, insertions and variations as may be appropriate to temporary bonds, shall be manually signed by the President and the Secretary, and shall have the seal of the District impressed or imprinted

thereon. The Treasurer shall be the Registrar in the event and for so long as a temporary Bond is utilized.

D. *Validity of Signatures.* In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the District before the Bonds so signed or attested shall have been authenticated or delivered by the Registrar, or issued by the District, such Bonds may nevertheless be authenticated, delivered and issued, and upon such authentication, delivery and issue, shall be as binding upon the District as though those who signed and attested the same had continued to be such officers of the District. Any Bond may also be signed and attested on behalf of the District by such persons as at the actual date of execution of such Bond shall be the proper officers of the District although at the original date of such Bond any such person shall not have been such officer of the District.

Section 11: The Registrar

A. *Registrar Appointed.* The Washington State Fiscal Agents, in Seattle, Washington, and New York, New York, are hereby appointed as Registrar, authenticating agent, paying agent and transfer agent with respect to the Bonds, subject to the following terms and conditions set forth in this Section 11.

B. *Delegated Duties.* The Registrar is hereby authorized and directed, on behalf of the District, to authenticate and deliver Bonds initially issued or transferred or exchanged in accordance with the provisions of the Bonds and this Resolution and to carry out all of the Registrar's powers and duties under this Resolution and the Washington State Fiscal Agency Agreement, dated February 1, 1997, between the Washington State Finance Committee and the Registrar (as the same may be amended or readopted from time to time).

C. *Bond Register.* The Bonds shall be issued only in registered form as to both principal and interest. The Registrar shall keep, or cause to be kept, at either of its principal corporate trust offices the Bond Register which shall at all times be open to inspection by the District. The District hereby specifies and adopts the system of registration for the Bonds approved by the Washington State Finance Committee.

D. *Fees and Costs.* Subject to the terms of the Washington State Fiscal Agency Agreement, the District shall pay to the Registrar from time to time reasonable compensation for all services rendered under this Resolution, together with reasonable expenses, charges, fees of counsel, accountants and consultants and other disbursements, including those of its attorneys, agents and employees, incurred in good faith in and about the performance of their powers and duties under this Resolution. The administrative fees provided for in this subsection D may be paid from the Debt Service Fund.

E. *Representations.* The Registrar shall be responsible for its representations contained in the Registrar's Certificate of Authentication on the Bonds.

F. *Ownership Rights.* The Registrar may become the Registered Owner of Bonds with the same rights it would have if it were not the Registrar, and to the extent permitted by

law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Registered Owners of the Bonds.

G. *Cancellation of Surrendered Bonds.* Bonds surrendered to the Registrar for payment, transfer or exchange, as well as Bonds surrendered by the District for cancellation, shall be canceled immediately by the Registrar and returned to the District. Such Bonds thereafter shall be destroyed pursuant to RCW 43.80.130.

Section 12: Book-Entry System Authorized

A. The Bonds shall be initially issued in the form of a separate, single-certificated, fully registered Bond for each maturity set forth in Section 4 of this Resolution, in the aggregate principal amount of such maturity. Upon initial issuance, the ownership of each Bond shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC, the securities depository for the Bonds. Except as provided in subsection D of this Section 12, all of the Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC.

B. With respect to Bonds registered in the Bond Register in the name of Cede & Co., as nominee of DTC, the District and the Registrar shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Registrar shall have no responsibility or obligation with respect to: (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person, other than a Registered Owner, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than a Registered Owner, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The District and the Registrar may treat and consider the Registered Owner of each Bond as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Registrar shall pay all principal of, premium, if any, and the interest on the Bonds as provided in Sections 5, 6 and 15 of this Resolution, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sums so paid. No person other than a Registered Owner shall receive a certificated Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to this Resolution. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to the transfer and payment of the Bonds, the phrase "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

C. The District has heretofore executed and delivered a Blanket form Letter Of Representations. The delivery of the Letter of Representations shall not in any way limit the

provisions of subsection B of this Section 12, or in any other way impose upon the District any obligation whatsoever with respect to persons having interests in the Bonds other than the Registered Owner. The Registrar shall take all action necessary for all representations of the District in the Letter of Representations with respect to the Registrar, to at all times be complied with.

D. (1) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the District and to the Registrar, and discharging its responsibilities with respect thereto under applicable law.

(2) The District, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the District determines that: (a) DTC is unable to discharge its responsibilities with respect to the Bonds or (b) a continuation of the requirement that all of the Bonds be registered in the Bond Register in the name of Cede & Co., or any other nominee of DTC, is not in the best interest of the beneficial owners of the Bonds.

(3) Upon termination of the services of DTC with respect to the Bonds pursuant to subsection D(2)(b) of this Section 12, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection D(1) or subsection D(2)(a) of this Section 12 after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found that, in the opinion of the District, is willing and able to undertake such functions upon reasonable and customary terms, the District shall deliver certificated Bonds at the expense of the District, as described in this Resolution, and the Bonds shall no longer be restricted to being registered in the Bond Register in the name of Cede & Co. as nominee of DTC, but may be registered in the names that the Registered Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

E. Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal or premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Letter of Representations.

Section 13: Transfer and Exchange of the Bonds

A. *Transfer of Bonds.* Each Bond shall be transferable by the Registered Owner thereof in person, or by its attorney duly authorized in writing, upon due completion of the assignment form appearing thereon and upon surrender of said Bond at either of the principal corporate trust offices of the Registrar for cancellation and issuance of a new Bond registered in the name of the transferee, in exchange therefor.

B. *Exchange of Bonds.* Each Bond shall be exchangeable by the Registered Owner thereof in person, or by its attorney duly authorized in writing, for one or more new Bonds,

upon surrender of said Bond at either of the principal corporate trust offices of the Registrar for cancellation.

C. *Authentication and Delivery of New Bonds.* Whenever a Bond shall be surrendered for transfer or exchange, the Registrar shall authenticate and deliver to the transferee or exchangee, in exchange therefor, a new fully-registered Bond or Bonds of any authorized denomination or denominations, of the same maturity and interest rate as, and for the aggregate principal amount of, the Bond being surrendered. Notwithstanding the foregoing sentence, the Registrar is not required to transfer or exchange any Bond during the 15 days preceding any principal or interest payment date.

D. *Payment of Fees and Costs.* The Registrar shall require the payment by the Registered Owner requesting such transfer or exchange of any tax, fee or governmental charge required to be paid with respect to such transfer or exchange.

Section 14: Mutilated, Lost, Stolen or Destroyed Bonds

A. *Issuance of Substitute Bonds.* If any Bond shall become mutilated, lost, stolen or destroyed, the affected Registered Owner shall be entitled to the issuance of a substitute Bond only as follows:

(1) in the case of a lost, stolen or destroyed Bond, the Registered Owner shall: (a) provide notice of the loss, theft or destruction to the District and the Registrar within a reasonable time after the Registered Owner receives notice of the loss, theft or destruction, (b) request the issuance of a substitute Bond, (c) provide evidence, satisfactory to the District and the Registrar, of the ownership and the loss, theft or destruction of the affected Bond, and (d) file in the offices of the District and the Registrar a written affidavit specifically alleging on oath that such Registered Owner is the proper owner, payee or legal representative of such owner or payee of the Bond that has been lost, stolen or destroyed, giving the date the Bond was issued and the number, principal amount and series of such Bond, and stating that the Bond has been lost, stolen or destroyed, and has not been paid and has not been received by such Registered Owner;

(2) in the case of a mutilated Bond, the Registered Owner shall surrender the Bond to the Registrar for cancellation; and

(3) in all cases, the Registered Owner shall provide indemnity against any and all claims arising out of or otherwise related to the issuance of substitute Bonds pursuant to this Section 14 satisfactory to the District and the Registrar.

Upon compliance with the foregoing, a new Bond of like tenor and denomination, bearing the same number as the mutilated, lost, stolen or destroyed Bond, and with the word "DUPLICATE" stamped or printed plainly on its face, shall be executed by the District, authenticated by the Registrar and delivered to the Registered Owner, all at the expense of the Registered Owner to whom the substitute Bond is delivered. Notwithstanding the foregoing,

the Registrar shall not be required to authenticate and deliver any substitute Bond for a Bond that has matured or is about to mature or that has been called for redemption and, in any such case, the principal or redemption price and interest then due or becoming due shall be paid by the Registrar in accordance with the terms of the mutilated, destroyed, lost or stolen Bond without substitution therefor.

B. *Notation on the Bond Register.* Upon the issuance and authentication of any substitute Bond under the provisions of this Section 14, the Registrar shall enter upon the Bond Register a notation that the original Bond was canceled and a substitute Bond was issued.

C. *Rights of Registered Owners of Substitute Bonds.* Every substitute Bond issued pursuant to this Section 14 shall constitute an additional contractual obligation of the District and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Bonds duly issued hereunder unless the Bond alleged to have been destroyed, lost or stolen shall be at any time enforceable by a bona fide purchaser for value without notice. In the event the Bond alleged to have been destroyed, lost or stolen shall be enforceable by anyone, the District may recover the substitute Bond from the Registered Owner to whom it was issued or from anyone taking under the Registered Owner except a bona fide purchaser for value without notice.

D. *Exclusive Rights.* All Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or of investment or other securities without their surrender.

Section 15: Defeasance of the Bonds

In the event that money and/or Government Obligations (maturing or having guaranteed redemption prices at the option of the owner at such time or times and bearing interest to be earned thereon) in such amounts as are sufficient, together with any resulting cash balances, to redeem and retire part or all of the Bonds in accordance with their terms, are hereafter irrevocably set aside in a special account and pledged to effect such redemption and retirement, then no further payments need be made into the Debt Service Fund or any account therein for the payment of the principal of and interest on the certain Bonds so provided for, and such Bonds and interest accrued thereon shall no longer be deemed to be Outstanding hereunder.

If the principal or redemption price of any Bonds becoming due at maturity, together with all interest accruing thereon to the due date, has been paid or provision therefor made in accordance with this Section 15, all interest on such Bonds shall cease to accrue on the due date and all liability of the District with respect to such Bonds shall cease as of the date the principal and interest is so provided for, except as hereinafter provided. Thereafter the Registered Owners of such Bonds shall be restricted exclusively to the money so deposited for

any claim of whatsoever nature with respect to such Bonds, and the Registrar shall hold such money in trust for such Registered Owners uninvested and without interest.

Section 16: Tax Covenants

A. *Compliance With Code.* The District covenants to comply with each requirement of the Code necessary to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes. In furtherance of the covenant contained in the preceding sentence, the District covenants to comply with the provisions of the Arbitrage and Tax Regulatory Certificate executed by the District on the date of initial issuance and delivery of the Bonds, as such Arbitrage and Tax Regulatory Certificate may be amended from time to time.

B. *Necessary Payments.* The District covenants to make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds pursuant to Section 148(f) of the Code.

C. *Survival of Tax Covenants.* Notwithstanding any other provision of this Resolution to the contrary, so long as necessary in order to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes, the covenants contained in this Section 16 shall survive the payment of the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to Section 15 of this Resolution.

D. *Remedies.* Notwithstanding any other provision of this Resolution to the contrary: (1) upon the District's failure to observe or refusal to comply with the above covenants, the Registered Owners, or any trustee acting on their behalf, shall be entitled to the rights and remedies provided to the Registered Owners under this Resolution, and (2) neither the holders nor registered owners of bonds of any series other than Bonds, nor a trustee acting on their behalf, shall be entitled to exercise any right or remedy provided to Registered Owners under this Resolution based upon the District's failure to observe, or refusal to comply with the above covenants.

Section 17: Amendments to the Resolution

A. *Amendments Not Requiring Registered Owner Consent.* The Board from time to time, and at any time, may adopt a resolution or resolutions supplemental hereto, which resolution or resolutions thereafter shall become a part of this Resolution for any one or more of all the following purposes: (1) to add to or delete from the covenants and agreements of the District in this Resolution, or to surrender any right or power reserved to the District herein, provided such additions or deletions shall not adversely affect, in any material respect, the interests of the Registered Owners of any Bonds; and (2) to cure, correct or supplement any ambiguous or defective provision contained in this Resolution, provided such supplemental resolution shall not adversely affect, in any material respect, the interests of the Registered Owners of the Bonds. Any such supplemental resolution may be adopted without the consent of the Registered Owners of any Bonds at any time Outstanding, notwithstanding any of the provisions of subsection B of this Section 17.

B. *Amendments Requiring Registered Owner Consent.* With the consent of the Registered Owners of not less than 65 percent in aggregate principal amount of the Bonds at the time Outstanding, the Board may adopt a resolution or resolutions supplemental hereto for the purpose of adding any provisions to, or changing in any manner, or eliminating any of the provisions of this Resolution or of any supplemental resolution; provided, however, that no such supplemental resolution shall: (1) extend the fixed maturity of any Bonds, or reduce the rate of interest thereon, or extend the time of payments of interest from their due date, or reduce the amount of the principal thereof, or alter the redemption provisions pertaining thereto, without the consent of the Registered Owner of each Bond so affected; or (2) reduce the aforesaid percentage of Registered Owners required to approve any such supplemental resolution, without the consent of the Registered Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of Registered Owners under this subsection B to approve the particular form of any proposed supplemental resolution, but it shall be sufficient if such consent shall approve the substance thereof.

C. *Effect of Supplemental Resolutions.* Upon the adoption of any supplemental resolution pursuant to the provisions of this Section 17, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the District under this Resolution and all Registered Owners of Bonds Outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all terms and conditions of any such supplemental resolution shall be deemed to be part of the terms and conditions of this Resolution for any and all purposes.

D. *Notations; Replacement Bonds.* Bonds executed and delivered after the execution of any supplemental resolution adopted pursuant to the provisions of this Section 17 may have a notation as to any matter provided for in such supplemental resolution, and if such supplemental resolution shall so provide, new Bonds so modified as to conform in the opinion of the Board to any modification of this Resolution contained in any such supplemental resolution, may be prepared and delivered without cost to the Registered Owners of any affected Bonds then Outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts.

Section 18: Sale and Delivery of the Bonds Authorized

The Underwriter has offered to purchase all the Bonds to be issued pursuant to this Resolution, which offer has been made by means of and subject to the terms and conditions of the bond purchase contract (the "Purchase Contract") dated January 14, 1998, and attached hereto as Exhibit "B." The Board is of the opinion that no better price could be obtained for the Bonds, and that it is in the best interests of the District and the public to accept said offer and sell the Bonds by private sale, without giving any prior notice thereof by publication or otherwise, as permitted by chapter 39.46 RCW. The sale of the Bonds to the Underwriter pursuant to the terms and conditions of the Purchase Contract is hereby authorized and approved. The President and/or Secretary are hereby severally authorized to execute and deliver the Purchase Contract on behalf of the District.

The President, the Secretary and the Treasurer are hereby further authorized to do everything necessary for the prompt execution and delivery of the Bonds to the Underwriter and for the proper application and use of the proceeds of the sale thereof, including: (i) preparing the final official statement regarding the Bonds, and (ii) executing such certificates and receipts as may be necessary to properly document the issuance of the Bonds.

Section 19: Ratification of the Preliminary Official Statement

The District hereby ratifies all acts undertaken by its officers, employees and agents with respect to the preparation and distribution of the preliminary official statement with respect to the Bonds, including any action taken to deem such preliminary official statement final as of its date except for the omission of information dependent upon the pricing of the issue and the completion of the underwriting agreement, such as offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates and other terms of the Bonds dependent on the foregoing matters. The District agrees to cooperate with the Underwriter to deliver or cause to be delivered, within seven business days from the date hereof and in sufficient time to accompany any confirmation that requests payment from any customer of the Underwriter, copies of a final official statement in sufficient quantity to comply with paragraph (b)(4) of Securities and Exchange Commission Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board.

Section 20: Covenant to Provide Continuing Disclosure

A. *Limitation of Rights.* The District intends that this Section 20 constitutes the District's undertaking to provide the information and notices described by 17 CFR § 240.15c2-12(b)(5) with respect solely to the Bonds (the "Undertaking"). Notwithstanding any other provision of this Resolution to the contrary, neither the registered owner or holder of bonds of any series other than the Bonds, nor any trustee acting on their behalf, shall be entitled to any right or to exercise any remedy provided to the Holders under this Undertaking based upon the District's failure to observe, or refusal to comply with, the covenants contained in this Undertaking.

B. *Definitions for Purposes of this Undertaking.* Solely for the purposes of this Undertaking, the following terms shall have the following meanings unless the context otherwise requires:

"Annual Financial Information" shall mean an annual update of: (i) the financial information and operating data of the type set forth in the Official Statement in the tables entitled "Comparative Statement of General Fund Revenues and Expenditures" and "Historical and Projected Enrollment"; (ii) the assessed valuation of taxable property in the District; (iii) the ad valorem taxes levied and percentage of taxes collected by the District; (iv) the District's property tax levy rates per \$1,000 of assessed valuation; and (v) the District's outstanding general obligation debt.

"Audited Financial Statements" shall mean, with respect to the District, financial statements prepared and audited pursuant to the laws of the State of Washington (presently RCW 43.09.200 through 43.09.285), as such laws may be amended from time to time.

"Holder" shall mean any Registered Owner of a Bond and any person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares: (i) voting power which includes the power to vote, or to direct the voting of, a Bond; and/or (ii) investment power which includes the power to dispose, or direct the disposition of, a Bond.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any successor in functions thereto.

"NRMSIR" shall mean any municipal securities information repository that is formally recognized in writing by the SEC as a "nationally recognized municipal securities information repository" for purposes of Rule 15c2-12.

"Official Statement" shall mean the District's final official statement relating to the Bonds, together with any amendments thereto.

"Required Filings" shall mean any filing made pursuant to subsections C, D, E and F of this Section 20.

"Rule 15c2-12" shall mean Rule 15c2-12 of the SEC, as amended.

"SEC" shall mean the Securities and Exchange Commission or any successor in functions thereto.

"SID" shall mean any municipal securities information repository that is formally recognized in writing by the SEC as the State of Washington's "state information depository" for purposes of Rule 15c2-12.

C. *Annual Financial Information.* The District will provide to each NRMSIR and to each SID, if any, within nine months after the end of each fiscal year, commencing on or before May 31, 1999, Annual Financial Information for the District. Presently, the District's fiscal year commences on September 1. All or any portion of the Annual Financial Information may be incorporated in the Annual Financial Information by cross reference to any other documents which have been filed with: (i) each NRMSIR and SID, if any; or (ii) the SEC; or (iii) if the document is an official statement, with the MSRB.

Annual Financial Information for any fiscal year containing any modified operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Financial Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, the initial Annual Financial Information after such modification shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting

principles. The District will provide notice of the modification of operating data or financial information or change in accounting principles to each NRMSIR or to the MSRB, and to each SID, if any.

D. *Audited Financial Statements.* To the extent the District's Audited Financial Statements are not submitted as part of the Annual Financial Information under subsection C of this Section 20, the District will provide to each NRMSIR and to each SID, if any, the Audited Financial Statements of the District (commencing with the audited financial statements for the fiscal year ending August 31, 1998, when and if such Audited Financial Statements are available). Although the District may submit a comprehensive annual financial report (a "CAFR") together with its Audited Financial Statements, there is no requirement to do so hereunder, and the dissemination of a CAFR in any year shall not be construed as a requirement to disseminate a CAFR in any subsequent year.

E. *Material Event Notices.* The District will provide to each NRMSIR or to the MSRB, and to each SID, if any, in a timely manner, notice of any of the following events with respect to the Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) modifications to rights of security holders;
- (8) bond calls;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds; and
- (11) rating changes.

F. *Notice of Late Filing.* The District will provide to each NRMSIR or to the MSRB, and to each SID, if any, in a timely manner, notice of a failure of the District to provide

the required Annual Financial Information on or before the date specified in subsection C of this Section 20.

G. *Term of this Undertaking.* The term of this Undertaking shall commence on the date of closing and initial delivery of the Bonds to the Registered Owners, and shall terminate when the Bonds shall have been paid in full or defeased in accordance with this Resolution. The District shall provide notice of such defeasance to each NRMSIR or to the MSRB, and to each SID, if any; provided, such notice shall not be a condition to such defeasance.

H. *Amendments.* Notwithstanding any provision of this Resolution to the contrary, the District may amend this Undertaking in conformity with the Rule, as interpreted from time to time by the courts, the SEC, or the SEC staff. Upon the adoption of any amendment to the Rule, this Undertaking shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the District and all Holders under this Undertaking shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all terms and conditions of any such amendment shall be deemed to be part of the terms and conditions of this Undertaking for any and all purposes. If the consent of Holders is necessary for such amendment, only the Holders of the Bonds shall be considered for purposes of determining whether such consent has been rendered.

I. *Additional Information.* Nothing in this Undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Required Filing in addition to that which is required by this Undertaking. If the District chooses to include any information in any Required Filing in addition to that which is specifically required by this Undertaking, the District shall have no obligation under this Undertaking to update such information or include it in any future Required Filing.

J. *Defaults of this Undertaking.* If the District shall fail to comply with any provision of this Undertaking, then any Holder may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, such provision against the District and any of the officers, agents and employees of the District, and may compel the District or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided, that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the District hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

K. *Rescission Rights.* The District hereby reserves the right to rescind this Undertaking without the consent of the Holders in the event Rule 15c2-12 is repealed by the SEC or is ruled to be invalid by a federal court and the time to appeal from such decision has expired. In the event of a partial repeal or invalidation of Rule 15c2-12, the District hereby reserves the right to rescind those provisions of this Undertaking that were required by those parts of Rule 15c2-12 that are so repealed or invalidated.

Section 21: Municipal Bond Insurance Policy

The scheduled payments of principal of and interest on the Bonds, when due, shall be insured under an insurance policy (the "Policy") to be issued by Financial Guaranty Insurance Company concurrently with the delivery of the Bonds. Said Policy is on file and available for inspection at either of the principal corporate trust offices of the Registrar and a copy thereof may be obtained from Financial Guaranty Insurance Company. The Secretary and/or the President are hereby authorized to execute all documents on behalf of the District in connection with the Policy.

Section 22: Payments Under the Policy

A. In the event that, on the second business day, and again on the business day, prior to the payment date on the Bonds, the Registrar has not received sufficient money to pay all principal of and interest on the Bonds due on the second following or following, as the case may be, business day, the Registrar shall immediately notify the Insurer or its designee on the same business day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

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

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

D. The Registrar is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Registered Owners as follows:

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

(2) if and to the extent of a deficiency in amounts required to pay principal of the Bonds, the Registrar shall: (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Registered Owner in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Bonds surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which money are not held by the Registrar and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Registered Owner (and not as Registrar) in accordance with the tenor of the Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Registered Owners.

E. Payments with respect to claims for interest on and principal of Bonds disbursed by the Registrar from proceeds of the Policy shall not be considered to discharge the obligations of the District with respect to such Bonds, and the Insurer shall become the Registered Owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

F. Irrespective of whether any such assignment is executed and delivered, the District and the Registrar hereby agree for the benefit of the Insurer that:

(1) they recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Registrar), on account of principal of or interest on the Bonds, the Insurer will be subrogated to the rights of such Registered Owners to receive the amount of such principal and interest from the District, with interest thereon as provided and solely from the sources stated in this Resolution and the Bonds; and

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

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

H. Copies of any amendments made to the documents executed in connection with the issuance of the Bonds which are consented to by the Insurer shall be sent to Moody's Investors Service and Standard & Poor's Rating Services.

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

J. The Insurer shall receive copies of all notices required to be delivered to the Registered Owners and, on an annual basis, copies of the District's audited financial statements and annual budget.

K. Any notice that is required to be given to the Registered Owners of the Bonds or to the Registrar pursuant to this Ordinance shall also be provided to the Insurer. All notices required to be given to the Insurer under this Ordinance shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504; Attention: Surveillance.

Section 23: Contract and Severability of Provisions

The covenants contained in this Resolution and in the Bonds shall constitute a contract between the District and the Registered Owner of each and every Bond. Any action by the Registered Owner of any Bond shall bind all future Registered Owners of the same Bond in respect of anything done or suffered by the District or the Registrar in pursuance thereof. All the covenants, promises and agreements in this Resolution contained by or on behalf of the District, or by or on behalf of the Registrar, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

If any one or more of the covenants or agreements provided in this Resolution to be performed on the part of the District shall be declared by any court of competent jurisdiction on final appeal (if any appeal be taken) to be contrary to law, then such covenant or agreement shall be null and void and shall be deemed separable from the remaining covenants and agreements in this Resolution and shall in no way affect the validity of the other provisions of this Resolution or of the Bonds.

Section 24: No Personal Recourse

No recourse shall be had for any claim based on this Resolution or the Bonds against any Board member, officer or employee, past, present or future, of the District or of any successor body as such, either directly or through the District or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise.

Section 25: Ratification

All actions not inconsistent with the provisions of this Resolution heretofore taken by the Board and the District's employees in connection with the Project and the marketing, sale, issuance and delivery of the Bonds is hereby and in all respects ratified, approved and confirmed.

Section 26: Repealer

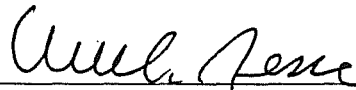
All resolutions or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed, and shall have no further force or effect.


Section 27: Effective Date


This Resolution shall be in full force and effect from and after its adoption.

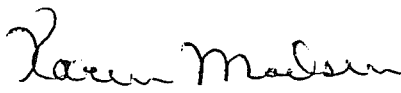
ADOPTED AND APPROVED by the Board of Directors of the Everett School District No. 2, Snohomish County, Washington, at a special meeting thereof, notice of which was required by law, held on January 14, 1998.

EVERETT SCHOOL DISTRICT NO. 2
Snohomish County, Washington


Mark A. Nesse, President

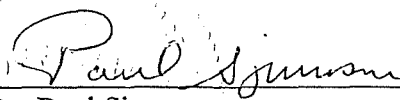

Paula Kelley-Clarke, Vice President


Sue M. Cooper, Director


Karen Madsen, Director

Roy Yates, Director

ATTEST:


Dr. Paul Sjunnesen
Interim Secretary of the Board of Directors

(SEAL)

* * * * *

CERTIFICATE

I, Dr. Paul Sjunnesen, Interim Secretary of the Board of Directors of the Everett School District No. 2, Snohomish County, Washington, hereby certify that the foregoing resolution is a full, true and correct copy of a resolution duly passed and adopted at a special meeting of the Board of Directors of said District, duly held at the regular meeting place thereof on January 14, 1998, of which meeting all members of said Board had due notice, and at which a majority thereof was present; and that at said meeting said resolution was adopted by the following vote:

AYES, and in favor thereof: *Nesse, Kelley-Clarke, Cooper & Madsen.*

NAYS: *None*

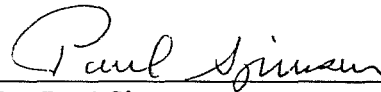
ABSENT: *Yates*

ABSTAIN: *None*

I further certify that I have carefully compared the same with the original resolution on file and of record in my office; that said resolution is a full, true and correct copy of the original resolution adopted at said meeting; and that said resolution has not been amended, modified or rescinded since the date of its adoption, and is now in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the District on January 14, 1998.

EVERETT SCHOOL DISTRICT NO. 2
Snohomish County, Washington



Dr. Paul Sjunnesen
Interim Secretary of the Board of Directors

(SEAL)

Exhibit "A"
Form of Bond

[Face of Bond]

UNITED STATES OF AMERICA
STATE OF WASHINGTON
COUNTY OF SNOHOMISH

EVERETT SCHOOL DISTRICT NO. 2

UNLIMITED TAX GENERAL OBLIGATION BOND, SERIES 1998

Number: Dollars

See Reverse Side for
Additional Provisions

INTEREST RATE: MATURITY DATE: CUSIP NO.:

THE EVERETT SCHOOL DISTRICT NO. 2, Snohomish County, Washington (the "District"), a first-class school district duly organized and existing under and by virtue of the Constitution and the laws of the State of Washington, acknowledges itself to owe and, for value received, promises to pay from the District's "Debt Service Fund" (the "Debt Service Fund"), referred to in Resolution No. 637, adopted by the District's Board of Directors on January 14, 1998 (the "Resolution"), to

or registered assigns, on the Maturity Date specified above, the principal sum of

DOLLARS

and to pay interest thereon from the aforesaid Debt Service Fund from January 1, 1998, or from the most recent date to which interest has been paid or duly provided for, whichever is later, at the Interest Rate per annum specified above, payable commencing on June 1, 1998, and semiannually thereafter on each December 1 and June 1 to the Maturity Date specified above. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Both the principal of and interest on this Bond are payable in lawful money of the United States of America to the Registered Owner hereof, whose name and address shall appear on the registration books of the District (the "Bond Register") maintained by either of the Washington State Fiscal Agents in Seattle, Washington, or New York, New York (the "Registrar"). Interest shall be paid to the Registered Owner whose name appears on the Bond Register at the close of business on the fifteenth day of the calendar month preceding the interest payment date, and shall be paid by check or draft of the Registrar mailed to such

Registered Owner on the due date at the address appearing on the Bond Register, or at such other address as may be furnished in writing by such Registered Owner to the Registrar. Interest installments may be paid by wire transfer to a Registered Owner of at least \$1,000,000 in principal amount of the Bonds, upon written request of such Registered Owner submitted to the Registrar at least 15 days prior to the interest payment date; provided, the costs of such wire transfer shall be paid by the Registered Owner. Principal shall be paid to the Registered Owner upon presentation and surrender of this Bond on or after the Maturity Date specified above, at either of the principal corporate trust offices of the Registrar.

The District and the Registrar may deem and treat the Registered Owner of this Bond as the absolute owner of this Bond for the purpose of receiving payments of principal and interest due on this Bond and for all other purposes, and neither the District nor the Registrar shall be affected by any notice to the contrary.

Reference is hereby made to the Additional Provisions of this Bond set forth on the reverse side hereof, and such Additional Provisions shall for all purposes have the same effect as if set forth in this space.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon is manually signed by the Registrar.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that this Bond and the series of which it is one, are issued pursuant to and in strict compliance with the Constitution and the laws of the State of Washington now in force, and the ordinances and resolutions of the District, specifically the Resolution, and that all acts, conditions and things required to be done precedent to and in the issuance of this Bond have happened, been done and been performed.

IN WITNESS WHEREOF, the Everett School District No. 2, Snohomish County, Washington, has caused this Bond to be executed by the manual signature of the President of its Board of Directors, attested by the manual signature of the Secretary of its Board of Directors and impressed with its seal on January 1, 1998.

EVERETT SCHOOL DISTRICT NO. 2
Snohomish County, Washington

[manual signature]

President of the Board of Directors

Attest:

[manual signature]

Secretary of the Board of Directors

[S E A L]

CERTIFICATE OF AUTHENTICATION

Date of Authentication:

This Bond is one of the Everett School District No. 2 Unlimited Tax General Obligation Bonds, Series 1998, dated January 1, 1998, and described in the within-mentioned Resolution.

WASHINGTON STATE FISCAL AGENT
as Registrar

By _____
Authorized Signatory

[Reverse of Bond]

ADDITIONAL PROVISIONS

This Bond is one of a duly authorized series of Bonds of like date, tenor, redemption provisions and effect, except for variations required to state denominations, numbers, interest rates and dates of maturity, aggregating the principal amount of \$34,250,000. The Bonds are issued in fully registered form, in the denomination of \$5,000 each, or any integral multiple thereof within a single maturity and mature on December 1 in the years 1998 through 2002, inclusive, and in the years 2004 through 2009, inclusive. Capitalized terms used herein shall have the meanings given to them in the Resolution.

The Bonds are issued by the District pursuant to and in full compliance with the Constitution and the laws of the State of Washington now in force, particularly chapters 28A.530, 39.36 and 39.46 RCW, and proceedings duly adopted and authorized by the Board, more particularly the Resolution. The Bonds are also issued pursuant to the legal authorization of a special election duly noticed, held and conducted within the District on April 23, 1996. The proceeds of the Bonds will be used by the District to Acquire, construct and install certain capital improvements and betterments to the District's education facilities and to pay the issuance costs of the Bonds, all as specified and more particularly described in the Resolution.

The Bonds are unlimited tax general obligations of the District, and as such, the full faith, credit and resources of the District have been irrevocably pledged for the prompt payment of the principal of and interest on the Bonds. The Bonds are payable from ad valorem taxes levied and to be levied upon all the taxable property within the District without limitation as to rate or amount, and are payable solely from the Debt Service Fund.

The Bonds are not subject to redemption prior to their fixed dates of maturity. The District reserves the right to purchase the Bonds on the open market at any time and at any price.

This Bond is transferable or exchangeable by the Registered Owner hereof in person, or by its attorney duly authorized in writing, upon due completion of the Assignment appearing hereon and upon surrender of this Bond at either of the principal corporate trust offices of the Registrar. Upon such transfer or exchange, a new Bond or Bonds of any authorized denomination, of the same maturity and interest rate, and for the same aggregate principal amount of the Bond being surrendered will be issued to the transferee or exchangee, in exchange therefor. The Registrar is not required to transfer or exchange any Bond during the 15 days preceding any principal or interest payment date.

Reference is hereby made to the Resolution for the covenants and declarations of the District and other terms and conditions under which this Bond and the Bonds of this series have been issued. The covenants contained herein and in the Resolution, as they may apply to this Bond, may be discharged by making provision, at any time, for the payment of the principal of and interest on this Bond in the manner provided in the Resolution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things essential to the validity of this Bond and the Bonds of this series do exist, have happened, been done and been performed and that the District has complied with every requirement of the Constitution and the laws of the State of Washington now in force and the ordinances and resolutions of the District, particularly the Resolution, affecting the issue hereof, and that the issuance of this Bond and the Bonds of this series does not exceed any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the District may incur.

LEGAL OPINION

It is hereby certified that the following is a true and complete copy of the legal opinion of Perkins Coie LLP, Seattle, Washington, on file in my office, which opinion is dated the date of delivery of and payment for the Bonds described therein, an original of which was delivered to me on said date, and is a part of the permanent records of the District.

EVERETT SCHOOL DISTRICT NO. 2
Snohomish County, Washington

[manual signature]

Secretary of the Board of Directors

[Insert Legal Opinion of Perkins Coie LLP]

STATEMENT OF INSURANCE

Financial Guaranty Insurance Company ("Financial Guaranty") has issued a policy containing the following provisions with respect to the Everett School District No. 2, Snohomish County, Washington Unlimited Tax General Obligation Bonds, Series 1998 (the "Bonds"), such policy being on file at the principal office of the Wells Fargo Bank, National Association, Seattle, Washington and the Bank of New York, New York, New York as paying agent (the "Paying Agent").

Financial Guaranty hereby unconditionally and irrevocably agrees to pay for disbursement to the Bondholders that portion of the principal of and interest on the Bonds which is then due for payment and which the issuer of the Bonds (the "Issuer") shall have failed to provide. Due for payment means, with respect to the principal, the stated maturity date thereof, or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which the payment of principal of the Bonds is due by reason of call for redemption (other than mandatory sinking fund redemption), acceleration or other advancement of maturity, and with respect to interest, the stated date for payment of such interest.

Upon receipt of telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or the Paying Agent to Financial Guaranty that the required payment of principal or interest has not been made by the Issuer to the Paying Agent, Financial Guaranty on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), sufficient to make the portion of such payment not paid by the Issuer. Upon presentation to the Fiscal Agent of evidence satisfactory to it of the Bondholder's right to receive such payment and any appropriate instruments of assignment required to vest all of such Bondholder's right to such payment in Financial Guaranty, the Fiscal Agent will disburse such amount to the Bondholder.

As used herein the term "Bondholder" means the person other than the Issuer or the borrower(s) of bond proceeds who at the time of nonpayment of a Bond is entitled under the terms of such Bond to payment thereof.

The policy is non-cancellable for any reason.

FINANCIAL GUARANTY INSURANCE COMPANY

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

| | | | | |
|------------|--|--|--------|---------|
| TEN COM -- | as tenants in common | UNIF TRFS MIN ACT | (Cust) | (Minor) |
| TEN ENT -- | as tenants by the entireties | under Uniform Transfer to Minors Act | | (State) |
| JT TEN -- | as joint tenants with right of survivorship and not as tenants in common | | | |

Additional abbreviations may also be used although not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto
Name of Transferee: _____
Address: _____
Tax Identification No.: _____
the within Bond and hereby irrevocably constitutes and appoints _____
_____ to transfer said Bond on
the books kept for registration thereof with full power of substitution in the premises.

Registered Owner

NOTE: The signature on this Assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated:

SIGNATURE GUARANTEED:

Bank, Trust Company or Member
Firm of the New York Stock Exchange

Authorized Officer

EXHIBIT "B"
COPY OF PURCHASE CONTRACT

BancAmerica
ROBERTSON STEPHENS

Gerald A. Braaten
Managing Director
NW Public Finance

January 14, 1998

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

RE: Everett School District No. 2
Snohomish County, Washington
\$34,250,000 Unlimited Tax General Obligation Bonds, Series 1998

Honorable Board of Directors:

BancAmerica ROBERTSON STEPHENS, acting on behalf of itself and as representative ("Representative") of Smith Barney 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 agreement by reference, 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. Prior to the Closing, Seller will approve a Preliminary Official Statement and will adopt a resolution 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, 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 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 January 6, 1998. As of its date, the Preliminary Official Statement has been "deemed final" by the Seller for purposes of S.E.C. Rule 15c2-12(b)(1);
 - (f) The Seller agrees to cooperate with the Purchasers to permit the Purchasers to deliver or cause to be delivered, within seven business days after any final agreement to purchase, offer, or sell the securities 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. The Purchasers agree to deliver three 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 District will have made an undertaking to provide continuing disclosure to meet the conditions of paragraph (d)(2) of the United States Securities and Exchange Commission ("SEC") Rule 15c2-12 (the "Rule") as required under paragraph (b)(5) of the Rule as provided in the Bond Resolution.
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 Securities and Exchange Commission 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 Securities and Exchange Commission 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.
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, or a temporary bond;
 - (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 attached thereto, to the knowledge and belief of such officers, after due review, does not contain any untrue statement of a material fact or omit any statement or information which is necessary to make the statements therein, in the light of the circumstances under which 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 day of Closing;
 - (iv) Assignment to the Bonds of a rating of "A1" by Moody's Investors Service and "A+" by Standard & Poor's Corporation;
 - (v) The Purchasers' obligations are subject to the issuance of a municipal bond insurance policy on the Bonds by Financial Guaranty Insurance Company and assignments to the Bonds of ratings of "AAA" by Standard & Poor's Corporation and "Aaa" by Moody's Investors Service.
 - (vi) The following documents executed by authorized officers of the Seller:
 - (a) A certificate, 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 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 opinions or other evidence as the Purchaser 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.

5. Seller will pay the cost of preparing, printing and executing the Bonds, the fees and disbursements of Bond Counsel, financial advisor fees, bond registration and rating fees and expenses, travel and lodging expenses of Seller's employees and representatives, and other expenses of Seller.

The Purchasers will pay fees and disbursements of Purchasers' travel expenses, and other expenses of the Purchasers. As a convenience to Seller, the Purchasers may from time to time, as Seller's agent, make arrangements for certain items for which Seller is responsible hereunder, such as printing of the Preliminary and Final Official Statements and travel or lodging arrangements for Seller's representatives.


The Purchasers also may advance for Seller's account when approved or authorized by the Purchasers 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 have 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 any investigation made by or for the Purchasers, delivery and payment for the Bonds, and the termination of this Agreement. Should the Seller fail to satisfy any of the foregoing conditions or covenants, or if the Purchasers' obligations are terminated for any reasons 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. The Seller further agrees that: (1) the closing will take place January 28, 1998, (2) the Seller will deposit bond proceeds with the Snohomish County Treasurer.

8. This offer expires on the date, and at the time, set forth on Appendix A.

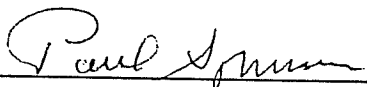
Respectfully submitted,

BancAmerica
ROBERTSON STEPHENS


By: Gerald A. Braaten
Managing Director

Accepted January 14, 1998

EVERETT SCHOOL DISTRICT NO. 2

By: 

APPENDIX A DESCRIPTION OF BONDS

- (a) **Purchase Price:** \$34,044,500 (\$99.40 per \$100), plus accrued interest from the dated date of January 1, 1998 to date of Closing.
- (b) **Denominations:** \$5,000, or integral multiples thereof.
- (c) **Form:** Book Entry
- (d) **Interest Payment Dates:** June 1 and December 1, commencing June 1, 1998.
- (e) **Maturity Schedule:** Bonds shall mature on December 1 of each year and bear interest as follows:

| Due December 1 | Amount | Rate | Price |
|-------------------|------------|-------|-------|
| 1998 | \$ 205,000 | 3.65% | 100 |
| 1999 | 1,675,000 | 3.75 | 100 |
| 2000 | 1,165,000 | 3.85 | 100 |
| 2001 | 885,000 | 3.95 | 100 |
| 2002 | 1,010,000 | 4.00 | 100 |
| 2003 | ----- | ----- | 100 |
| 2004 | 925,000 | 4.15 | 100 |
| 2005 | 3,565,000 | 4.20 | 100 |
| 2006 | 3,885,000 | 4.30 | 100 |
| 2007 | 8,935,000 | 4.35 | 100 |
| 2008 | 9,945,000 | 4.40 | 100 |
| 2009 | 2,055,000 | 4.45 | 100 |

- (f) **Optional Redemption:** The Bonds are not subject to early redemption by the District prior to maturity.
- (g) **Closing Date:** With definitive Bonds or a temporary Bond on January 28, 1998.
- (h) **Offer Expires:** 10:00 P. M., January 14, 1998.
- (i) **Bond Counsel:** Perkins Coie

For Information Purposes Only:

| | | |
|------------------------------|----|-------------------|
| Gross Interest Cost | \$ | 13,255,069.38 |
| Plus: Underwriter's Discount | | <u>205,500.00</u> |
| Net Interest Cost | \$ | 13,460,569.38 |
| Net Interest Cost | | 4.3967% |