

WHATCOM COUNTY COUNCIL AGENDA BILL

NO. 1997 - 75

LEARANCES	Date	Date Received in Council Office	Agenda Date	Assigned To
Orig. Dept.: Treasurer				Introduction
Division Head:				
Dept. Head:				
Prosecutor:				
Budget:				
Executive:				

SUBJECT:

Ordinance authorizing issuance limited Tax General Obligation & Refunding Bonds

ATTACHMENTS

Bond Ordinance

SUMMARY STATEMENT:

Related County Contract #:	Should the Clerk schedule a hearing? (Y/N) N	Requested Date:
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This bond ordinance authorizes the issuance of bonds for \$10 Million for Whatcom County. A major portion of the issue will be designated to refund the 1991 Whatcom County Limited Tax General Obligation Bonds. This will save approximately \$400,000-\$600,000 in interest payments for Whatcom County tax payers. In addition, \$2,045,365 is a new debt issue to repay a loan made the Current Expense fund from the Road fund for the courthouse construction settlement agreement.

RECOMMENDED MOTION (for final action):

COUNCIL ACTION TAKEN

2/11/97: Introduced
 2/25/97: Adopted 5 - 2, Brown & Brenner opposed. Ord. #97-009

Related File Numbers:

Ordinance or Resolution Number (this item only):
 O97-009

ORDINANCE NO. 97-009

AUTHORIZING THE ISSUANCE OF LIMITED TAX GENERAL OBLIGATION AND
REFUNDING BONDS IN THE AMOUNT OF \$9,990,000

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* This table of contents is not a part of this ordinance; it is included for convenience of the reader only.

1 INTRODUCED BY: Consent

2 PROPOSED BY: Treasurer

3 DATE INTRODUCED: 2/11/97

4 ORDINANCE NO. 97-009

5
6 AN ORDINANCE OF THE COUNTY COUNCIL OF WHATCOM
7 COUNTY, WASHINGTON, PROVIDING FOR THE ISSUANCE
8 AND SALE OF GENERAL OBLIGATION AND REFUNDING
9 BONDS OF THE COUNTY IN THE AGGREGATE PRINCIPAL
10 AMOUNT OF \$9,990,000 FOR THE PURPOSE OF REPAYING
11 AN INTERFUND LOAN INCURRED IN PAYING PART OF
12 THE COSTS OF THE COUNTY COURTHOUSE AND
13 ADMINISTRATION BUILDING AS AUTHORIZED BY
14 ORDINANCE OF THE COUNTY COUNCIL, AND FOR THE
15 PURPOSE OF REFUNDING CERTAIN OUTSTANDING
16 GENERAL OBLIGATION BONDS OF THE COUNTY;
17 PROVIDING AND AUTHORIZING THE PURCHASE OF
18 CERTAIN OBLIGATIONS WITH THE PROCEEDS OF THE
19 SALE OF A PORTION OF SUCH BONDS AND FOR THE USE
20 AND APPLICATION OF THE MONEYS TO BE DERIVED
21 FROM SUCH INVESTMENTS; PROVIDING FOR THE
22 REDEMPTION OF THE OUTSTANDING BONDS TO BE
23 REFUNDED; PROVIDING THE DATE, FORM, TERMS AND
24 MATURITIES OF THE BONDS TO BE ISSUED AND FOR
25 LIMITED TAX LEVIES TO PAY THE PRINCIPAL THEREOF
26 AND INTEREST THEREON; AUTHORIZING A
27 PRELIMINARY OFFICIAL STATEMENT AND APPROVING
28 THE SALE OF SUCH BONDS.
29

30 WHEREAS, the County Council (the "Council") of Whatcom County, Washington (the
31 "County") for the purpose of paying a portion of the costs of the County Courthouse and
32 Administration Building (the "Courthouse Project") issued \$10,750,000 of limited tax general
33 obligation bonds, pursuant to Ordinance No. 91-045 (the "1991 Bond Ordinance") which remain
34 outstanding in the principal amount of \$9,575,000 and mature and bear interest as follows:
35

<u>Maturities (August 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
1997	\$ 350,000	6.1%
1998	375,000	6.2

1999	425,000	6.3
2000	475,000	6.4
2001	500,000	7.5
2002	550,000	6.6
2003	575,000	6.7
2004	625,000	6.8
2005	650,000	6.9
2006	700,000	7.0
2007	750,000	7.0
2008	800,000	7.0
2011	2,800,000	7.0

1 (the "1991 Bonds"); and

2 WHEREAS, the 1991 Bond Ordinance authorizes the defeasance and redemption of the
3 1991 Bonds maturing on August 1, 2002, in advance of their scheduled maturity on August 1,
4 2001, or any date thereafter, at a price of par plus accrued interest to the date of redemption; and

5 WHEREAS, after due consideration it appears to this Council that the 1991 Bonds
6 maturing on and after August 1, 2002 (the "Refunded Bonds") may be defeased and refunded by
7 the proceeds of a portion of the bonds herein authorized (hereinafter defined as the "Advance
8 Refunding Bonds") at a substantial savings to the County and its taxpayers; and

9 WHEREAS, in order to effect such refunding in the manner that will be most
10 advantageous to the County and its taxpayers, it is hereby found necessary and advisable that
11 certain "Acquired Obligations" (hereinafter identified) be purchased out of the proceeds of sale of
12 the Advance Refunding Bonds; and

13 WHEREAS, pursuant to Ordinance No. AB91-182A, and the County established an
14 interfund loan from the Whatcom County Road Fund to the Courthouse Expansion Fund in the
15 amount of \$2,045,365; and

16 WHEREAS, Ordinance No. AB91-182A provided that the repayment of the Interfund
17 Loan would be made from a future financing; and

18 WHEREAS, it appears to the Council that it is in the best interest of the County that the
19 Interfund Loan be refinanced and the Refunded Bonds be refunded with the proceeds of the

1 Advance Refunding Bonds through a single issue of general obligation and refunding bonds in the
2 aggregate principal amount of \$9,990,000 (the "1997 Bonds"); and

3 WHEREAS, it appears to the Council that it is in the best interest of the County that the
4 written offer of Seattle-Northwest Securities Corporation, Seattle, Washington, to underwrite the
5 Bonds be accepted;

6 NOW, THEREFORE, THE WHATCOM COUNTY COUNCIL DOES ORDAIN, as
7 follows:

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

10 "Acquired Obligations" means the Government Obligations acquired by the County under
11 the terms of this ordinance and the Escrow Agreement to effect the defeasance and refunding of
12 the Refunded Bonds.

13 "Advance Refunding Account" means the account by that name established within the
14 1991 Bond Fund pursuant to Section 8 of this ordinance.

15 "Advance Refunding Bonds" means the \$7,960,000 portion of the Bonds issued pursuant
16 to this ordinance for the purpose of refunding the Refunded Bonds.

17 "Bond Fund" means the special fund of the County designated as the "1997 General
18 Obligation Bond Redemption Fund" and maintained in the office of the Treasurer.

19 "Bond Register" means the registration books for the Bonds, maintained by the Bond
20 Registrar, for the purpose of complying with the requirements of Section 149 of the Internal
21 Revenue Code of 1986, as amended, and listing, *inter alia*, the names and addresses of all
22 registered owners of Bonds.

23 "Bond Registrar" means the fiscal agency of the State of Washington in either Seattle,
24 Washington, or New York, New York, for the purposes of registering and authenticating the
25 Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying
26 interest on and principal of the Bonds.

1 "Bonds" means the \$9,990,000 of Whatcom County, Washington, Limited Tax General
2 Obligation and Refunding Bonds, 1997, issued pursuant to this ordinance, consisting of the
3 Refunding Bonds and the Advance Refunding Bonds.

4 "Code" means the federal Internal Revenue Code of 1986, as amended from time to time,
5 and the applicable regulations thereunder.

6 "Commission" means the Securities and Exchange Commission.

7 "Council" means the duly constituted County Council of Whatcom County as the general
8 legislative authority of the County.

9 "County" means Whatcom County, Washington, a political subdivision, duly organized
10 and existing under and by virtue of its Charter and the laws of the State of Washington.

11 "Courthouse Project" means the renovated and expanded County Courthouse and
12 Administration Building project, approved pursuant to Ordinance No. 91-019, passed on April 2,
13 1991.

14 "DTC" means The Depository Trust Company, New York, New York, a limited purpose
15 trust company organized under the laws of the State of New York, as depository for the Bonds
16 pursuant to Section 4 hereof.

17 "Escrow Agreement" means the Escrow Deposit Agreement to be dated as of the date of
18 closing and delivery of the Advance Refunding Bonds substantially in the form attached hereto as
19 Exhibit A.

20 "Escrow Agent" means First Trust National Association.

21 "Government Obligations" means those obligations now or hereafter defined as such in
22 chapter 39.53 RCW.

23 "Insurer" means MBIA Insurance Corporation, a stock insurance company incorporated
24 under the laws of the State of New York.

25 "Interfund Loan" means the loan of \$2,045,365 from the County's Road Fund to the
26 Courthouse Expansion Fund for the purpose of paying costs and a settlement agreement related
27 to the Courthouse Project.

1 "Letter of Representation" means a blanket issuer letter of representations from the
2 County to DTC.

3 "MSRB" means the Municipal Securities Rulemaking Board or any successor to its
4 functions.

5 "Net Proceeds," when used with reference to the Bonds, means the principal amount of
6 the Bonds, plus accrued interest and original issue premium, if any, and less original issue
7 discount.

8 "NRMSIR" means a nationally recognized municipal securities information repository.

9 "1991 Bond Fund" means the Whatcom County, Limited Tax General Obligation Bond
10 Redemption Fund, 1991 created pursuant to the 1991 Bond Ordinance.

11 "1991 Bond Ordinance" means Ordinance No. 91-045, passed by the County Council of
12 Whatcom County on July 23, 1991.

13 "1991 Bonds" means the Whatcom County, Washington Limited Tax General Obligation
14 Bonds, 1991 of Whatcom County in the original aggregate principal amount of \$10,750,000,
15 issued under date of August 1, 1991 and currently outstanding in the aggregate principal amount
16 of \$9,575,000.

17 "Policy" means the policy of bond insurance issued with respect to the Bonds by the
18 Insurer.

19 "Private Person" means any natural person engaged in a trade or business or any trust,
20 estate, partnership, association, company or corporation.

21 "Private Person Use" means the use of property in a trade or business by a Private Person
22 if such use is other than as a member of the general public. Private Person Use includes
23 ownership of the property by the Private Person as well as other arrangements that transfer to the
24 Private Person the actual or beneficial use of the property (such as a lease, management or
25 incentive payment contract or other special arrangement) in such a manner as to set the Private
26 Person apart from the general public. Use of property as a member of the general public includes
27 attendance by the Private Person at municipal meetings or business rental of property to the

1 Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the
2 rental paid by any Private Person who desires to rent the property. Use of property by nonprofit
3 community groups or community recreational groups is not treated as Private Person Use if such
4 use is incidental to the governmental uses of property, the property is made available for such use
5 by all such community groups on an equal basis and such community groups are charged only a
6 *de minimis* fee to cover custodial expenses.

7 "Refunded Bonds" means all of the 1991 Bonds maturing on and after August 1, 2002
8 collectively aggregating \$7,960,000 in principal amount.

9 "Refunding Bonds" means \$2,030,000 of the Bonds herein authorized to be used for the
10 refunding of the Interfund Loan and the payment of allocable costs of issuance.

11 "Registered Owner" means the person in whose name a Bond is registered on the Bond
12 Register. For so long as the Bonds are held in book-entry only form, DTC shall be deemed to be
13 the sole Registered Owner.

14 "Rule" means the Commission's Rule 15c2-12 under the Securities and Exchange Act of
15 1934, as the same may be amended from time to time.

16 "SID" means a state information depository for the State of Washington.

17 "Treasurer" means the Treasurer of the County.

18 "Underwriter" means Seattle-Northwest Securities Corporation, Seattle, Washington.

19 Section 2. Authorization of Bonds. For the purpose of refinancing the Interfund Loan
20 and paying an allocable share of costs of issuance, the County shall now issue and sell \$2,030,000
21 of general obligation bonds (the "Refunding Bonds").

22 For the purpose of advance refunding the Refunded Bonds (and an allocable share of costs
23 of issuance) and thereby effecting a substantial savings to the County and its taxpayers, the
24 County shall issue its general obligation refunding bonds in the aggregate principal amount of
25 \$7,960,000 (the "Advance Refunding Bonds").

26 The Refunding Bonds and the Advance Refunding Bonds shall be combined and sold as a
27 single issue and shall be designated as the "Whatcom County, Washington, Limited Tax General

1 Obligation and Refunding Bonds, 1997" and shall be issued in the aggregate principal amount of
 2 \$9,990,000 (the "Bonds").

3 The Bonds shall be dated as of March 1, 1997, shall be fully registered as to both principal
 4 and interest, shall be in the denomination of \$5,000 each, or any integral multiple thereof, and
 5 provided further that no Bond shall represent more than one maturity, shall be numbered
 6 separately in such manner and with any additional designation as the Bond Registrar deems
 7 necessary for purposes of identification, and shall bear interest from their date payable on the first
 8 days of each June and December, commencing on June 1, 1997 at the following per annum
 9 interest rates and shall mature on June 1 of the following years in the following principal amounts:
 10

<u>Maturity (June 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
1997	\$ 60,000 ^R	4.00%
1998	90,000 ^R	4.00
	35,000	
1999	95,000 ^R	4.10
	35,000	
2000	100,000 ^R	4.20
	40,000	
2001	100,000 ^R	4.30
	40,000	
2002	105,000 ^R	5.50
	605,000	
2003	115,000 ^R	5.50
	630,000	
2004	120,000 ^R	5.50
	675,000	
2005	125,000 ^R	5.50
	700,000	
2006	135,000 ^R	5.50
	745,000	
2007	140,000 ^R	5.50
	785,000	
2008	155,000 ^R	4.95
	845,000	
2009	155,000 ^R	5.05
	895,000	
2010	175,000 ^R	5.15
	945,000	

2011	175,000 ^R	5.20
	985,000	
2012	185,000 ^R	5.15

1 *R - designates an amount paying the Refunding Bonds.

2 Section 3. Place and Medium of Payment. The principal of and interest on the Bonds
3 shall be payable in lawful money of the United States of America. Interest on the Bonds shall be
4 calculated on the basis of a 360-day year and twelve 30-day months. For so long as all Bonds are
5 in fully-immobilized form, such payments of principal and interest thereon shall be made as
6 provided in the operational arrangements of DTC as referred to in the Letter of Representations.

7 In the event that the Bonds are no longer in fully-immobilized form, interest on the Bonds
8 shall be paid by check or draft mailed to the Registered Owners of the Bonds at the addresses for
9 such Registered Owners appearing on the Bond Register on the 15th day of the month preceding
10 the interest payment date. Principal of the Bonds shall be payable upon presentation and
11 surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar.

12 Section 4. Registration.

13 (a) *Bond Registrar/Bond Register.* The County hereby requests that the
14 Treasurer specify and adopt the system of registration and transfer for the Bonds approved by the
15 Washington State Finance Committee from time to time through the appointment of state fiscal
16 agencies. The County shall cause a bond register to be maintained by the Bond Registrar. So
17 long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to
18 permit the exchange or registration of transfer of Bonds at its principal corporate trust office. The
19 Bond Registrar may be removed at any time at the option of the Treasurer upon prior notice to
20 the Bond Registrar, DTC, each NRMSIR and SID, if any, and a successor Bond Registrar
21 appointed by the Treasurer. No resignation or removal of the Bond Registrar shall be effective
22 until a successor shall have been appointed and until the successor Bond Registrar shall have
23 accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf
24 of the County, to authenticate and deliver Bonds transferred or exchanged in accordance with the
25 provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar's powers

1 and duties under this ordinance. The Bond Registrar shall be responsible for its representations
2 contained in the Certificate of Authentication on the Bonds.

3 (b) *Registered Ownership.* The County and the Bond Registrar, each in its
4 discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof
5 for all purposes (except as provided in Section 14 of this ordinance), and neither the County nor
6 the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond
7 shall be made only as described in Section 3 hereof, but such Bond may be transferred as herein
8 provided. All such payments made as described in Section 3 shall be valid and shall satisfy and
9 discharge the liability of the County upon such Bond to the extent of the amount or amounts so
10 paid.

11 (c) *DTC Acceptance/Letter of Representations.* To induce DTC to accept the
12 Bonds as eligible for deposit at DTC, the County will execute and deliver to DTC a Letter of
13 Representations.

14 Neither the County nor the Bond Registrar will have any responsibility or obligation to
15 DTC participants or the persons for whom they act as nominees (or any successor depository)
16 with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any
17 successor depository) or any DTC participant, the payment by DTC (or any successor depository)
18 or any DTC participant of any amount in respect of the principal of or interest on Bonds, any
19 notice which is permitted or required to be given to Registered Owners under this ordinance
20 (except such notices as shall be required to be given by the County to the Bond Registrar or to
21 DTC (or any successor depository), or any consent given or other action taken by DTC (or any
22 successor depository) as the Registered Owner. For so long as any Bonds are held in fully-
23 immobilized form hereunder, DTC or its successor depository shall be deemed to be the
24 Registered Owner for all purposes hereunder, and all references herein to the Registered Owners
25 shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of
26 any beneficial interest in such Bonds.

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

4 (d) *Use of Depository.*

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

13 (ii) Upon the resignation of DTC or its successor (or any substitute
14 depository or its successor) from its functions as depository or a determination by the Board to
15 discontinue the system of book entry transfers through DTC or its successor (or any substitute
16 depository or its successor), the Board may hereafter appoint a substitute depository. Any such
17 substitute depository shall be qualified under any applicable laws to provide the services proposed
18 to be provided by it.

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

24 (iv) In the event that (A) DTC or its successor (or substitute depository
25 or its successor) resigns from its functions as depository, and no substitute depository can be
26 obtained, or (B) the Board determines that it is in the best interest of the beneficial owners of the
27 Bonds that such owners be able to obtain such bonds in the form of Bond certificates, the

1 ownership of such Bonds may then be transferred to any person or entity as herein provided, and
2 shall no longer be held in fully-immobilized form. The Board shall deliver a written request to the
3 Bond Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in
4 any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds
5 together with a written request on behalf of the Board to the Bond Registrar, new Bonds shall be
6 issued in the appropriate denominations and registered in the names of such persons as are
7 requested in such written request.

8 (e) *Registration of Transfer of Ownership or Exchange; Change in*
9 *Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but
10 no transfer of any such Bond shall be valid unless such Bond is surrendered to the Bond Registrar
11 with the assignment form appearing on such Bond duly executed by the Registered Owner or such
12 Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon
13 such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and
14 deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at
15 the option of the new Registered Owner) of the same date, maturity and interest rate and for the
16 same aggregate principal amount in any authorized denomination, naming as Registered Owner
17 the person or persons listed as the assignee on the assignment form appearing on the surrendered
18 Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to
19 the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of
20 Bonds of the same date, maturity and interest rate, in any authorized denomination. The Bond
21 Registrar shall not be obligated to register the transfer or to exchange any Bond during the 15
22 days preceding the date any such Bond is to be redeemed.

23 (f) *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become
24 the Registered Owner of any Bond with the same rights it would have if it were not the Bond
25 Registrar, and to the extent permitted by law, may act as depository for and permit any of its
26 officers or directors to act as member of, or in any other capacity with respect to, any committee
27 formed to protect the right of the Registered Owners of Bonds.

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

4 Section 5. Redemption and Purchase of Bonds.

5 (a) *Optional Redemption.* The Bonds maturing on or prior to June 1, 2007 are
6 not subject to redemption prior to their scheduled maturity. The Bonds maturing on or after
7 June 1, 2008, are subject to redemption at the option of the County on and after June 1, 2007, in
8 whole or in part on any date (with maturities to be selected by the County), at a price of par plus
9 accrued interest, if any, to the date of redemption.

10 (b) *Selection of Bonds for Redemption.* As long as the Bonds are held in
11 book-entry only form, the selection of Bonds to be redeemed shall be made in accordance with
12 the operational arrangements then in effect at DTC. If the Bonds are no longer held in
13 uncertificated form, the selection of such Bonds to be redeemed shall be made as provided in this
14 subsection (b). If the County redeems at any one time fewer than all of the Bonds having the
15 same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed
16 shall be selected by lot (or in such other manner determined by the Bond Registrar) in increments
17 of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the County and Bond
18 Registrar shall treat each Bond as representing such number of separate Bonds each of the
19 denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by
20 \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon
21 surrender of the such Bond at the principal office of the Bond Registrar there shall be issued to
22 the Registered Owner, without charge therefor, for the then unredeemed balance of the principal
23 sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest
24 rate in any of the denominations herein authorized. If Bonds are called for optional redemption,
25 portions of the principal amount of such Bonds, in installments of \$5,000 or any integral multiple
26 of \$5,000, may be redeemed. If less than all of the principal amount of any Bond is redeemed,
27 upon surrender of such Bond at the principal office of the Bond Registrar there shall be issued to

1 the registered owner, without charge therefor, for the then unredeemed balance of the principal
2 amount thereof, a new Bond or Bonds, at the option of the registered owner, of like maturity and
3 interest rate in any denomination authorized by this ordinance.

4 (c) *Purchase of Bonds.* The County also reserves the right to purchase any of
5 the Bonds offered to the County at any time at a price deemed reasonable by the Treasurer.

6 (d) *Notice of Redemption*

7 (i) Official Notice. Unless waived by any owner of Bonds to be
8 redeemed, official notice of any such redemption shall be given by the Bond Registrar on behalf of
9 the County by mailing a copy of an official redemption notice by first class mail at least 30 days
10 and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the
11 Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other
12 address as is furnished in writing by such registered owner to the Bond Registrar.

13 All official notices of redemption shall be dated and shall state:

14 (A) the redemption date,
15 (B) the redemption price,
16 (C) if fewer than all outstanding Bonds are to be redeemed, the
17 identification by series and maturity (and, in the case of partial redemption, the respective
18 principal amounts) of the Bonds to be redeemed,

19 (D) that on the redemption date the redemption price will
20 become due and payable upon each such Bond or portion thereof called for redemption, and that
21 interest thereon shall cease to accrue from and after said date, and

22 (E) the place where such Bonds are to be surrendered for
23 payment of the redemption price, which place of payment shall be the principal office of the Bond
24 Registrar.

25 On or prior to any redemption date, the County shall deposit with the Bond Registrar an
26 amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds
27 which are to be redeemed on that date.

1 (ii) Effect of Notice; Bonds Due. Official notice of redemption having
2 been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the
3 redemption date, become due and payable at the redemption price therein specified, and from and
4 after such date (unless the County shall default in the payment of the redemption price) such
5 Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for
6 redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the
7 redemption price. Installments of interest due on or prior to the redemption date shall be payable
8 as herein provided for payment of interest. Upon surrender for any partial redemption of any
9 Bond, there shall be prepared for the Registered Owner a new Bond or Bonds of the same
10 maturity in the amount of the unpaid principal. All Bonds which have been redeemed shall be
11 canceled and destroyed by the Bond Registrar and shall not be reissued.

12 (iii) Additional Notice. In addition to the foregoing notice, further
13 notice shall be given by the County as set out below, but no defect in said further notice nor any
14 failure to give all or any portion of such further notice shall in any manner defeat the effectiveness
15 of a call for redemption if notice thereof is given as above prescribed. Each further notice of
16 redemption given hereunder shall contain the information required above for an official notice of
17 redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the
18 Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the
19 maturity date of each Bond being redeemed; and (E) any other descriptive information needed to
20 identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at
21 least 35 days before the redemption date to each NRMSIR, the SID, if any, and to the
22 Underwriter or to its business successor, if any, and to such persons and with such additional
23 information as the Treasurer shall deem appropriate, but such mailings shall not be a condition
24 precedent to the redemption of such Bonds.

25 (iv) Upon the payment of the redemption price of Bonds being
26 redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP

1 number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such
2 check or other transfer.

3 (v) Amendment of Notice Provisions. The foregoing notice provisions
4 of this Section 5, including but not limited to the information to be included in redemption notices
5 and the persons designated to receive notices, may be amended by additions, deletions and
6 changes in order to maintain compliance with duly promulgated regulations and recommendations
7 regarding notices of redemption of municipal securities.

8 Section 6. Form of Bonds. The Bonds shall be in substantially the following form:

9
10 STATEMENT OF INSURANCE

11
12 The MBIA Insurance Corporation (the "Insurer") has issued a policy containing the
13 following provisions, such policy being on file at the principal office of the Fiscal Agency of the
14 State of Washington in Seattle, Washington, or New York, New York.

15
16 The Insurer, in consideration of the payment of the premium and subject to the terms of
17 the policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined,
18 of the following described obligations, the full and complete payment required to be made by or
19 on behalf of Whatcom County (the "Issuer") to the Fiscal Agency of the State of Washington, or
20 its successor (the "Paying Agent"), of an amount equal to (i) the principal of (either at the stated
21 maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and
22 interest on, the Obligations (as that term is defined below) as such payments shall become due but
23 shall not be so paid (except that in the event of any acceleration of the due date of such principal
24 by reason of mandatory or optional redemption or acceleration resulting from default or
25 otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund
26 payment, the payments guaranteed hereby shall be made in such amounts and at such times as
27 such payments of principal would have been due had there not been any such acceleration); and
28 (ii) the reimbursement of any such payment which is subsequently recovered from any owner
29 pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an
30 avoidable preference to such owner within the meaning of any applicable bankruptcy law. The
31 amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein
32 collectively as the "Insured Amounts." "Obligations" shall mean:

33
34 \$9,990,000

35 Whatcom County Limited Tax General Obligation and Refunding Bonds, 1997

36
37 Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in
38 writing by registered or certified mail, or upon receipt of written notice by registered or certified
39 mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an
40 Insured Amount for which is then due, that such required payment has not been made, the Insurer

1 on the due date of such payment or within one business day after receipt of notice of such
2 nonpayment, whichever is later, will make a deposit of funds, in an account with State Street
3 Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the
4 payment of any such Insured Amounts which are then due. Upon presentment and surrender of
5 such Obligations or presentment of such other proof of ownership of the Obligations, together
6 with any appropriate instruments of assignment to evidence the assignment of the Insured
7 Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect
8 the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding
9 related to payment of Insured Amounts on the Obligations, such instruments being in a form
10 satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust
11 Company, N.A. shall disburse to such owners or the Paying Agent payment of the Insured
12 Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of
13 such Insured Amounts and legally available therefor. This policy does not insure against loss of
14 any prepayment premium which may at any time be payable with respect to any Obligation.

15
16 As used herein, the term "owner" shall mean the registered owner of any Obligation as
17 indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer
18 for such purpose. The term owner shall not include the Issuer or any party whose agreement with
19 the Issuer constitutes the underlying security for the Obligations.

20
21 Any service of process on the Insurer may be made to the Insurer at its offices located at
22 113 King Street, Armonk, New York 10504 and such service of process shall be valid and
23 binding.

24
25 This policy is non-cancelable for any reason. The premium on this policy is not refundable
26 for any reason including the payment prior to maturity of the Obligations.

27
28 MBIA Insurance Corporation

29
30 UNITED STATES OF AMERICA

31
32 NO. _____ \$ _____

33
34 STATE OF WASHINGTON

35
36 WHATCOM COUNTY

37
38 LIMITED TAX GENERAL OBLIGATION AND REFUNDING BOND, 1997

39
40 INTEREST RATE: MATURITY DATE: CUSIP NO.:

41
42 Registered Owner:

43
44 Principal Amount:

45

1 WHATCOM COUNTY, WASHINGTON (the "County"), hereby acknowledges itself to
2 owe and for value received promises to pay to the Registered Owner identified above, or
3 registered assigns, on the Maturity Date identified above, the Principal Amount indicated above
4 and to pay interest thereon from March 1, 1997, or the most recent date to which interest has
5 been paid or duly provided for until payment of this bond at the Interest Rate set forth above,
6 payable on the first days of each June and December, commencing on June 1, 1997. Both
7 principal of and interest on this bond are payable in lawful money of the United States of America.
8 Both principal of and interest on this Bond shall be paid as provided in the operational
9 arrangements referred to in the Blanket Issuer Letter of Representations (the "Letter of
10 Representations") between the State and The Depository Trust Company ("DTC"). The principal
11 hereunder shall be paid to the Registered Owner or assigns upon presentation and surrender of
12 this bond at the principal office of the fiscal agencies of the State of Washington in either Seattle,
13 Washington or New York, New York (collectively the "Bond Registrar").
14

15 This bond is one of an authorized issue of bonds of like date and tenor, except as to
16 number, amount, rate of interest and date of maturity in the aggregate principal amount of
17 \$9,990,000, and is issued to provide term funding for certain obligations of the County.
18

19 The bonds of this issue are issued under and in accordance with the provisions of the
20 Constitution and applicable statutes of the State of Washington and resolutions duly adopted by
21 the County Council, including Ordinance No. ___ of the County Council (the "Bond Ordinance").
22

23 The bonds of this issue maturing on and prior to June 1, 2007 are not callable for
24 redemption prior to their scheduled maturities. The bonds of this issue maturing on and after
25 June 1, 2008 are callable for redemption prior to their scheduled maturity at the option of the
26 County on and after June 1, 2007 on any date at a price of par plus accrued interest to the date of
27 redemption.
28

29 The bonds of this issue are not "private activity bonds" as such term is defined in the
30 Internal Revenue Code of 1986, as amended (the "Code"). The bonds of this issue are qualified
31 tax-exempt obligations under Section 265(b) of the Code for banks, thrift institutions and other
32 financial institutions.
33

34 The County hereby irrevocably covenants that it will levy taxes annually upon all the
35 taxable property in the County within and as a part of the tax levy permitted to counties without a
36 vote of the electors in amounts sufficient, with other monies legally available therefor, to pay the
37 principal of and interest on the bonds of this issue as the same shall become due. The full faith,
38 credit and resources of the County are hereby irrevocably pledged for the annual levy and
39 collection of such taxes and the prompt payment of such principal and interest. The pledge of tax
40 levies may be discharged prior to maturity of the bonds of this issue by making provision for the
41 payment thereof on the terms and conditions set forth in the Bond Ordinance.
42

43 This bond shall not be valid or become obligatory for any purpose or be entitled to any
44 security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall
45 have been manually signed by the Bond Registrar.

1 manual or facsimile signature of the Clerk of the Council, and the seal of the County shall be
2 impressed or facsimile thereof imprinted on the Bonds.

3 Only such Bonds as shall bear thereon a Certificate of Authentication in the form
4 hereinbefore recited, manually executed by the Bond Registrar, shall be valid or obligatory for any
5 purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be
6 conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and
7 delivered hereunder and are entitled to the benefits of this ordinance.

8 In case either of the officers who shall have executed the Bonds shall cease to be officer or
9 officers of the County before the Bonds so signed shall have been authenticated or delivered by
10 the Bond Registrar, or issued by the County, such Bonds may nevertheless be authenticated,
11 delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon
12 the County as though those who signed the same had continued to be such officers of the County.
13 Any Bond may also be signed and attested on behalf of the County by such persons who are at the
14 actual date of delivery of such Bond the proper officers of the County although at the original
15 date of such Bond any such person shall not have been such officer of the County.

16 Section 8. Advance Refunding Account. There is hereby authorized to be created in
17 the 1991 Bond Fund an account known as the "Advance Refunding Account" which Account is
18 to be drawn upon for the sole purpose of paying the principal of and interest on the Refunded
19 Bonds until their date of redemption and of paying costs related to the advance refunding of the
20 Refunded Bonds.

21 The proceeds of sale of the Advance Refunding Bonds (exclusive of accrued interest
22 thereon, which shall be paid into the Bond Fund and used to pay interest on the Advance
23 Refunding Bonds on June 1, 1997) shall be credited to the Advance Refunding Account.

24 Money in the Advance Refunding Account shall be used immediately upon receipt thereof
25 to defease the Refunded Bonds as authorized by the 1991 Bond Ordinance and pay costs of
26 issuance. The County shall defease the Refunded Bonds and discharge such obligations by the
27 use of money in the Advance Refunding Account to purchase certain Government Obligations

1 (which obligations so purchased, are herein called "Acquired Obligations"), bearing such interest
2 and maturing as to principal and interest in such amounts and at such times which, together with
3 any necessary beginning cash balance, will provide for the payment of:

4 (a) interest on the Refunded Bonds due and payable from the date hereof
5 through August 1, 2001; and

6 (b) the redemption price (100% of the principal amount thereof) on August 1,
7 2001, of the Refunded Bonds.

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

11 The County hereby appoints the corporate trust department of First Trust National
12 Association, as the Escrow Agent for the Refunded Bonds (the "Escrow Agent"). A beginning
13 cash balance, if any, and Acquired Obligations shall be deposited irrevocably with the Escrow
14 Agent in an amount sufficient to defease the Refunded Bonds. The proceeds of the Bonds
15 remaining in the Advance Refunding Account after acquisition of the Acquired Obligations and
16 provision for the necessary beginning cash balance shall be utilized to pay expenses of the
17 acquisition and safekeeping of the Acquired Obligations and expenses of the issuance of the
18 Bonds.

19 Section 9. Call For Redemption of Refunded Bonds. The County hereby irrevocably
20 sets aside sufficient funds out of the purchase of Acquired Obligations from proceeds of the
21 Advance Refunding Bonds to make the payments described in Section 8 of this ordinance.

22 The County hereby irrevocably calls the Refunded Bonds for redemption on August 1,
23 2001 in accordance with the provisions of Section 6 of the 1991 Bond Ordinance, authorizing the
24 redemption and retirement of the 1991 Bonds prior to their fixed maturities.

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

1 The Escrow Agent is hereby authorized and directed to provide for the giving of notices
2 of the redemption of the Refunded Bonds in accordance with the applicable provisions of the
3 1991 Bond Ordinance. The Treasurer is authorized and requested to provide whatever assistance
4 is necessary to accomplish such redemption and the giving of notices therefor. The costs of
5 publication of such notices shall be an expense of the County.

6 The Escrow Agent is hereby authorized and directed to pay to the Treasurer, or, at the
7 direction of the Treasurer, to the fiscal agency or agencies of the State of Washington, sums
8 sufficient to pay, when due, the payments specified in of Section 8 of this ordinance. All such
9 sums shall be paid from the moneys and Acquired Obligations deposited with said Escrow Agent
10 pursuant to the previous section of this ordinance, and the income therefrom and proceeds
11 thereof. All such sums so paid to said Treasurer shall be credited to the Advance Refunding
12 Account. All moneys and Acquired Obligations deposited with said bank and any income
13 therefrom shall be held, invested (but only at the direction of the Treasurer) and applied in
14 accordance with the provisions of this ordinance and with the laws of the State of Washington for
15 the benefit of the County and owners of the Refunded Bonds.

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

19 In order to carry out the purposes of the preceding section of this ordinance and this
20 section, either the Chair or the Clerk of the Council or the County Executive is authorized and
21 directed to execute and deliver to First Trust National Association, Seattle, Washington, an
22 Escrow Deposit Agreement, substantially in the form of Exhibit A attached to this ordinance.

23 Section 10. Interfund Loan. The proceeds of the Refunding Bonds (exclusive of
24 accrued interest thereon, which shall be paid into the Bond Fund and used to pay interest on the
25 Refunding Bonds on June 1, 1997) shall be deposited into the Courthouse Expansion Fund and
26 used immediately, together with other funds of the County, as necessary, to repay the County's
27 Road Fund and retire the Interfund Loan, including the payment of interest thereon. The balance

1 of the proceeds of the Refunding Bonds, if any, shall be used to pay an allocable share of the
2 County's costs of issuance of the Refunding Bonds.

3 Section 11. Pledge of Taxes and Credit. The Treasurer is hereby authorized to
4 establish a special fund of the County to be designated as the 1997 General Obligation Bond
5 Redemption Fund (the "Bond Fund"). On or before each date on which a payment of principal of
6 and interest on the Bonds is due and payable, the Treasurer shall deposit the amount necessary to
7 make such principal and/or interest payment into the Bond Fund and shall remit the same to the
8 Bond Registrar for the purpose of making such payment. The County hereby irrevocably
9 covenants that, unless the principal of and interest on the Bonds are paid from other sources, it
10 will make annual levies of taxes within and as a part of the tax levy permitted to counties without
11 a vote of its electors upon all of the property in the County subject to taxation in amounts
12 sufficient to pay such principal and interest as the same shall become due. The full faith, credit
13 and resources of the County are hereby irrevocably pledged for the annual levy and collection of
14 such taxes and for the prompt payment of such principal and interest.

15 Section 12. Defeasance. In the event that money and/or Government Obligations as
16 now or hereafter amended, maturing at such time or times and bearing interest to be earned
17 thereon in amounts (together with such money, if necessary) sufficient to redeem and retire part
18 or all of the Bonds in accordance with their terms, are set aside in a special account of the County
19 to effect such redemption and retirement, and such moneys and the principal of and interest on
20 such obligations are irrevocably set aside and pledged for such purpose, then no further payments
21 need be made into the Bond Fund for the payment of the principal of and interest on the Bonds so
22 provided for, and such Bonds shall cease to be entitled to any lien, benefit or security of this
23 ordinance except the right to receive the moneys so set aside and pledged, and such Bonds shall
24 be deemed not to be outstanding hereunder.

25 Within 60 days of any defeasance of Bonds the Bond Registrar shall provide notice of
26 defeasance of Bonds to registered owners and to each NRMSIR and SID, if any, in accordance
27 with Section 14.

1 Section 13. Tax Covenants and Designation.

2 (a) *Arbitrage Covenant.* The County hereby covenants that it will not make
3 any use of the proceeds of sale of the Bonds or any other funds of the County which may be
4 deemed to be proceeds of such Bonds pursuant to Section 148 of the Code which will cause the
5 Bonds to be "arbitrage bonds" within the meaning of said section and said Regulations. The
6 County will comply with the requirements of Section 148 of the Code (or any successor provision
7 thereof applicable to the Bonds) and the applicable Regulations thereunder throughout the term of
8 the Bonds.

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

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

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

18 The County further covenants that, if:

19 (iii) More than five percent of the Net Proceeds of the Bonds are to be
20 used for any Private Person Use; and

21 (iv) More than five percent of the principal or interest payments on the
22 Bonds in a Bond Year are (under the terms of this ordinance or any underlying arrangement)
23 directly or indirectly: (A) secured by any interest in property used or to be used for any Private
24 Person Use or secured by payments in respect of property used or to be used for any Private
25 Person Use, or (B) derived from payments (whether or not made to the County) in respect of
26 property, or borrowed money, used or to be used for any Private Person Use, then, (1) any
27 Private Person Use of the projects described in subsection (iii) hereof or Private Person Use

1 payments described in subsection (iv) hereof that is in excess of the five percent limitations
2 described in such subsections (iii) or (iv) will be for a Private Person Use that is related to the
3 state or local governmental use of the projects financed or refinanced with Bond proceeds, and
4 (2) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the
5 state or local governmental use portion of the projects to which the Private Person Use of such
6 portion of such projects relates. The County further covenants that it will comply with any
7 limitations on the use of the projects by other than state and local governmental users that are
8 necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the
9 Bonds. The covenants of this section are specified solely to assure the continued exemption from
10 regular income taxation of the interest on the Bonds.

11 (c) *Bonds Designated "Qualified Tax-Exempt Obligations."* The County
12 hereby designates the Bonds as "qualified tax-exempt obligations" for purchase by financial
13 institutions pursuant to Section 265 of the Code. The County does not anticipate that it will issue
14 more than \$10,000,000 in "qualified tax-exempt obligations" during the year 1997.

15 Section 14. Undertaking to Provide Ongoing Disclosure.

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

18 (b) *Financial Statements/Operating Data.* The County agrees to provide or
19 cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the
20 Council in accordance with the Rule, the following annual financial information and operating
21 data for the prior fiscal year (commencing July 31, 1998 for the fiscal year ending December 31,
22 1997):

23 1. Annual financial statements showing ending fund balances prepared
24 in accordance with regulations prescribed by the State Auditor pursuant to RCW 43.09.200 (or
25 any successor statutes) from time to time and generally of the type included in the official
26 statement for the Bonds under the headings "Combining Statement of Revenues, Expenditures &
27 Changes in Fund Balance -- Debt Service Funds";

- 1 6. Adverse tax opinions or events affecting the tax-exempt status of
- 2 the Bonds;
- 3 7. Modifications to rights of owners;
- 4 8. Optional, contingent or unscheduled Bond calls other than
- 5 scheduled sinking fund redemptions for which notice is given
- 6 pursuant to Exchange Act Release 34-23856;
- 7 9. Defeasances;
- 8 10. Release, substitution or sale of property securing the repayment of
- 9 the Bonds; and
- 10 11. Rating changes.

11 Solely for purposes of disclosure, and not intending to modify this undertaking, the
12 County advises that there is no property securing repayment of the Bonds, and there is no debt
13 service reserve fund or account for the Bonds, as the County lacks legal authority for either
14 measure. If further changes in the law permit such measures, and if the County subsequently
15 chooses to establish such reserves or provide such property as security for the Bonds, the County
16 will provide notice of such establishment or provision and undertake to provide notices of
17 material events relating thereto, should such events occur.

18 (d) *Notification Upon Failure to Provide Financial Data.* The County agrees
19 to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB and to
20 the SID, if any, notice of its failure to provide the annual financial information described in
21 subsection (b) above on or prior to the date set forth in subsection (b) above.

22 (e) *Termination/Modification.* The County's obligations to provide annual
23 financial information and notices of material events shall terminate upon the defeasance, prior
24 redemption or payment in full of all of the Bonds. This section, or any provision hereof, shall be
25 null and void if the County (1) obtains an opinion of nationally recognized bond counsel to the
26 effect that those portions of the Rule which require this section, or any such provision, are invalid,
27 have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies each

1 then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this section.
2 Notwithstanding any other provision of this ordinance, the County may amend this Section 14 and
3 any provision of this Section 14 may be waived with an approving opinion of nationally
4 recognized bond counsel.

5 In the event of any amendment of or waiver of a provision of this Section 14, the County
6 shall describe such amendment in the next annual report, and shall include, as applicable, a
7 narrative explanation of the reason for the amendment or waiver and its impact on the type (or in
8 the case of a change of accounting principles, on the presentation) of financial information or
9 operating data being presented by the County. In addition, if the amendment relates to the
10 accounting principles to be followed in preparing financial statements, (I) notice of such change
11 shall be given in the same manner as for a material event under Subsection (c), and (II) the annual
12 report for the year in which the change is made should present a comparison (in narrative form
13 and also, if practical, in quantitative form) between the financial statements as prepared on the
14 basis of the new accounting principles and those prepared on the basis of the former accounting
15 principles.

16 (f) *Bond Owner's Remedies Under This Section.* A Bond owner's right to
17 enforce the provisions of this section shall be limited to a right to obtain specific enforcement of
18 the County's obligations hereunder, and any failure by the County to comply with the provisions
19 of this undertaking shall not be an event of default with respect to the Bonds under this ordinance.

20 Section 15. Sale of Bonds. The Bonds shall be sold by negotiated sale to Seattle-
21 Northwest Securities Corporation., Seattle, Washington (the "Underwriter"), under the terms and
22 conditions thereof as provided in its purchase offer and in this ordinance.

23 The County Executive is hereby authorized to review and approve on behalf of the County
24 the preliminary and final Official Statements relative to the Bonds with such additions and changes
25 as may be deemed necessary or advisable to him. The Preliminary Official Statement for the
26 Bonds, is hereby deemed final for purposes of the Rule. The proper County officials are hereby

1 authorized and directed to do everything necessary for the prompt execution and delivery of the
2 Bonds to said purchaser and for the proper application and use of the proceeds of sale thereof.

3 Section 16. Payments Under the Policy. In the event that, on the payment date on the
4 Bonds, the County or the Bond Registrar determines that there will not be sufficient moneys
5 available in the County's Bond Fund to pay all principal of and interest on the Bonds due on such
6 payment date, the County or the Bond Registrar shall immediately notify the Insurer or its
7 designee on the same day by telephone or telegraph, confirmed in writing by registered or
8 certified mail, of the amount of the deficiency.

9 If the deficiency is made up in whole or in part, the Bond Registrar shall so notify the
10 Insurer or its designee.

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

17 The Bond Registrar is hereby irrevocably designated, appointed, directed and authorized
18 to act as attorney-in-fact for Bondholders as follows:

19 1. If and to the extent there is a deficiency in amounts required to pay interest
20 on the Bonds, the Bond Registrar shall (a) execute and deliver to State Street Bank and
21 Trust Company, N.A., or its successors under the Policy (the "Insurance Paying Agent"),
22 in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as
23 agent for such Bondholders in any legal proceeding related to the payment of such interest
24 and an assignment to the Insurer of the claims for interest to which such deficiency relates
25 and which are paid by the Insurer, (b) receive as designee of the respective Bondholders
26 (and not as Bond Registrar) in accordance with the tenor of the Policy payment from the

1 Insurance Paying Agent with respect to the claims for interest so assigned, and (c)
2 disburse the same to such respective Bondholders; and

3 2. If and to the extent of a deficiency in amounts required to pay principal of
4 any Bonds, the Bond Registrar shall (a) execute and deliver to the Insurance Paying Agent
5 in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as
6 agent for such Bondholder in any legal proceeding relating to the payment of such
7 principal and an assignment to the Insurer of any of the Bonds surrendered to the
8 Insurance Paying Agent of so much of the principal amount thereof as has not previously
9 been paid or for which moneys are not held by the Bond Registrar and available for such
10 payment (but such assignment shall be delivered only if payment from the Insurance
11 Paying Agent is received), (b) receive as designee of the respective Bondholders (and not
12 as Bond Registrar) in accordance with the tenor of the Policy payment therefor from the
13 Insurance Paying Agent, and (c) disburse the same to such Bondholders.

14 Payments with respect to claims for interest on and principal of Bonds disbursed by the
15 Bond Registrar from proceeds of the Policy shall not be considered to discharge the obligation of
16 the County with respect to such Interest, and the Insurer shall become the owner of such unpaid
17 Interest and claims for the interest in accordance with the tenor of the assignment made to it
18 under the provisions of this subsection or otherwise.

19 Irrespective of whether any such assignment is executed and delivered, the County and the
20 Bond Registrar:

21 1. Recognize that to the extent the Insurer makes payments directly or
22 indirectly (as by paying through the Bond Registrar), on account of principal of or interest
23 on the Bonds, the Insurer will be subrogated to the rights of such Bondholders to receive
24 the amount of such principal and interest for the County, with interest thereon as provided
25 and solely from the sources stated in this Ordinance and the Bonds; and

26 2. Will accordingly pay to the Insurer the amount of such principal and
27 interest (including principal and interest recovered under subparagraph (ii) of the first

1 paragraph of the Policy), with interest thereon as provided in this Ordinance and the
2 Bonds, but only from the sources and in the manner provided herein for the payment of
3 principal of and interest on the Bond to holders, and will otherwise treat the Insurer as the
4 owner of such rights to the amount of such principal and interest.

5 In connection with the issuance of additional bonds, the County shall deliver to the Insurer
6 a copy of the disclosure document, if any, circulated with respect to such additional bonds.

7 Copies of any amendments made to the documents executed in connection with the
8 issuance of the Bonds which are consented to by the Insurer shall be sent to Standard & Poor's
9 Ratings Services, a Division of The McGraw-Hill Companies.

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

12 The Insurer shall receive copies of all notices required to be delivered to Bondholders and,
13 on an annual basis (or as soon as available from the office of the State Auditor) copies of the
14 County's audited financial statements, and Annual Budget.

15 Any notice that is required to be given to a holder of Bonds or to the Bond Registrar
16 pursuant to this Ordinance shall also be provided to the Insurer. All notices required to be given
17 to the Insurer under this Ordinance shall be in writing and shall be sent by registered or certified
18 mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504
19 Attention: Surveillance.

20 The provisions of this section shall be in effect only so long as the policy is in full force
21 and effect.

22 Section 17. Severability. If any one or more of the covenants or agreements provided
23 in this ordinance to be performed on the part of the County shall be declared by any court of
24 competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or
25 agreements, shall be null and void and shall be deemed separable from the remaining covenants
26 and agreements of this ordinance and shall in no way affect the validity of the other provisions of
27 this ordinance or of the Bonds.

EXHIBIT A

ESCROW DEPOSIT AGREEMENT

**WHATCOM COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 1997**

THIS ESCROW AGREEMENT, dated as of March 17, 1997 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between Whatcom County, Washington (herein called the "County") and First Trust National Association, Seattle, Washington, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The notice addresses of the County and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

WITNESSETH:

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

WHEREAS, Pursuant to Ordinance No. 97-009 adopted on February 25, 1997 (the "Bond Ordinance"), the County has determined to issue its Limited Tax General Obligation and Refunding Bonds, 1997 (the "1997 Bonds"). A portion of the 1997 Bonds are being used for the purpose of providing funds to pay the costs of refunding the Refunded Bonds; and

WHEREAS, the Escrow Agent has reviewed the Bond Ordinance and this Agreement, and is willing to serve as Escrow Agent hereunder.

WHEREAS, Ernst & Young LLP, Tucson, Arizona, Certified Public Accountants, of Tucson, Arizona, have prepared a verification report which is dated March 17, 1997 (the "Verification Report") relating to the source and use of funds available to accomplish the refunding of the Refunded Bonds, the investment of such funds and the adequacy of such funds and investments to provide for the payment of the debt service due on the Refunded Bonds.

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

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

WHEREAS, the issuance, sale, and delivery of the 1997 Bonds have been duly authorized to be issued, sold, and delivered for the purpose of obtaining the funds required to provide for the payment of the principal of, interest on and redemption premium (if any) on the 1997 Bonds when due as shown on Exhibit C attached hereto; and

WHEREAS, the County desires that, concurrently with the delivery of the 1997 Bonds to the purchasers thereof, the proceeds of the 1997 Bonds, together with certain other available funds of the County, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as the "Escrowed Securities" for deposit to the credit of the Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in such Escrow Fund; and

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

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

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

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

Article 1.

Section 1.1. Definitions.

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

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

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

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

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

Section 1.2. Other Definitions.

The terms "Agreement," "County," "Escrow Agent," "Bond Ordinance," "Verification Report," "Refunded Bonds," and "1997 Bonds" when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.3. Interpretations.

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

Article 2. Deposit of Funds and Escrowed Securities

Section 2.1. Deposits in the Escrow Fund.

Concurrently with the sale and delivery of the 1997 Bonds the County shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds sufficient to purchase the Escrowed Securities and pay costs of issuance described in Exhibit D attached hereto, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the County in writing.

Article 3. Creation and Operation of Escrow Fund

Section 3.1. Escrow Fund.

The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Refunding Account (the "Escrow Fund"). The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Escrow Fund the funds and the Escrowed Securities described in Exhibit D attached hereto. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of

this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.2 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Bonds, any balance then remaining in the Escrow Fund shall be transferred to the County, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.2. Payment of Principal and Interest.

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

Section 3.3. Sufficiency of Escrow Fund.

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

Section 3.4. Trust Fund.

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

shall have no right to title with respect thereto except as a trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the County or, except to the extent expressly herein provided, by the Paying Agent.

Article 4. Limitation on Investments

Section 4.1. Investments.

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

Section 4.2. Substitution of Securities.

At the written request of the County, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Escrow Fund, or sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Refunded Bonds or Government Obligations which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written opinion from a firm of certified public accountants that such transaction will not cause the amount of money and securities in the Escrow Fund to be reduced below an amount sufficient to provide for the full and timely payment of principal of and interest on all of the remaining Refunded Bonds as they become due, taking into account any optional redemption thereof exercised by the County in connection with such transaction; and (b) the Escrow Agent shall have received the unqualified written legal opinion of its bond counsel or tax counsel to the effect that such transaction will not cause any of the 1997 Bonds or Refunded Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

Article 5. Application of Cash Balances

Section 5.1. In General.

Except as provided in Section 3.2 and 4.2 hereof, no withdrawals, transfers, or reinvestment shall be made of cash balances in the Escrow Fund. Cash balances shall be held by the Escrow Agent in U.S. currency and as cash balances as shown on the books and records of the Escrow Agent and shall not be reinvested by the Escrow Agent.

Article 6. Redemption of Refunded Bonds

Section 6.1. Call for Redemption.

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

Section 6.2. Notice of Redemption.

The Escrow Agent agrees to give notice of the redemption of the Refunded Bonds pursuant to the terms of the Refunded Bonds and in substantially the form attached hereto as Appendix A attached hereto and as described on said Appendix A. The Escrow Agent hereby certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notice of redemption of the Refunded Bonds.

Article 7. Records and Reports

Section 7.1. Records.

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

Section 7.2. Reports.

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

Article 8. Concerning the Paying Agents and Escrow Agent

Section 8.1. Representations.

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

Section 8.2. Limitation on Liability.

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

The recitals herein and in the proceedings authorizing the 1997 Bonds shall be taken as the statements of the County and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent.

The Escrow Agent is not a party to the proceedings authorizing the 1997 Bonds or the Refunded Bonds and is not responsible for nor bound by any of the provisions thereof (except to the extent that the Escrow Agent may be a place of payment and paying agent and/or a paying agent/registrars therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

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

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

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

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the County with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence

of any such event or contingency the Escrow Agent may request from the County or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the County at any time.

Section 8.3. Compensation.

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

Section 8.4. Successor Escrow Agents.

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

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

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

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

Article 9. Miscellaneous

Section 9.1. Notice.

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

Section 9.2. Termination of Responsibilities.

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

Section 9.3. Binding Agreement.

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

Section 9.4. Severability.

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

Section 9.5. Washington Law Governs.

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

Section 9.6. Time of the Essence.

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

Section 9.7. Notice to Moody's and S&P.

In the event that this agreement or any provision thereof is severed, amended or revoked, the County shall provide written notice of such severance, amendment or revocation to Moody's Investors Service at 99 Church Street, New York, New York, 10007, Attention: Public Finance Rating Desk/ Refunded Bonds and to Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, 25 Broadway, New York, New York 10004, Attention: Municipal Bond Department.

Section 9.8. Amendments.

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

EXECUTED as of the date first written above.

WHATCOM COUNTY, WASHINGTON



Chair, County Council

**FIRST TRUST NATIONAL
ASSOCIATION**

Title: _____

- Exhibit A - Addresses of the County, the County Treasurer and the Escrow Agent
- Exhibit B - Description of the Refunded Bonds
- Exhibit C - Schedule of Debt Service on Refunded Bonds
- Exhibit D - Description of Beginning Cash Deposit (if any) and Escrowed Securities
- Exhibit E - Escrow Fund Cash Flow
- Appendix A - Notice of Redemption - 1991 Bonds
- Appendix B - Fee Schedule

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

County: Whatcom County Council
Whatcom County Administration Building
311 Grand Avenue
Bellingham, WA 98225

County Treasurer: Whatcom County Treasurer
Whatcom County Courthouse
311 Grand Avenue
P. O. Box 5268
Bellingham, WA 98227-5268

Escrow Agent: First Trust National Association
Two Union Square
601 Union Street, Suite 2120
Attention: Shirley Young

EXHIBIT B
Description of the Refunded Bonds

1991 Refunded Bonds

Maturities (August 1)	Principal Amounts	Interest Rates
2002	\$ 550,000	6.6%
2003	575,000	6.7
2004	625,000	6.8
2005	650,000	6.9
2006	700,000	7.0
2007	750,000	7.0
2008	800,000	7.0
2011	2,800,000	7.0

EXHIBIT C
Schedule of Debt Service on Refunded Bonds

Date (June 1)	Interest	Principal/ Redemption Price	Total
	%	\$	\$

EXHIBIT D
Escrow Deposit

I. Cash \$1

II. Other Obligations

<u>Description</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Total Cost</u>
		\$	%	\$

III. Costs of Issuance

Bond Counsel		\$		
Moody's		8,275		
S&P's		7,000		
Ernst & Young		2,500		
First Trust National Association		2,400		
Printing costs		725		

EXHIBIT E
Escrow Fund Cash Flow

<u>Date</u>	<u>Escrow Requirement</u>	<u>Net Escrow Receipts</u>	<u>Excess Receipts</u>	<u>Cash Balance</u>
	--			
	\$	\$	0	

APPENDIX A
Notice of Redemption*
Whatcom County, Washington
Limited Tax General Obligation Bonds, 1991

NOTICE IS HEREBY GIVEN that the Whatcom County, Washington has called for redemption on August 1, 2001, a portion of its then outstanding Limited Tax General Obligation Bonds, 1991 (the "Bonds").

The Bonds will be redeemed at a price of one hundred percent (100%) of their principal amount, plus interest accrued to August 1, 2001. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

The Bank of New York Fiscal Agency Department Ground Floor 101 Barclay Street 7 East New York, NY 10286	-or-	Wells Fargo Bank, N.A. Corporate Trust Department 14th Floor - M/S 257 999 Third Avenue Seattle, WA 98104
--	------	---

Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on August 1, 2001.

The following Bonds are being redeemed:

Maturities (August 1)	Principal Amounts	Interest Rates
2002	\$ 550,000	6.6%
2003	575,000	6.7
2004	625,000	6.8
2005	650,000	6.9
2006	700,000	7.0
2007	750,000	7.0
2008	800,000	7.0
2011	2,800,000	7.0

* This notice shall be given not more than 60 nor less than 30 days prior to August 1, 2001 by first class mail to each registered owner of the Refunded Bonds. In addition notice shall be mailed at least 35 days prior to August 1, 2001 to The Depository Trust Company of New York, New York; Midwest Securities Trust Company of Chicago, Illinois; Pacific Securities Depository Trust Company of San Francisco, California; Philadelphia Depository Trust Company of Philadelphia, Pennsylvania; Seattle-Northwest Securities Corporation, Seattle, Washington.

By Order of Whatcom County, Washington

The Bank of New York, as Paying Agent

Dated: _____

Under the Interest and Dividend Tax Compliance Act of 1983, payor may be required to withhold 31% of the redemption price from any Bondowner who fails to provide to payor and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the Bonds are presented for payment. Bondowners who wish to avoid the application of these provisions should submit a completed Form W-9 when presenting their Bonds.

APPENDIX B
Fee Schedule

Escrow Agent Fee: \$2,400


CERTIFICATE

I, the undersigned, Clerk of the County Council of Whatcom County, Washington, (the "County") and keeper of the records of the County Council ("Council"), DO HEREBY CERTIFY:

1. That the attached ordinance is a true and correct copy of Ordinance No. 97⁰⁰⁹ of the Council (herein called the "Ordinance"), duly adopted at a regular meeting thereof held on the 25th day of February, 1997.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of February, 1997.



Clerk, County Council