



Fitch to Downgrade S-T Rating for Chelan Co. Pub Util Dist No. 1, WA, Rev Ref'g, Ser 2008B to 'F1' Ratings Endorsement Policy
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Fitch Ratings-New York-15 February 2013: On the effective date of March 8, 2013, Fitch Ratings will downgrade the short-term rating for the \$92,2880,000 (\$65,250,000 currently outstanding) Chelan County Public Utility District No. 1, Washington, consolidated system revenue refunding bonds, series 2008B from 'F1+' to 'F1'. The short-term rating action is in connection with the substitution of the liquidity support provided by U.S. Bank, National Association ('AA-/F1+'; Outlook Stable) in the form of a standby bond purchase agreement (SBPA), with a substitute SBPA to be provided by Union Bank, N.A. ('A/F1'; Outlook Stable). The long-term 'AA+', Outlook Negative, rating continues to be based on the credit quality of Chelan County Public Utility District No. 1's revenue bonds. For more information on the long-term rating, see Fitch's press release dated Oct. 23, 2012, available at 'www.fitchratings.com'.

On the effective date of March 8, 2013, the short-term 'F1' rating will be based on the liquidity support provided by Union Bank, N.A. ('A/F1'; Outlook Stable) in the form of a substitute SBPA. The substitute SBPA provides for the payment of the principal component of purchase price plus 35 days of interest at the maximum interest rate of 10% for tendered bonds during the weekly or daily rate mode in the event that remarketing proceeds are insufficient to pay the purchase price following optional or mandatory tender. The substitute SBPA will expire on March 8, 2016, the stated expiration date, unless such date is extended, conversion to a mode other than weekly or daily rate; or upon the occurrence of certain other events of default which result in a mandatory tender or other termination events related to the credit of the bonds which result in an automatic and immediate termination. The short-term 'F1' rating will expire on the expiration or prior termination of the substitute SBPA. Barclays Capital, Inc. will act as remarketing agent.

RATING SENSITIVITIES

The short-term rating reflects the short-term rating that Fitch maintains on the bank providing liquidity support, and will be adjusted upward or downward in conjunction with the short-term rating of the bank and, in some cases, the long-term rating of the bond obligor.

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Applicable criteria available on Fitch's website at www.fitchratings.com:

--'U.S. Municipal Structured Finance Criteria' (Feb. 28, 2012);
--'Rating Guidelines for Variable-Rate Demand Obligations and Commercial Paper Issued with External Liquidity Support' (Jan. 31, 2013).

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