

Exhibit
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RESOLUTION NO. 638

A RESOLUTION OF THE BOARD OF DIRECTORS OF EVERETT SCHOOL DISTRICT NO. 2, SNOHOMISH COUNTY, WASHINGTON, AUTHORIZING THE SALE, ISSUANCE AND DELIVERY OF \$43,050,000 OF THE DISTRICT'S UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, SERIES 1998A, TO REFUND A PORTION OF THE DISTRICT'S OUTSTANDING UNLIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, SERIES 1993; AUTHORIZING THE EXECUTION OF AN ESCROW AGREEMENT FOR USE IN THE PAYMENT OF THE REFUNDED BONDS; AUTHORIZING THE PURCHASE OF CERTAIN GOVERNMENT OBLIGATIONS; CALLING THE REFUNDED BONDS FOR REDEMPTION; 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; CREATING AND ADOPTING CERTAIN FUNDS AND ACCOUNTS AND PROVIDING FOR DEPOSITS THEREIN; 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 REFUNDING BONDS, SERIES 1998A
PRINCIPAL AMOUNT OF \$43,050,000**

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

WHEREAS, 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 Board of Directors (the "Board") of the District, by Resolution No. 414, adopted on December 4, 1989, 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 \$96,500,000 principal amount of unlimited tax general obligation bonds to provide the money to pay the costs of certain capital improvements to its educational facilities;

WHEREAS, at said special election, duly noticed, held and conducted within the District on February 6, 1990, the qualified electors of the District approved the incurrence of said debt and the issuance of said bonds in the principal amount of \$96,500,000;

WHEREAS, pursuant to Resolution No. 491, adopted by the Board on January 15, 1993, the District issued its "Unlimited Tax General Obligation and Refunding Bonds, Series 1993" (the "1993 Bonds"), to finance capital improvements to its educational facilities;

WHEREAS, the District reserved the right to redeem the 1993 Bonds maturing in the years 2004 through 2009, inclusive, and in the year 2012, on December 1, 2003, for a price equal to 102 percent of the principal to be redeemed, together with accrued interest thereon;

WHEREAS, the District is authorized and empowered by chapters 28A.530, 39.36, 39.46 and 39.53 RCW to sell, issue and deliver its general obligation bonds to refund a portion of the 1993 Bonds, as described herein (the "Refunded Bonds");

WHEREAS, after due consideration, the Board has determined that to defease and redeem the Refunded Bonds will be financially advantageous to the District and result in a savings to the District's taxpayers;

WHEREAS, in order to effect such refunding plan in the manner that will be most advantageous to the District, the Board has determined to acquire certain government obligations from bond proceeds and other available money that bear interest and mature at such times as necessary to: (i) pay interest on the Refunded Bonds commencing on June 1, 1998, and on each December 1 and June 1 thereafter, to and including December 1, 2003; and (ii) redeem the Refunded Bonds on December 1, 2003, at a price equal to 102 percent of the principal to be redeemed;

WHEREAS, the Board deems it necessary and advisable that the District sell, issue and deliver at this time \$43,050,000 of its unlimited tax general obligation bonds (the "Bonds") to refund the Refunded Bonds;

WHEREAS, the principal amount of the Bonds (\$43,050,000), when added to all other outstanding voted general obligation debt heretofore authorized and issued by the District (\$183,264,138), does not exceed \$292,998,231, which is the District's limitation of voted indebtedness prescribed by RCW 39.36.020(3) and (4);

WHEREAS, the Bonds do not mature later than the Refunded Bonds would have matured;

WHEREAS, the annual debt service requirements of the Bonds do not exceed the respective annual debt service requirements of the Refunded Bonds by more than \$5,000;

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, pursuant to the provisions of RCW 39.44.130, the Snohomish County Treasurer has designated the Washington State Fiscal Agent as the District's legally designated fiscal agent;

WHEREAS, MBIA Insurance Corporation 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 that the amount of the premium the District will be required to pay for such municipal bond insurance policy (approximately \$59,000) 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 MBIA Insurance Corporation of said insurance policy is in the District's best interest;

WHEREAS, BancAmerica ROBERTSON STEPHENS 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 without publishing prior notice thereof;

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.

"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 Refunding Bonds, Series 1998A."

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

"Debt Service Fund" shall mean the District's "Debt Service Fund" created pursuant to RCW 28A.320.330, and referred to in Section 7 of this Resolution.

"District" shall mean 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.

"Escrow Account" shall mean the District's "Unlimited Tax General Obligation Refunding Bonds, Series 1998A Escrow Account" on deposit with the Refunding Trustee and created by Section 22 of this Resolution.

"Escrow Agreement" shall mean the agreement of that name, by and between the District and the Refunding Trustee, providing for the refunding and defeasance of the Refunded Bonds.

"General Fund" shall mean the District's "General Fund" created pursuant to RCW 28A.320.330.

"Government Obligations" shall mean cash or any government obligation defined in chapter 39.53 RCW pledged solely for the redemption of the Refunded Bonds and referred to in Section 23 of this Resolution.

"Insurer" shall mean MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the state of New York.

"Letter of Representations" shall mean the Blanket Issuer Letter of Representations dated January 9, 1997, setting forth certain understandings of the District and the Registrar with respect to DTC's services.

"1993 Bonds" shall mean the District's "Unlimited Tax General Obligation and Refunding Bonds, Series 1993."

"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 or redemption prior to their stated dates of maturity; and (2) any Bonds (or portion thereof) deemed to have been paid pursuant to Section 13 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.

"Refunded Bonds" shall mean, collectively: (i) those 1993 Bonds scheduled to mature in the years 2004 through 2009, inclusive, that the Refunding Trustee selects by lot for redemption, as described in Section 20 of this Resolution; and (ii) all of the 1993 Bonds scheduled to mature in the year 2012.

"Refunding Trustee" shall mean The Bank of New York, New York, New York, appointed herein by the Board to supervise the Escrow Account and the Government Obligations.

"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 function, as now or hereafter designated.

"Resolution" shall mean this Resolution adopted by the Board on February 11, 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 function, if any.

"Treasurer" shall mean the Snohomish County Treasurer, as ex officio treasurer of the District, and any successor treasurer of the District in accordance with applicable law.

"Underwriter" shall mean BancAmerica ROBERTSON STEPHENS, of Seattle, Washington and Salomon Smith Barney, of Seattle, Washington, 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 texts 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 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: Authorization of the Bonds

Unlimited tax general obligation bonds of the District, designated "Everett School District No. 2 Unlimited Tax General Obligation Refunding Bonds, Series 1998A" (the "Bonds"), are hereby authorized to be sold, issued and delivered pursuant to chapters 28A.530, 39.36, 39.46 and 39.53 RCW. The Bonds shall be issued in the aggregate principal amount of \$43,050,000; shall be dated February 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 single maturity; and shall be numbered separately 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 or prior redemption, whichever occurs first. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The serial 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	\$ 815,000	3.70%
December 1, 1999	185,000	3.80
December 1, 2000	190,000	3.90
December 1, 2001	200,000	4.00
December 1, 2002	210,000	4.05
December 1, 2003	215,000	4.10
December 1, 2004	2,005,000	4.20
December 1, 2005	2,585,000	4.30
December 1, 2006	2,660,000	4.35
December 1, 2007	2,690,000	5.00
December 1, 2008	3,310,000	5.00
December 1, 2009	4,445,000	5.50
December 1, 2010	5,095,000	5.50
December 1, 2011	8,900,000	5.50
December 1, 2012	9,545,000	4.75

The Bonds shall be negotiable instruments to the extent provided by chapter 62A.8-105 RCW.

Section 4: Redemption Prior to Maturity

A. *Optional Redemption.* The Bonds maturing on December 1 in the years 1998 through 2011, inclusive, are not subject to redemption prior to their stated dates of maturity. The District hereby reserves the right to call and redeem the Bonds maturing on December 1, 2012, prior to their stated date of maturity, in whole or in part (by lot in such manner as the Registrar shall determine) at any time, on and after December 1, 2008, at the price of par plus accrued interest, if any, to the date of redemption.

B. *Partial Redemption.* In accordance with the preceding paragraph, portions of the principal amount of any Bond, in installments of \$5,000 or any integral multiple of \$5,000, may also be redeemed. If less than all the principal amount of any Bond is redeemed, upon surrender of such Bond at either of the principal corporate trust offices of the Registrar, there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal amount thereof, a new Bond or Bonds, at the option of the Registered Owner, with like maturity and interest rate, in any denomination authorized by this Resolution.

C. *Notice of Redemption.* Unless waived by the Registered Owner of any Bond to be redeemed, notice of any such redemption shall be sent by the Registrar by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the Registered Owner of each Bond to be redeemed at the address shown on the Bond Register, or at such other address as may be furnished in writing by such Registered Owner to the Registrar. The requirements of this subsection C shall be deemed to be complied

with when notice is mailed as herein provided, regardless of whether it is actually received by the Registered Owner of any Bond to be redeemed.

D. *Special Notice of Redemption to DTC.* For so long as DTC is the securities depository for the Bonds, the Registrar shall send redemption and defeasance notices to DTC in the manner required by the Letter of Representations.

E. *Continuing Disclosure Undertaking.* For so long as Section 18 of this Resolution remains in effect, redemption notices shall also be given in the manner specified in subsection E of said Section 18; provided, neither any defect in said notices nor any failure to give all or any portion of such notices shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed in subsection D above.

F. *Effect of Redemption.* When so called for redemption, the Bonds shall cease to accrue interest on the specified redemption date, provided money for redemption is on deposit at the place of payment at that time, and shall not be deemed to be Outstanding as of such redemption date.

G. *Voluntary Redemption Notice.* In addition to the notice required by subsection C above, further notice may be given by the Registrar as set out below, but neither any defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed in said subsection C.

(1) Each further notice of redemption given hereunder may contain the following information: (a) the redemption date; (b) the redemption price; (c) if less than all Bonds Outstanding are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed; (d) notification that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; (e) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be either of the principal corporate trust offices of the Registrar; (f) the CUSIP numbers, if any, of all Bonds being redeemed; (g) the date of issue of the Bonds as originally issued; (h) the rate of interest borne by each Bond being redeemed; (i) the maturity date of each Bond being redeemed; and (j) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption may be sent at least 30 days before the redemption date by registered or certified mail or overnight delivery service to: (a) all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds, such depositories now being DTC and Philadelphia Depository Trust Company, Philadelphia, Pennsylvania; and to (b) one or more national information services that disseminate notices of redemption of obligations such as the Bonds (such as Moody's Municipal and Government, or Standard & Poor's Called Bond Record).

(3) Each such further notice may be published one time in *The Bond Buyer* in New York, New York; or if such publication is impractical or unlikely to reach a substantial number of the Registered Owners, in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds, such publication to be made at least 30 days prior to the date fixed for redemption.

H. *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 4 shall be canceled.

Section 5: Place, Manner and Medium of Payment

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

B. *Payment of Interest.* 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 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.

C. *Payment of Principal.* Principal of each Bond shall be payable to the Registered Owner, upon presentation and surrender of the Bonds on or after the date of maturity or prior redemption, at either of the principal corporate trust offices of the Registrar. 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.

D. *Interest on Delinquent Amounts.* If any Bond is not redeemed when properly presented at its maturity or redemption date, the District shall pay interest on that Bond at the same rate provided in the Bond from and after its maturity or redemption date until the principal of and interest on that Bond is paid in full or until sufficient money for its payment in full is on deposit in the Debt Service Fund and the Bond has been called for payment by giving notice to the Registered Owner of that unpaid Bond.

E. *Ownership of Bonds.* 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.

F. *Unclaimed Money.* 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 or prior redemption 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 or prior redemption. 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 6: 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 punctual and full 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 7: The Debt Service Fund

A. *Debt Service Fund Created.* There 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 "Debt Service Fund," or such other designation conforming to accounting practices, 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. The Treasurer is hereby authorized and directed to pay to the Registrar, in its capacity as the District's paying agent, all payments of principal and interest due on the Bonds in sufficient time for such payments to be made.

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 8: 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 which shall be 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 \$43,050,000; 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; and shall be manually signed by the President and the Secretary and shall have the seal of the District impressed 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 9: The Registrar

A. *Registrar Appointed.* The Treasurer has designated the Washington State Fiscal Agents, in Seattle, Washington, and New York, New York, as the District's legally designated fiscal agent with respect to the Bonds pursuant to RCW 39.44.130. The Board hereby confirms such designation with respect to the Bonds and appoints the Washington State Fiscal

Agents as Registrar, authenticating agent, paying agent and transfer agent with respect to the Bonds, subject to the terms and conditions of this Section 9.

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, effective as of 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, redemption, 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 10: 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 3 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 10, 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 3 and 4 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 heretofore has delivered a global Letter of Representations to the Registrar and DTC. The delivery of said Letter of Representations shall not in any way limit the provisions of subsection B of this Section 10 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 Bonds 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 10, 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 10, 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 11: 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 12: 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 a substitute Bond pursuant to this Section 12 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 Bonds Register.* Upon the issuance and authentication of any substitute Bond under the provisions of this Section 12, the Registrar shall enter upon the Bonds 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 12 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 13: Defeasance of the Bonds

In the event that money and/or "government obligations" (as defined from time to time in RCW 39.53.010, and 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 Bond becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, has been paid or provision therefor made in accordance with this Section 13, all interest on such Bond shall cease to accrue on the due date and all liability of the District with respect to such Bond shall cease as of the date the principal, redemption price, if any, and interest is so provided for, except as hereinafter provided. Thereafter, the Registered Owners of such Bond shall be restricted exclusively to the money so deposited for any claim of whatsoever nature with respect to such Bond; and the Registrar shall hold such money in trust for such Registered Owners uninvested and without interest.

Section 14: 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 14 shall survive the payment of the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to Section 13 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 15: Sale and Delivery of the Bonds Authorized

The Underwriters have 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 February 11, 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 Underwriters 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, the Treasurer and Perkins Coie LLP, the District's bond counsel, are hereby further authorized to do everything necessary for the prompt execution and delivery of the Bonds to the Underwriters 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 16: 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 the rules of the Municipal Securities Rulemaking Board and paragraph (b)(4) of Securities and Exchange Commission Rule 15c2-12.

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 Bond; 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 Bond 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: Covenant to Provide Continuing Disclosure

A. *Limitation of Rights.* The District intends that this Section 18 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 nor 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 table entitled "Comparative Statement of General Fund Revenues and Expenditures"; (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 function 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 18.

"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 function 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 18, 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 in a timely manner to each NRMSIR or to the MSRB and to each SID, if any, 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 in a timely manner to each NRMSIR or to the MSRB and to each SID, if any, 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 18.

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 Rule 15c2-12, 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 19: 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 moneys 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 moneys 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 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 20: The Refunding Plan

A. *Payments on the Refunded Bonds.* The District is desirous of paying, redeeming and retiring the Refunded Bonds. The Refunded Bonds bear interest and are callable in accordance with the following schedule:

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 1, 1998	--	\$1,230,775	\$ 1,230,775
December 1, 1998	--	1,230,775	1,230,775
June 1, 1999	--	1,230,775	1,230,775
December 1, 1999	--	1,230,775	1,230,775
June 1, 2000	--	1,230,775	1,230,775
December 1, 2000	--	1,230,775	1,230,775
June 1, 2001	--	1,230,775	1,230,775
December 1, 2001	--	1,230,775	1,230,775
June 1, 2002	--	1,230,775	1,230,775
December 1, 2002	--	1,230,775	1,230,775
June 1, 2003	--	1,230,775	1,230,775
December 1, 2003*	\$40,185,000	1,230,775	41,415,775

* Redemption Date

B. *Payments on the Refunded Bonds.* The District shall irrevocably deposit certain Government Obligations in sufficient amounts and maturing at appropriate times to pay the interest on the Refunded Bonds to and including December 1, 2003, and to redeem and retire the Refunded Bonds on such date at the price of 102 percent of the principal amount thereof.

Any amounts necessary to pay and retire the Refunded Bonds that are not provided for in full by the purchase and deposit of the Government Obligations shall be provided for by an irrevocable deposit of cash from the proceeds of the Bonds or from other legally available money of the District.

C. *Notice of Redemption.* The Refunding Trustee is hereby directed to give notice of the call and redemption of the Refunded Bonds in substantially the form set forth as Attachment I to the Escrow Agreement and in the manner required by Resolution No. 491.

D. *Designation of Maturities and Amounts Therein for Redemption.* Pursuant to Section 5.A of Resolution No. 491, the District hereby selects for redemption on December 1, 2003, the 1993 Bonds maturing in the years 2004 through 2009, inclusive, and in the year 2012, but only to the extent of the principal amount of such maturities set forth below in the column designated "Principal to Be Refunded":

<u>Maturity Year</u>	<u>Aggregate Principal</u>	<u>Principal to Be Refunded</u>	<u>Principal to Remain Outstanding</u>
2004	\$ 1,970,000	\$ 1,780,000	\$ 190,000
2005	4,755,000	2,540,000	2,215,000
2006	4,950,000	2,485,000	2,465,000
2007	5,030,000	2,470,000	2,560,000
2008	5,810,000	3,110,000	2,700,000
2009	6,090,000	4,350,000	1,740,000
2012	23,450,000	23,450,000	--

E. *Selection of the Refunded Bonds within Certain Maturities.* Pursuant to Section 5.A of Resolution No. 491, the District hereby requests that the Refunding Trustee, acting in its capacity as "Bond Registrar" under Resolution No. 491, determine immediately and in accordance with the foregoing schedule, which of the 1993 Bonds of the 2004 through 2009 maturities will be called for redemption hereunder. The 1993 Bonds of such maturities so selected by the Refunding Trustee, together with the 2012 maturity of the 1993 Bonds, are hereby designated as the "Refunded Bonds."

Section 21: The Refunding Trustee; Escrow Agreement

The District hereby appoints The Bank of New York, New York, New York to serve as Refunding Trustee with respect to the Refunded Bonds. In order to carry out the purposes of this Resolution, the President and the Secretary are authorized and directed to execute and deliver to said Refunding Trustee an Escrow Agreement substantially in the form marked Exhibit "C" attached hereto and by this reference incorporated herein. The Escrow Agreement shall set forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the refunding of the Refunded Bonds as provided herein; and the Refunding Trustee shall state therein that such provisions for the payment of the fees, compensation and expenses of such Refunding Trustee are satisfactory to it. The Refunding Trustee shall be entitled to the fees provided in the Escrow Agreement and no other fees.

Section 22: Creation of the Escrow Account

A. *Creation of the Escrow Account.* The Refunding Trustee is hereby authorized and directed to establish a special account for the District designated the "Unlimited Tax General Obligation Refunding Bonds, Series 1998A Escrow Account" (the "Escrow Account"), or such other designation conforming to accounting principles and banking practices.

B. *Deposits into the Escrow Account.* The proceeds of the Bonds that are not designated as accrued interest (which shall be deposited into the Debt Service Fund) or underwriter's discount (which shall be retained by the Underwriter) shall be used to acquire Government Obligations on the issue date of the Bonds. Said Government Obligations, together with any cash balance remaining after the Government Obligations are purchased, shall be irrevocably deposited into the Escrow Account. The Government Obligations and money to be deposited into the Escrow Account shall be held by the Refunding Trustee in trust. All Government Obligations, all proceeds thereof, and all money credited to the Escrow Account shall be deemed so credited to and held in the Escrow Account, notwithstanding the fact that such Government Obligations, proceeds and money therein are held by the Refunding Trustee in trust for the owners of the Refunded Bonds.

C. *Use of Money in the Escrow Account.* The Refunding Trustee, on behalf of the District, is hereby authorized and directed to use the proceeds of the Bonds, together with other legally available money of the District, to purchase Government Obligations in the amounts, of the type, bearing interest and maturing in such amounts as are necessary to make the payments described in Section 20 of this Resolution. The investment income from and maturing principal of the Government Obligations and money to be deposited into the Escrow Account shall be transmitted to the Washington State Fiscal Agent for the District for the sole purpose of paying the principal of and interest on the Refunded Bonds as herein provided.

D. *Surplus Money.* Any money remaining on deposit in the Escrow Account after the payment in full of the Refunded Bonds, as herein set forth, shall be transferred by the Refunding Trustee to the District and deposited into the Debt Service Fund.

Section 23: The Government Obligations

A. *Purpose of the Government Obligations.* The Government Obligations shall be used for the sole purpose of making the payments described in Section 20 above. The Government Obligations, the earnings thereon, and the proceeds therefrom may be used for no other purpose, nor may any of such investments be liquidated prior to maturity without the written opinion of nationally recognized bond counsel that such redemption would not cause the interest on the Refunded Bonds and the Bonds to become includable in gross income for federal income tax purposes.

B. *Sufficiency of the Government Obligations.* Prior to the delivery of the Bonds, the District shall receive an opinion of a nationally recognized firm of independent certified public accountants stating, in substance, that the money and Government Obligations to be deposited with the Refunding Trustee for the payment of the Refunded Bonds will discharge

and satisfy the District's obligations under Resolution No. 491 to make payments on the Refunded Bonds.

C. *Substitution of the Government Obligations.* The District hereby reserves the right to substitute Government Obligations for investments in the Escrow Account in the event it may do so pursuant to Section 103 of the Code; provided that at all times, the money and Government Obligations in the Escrow Account shall be sufficient to refund and retire the Refunded Bonds as provided herein. Prior to each such substitution, the District shall obtain:

(1) a supplemental verification addressed to the District and the Refunding Trustee from an independent firm of certified public accountants, which shall be satisfactory to nationally recognized bond counsel, that the money and Government Obligations on deposit in the Escrow Account after such substitution will be sufficient to effect the refunding of the Refunded Bonds and that such substitute Government Obligations are noncallable; and

(2) a written opinion addressed to the District from nationally recognized bond counsel that such substitution will not cause the interest on the Refunded Bonds and the Bonds to become includable in gross income for federal income tax purposes.

Section 24: Irrevocable Call

A. *Irrevocable Call for Redemption.* In accordance with Section 5 of Resolution No. 491, the District hereby calls the Refunded Bonds for redemption on December 1, 2003. Said call for redemption shall be irrevocable upon the delivery of the Bonds to the Underwriter.

B. *Irrevocable Pledge of Amounts in the Escrow Account.* The District hereby irrevocably pledges the Government Obligations and amounts on deposit in the Escrow Account to pay the interest on the Refunded Bonds to and including December 1, 2003, and to redeem and retire the Refunded Bonds on such date at the price of 102 percent of the principal amount thereof. Said Government Obligations are hereby irrevocably pledged to be set aside to effect such payment, redemption and retirement.

C. *Findings Regarding Defeasance of the Refunded Bonds.* The District hereby finds that as of the date the Bonds are issued and the money and Government Obligations are deposited into the Escrow Agreement: (i) no further payments need to be made into the Debt Service Fund for the payment of the principal of and interest on the Refunded Bonds; (ii) the Refunded Bonds and the interest accrued thereon shall cease to be entitled to any lien, benefit or security of Resolution No. 491 except the right to receive the funds so set aside and pledged; and (iii) the Refunded Bonds and the interest accruing thereon shall no longer be deemed to be outstanding under Resolution No. 491. The Board hereby further finds and determines that the issuance and sale of the Bonds will benefit the District through a reduction in the debt service requirement and will thereby effect a savings to the District. In making such finding and determination, the Board has given consideration to the interest to maturity of the Bonds and the Refunded Bonds, the costs of issuance of the Bonds, and the known

earned income from the Government Obligations pending the redemption and retirement of the Refunded Bonds.

Section 25: The Year 2000 Problem

The District has reviewed its computer applications and made inquiry of the District's key suppliers and vendors with respect to the risk that computer applications may not be able to properly perform date-sensitive functions after December 31, 1999 (the "Year 2000 Problem"). Based on that review and inquiry, the District does not reasonably believe that its ability to repay the Bonds will be adversely affected.

Section 26: 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.

Nothing in this Resolution, expressed or implied, is intended or shall be construed to confer upon or give to any person other than the District, the Registrar, and the Registered Owners and the Holders (as defined in Section 18 hereof) from time to time of the Bonds any rights, remedies or claims under or by reason of this Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in this Resolution contained by or on behalf of the District shall be for the sole and exclusive benefit of the District, the Registrar, and the Registered Owners and the Holders from time to time of the Bonds.

Section 27: 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 28: Ratification

All actions not inconsistent with the provisions of this Resolution heretofore taken by the Board and the District's employees with respect to the adoption of this Resolution; the refunding of the Refunded Bonds; and the issuance, sale and delivery of the Bonds are hereby in all respects ratified, approved and confirmed.

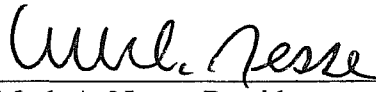
Section 29: Repealer

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 30: Effective Date

ADOPTED AND APPROVED by the Board of Directors of Everett School District No. 2, Snohomish County, Washington, at a regular meeting thereof, notice of which was given as required by law, held on February 11, 1998.

EVERETT SCHOOL DISTRICT NO. 2
Snohomish County, Washington



Mark A. Nesse, President



Paula Kelley-Clarke, Vice President

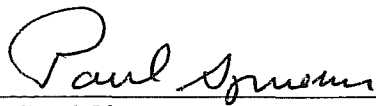
Sue M. Cooper, Director

Karen Madsen, Director



Roy Yates, Director

ATTEST:



Dr. Paul Sjunnesen
Interim Secretary of the Board of Directors

(S E A L)

* * * * *

CERTIFICATE

I, Dr. Paul Sjunnesen, Interim Secretary of the Board of Directors of 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 February 11, 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: *Mark Nesse, Roy Yates, Paula Kelley-Clarke*

NAYS: *None*

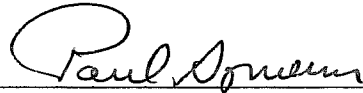
ABSENT: *Sue Cooper, Karen Madsen*

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 February 11 1998.

EVERETT SCHOOL DISTRICT NO. 2
Snohomish County, Washington



Dr. Paul Sjunnesen
Interim Secretary of the Board of Directors

(SEAL)

[Face of Bond]

UNITED STATES OF AMERICA
STATE OF WASHINGTON
COUNTY OF SNOHOMISH

EVERETT SCHOOL DISTRICT NO. 2

UNLIMITED TAX GENERAL OBLIGATION REFUNDING BOND, SERIES 1998A

Number: _____ Dollars: _____

INTEREST RATE: _____ MATURITY DATE: _____ CUSIP NO.: _____

See Pages 2 through _____
for Additional Provisions

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" referred to in Resolution No. 638, adopted by the District's Board of Directors (the "Board") on February 11 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 Debt Service Fund from February 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 or to the date of prior redemption of this Bond, whichever occurs first. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

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 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 this Bond shall be paid to the Registered Owner upon presentation and surrender of this Bond on or after the Maturity Date specified above or date of prior redemption of this Bond, whichever occurs first, 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 Pages 2 through ___ 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, Everett School District No. 2, Snohomish County, Washington, has caused this Bond to be executed by the manual signature of its President and attested by the manual signature of its Interim Secretary and impressed with its seal on February 1, 1998.

EVERETT SCHOOL DISTRICT NO. 2
Snohomish County, Washington

[manual signature]

President of the Board of Directors

Attest:

[manual signature]

Interim Secretary of the Board of Directors

[Seal]

CERTIFICATE OF AUTHENTICATION

Date of Authentication:

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

WASHINGTON STATE FISCAL AGENT
as Registrar

By _____
Authorized Signatory

ADDITIONAL PROVISIONS

This Bond is one of a duly authorized series of Bonds of like date, tenor and effect, except for variations required to state denominations, numbers, interest rates, redemption provisions, and dates of maturity, aggregating the principal amount of \$43,050,000. 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 2012, 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, 39.46, and 39.53 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 February 6, 1990.

The Bonds are issued by the District pursuant to and in full compliance with the Constitution and laws of the State of Washington now in force, particularly chapter 39.53 RCW, and proceedings duly adopted and authorized by the Board, more particularly the Resolution, for the purpose of providing money to refund the Refunded Bonds prior to their stated maturity dates, as 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 punctual and full 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, together with other legally available money, without limitation as to rate or amount, and are payable solely from the Debt Service Fund.

The Bonds maturing on December 1 in the years 1998 through 2011, inclusive, are not subject to redemption prior to their stated dates of maturity. The District has reserved the right

to call and redeem the Bonds maturing on December 1, 2012, prior to their stated date of maturity, in whole or in part (by lot in such manner as the Registrar shall determine) at any time, on and after December 1, 2008, at the price of par plus accrued interest, if any, to the date of redemption.

Notice of any such redemption, unless waived by the Registered Owner of any Bond to be redeemed, shall be sent by the Registrar by first-class mail, postage prepaid, not less than 30 nor more than 60 days prior to the date fixed for redemption, to the Registered Owner of each Bond to be redeemed at the address shown on the Bond Register, or at such other address as may be furnished in writing by such Registered Owner to the Registrar. Said requirements shall be deemed to be complied with when notice is mailed as herein provided, regardless of whether or not it is actually received by the Registered Owner of any Bond to be redeemed. When so called for redemption, the Bonds shall cease to accrue interest on the specified redemption date, provided money for redemption is on deposit at the place of payment at that time, and shall not be deemed to be Outstanding as of such redemption date.

The District has reserved 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 presentation and 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]

Interim Secretary of the Board of Directors

[Insert Legal Opinion of Perkins Coie LLP]

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at the office of the fiscal agent of the State of Washington, Seattle, Washington, or New York, New York.

The Insurer, in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the District (the "Issuer"), to the fiscal agent of the State of Washington, Seattle, Washington, or New York, New York, or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a voidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

\$43,050,000

EVERETT SCHOOL DISTRICT NO. 2
SNOHOMISH COUNTY, WASHINGTON

UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, SERIES 1998A

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer 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., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term "owner" shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

The policy is non-cancelable for any reason. The premium on this policy is not refundable for any reason, including the payment prior to maturity of the Obligations.

MBIA INSURANCE CORPORATION

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

COPY OF PURCHASE CONTRACT

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

**\$43,050,000
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS,
SERIES 1998A**

ESCROW AGREEMENT

This ESCROW AGREEMENT is made and entered into as of February 1, 1998, by and between the Everett School District No. 2 (the "District"), a municipal corporation created under the Constitution and laws of the State of Washington (the "State"), and The Bank of New York, of New York, New York (the "Refunding Trustee"), with respect to the redemption of certain bonds, as provided for in Resolution No. 638 of the District, adopted on February 11, 1998 (the "Resolution"). Unless otherwise defined in this Escrow Agreement, all capitalized terms shall have the meanings set forth in Section 1 of the Resolution.

W I T N E S S E T H

WHEREAS, the Board of Directors (the "Board") authorized this Escrow Agreement to be executed pursuant to Section 22 of the Resolution;

WHEREAS, pursuant to Resolution No. 491, adopted by the Board on January 15, 1993, the District issued bonds designated "Everett School District No. 2 Unlimited Tax General Obligation and Refunding Bonds, Series 1993" (the "1993 Bonds");

WHEREAS, Resolution No. 491 reserved the right for the District to redeem the 1993 Bonds maturing on and after December 1, 2004, on December 1, 2003, at the price of 102 percent of the principal to be redeemed, together with accrued interest to the date of redemption; and

WHEREAS, pursuant to the Resolution, the Board determined to pay, redeem and retire a portion of the 1993 Bonds scheduled to mature in the years 2004 through 2009, inclusive, and all of the 1993 Bonds scheduled to mature in the year 2012 (as further designated herein, the "Refunded Bonds"), by the sale, issuance and delivery of \$43,050,000 principal amount of its Unlimited Tax General Obligation Refunding Bonds, Series 1998A (the "Bonds").

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto covenant, agree and bind themselves as follows:

Section 1. *Acceptance of Refunding Trustee Duties.* The Bank of New York, New York, New York, hereby accepts its appointment by the District as the Refunding Trustee with respect to the Refunded Bonds.

Section 2. *District Representations.* The District represents to the Refunding Trustee that: (i) the District is a first-class school district duly organized and existing under and by virtue of the Constitution and laws of the State, and (ii) the District is authorized to enter into this Escrow Agreement.

Section 3. *Refunding Trustee Representations.* The Refunding Trustee represents to the District that: (i) the Refunding Trustee is a trust company or state or national bank having the powers of a trust company within or without the State, and (ii) the Refunding Trustee is authorized to enter into this Escrow Agreement.

Section 4. *The Escrow Account.* The Refunding Trustee hereby agrees to establish, hold, invest and otherwise administer the Escrow Account in the manner provided by Section 22 the Resolution. In the furtherance of the foregoing, the Refunding Trustee will, on behalf of the District, use the Bond proceeds and other money, if any, deposited with the Refunding Trustee to purchase Government Obligations in the amounts, of the type, bearing interest and maturing as set forth in the following schedule:

<u>Type of Obligation</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>Delivery Date</u>	<u>Maturity Date</u>
United States Treasury Securities -- State and Local Government Series	\$ 604,092	5.12%	02/26/1998	06/1/1998
United States Treasury Securities -- State and Local Government Series	43,863	5.21	02/26/1998	12/1/1998
United States Treasury Securities -- State and Local Government Series	45,605	5.24	02/26/1998	06/1/1999
United States Treasury Securities -- State and Local Government Series	46,799	5.30	02/26/1998	12/1/1999
United States Treasury Securities -- State and Local Government Series	48,039	5.34	02/26/1998	06/1/2000
United States Treasury Securities -- State and Local Government Series	49,322	5.37	02/26/1998	12/1/2000
United States Treasury Securities -- State and Local Government Series	50,647	5.38	02/26/1998	06/1/2001
United States Treasury Securities -- State and Local Government Series	52,008	5.39	02/26/1998	12/1/2001
United States Treasury Securities -- State and Local Government Series	53,411	5.41	02/26/1998	06/1/2002
United States Treasury Securities -- State and Local Government Series	38,558,035	5.42	02/26/1998	12/1/2002

Section 5. *Receipt of Certain Money.* Execution of this Escrow Agreement by the Refunding Trustee shall constitute written acknowledgment by the Refunding Trustee of its receipt from the District of \$44,367,893.73, \$44,367,893.00 of which will be invested in Government Obligations and \$0.73 of which will be held as an initial cash balance.

Section 6. *Sufficiency of Government Obligations.* Based on the escrow verification report of Grant Thornton LLP, the District represents that the Government Obligations and the maturing principal thereof and the interest thereon, if paid when due, together with a beginning cash balance of \$0.73, will be sufficient to make the payments described in Section 7 hereof.

Section 7. *Selection of and Payments on the Refunded Bonds.* Pursuant to Section 5.A of Resolution No. 491, the Refunding Trustee, acting in its capacity as "Bond Registrar" under Resolution No. 491, shall conduct a lottery to determine which 1993 Bonds of the 2004 through 2009 maturities will be called for redemption. The principal amounts of the 1993 Bonds to be called within such maturities are specified in the following schedule in the column designated "Principal to Be Refunded." The 1993 Bonds of such maturities so selected by the Refunding Trustee, together with the 2012 maturity of the 1993 Bonds, are hereby designated as the "Refunded Bonds."

<u>Maturity Year</u>	<u>Aggregate Principal</u>	<u>Principal to Be Refunded</u>	<u>Principal to Remain Outstanding</u>
2004	\$ 1,970,000	\$ 1,780,000	\$ 190,000
2005	4,755,000	2,540,000	2,215,000
2006	4,950,000	2,485,000	2,465,000
2007	5,030,000	2,470,000	2,560,000
2008	5,810,000	3,110,000	2,700,000
2009	6,090,000	4,350,000	1,740,000
2012	23,450,000	23,450,000	--

The Refunding Trustee will transfer money from the Escrow Account to the Washington State Fiscal Agent in the amounts, and at the times, necessary to enable the Washington State Fiscal Agent to make the payments described in the following schedule:

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 1, 1998	--	\$1,230,775	\$1,230,775
December 1, 1998	--	1,230,775	1,230,775
June 1, 1999	--	1,230,775	1,230,775
December 1, 1999	--	1,230,775	1,230,775
June 1, 2000	--	1,230,775	1,230,775
December 1, 2000	--	1,230,775	1,230,775
June 1, 2001	--	1,230,775	1,230,775
December 1, 2001	--	1,230,775	1,230,775
June 1, 2002	--	1,230,775	1,230,775
December 1, 2002	--	1,230,775	1,230,775
June 1, 2003	--	1,230,775	1,230,775
December 1, 2003*	\$40,185,000	1,230,775	41,415,775

* Redemption Date

Section 8. *The Government Obligations.* The Refunding Trustee will purchase the Government Obligations described in Section 4 above, on behalf of the District, from the Bond proceeds and other money, if any, deposited with the Refunding Trustee on the date the Bonds are issued. The Refunding Trustee will use such Government Obligations, and the earnings thereon, for the sole purpose of making the transfers to the Washington State Fiscal Agent described in Section 7 hereof. The Refunding Trustee will not allow any Government Obligations to be liquidated prior to maturity without: (1) the District's written consent; (2) receiving a supplemental verification addressed to the District and the Refunding Trustee of an independent firm of certified public accountants, which shall be satisfactory to nationally recognized bond counsel, that the money and Government Obligations on deposit after such liquidation will be sufficient to effect the refunding of the Refunded Bonds; and (3) receiving the written opinion of nationally recognized bond counsel that such redemption would not cause the interest on the Refunded Bonds or the Bonds to become includible in gross income for federal income tax purposes.

Section 9. *Safekeeping of Money and Investments.* All Government Obligations, money and investment income deposited with or received by the Refunding Trustee pursuant to this Escrow Agreement shall be subject to the trust created by this Escrow Agreement, and the Refunding Trustee shall be liable for the safekeeping thereof. All money deposited with the Refunding Trustee or received by the Refunding Trustee as maturing principal or interest on the Government Obligations prior to the times the Refunding Trustee is required to make the payments described in Section 7 of this Escrow Agreement shall be held uninvested, in cash, by the Refunding Trustee.

Section 10. *Substitution of the Government Obligations.* The Refunding Trustee acknowledges the District's right to substitute Government Obligations for investments in the Escrow Account. The Refunding Trustee will cooperate with the District in making any such substitution, so long as such substitution is made in accordance with Section 23 the Resolution.

Section 11. *Transfer of Surplus Money Prior to Full Redemption.* The Refunding Trustee will transfer to the District any money remaining on deposit in the Escrow Account prior to the payment in full of the Refunded Bonds if the District furnishes to the Refunding Trustee: (1) a supplemental verification addressed to the District and the Refunding Trustee of an independent firm of certified public accountants, which shall be satisfactory to nationally recognized bond counsel, that the money and Government Obligations on deposit after such transfer will be sufficient to effect the refunding of the Refunded Bonds; and (2) an opinion addressed to the District and to the Refunding Trustee from nationally recognized bond counsel that such transfer will not cause the interest on the Refunded Bonds or the Bonds to become includible in gross income for federal income tax purposes.

Section 12. *Transfer of Surplus Money After Full Redemption.* The Refunding Trustee will transfer to the District any money remaining on deposit in the Escrow Account after the payment, redemption and retirement in full of all of the Refunded Bonds.

Section 13. *Notices of Defeasance and Redemption.* The Refunding Trustee will cause notice of the defeasance of the Refunded Bonds to be given, substantially in the form set forth in Attachment I hereto, not later than 30 days after the Bonds are delivered to the Underwriter by the District. The notice of defeasance shall be given to all nationally recognized municipal securities information repositories (within the meaning of Rule 15c2-12 of the Securities and Exchange Commission). The Refunding Trustee will direct the Washington State Fiscal Agent to give notice, or cause notice to be given, at the expense of the District, of the redemption of the Refunded Bonds in the form and manner required by the District's Resolution No. 491. Such notice of redemption shall be substantially in the form set forth in Attachment II hereto, and shall be given not less than 30 nor more than 60 days prior to the redemption date.

Section 14. *Limitation of Refunding Trustee's Duties.* The duties and obligations of the Refunding Trustee shall be prescribed by the provisions of this Escrow Agreement and Sections 20 through 24 of the Resolution, and the Refunding Trustee shall not be liable except for the performance of its duties and obligations as specifically set forth herein or therein and the duty to act in good faith in the performance thereof and no implied duties or obligations shall be incurred by such Refunding Trustee other than those specified herein and therein. Nothing contained herein shall require the Refunding Trustee to advance its own money or otherwise to incur any financial liability to carry out its obligations hereunder. The Refunding Trustee shall not be responsible or liable for (1) the sufficiency, correctness, genuineness or validity of the Government Obligations; (2) the performance or compliance by any party other than the Refunding Trustee with the terms or conditions of any such instruments; or (3) any loss which may occur by reason of forgeries, false representations or the exercise of the

Refunding Trustee's discretion in any particular manner, unless such exercise is negligent or constitutes willful misconduct.

Section 15. *Interpleader.* If any controversy arises between the District and any third person, the Refunding Trustee shall not be required to determine the same or to take any action in the premises, but it may institute, in its discretion, an interpleader or other proceedings in connection therewith as it may deem proper, and in following either course, it shall not be liable.

Section 16. *Reporting Requirements.* For as long as any of the Refunded Bonds are outstanding, the Refunding Trustee shall render a statement as of the last day of the preceding month to the District's Treasurer setting forth: (1) the Government Obligations which have matured and the amounts received by the Refunding Trustee by reason of such maturity, (2) the amounts paid to the Washington State Fiscal Agent pursuant to Section 7 of this Escrow Agreement and the dates of such payments, for payments on the Refunded Bonds, and (3) any other transactions of the Refunding Trustee pertaining to its duties and obligations as set forth herein.

Section 17. *Compensation of the Refunding Trustee.* The Refunding Trustee hereby acknowledges receipt of the sum of \$3,400 for services rendered and to be rendered by it pursuant to the provisions of this Escrow Agreement in payment of all fees, compensation and expenses of the Refunding Trustee. The Refunding Trustee hereby agrees that such compensation has been made to the satisfaction of the Refunding Trustee. Such amount does not take into consideration any extraordinary fees and expenses of the Refunding Trustee. The Refunding Trustee represents that it has incurred no extraordinary fees and expenses pertaining to this Escrow Agreement. The Refunding Trustee shall comply with the requirements of the following paragraph before incurring any extraordinary fees and costs to be billed to the District. The Refunding Trustee acknowledges that it is not entitled to a lien on any Government Obligations or other obligations or money of the District held by it pursuant to this Escrow Agreement or any other agreement.

The Refunding Trustee shall provide the District with a good faith estimate of its fees and costs if and when it is requested by the District to: (1) render any service that is not provided for in this Escrow Agreement, (2) amend this Escrow Agreement, or (3) substitute securities under this Escrow Agreement. The District will pay the Refunding Trustee reasonable compensation for such unanticipated services, provided the District is first provided with said estimate and approves thereof in writing.

Section 18. *Amendments to this Escrow Agreement.* The Refunding Trustee and the District recognize that the owners of the Refunded Bonds have a beneficial interest in the money and the Government Obligations to be held in trust by the Refunding Trustee pursuant to this Escrow Agreement. Therefore, this Escrow Agreement shall be subject to amendment only in writing executed by the District and the Refunding Trustee for the purposes of (1) clarifying an ambiguity in the duties and obligations set forth hereunder, or (2) altering the reporting or other ministerial obligations of the Refunding Trustee to the District. The parties will not amend this Escrow Agreement in such a manner as to permit the Refunding Trustee to

invest in or deposit in the Escrow Account any obligations other than noncallable, nonprepayable obligations of, or obligations unconditionally guaranteed by, the United States of America. Each amendment to this Escrow Agreement shall be accompanied by an opinion addressed to the District and to the Refunding Trustee from nationally recognized bond counsel that such amendment will not cause the interest on the Refunded Bonds or the Bonds to become includible in gross income for federal income tax purposes. In addition, if such amendment results in any change of the maturities, interest earnings or redemption features of the Government Obligations, then such amendment shall also be accompanied by a supplemental verification addressed to the District and to the Refunding Trustee from an independent firm of certified public accountants, which shall be satisfactory to nationally recognized bond counsel, that the money and Government Obligations on deposit after the amendment will be sufficient to effect the refunding of the Refunded Bonds.

Section 19. *Notification of Deficiency.* The Refunding Trustee will give the District prompt notice if the Refunding Trustee shall determine there are or will be insufficient money or Government Obligations to make the payments specified in Section 7 of this Escrow Agreement, and the District shall promptly deposit with the Refunding Trustee additional sums of money required to correct such deficiencies. This Section 19 is not intended to create an obligation on the part of the Refunding Trustee to calculate or in any way verify the sufficiency or projected future sufficiency of the maturing principal of and interest on the Government Obligations and other money held by the Refunding Trustee pursuant to this Escrow Agreement to pay the debt service on the Refunding Bonds.

Section 20. *Successor Refunding Trustee.* The Refunding Trustee shall, upon receiving a written request from the District, or may, upon providing 30 days prior written notice to the District, be removed as Refunding Trustee hereunder; provided, the Refunding Trustee will not relinquish its duties hereunder until a qualified successor accepts its appointment. The District shall promptly appoint a successor Refunding Trustee upon the removal of the Refunding Trustee; *provided*, the Refunding Trustee may petition a court of competent jurisdiction for the appointment of a successor Refunding Trustee if the successor Refunding Trustee appointed by the District does not accept its appointment within 45 days after the giving of notice described in the preceding sentence. Any successor Refunding Trustee shall meet the requirements of RCW 39.53.070, as now in effect or hereafter amended, and shall assume all the obligations of the Refunding Trustee under this Escrow Agreement. All the Government Obligations and money then held by the Refunding Trustee pursuant to this Escrow Agreement shall thereafter be transferred to such successor.

Any corporation or association into which the Refunding Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger, consolidation or reorganization to which the Refunding Trustee may be a party, or any corporation or association to which the Refunding Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Refunding Trustee without the execution or filing of any paper or any further act on the part of the District or the Refunding Trustee.

Section 21. *Receipt of Statements.* The Refunding Trustee hereby acknowledges receipt from the District of statements setting forth the interest payment schedules and maturity schedules of the Refunded Bonds by number, amount, date of maturity and interest rates, the amount of interest to be paid on each semiannual interest payment date of such Bonds, if any, and the amount of the principal to be paid on the date that the Refunded Bonds are to be redeemed.

Section 22. *Holidays.* If the date for making any payment or the last date for performance of any act or the exercising of any right or duty, as provided in this Escrow Agreement, shall be a legal holiday, a day on which banking institutions in Seattle, Washington, and New York, New York, are authorized by law to remain closed, or a day on which the New York Stock Exchange is closed, such payment may be made, such act performed, or such right exercised on the next succeeding day, with the same force and effect as if done on the nominal date provided in this Escrow Agreement.

Section 23. *Term.* The term of this Escrow Agreement shall commence on the date the Bonds are delivered to the Underwriter and shall expire on the later of: (1) the date the final payment is made pursuant to Section 7 hereof; (2) the date any surplus money remaining in the Escrow Account is transferred to the District pursuant to Section 12 hereof; and (3) the date the final statement required by Section 16 hereof is received by the District. Notwithstanding the expiration of this Escrow Agreement, the Refunding Trustee shall not be relieved of any liability for a breach of this Escrow Agreement occurring during the term hereof.

Section 24. *Writings Required.* Any notice, authorization, request or demand required or permitted to be given in accordance with the terms of this Escrow Agreement shall be in writing.

Section 25. *Governing Law.* This Escrow Agreement shall be governed by and construed in accordance with the laws of the State, without regard to conflict of law principles.

Section 26. *Severability.* In the event any one or more of the provisions contained in this Escrow Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Escrow Agreement, and this Escrow Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. If any portion of this Escrow Agreement is amended, severed or revoked, the District agrees to notify any rating agency with a current rating on the Bonds prior to such action.

Section 27. *Counterparts.* This Escrow Agreement may be executed in several

counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Escrow Agreement.

EVERETT SCHOOL DISTRICT NO. 2
Snohomish County, Washington

Mark A. Nesse, President

ATTEST:

Dr. Paul Sjunnesen
Interim Secretary of the Board of Directors

(S E A L)

THE BANK OF NEW YORK
New York, New York, as Refunding Trustee

Michael Daly
Assistant Treasurer

ATTACHMENT "I"

NOTICE OF DEFEASANCE

EVERETT SCHOOL DISTRICT NO. 2
Snohomish, Washington

UNLIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS
SERIES 1993

NOTICE IS HEREBY GIVEN that pursuant to the provisions of Section 24 of Resolution No. 638, adopted on February 11, 1998, by the Board of Directors of the Everett School District No. 2, Washington (the "District"), the District has partially defeased that portion of the District's outstanding "Unlimited Tax General Obligation and Refunding Bonds, Series 1993," described in the following schedule (collectively, the "Bonds"):

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP Nos.</u>	<u>Bond Nos.</u>
December 1, 2004	\$ 1,780,000	5.75%	833119 MK3	
December 1, 2005	2,540,000	5.85	833119 ML1	
December 1, 2006	2,485,000	6.00	833119 MM9	
December 1, 2007	2,470,000	6.00	833119 MN7	
December 1, 2008	3,110,000	6.10	833119 MP2	
December 1, 2009	4,350,000	6.20	833119 MQ0	
December 1, 2012	23,450,000	6.20	833119 MT4	

Such defeasance was accomplished by depositing certain Government Obligations into an escrow account held by The Bank of New York, New York, New York, as Refunding Trustee. The Bonds will become due and will be redeemed and paid on December 1, 2003, at the redemption price of 102 percent of the principal to be redeemed, together with interest accrued to such date. Interest on the Bonds shall cease to accrue from and after such redemption date.

THE BANK OF NEW YORK
New York, New York, as Refunding Trustee

By: _____
Trust Officer

Dated: March __, 1998.

