



December 16, 2010

Ms. Laura M. Kelly
Clerk-Treasurer
City of Gold Bar
107 5th Street
Gold Bar, WA 98251

Re: City of Gold Bar, Water Revenue Refunding Bond (USDA)

Dear Laura:

I look forward to working with the City on the issuance of a bond anticipation note to Cashmere Valley Bank, followed by a Water Revenue Refunding Bond to the United States Department of Agriculture (“USDA”).

Both USDA and our firm have a policy of documenting the opening of a new file for each new bond issue, including an engagement letter specific to that issue which we send to the client involved. On this matter, our bond counsel services will include the tasks identified in the attached “Scope of Services.” Work on the financing will conclude when the bonds close and when we have sent out the transcript of the bond issue to the City, to USDA, and to the other participants in the transaction.

For our work as bond counsel, we usually charge a standard fee that is based on the size and nature of the transaction. For a new money utility revenue bond issue, we use the following fee schedule:

Par Amount	Base Fee		Per \$1,000 in Excess of Base Par Amount
\$ 1,000,000	\$ 9,000	+	\$2.88
5,000,000	20,520	+	1.44
10,000,000	27,720	+	1.02
25,000,000	43,020	+	0.66
above 25MM	negotiable		

We do not charge for our services unless and until the bonds are issued. As I understand it, there will be an initial bond anticipation note. For the bond anticipation note, we would use the fee schedule outlined above, applied as though it were a bond issue, but then multiplied by 0.6. For the bonds themselves, we will apply the fee schedule to the entire bond issue, but we will not make any differentiation between “new money” bonds and “refunding” bonds.

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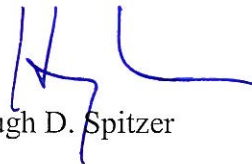
From time to time, we represent Cashmere Valley Bank on matters entirely unrelated to the City or this financing. We request that by executing this retainer letter, the City waive any potential conflict of interest that might be said to arise by virtue of that unrelated work for Cashmere Valley Bank. We can assure you that our occasional work for that Bank will not affect the diligence with which we represent the City, nor will any City confidential information be shared by us with Cashmere Valley Bank.

If this is acceptable, I would appreciate it if you would have the enclosed copy of this letter signed by you or another appropriate City official and returned to me at your convenience.

Again, I very much look forward to working with you on this financing.

Sincerely,

FOSTER PEPPER PLLC



Hugh D. Spitzer

Encl.
cc: City Attorney

RETAINER AND CONFLICT WAIVER
APPROVED and ACCEPTED:

City of Gold Bar

By: _____
Title: _____
Date: _____

SCOPE OF BOND COUNSEL SERVICES FOSTER PEPPER PLLC

The range of services provided by bond counsel can be narrow or broad, and frequently varies from financing to financing. In addition, the amount of work necessary to perform the same services can be quite different depending upon the nature and complexity of the financing. In the following, we use the term “bonds” to include any obligation of the issuing local government (the “Issuer”) for which we are asked to serve as bond counsel.

A. BOND COUNSEL SERVICES

Those services which Foster Pepper PLLC traditionally provides as bond counsel to the Issuer include:

- (1) Advising the Issuer and its consultants on the legal requirements applicable to and, when requested, participating with those consultants and Issuer’s staff in planning, the financing of a project, including advice on state law and federal income tax and securities laws;
- (2) Reviewing the transcripts relating to the prior issuance by the Issuer of related outstanding obligations (typically revenue obligations), to assure conformity of the bonds with applicable covenants and conditions;
- (3) Based on facts provided by the issuer, performing the necessary legal analysis to determine, in financings in which the bonds are intended to be tax-exempt, whether interest on the bonds will qualify for an exclusion from gross income for federal income tax purposes, and preparing tax exemption and nonarbitrage certificates;
- (4) Drafting the ordinances/resolutions and other documents necessary to authorize the bonds to be sold and issued (including, where applicable, ballot title ordinances/resolutions);
- (5) Attending certain meetings relating to the sale and issuance of the bonds;
- (6) Forwarding Issuer financing documents to bond rating agencies and/or bond insurers, when requested by the Issuer or Issuer’s financial consultant or underwriter, and explaining those documents to agency and insurer representatives;
- (7) When requested by the Issuer or Issuer’s financial consultant or underwriter, reading those portions of drafts of the official statement, offering circular or other sales material relating to the bonds prepared by the Issuer’s investment bankers necessary to assure the accuracy only of the description of the bonds, the source of payment and security for the bonds, any continuing disclosure undertaking and the federal tax treatment of the interest on the bonds;
- (8) Preparing closing documents necessary to support the issuance of the bonds and assembling the transcript after the closing; and

(9) Subject to the completion of proceedings to our satisfaction, furnishing the firm's approving legal opinion for the bonds regarding the validity and binding effect of the bonds and the excludability of interest on the bonds from gross income for federal income tax purposes.

Our bond opinion will be based on facts and law existing as of its date, and will constitute the expression of our professional judgment on the matters expressly addressed and not a guarantee of result. In rendering that opinion, we will rely upon the certified proceedings and other certifications of public officials and other persons furnished to us without undertaking to verify the same by independent investigation, and we will assume the Issuer's continuing compliance, after the issue date, with applicable laws relating to the bonds. During the course of this engagement, we will rely on the Issuer to provide us with complete and timely information on all developments pertaining to any aspect of the bonds and their security, as well as the expected use of bond proceeds. We understand and expect that officers and employees of the Issuer will cooperate with us in this regard.

B. OTHER SERVICES

Traditional bond counsel services described above do not include the following additional bond and project-related work for the Issuer which we would be pleased to perform on request, working with the Issuer's attorney or other designated representatives. The provision of these services involves appropriate fee arrangements.

(1) The drafting or review for sufficiency of any environmental impact statements or other evidence of compliance with the State and National Environmental Policy Acts, the Shorelines Management Act, Growth Management Act and similar laws;

(2) The drafting or review for accuracy of portions of any official statement, offering circular or other sales material relating to the issuance of the bonds prepared by the Issuer or its underwriter or otherwise used in connection with such bonds, other than the review of those portions of the official statement describing the bonds, the source of payment and security for the bonds, any continuing disclosure undertaking and the expected federal tax treatment of the interest on the bonds is included in our services as bond counsel (See item A.7 above);

(3) Giving advice to the Issuer's consultants regarding the applicability of the registration requirements under federal or state securities laws or regarding federal and state securities disclosure requirements or due diligence review;

(4) Drafting or negotiating of bond purchase agreements (though as a matter of course as bond counsel we typically review such agreements to assure that they conform to the Issuer's bond authorization documents);

(5) Negotiation and drafting of repurchase agreements, investment contracts, custodial agreements, swap agreements, credit enhancement or liquidity facilities (other than bond insurance), and contracts (including contracts with developers or owners of property included within local improvement districts formed by the Issuer), or disputes or litigation in connection therewith;

(6) Attending rating agency or public information meetings in connection with the issuance of bonds;

(7) Preparation of supplemental opinions required of bond counsel by the Issuer or the underwriter of bonds in connection with their issuance;

(8) The drafting or obtaining of state or federal legislation;

(9) Participating in administrative proceedings, trial or appellate litigation;

(10) Drafting special assessment district formation and assessment documents and attending special assessment hearings;

(11) Work in connection with seeking or obtaining governmental assistance or approvals from governmental agencies other than the Issuer, necessary for carrying out the purposes of the bond issue;

(12) Providing services relating to public works bidding, negotiating design or construction contracts, or carrying out the acquisition of property or the construction of projects;

(13) Representing the Issuer in Internal Revenue Service examinations or inquiries, or Securities and Exchange Commission investigations;

(14) After closing, providing continuing advice to the Issuer or any other party concerning any actions necessary to assure that interest paid on the bonds will continue to be excludable from gross income for federal income tax purposes (e.g., our engagement as bond counsel does not include rebate calculations for the bonds, dealing with changes of use or delays in the expenditure of proceeds);

(15) Assisting the Issuer with its continuing disclosure obligations consistent with applicable securities laws; or

(16) Addressing any other matter not specifically set forth above that is not required to furnish our bond opinion.

C. FILE MANAGEMENT

After the transaction is concluded, we will deliver to the Issuer a complete copy of the transcript of the transaction. A transcript is delivered generally within 30 to 60 days after closing. We then close our files regarding the matter, and our representation on the transaction is completed. Additional services after closing would be addressed under Part B, above.