PRESENTATION TO

CITY OF SULTAN, WASHINGTON

DISCUSSION ON REFINANCING THE 1996 WATER & SEWER REVENUE BONDS

Presented by: Jim Nelson, Senior Municipal Underwriter
January 25, 2007 7:00 PM

A Pacific Northwest Financial Services Company

Martin Nelson & Company

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OUTSTANDING DEBT CONSIDERED FOR REFINANCING

CITY OF SULTAN
OUTSTANDING 1996 WATER AND SEWER REVENUE BONDS

As of Delivery Date for the Refunding Bonds of 3/6/07

Date	Principal	Coupon	Interest	Annual Debt Service
2007	70,000	5.70%	55,460	125,460
2008	75,000	5.80%	51,290	126,290
2009	80,000	5.90%	46,755	126,755
2010	85,000	6.00%	41,845	126,845
2011	90,000	6.05%	36,573	126,573
2012	95,000	6.05%	30,976	125,976
2013	105,000	6.15%	24,874	129,874
2014	110,000	6.15%	18,263	128,263
2015	115,000	6.20%	11,315	126,315
2016	125,000	6.20%	3,875	128,875
Total	$950,000		$321,225	$1,271,225

Principal Payments are on June 1 and Interest Payments are on June 1 and December 1.

PROPOSED BOND CALLS PERFORMED ON 4/6/07

Call Date	First Maturity Called	Last Maturity Called	Principal Called	Plus Accrued Interest to Call Date	Debt Service for Escrow
4/6/2007	6/1/2007	6/1/2007	950,000	19,950	969,950
Total			$950,000		$969,950

CURRENT REFUNDING OF THE 1996 WATER AND SEWER REVENUE BONDS

As of 1/16/07, Assume Closing/Delivery Date of 3/6/07

SAVINGS REPORT COMPARING NEW DEBT TO OLD DEBT

	Proposed New Refunding Debt			Old	
Date	Principal	Interest (1)	Annual Debt Service	Outstanding Debt Service	**Net Savings**
2007	$90,000	$28,451	$118,451	$125,460	**$7,009**
2008	85,000	35,725	120,725	126,290	**5,565**
2009	85,000	32,240	117,240	126,755	**9,515**
2010	90,000	28,653	118,653	126,845	**8,193**
2011	95,000	24,860	119,860	126,573	**6,713**
2012	100,000	20,863	120,863	125,976	**5,114**
2013	105,000	16,634	121,634	129,874	**8,240**
2014	110,000	12,145	122,145	128,263	**6,118**
2015	110,000	7,498	117,498	126,315	**8,818**
2016	120,000	2,580	122,580	128,875	**6,295**
Total	$990,000	$209,648	$1,199,648	$1,271,225	**$71,577**
				(Refinance 5.70 to 6.20%)	

Estimated Average Interest Rate (1): **4.20%**

Estimated Average Annual Savings:	**$7,158**
Estimated Total Net Savings:	**$71,577**

Net Present Value Savings at: NIC% of 4.49% equals $57,619.

Net Present Value Savings Percent:	**6.07% ***

**A refunding is considered cost-effective with a net present value savings percent greater than 3.0%.*

Assumptions:

(1) Based on current market conditions, which are preliminary and subject to change.

Other options to discuss are:

a. whether to refinance the 2007 payment or not.

b. possibly shortening the term of the refinancing bond by one or two years.

SUMMARY OF REFINANCING THE 1996 BONDS

1. Estimated "Net Savings" (with costs already deducted) is **$71,577**.
2. Net Present Value Savings Percentage is **6.07%**. (Industry standards is to achieve a Net Present Value Savings Percentage of approximately 4.00%, so this is considered an "excellent" opportunity.)
3. The interest rate market for Bonds is near a historic low.
4. We have prior experience serving as the bond underwriter to the City of Sultan.
5. We have already drafted documents and can respond quickly to capture the current low interest rates.
6. As we did on the previous bond sale, we give first priority to local investors.

CITY OF SULTAN

EXAMPLE OF A BOND FINANCING SCHEDULE (As of January 16, 2007)

Completed by:	
Done	Martin Nelson & Company completes the draft Preliminary Official Statement (the "POS").
1/29/2007	Release the draft Preliminary Official Statement for review by the City and Bond Counsel (FPS).
2/12/2007	Receive comments/additional information from the City and Bond Counsel.
2/12/2007	Receive draft Bond Ordinance & Legal Opinion from Bond Counsel.
2/13/2007	Release the POS and begin marketing the Bonds to prospective investors.
2/13/2007	Conference call with the City to discuss market conditions and estimated savings.
2/21/2007	Notify the City and Bond Attorney with final interest rates.
2/22/2007	Presentation of the Purchase Contract and the Bond Ordinance to the City Council.
3/6/2007	Refunding Bond proceeds are wired to the Bank of New York.

OVERVIEW OF MARTIN NELSON & COMPANY'S QUALIFICATIONS

- Since 1954, Martin Nelson & Company has been serving Washington municipalities with financial consulting and bond underwriting services.
- Our Public Finance Department specializes exclusively in Washington bond financings, especially water/sewer projects.
- Our investment banking expertise in structuring, pricing, and distributing Washington municipal bond issues to local investors to achieve the lowest interest cost.
- Innovative financing structures to achieve the lowest interest cost for the ratepayers.
- Recognized by Washington municipalities for our outstanding customer service, including financial analysis, rating agency presentation, bond insurance analysis, marketing plan for the bonds, preparation of the Official Statement, coordination of the bond closing, and on-going services after the sale of the bonds.
- Financing experts for water and sewer utility systems and refunding bonds, as demonstrated by financings for Highline Water District, Ronald Wastewater District, Lakewood Water District, Crystal Mountain Sewer District, Lakehaven Utility District, Clinton Water District, Olympus Terrace Sewer District, Southwest Suburban Sewer District, Grandview, Moses Lake, North Bend, Centralia, Whatcom County Water District No. 10, Duvall, Coal Creek Utility District, Washougal, Snohomish, Mill Creek, Burlington, Mt. Vernon, Poulsbo, Port Townsend, Fife, Bonney Lake, Steilacoom, Yelm, Kelso, Grandview, etc.

EXAMPLES OF CLIENT REFERENCES

The following are examples of Washington project financings we have served as managing underwriter involving the following services: financial advising and consulting, capital improvement planning, assist with community information, bond rating upgrades and bond insurance, structuring the bonds to meet your long-term goals, marketing and selling the bonds to local and regional investors at the lowest possible interest rates, presentations to the Council/Commissioners, on-going service after the sale of the bond issue (i.e., continuing disclosure, monitor refunding opportunities, updating the rating agencies with new information, planning information for future bond issues with respect to timing, spend-down provisions, etc.)

City of North Bend
Contact: Finance Director, Ms. Elena Montgomery
Phone number: (425) 888-1211

City of Centralia
Contact: Finance Director, Mr. Brad Ford
Phone number: (360) 330-7657

City of Moses Lake
Contact: Finance Director, Mr. Ron Cone
Phone number: (509) 766-9201

City of Duvall
Contact: Finance Director, Ms. Diane Nelson
Phone number: (425) 788-1185

City of Grandview
Contact: Treasurer, Mr. John Myers
Phone number: (509) 882-9207

City of Fircrest
Contact: Finance Director, Ms. Pam Cassidy
Phone number: (253) 564-8901

City of Mill Creek
Contact: City Manager, Mr. Bob Stowe
Phone number: (425) 745-1891

City of Kelso
Contact: City Manager, Mr. Doug Robinson
Phone number: (360) 423-1371

City of Burlington
Contact: Finance Director, Mr. Rick Patrick
Phone number: (360) 755-0531

City of East Wenatchee
Contact: Mayor, Mr. Steve Lacey
Phone number: (509) 884-9515

Franklin County
Contact: Administrator, Mr. Fred Bowen
Phone number: (509) 545-3578

City of West Richland
Contact: Finance Director, Mr. Howard Roberts
Phone number: (509) 967-3431

City of Fife
Contact: Finance Director, Ms. Marlyn Campbell
Phone number: (253) 922-2489

City of Oak Harbor
Contact: Finance Director, Mr. Doug Merriman
Phone number: (360) 679-5551

Town of Steilacoom
Contact: Town Administrator, Mr. Paul Loveless
Phone number: (253) 581-1900

City of Carnation
Contact: Finance Director, Mr. Rich Gould
Phone number: (425) 333-4192

City of Port Townsend
Contact: City Manager, Mr. David Timmons
Phone number: (360) 379-5047

Ronald Wastewater District
Contact: General Manager, Mr. Mike Derrick
Phone number: (206) 546-2494

Highline Water District
Contact: General Manager, Ms. Peggy Bosley
Phone number: (206) 824-0375

Clinton Water District
Contact: Manager, Mr. Mike Helland
Phone number: (360 341-5487

Evergreen Water & Sewer District
Contact: Commissioner, Mr. Forrest McElroy
Phone number: (360) 599-2931

Lakehaven Utility District
Contact: Finance Director, Mr. Morgan Dennis
Phone number: (253) 941-1516

Southwest Suburban Sewer District
Contact: District Manager, Mr. Don Baer
Phone number: (206) 244-9575

City of Long Beach
Contact: City Administrator, Mr. Nabiel Shawa
Phone number: (360) 642-4421

City of Poulsbo
Contact: Finance Director, Ms. Donna Bjorkman
Phone number: (360) 779-3901

City of Washougal
Contact: Finance Director, Ms. Becky Hasart
Phone number: (360) 835-8501

Lakewood Water District
Contact: Manager, Mr. Randy Black
Phone number: (253) 588-4423

Whatcom Water District No. 10
Contact: General Manager, Mr. Sandy Petersen
Phone number: (360) 734-9224

Crystal Mountain Sewer District
Contact: Commissioner, Mr. Barrie Wilcox
Phone number: (360) 458-3027

Douglas County Sewer District
Contact: District Manager, Mr. Jim Robins
Phone number: (509) 884-2484

Olympus Terrace Sewer District
Contact: District Manager, Mr. Pat Sorenson
Phone number: (425) 353-6000

Coal Creek Utility District
Contact: General Manager, Mr. Tom Peadon
Phone number: (425) 235-9200