

CASCADE NATURAL GAS CORP  
Form 424B2  
May 18, 2005

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Registration No. 333-124597

PROSPECTUS

## CASCADE NATURAL GAS CORPORATION

### Automatic Dividend Reinvestment Plan

#### 500,000 Shares of Common Stock

Cascade Natural Gas Corporation (the "Company") is offering up to 500,000 shares of common stock, \$1.00 par value ("Common Stock"), to eligible shareholders and residential customers of the Company for purchase with reinvested dividends and optional cash payments pursuant to the Cascade Natural Gas Corporation Automatic Dividend Reinvestment Plan (the "Plan").

The outstanding shares of the Company's Common Stock are, and the shares offered hereby will be, listed on the New York Stock Exchange under the symbol "CGC." The offering price per share of the shares to be issued by the Company hereunder will be equal to the average of the high and low sales prices of the Company's Common Stock on the Composite Transactions of the New York Stock Exchange on the Exchange trading day immediately preceding each Investment Date (as defined in Response 6). The purchase price per share of Common Stock purchased on the open market or in negotiated transactions will be the weighted average price per share at which such shares are purchased by an independent agent for the Plan with respect to the relevant Investment Date. See Responses 9 and 10.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES COMMISSION NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The date of this prospectus is May 13, 2005.

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**FORWARD LOOKING STATEMENTS**

Our discussion in this prospectus, any prospectus supplement, or any information incorporated herein by reference may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts are forward-looking statements, including statements concerning plans, objectives, goals, strategies, and future events or performance. When used in our documents or oral presentations, the words "anticipate," "believe," "estimate," "expect," "objective," "projection," "forecast," "goal", or similar words are intended to identify forward-looking statements.

These forward-looking statements reflect our current expectations, beliefs and projections about future events that we believe may affect our business, financial condition and results of operations, and are expressed in good faith and are believed to have a reasonable basis. However, each such forward-looking statement involves risks, uncertainties and assumptions, and is qualified in its entirety by reference to the following important factors, among others, that could cause our actual results to differ materially from those projected in such forward-looking statements:

prevailing state and federal governmental policies and regulatory actions, including those of the Washington Utilities and Transportation Commission, the Oregon Public Utility Commission, and the U.S. Department of Transportation's Office of Pipeline Safety, with respect to allowed rates of return, industry and rate structure, purchased gas cost and investment recovery, acquisitions and dispositions of assets and facilities, operation and construction of plant facilities, the maintenance of pipeline integrity, and present or prospective wholesale and retail competition;

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weather conditions and other natural phenomena;

unanticipated population growth or decline, and changes in market demand caused by changes in demographic or customer consumption patterns;

changes in and compliance with environmental and safety laws, regulations and policies, including environmental cleanup requirements;

competition from alternative forms of energy and other sellers of energy;

increasing competition brought on by deregulation initiatives at the federal and state regulatory levels, as well as consolidation in the energy industry;

the potential loss of large volume industrial customers due to "bypass" or the shift by such customers to special competitive contracts at lower per unit margins;

risks, including creditworthiness, relating to performance issues with customers and suppliers;

risks resulting from uninsured damage to our property, intentional or otherwise, or from acts of terrorism;

unanticipated changes that may affect our liquidity or access to capital markets;

our ability to complete our assessment and, if necessary, remediation of internal controls over financial reporting in compliance with Section 404 of the Sarbanes-Oxley Act of 2002;

unanticipated changes in interest rates or in rates of inflation;

economic factors that could cause a severe downturn in certain key industries, thus affecting demand for natural gas;

unanticipated changes in operating expenses and capital expenditures;

unanticipated changes in capital market conditions, including their impact on future expenses and liabilities relating to employee benefit plans;

potential inability to obtain permits, rights of way, easements, leases, or other interests or necessary authority to construct pipelines or complete other system expansions;

changes in the availability and price of natural gas; and

legal and administrative proceedings and settlements.

In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus, any prospectus supplement, or any information incorporated herein by reference may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. All subsequent forward-looking statements, whether written or oral and whether made by or on behalf of the Company, also are expressly qualified by these cautionary statements.

Any forward-looking statement by the Company is made only as of the date on which such statement is made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of any unanticipated events. New factors emerge from time to time and we are not able to predict all such factors, nor can we assess the impact of each such factor or the extent to which such factors may cause results to differ materially from those contained in any forward-looking statement.

**CASCADE NATURAL GAS CORPORATION**

We were incorporated in the state of Washington in 1953. We distribute natural gas to customers in the states of Washington and Oregon. As of March 31, 2005, we served approximately 227,800 customers in those states. Customers in Washington account for approximately 78% of our gas distribution revenues.

As of March 31, 2005, we served approximately 196,600 residential customers, 30,500 commercial customers, and 730 industrial and other customers. Residential, commercial and most small industrial customers are generally core customers, who take traditional bundled natural gas service, including supply, peaking service and upstream interstate pipeline transportation. Non-core customers are generally large industrial and institutional customers who have chosen unbundled service, meaning that they select from among several supply and upstream pipeline transportation options, independent of our distribution service.

Our executive offices are located at 222 Fairview Avenue North, Seattle, Washington 98109. Our telephone number is (206) 624-3900.

**WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act of 1934") and, therefore, we file annual, quarterly and current reports, proxy statements and other information with the SEC. Our filings are available at the SEC's website at <http://www.sec.gov>. You may read and copy these materials at prescribed rates at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for more information about the SEC's public reference room.

Our common stock is listed and traded on the New York Stock Exchange (symbol: CGC). Accordingly, our SEC filings and other information

about us can be inspected and copied at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows us to "incorporate by reference" certain information that we file with them separately. This means that we can disclose important information to you by referring you to those other documents. The information incorporated by reference is an important part of this prospectus. Any information that we file with the SEC after the date of this prospectus as part of an incorporated document will automatically update and supersede the information contained in this prospectus.

We incorporate by reference the following reports previously filed with the SEC and which contain important information about us and our financial condition:

Our Annual Report on Form 10-K for the fiscal year ended September 30, 2004;

Our Quarterly Reports on Form 10-Q for the quarterly periods ended December 31, 2004 and March 31, 2005; and

Our Current Reports filed on Form 8-K on April 28, 2005 and May 12, 2005.

We also incorporate by reference in this prospectus any additional documents that we may file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus but prior to the termination of this offering.

You may request a copy of any document incorporated by reference, excluding exhibits (unless the exhibit is specifically incorporated by reference into the document), at no cost, by writing or telephoning the Chief Financial Officer, Cascade Natural Gas Corporation, 222 Fairview Avenue North, Seattle, Washington 98109 (telephone 206-624-3900). We make available free of charge, on or through our website, <http://www.cngc.com>, our

annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing those reports with the SEC.

You should only rely on the information contained in this prospectus or any prospectus supplement or any document incorporated by reference. We have not authorized anyone to provide you with any different information or to make any representation not contained in this prospectus in connection with the offer made hereby. If given or made, such information or representation must not be relied upon as having been authorized by the Company. This prospectus does not constitute an offer of any securities other than the Common Stock to which it relates or an offer to any person in any jurisdiction where such an offer would be unlawful. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that the information incorporated by reference in this prospectus is accurate as of any date other than the date of the document incorporated by reference.



**DESCRIPTION OF THE PLAN**

**Following, in question and answer form, is a description of the provisions of the Plan.**

*Purpose*

**1. What is the purpose of the Plan?**

The purpose of the Plan is to provide record holders of shares of Common Stock and the Company's eligible residential customers with a convenient method of purchasing shares of Common Stock and investing cash dividends and optional cash payments in additional shares of Common Stock. Purchases of newly issued Common Stock under the Plan provide additional equity capital for the Company.

As described more fully in this prospectus (a) an eligible shareholder may elect to participate in the Plan by completing a Plan Authorization Form, in the form attached as **Appendix A**, directing that cash dividends on their shares of Common Stock automatically be reinvested in additional shares of Common Stock (a "Dividend Reinvestment"), and (b) an eligible residential customer of the Company may elect to participate in the Plan by completing a Residential Customer Authorization Form, in the form attached as **Appendix B**, accompanied by an initial cash investment of not less than \$250 (but not more than \$120,000) to purchase shares under the Plan (an "Initial Cash Investment"). Participants in the Plan may elect at any time to purchase additional shares under the Plan by completing the Transaction Request Form attached to their account statement, in the form attached as **Appendix C**, accompanied by an optional cash payment of not less than \$50 and up to a maximum of \$120,000 per calendar year (an "Optional Cash Payment"). The forms attached as Appendix A, B and C to this prospectus are samples only. The actual forms may change from time to time and should be obtained from the Agent.

*Advantages*

**2. What are the advantages of the Plan?**

Participants in the Plan may (a) have cash dividends on all of their shares of Common Stock automatically reinvested in additional shares of Common Stock and, in addition, purchase additional shares of Common Stock through Optional Cash Payments of not less than \$50 per investment and up to a maximum of \$120,000 per calendar year, or (b) have cash dividends on only those shares of Common Stock held in the Plan reinvested in additional shares of Common Stock, receive cash dividends in the usual manner from those shares of Common Stock held in certificate form, and, in addition, purchase additional shares of Common Stock through Optional Cash Payments of not less than \$50 per investment and up to a maximum of \$120,000 per calendar year. The price of shares of Common Stock purchased from the Company through Dividend Reinvestment, Optional Cash Payments, or Initial Cash Investments will be equal to the Market Price (see Response 10 for the definition of "Market Price").

Full investment of dividends and other funds is possible under the Plan because the Plan permits fractions of shares, as well as full shares, to be credited to participants' accounts. In addition, dividends on such fractions, as well as full shares, will be credited to participants' accounts.

Since the Agent who administers the Plan holds and acts as custodian of the shares purchased under the Plan, participants may also elect to deposit shares of Common Stock held in their name in certificate form with the Agent. This feature of the Plan relieves participants of the responsibility for the safekeeping of certificates and protects against loss, theft or destruction of such certificates. Regular statements of account provide simplified record keeping. See Response 15 regarding statements of accounts.

*Administration*

**3. Who administers the Plan for participants?**

The Plan is administered by the Agent, whose address and telephone number are as follows:

The Bank of New York  
Dividend Reinvestment  
P.O. Box 1958  
Newark, NJ 07101-9774  
(888) 269-8845  
www.stockbny.com

The Agent purchases and holds shares of Common Stock acquired through the Plan, keeps records, sends quarterly statements of account to participants, and performs other duties relating to the Plan. Shares of Common Stock purchased under the Plan will be registered in the name of the Agent, as agent for participants in the Plan.

To access the Agent's website, please follow these steps:

1. Log onto [www.stockbny.com](http://www.stockbny.com) and enter your Personal Identification Number ("PIN").
2. First-time users must enter their social security number or taxpayer identification number when prompted in order to establish a temporary PIN. Upon receiving and entering your temporary PIN, you will be prompted to change it for security reasons. Please keep your PIN in a safe place for future access.

*Participation*

**4. Who is eligible to participate?**

All holders of record of shares of Common Stock and all residential customers of the Company in Washington and Oregon who are not already shareholders are eligible to participate in the Plan. Beneficial owners of Common Stock whose shares are registered in a name other than their own, such as in the name of their broker or other nominee,

must become a holder of record by having at least one share transferred into their own name prior to enrolling in the Plan.

**5. How does an eligible applicant participate in the Plan?**

Eligible shareholders may join the Plan by completing and signing a Plan Authorization Form and returning it to the Agent. Eligible customers may join the Plan by completing and signing a Residential Customer Authorization Form and returning it to the Agent. Authorization Forms may be obtained at any time by written request to the Agent at the address set forth in Response 3 or by calling the Agent in New York at (888) 269-8845. Eligible customers of the Company must include a minimum Initial Cash Investment of at least \$250 with their completed Residential Customer Authorization Forms.

**IF YOU ARE ALREADY ENROLLED AND PARTICIPATING IN THE PLAN, YOU NEED TAKE NO FURTHER ACTION AT THIS TIME.**

**6. When may an eligible applicant join the Plan?**

An eligible shareholder or customer may join the Plan at any time. With respect to shares held as of the record date for a dividend, if a Plan Authorization Form is properly completed and received by the Agent before 12:00 noon eastern U.S. time on the day prior to the Investment Date on which such dividend is to be paid, then such dividend will be reinvested in shares of Common Stock on the Investment Date. If the Plan Authorization Form is received by the Agent after 12:00 noon eastern U.S. time the day prior to the Investment Date, then the dividend payable on such Investment Date will be paid in cash and the Dividend Reinvestment election will not be effective until the next Investment Date on which a dividend is to be paid.

Optional Cash Payments or Initial Cash Investments will be invested as of the next Investment Date, unless the Transaction Request Form or the Residential Customer Authorization

Form, as the case may be, is received by the Agent after 12:00 noon eastern U.S. time the day prior to the next Investment Date, in which case the investment will occur on the succeeding Investment Date or, if requested by the applicant at least five business days prior to the succeeding Investment Date, the Agent will return the funds to the applicant.

In those months in which a cash dividend is paid on the Common Stock, the "Investment Date" is the payment date for the dividend. In other months, the "Investment Date" is the 15<sup>th</sup> day of the month, or, if the 15<sup>th</sup> day is not a business day, the first business day following the 15<sup>th</sup> day of the month. Typically, dividends are paid on approximately February 15, May 15, August 15 and November 15 of each year. Only shares held by a participant on the record date for a quarterly dividend (typically a business day 14 to 30 days before a dividend payment date) will be entitled to receive or reinvest such dividend.

**7. How does an eligible applicant complete the Authorization Form?**

If an applicant wishes to participate in the automatic Dividend Reinvestment feature of the Plan with respect to shares held in certificate form as well as shares held in the Plan, the applicant must check the box entitled "Full Dividend Reinvestment" on the Plan Authorization Form. This choice will be effective for all shares presently or subsequently registered in the applicant's name.

If an applicant wishes to participate in the automatic Dividend Reinvestment feature of the Plan only with respect to shares held in the Plan, the applicant must check the box entitled "Partial Dividend Reinvestment" on the Plan Authorization Form. The applicant will continue to receive cash dividends in the usual manner on any shares of Common Stock held in certificate form.

An eligible customer of the Company may direct the Agent to purchase shares of Common Stock with an Initial Cash Investment of at least \$250 enclosed

with the Residential Customer Authorization Form. Eligible customers who wish to participate in the automatic Dividend Reinvestment feature of the Plan with respect to shares held in certificate form as well as shares held in the Plan must check the box entitled "Full Dividend Reinvestment" on the Residential Customer Authorization Form.

Authorization Forms should be dated and signed as indicated and mailed to the Agent at the address set forth in Response 3 (together with the funds for the Initial Cash Investment by an eligible customer).

Participants may change their Dividend Reinvestment option at any time by requesting a new Authorization Form and returning it to the Agent at the address set forth in Response 3. A change in the Dividend Reinvestment option will be effective on the next Investment Date if the Authorization Form is received by the Agent by 12:00 noon eastern U.S. time on the day before that Investment Date.

**8. Are there any costs to the participants in connection with purchases under the Plan?**

Yes. The Company pays some costs of administration of the Plan but the participant pays 10% of the Dividend Reinvestment amount, up to a maximum of \$2.50, each quarter as the Agent's fee to calculate the Dividend Reinvestment for each participant. Also, there is a charge of \$3.00 for each Optional Cash Payment or Initial Cash Investment. There are no brokerage commissions charged to participants in connection with the purchase of shares under the Plan.

*Purchases of Common Stock*

**9. How does the Agent acquire the shares of Common Stock for the Plan?**

The Company has the option to issue new Common Stock or direct the Agent to purchase Common Stock on any securities exchange where the shares are traded or in privately negotiated transactions on terms relating to price, delivery, and

other terms as may be agreed to by the Agent. If Common Stock is purchased on the open market, neither the participants nor the Company will have the authority or power to direct the time or price at which shares may be purchased or the selection of the broker or dealer through or from whom such purchases will be made. The Company may change its determination that shares of Common Stock will be purchased directly from the Company or on the open market if the Company's Board of Directors or Chief Executive Officer determines that such change is desirable for raising capital or for some other corporate purpose, or if the Company receives a written communication or statement of policy or other public announcement from the Washington Utilities and Transportation Commission or the Oregon Public Utility Commission or the staff of either commission recommending or requiring a change in the capital structure of the Company.

If the Company determines not to issue new shares of Common Stock under the Plan and applicable law or the closing of the securities markets requires temporary curtailment or suspension of open market purchases of shares of Common Stock, the Agent will not be accountable for its inability to make purchases at such time and any uninvested funds will be promptly returned to the participant.

**10. What will be the purchase price of shares of Common Stock purchased under the Plan?**

The purchase price of the newly issued shares of Common Stock bought directly from the Company through the Plan will be equal to the average of the high and low sales prices for the Company's Common Stock ("Market Price") on the Composite Transactions of the New York Stock Exchange on the date immediately preceding each Investment Date, if that date is an Exchange trading day, or on the first previous trading day if that date is not a trading day. If no sales of Common Stock are reported on the Composite Transactions on such trading day, the Company will determine the Market Price on the basis of such market quotations as it deems

appropriate. No shares will be sold under the Plan at less than par value.

The purchase price per share of Common Stock purchased on the open market will be the weighted average price of such Common Stock purchased by the Agent for the Plan with respect to the relevant Investment Date. Unless directed otherwise by The Bank of New York, any open market purchases will be made through a broker affiliated with The Bank of New York, and such broker will receive a commission paid by the Company.

The Agent will make every effort to invest funds in Common Stock as soon as practicable on or after each Investment Date. Shares acquired on the open market or from private sources will be purchased as soon as practicable by the Agent beginning on the business day immediately preceding the relevant Investment Date and in no event later than 30 days after the relevant Investment Date, unless otherwise required under any applicable federal securities laws or other government or stock exchange regulations. Shares acquired from the Company will be purchased for participants' accounts as of the close of business on the relevant Investment Date.

**11. How many shares of Common Stock will be purchased for participants?**

The number of shares to be purchased depends on the amount of the participant's Initial Cash Investment, Dividend Reinvestment, and Optional Cash Payments, deducted transaction fees, and the purchase price of the Common Stock for the relevant Investment Date. Each participant's account will be credited with that number of shares, including fractions computed to at least four decimal places, equal to the total amount of the Initial Cash Investment, Dividend Reinvestment, and Optional Cash Payments, less transaction fees, divided by the applicable purchase price. As of March 31, 2005, 947,107 shares of Common Stock were held by the Plan.



*Optional Cash Payments and Initial Cash Investments*

**12. How do the Optional Cash Payments and Initial Cash Investments work?**

A participant may make any number of Optional Cash Payments, provided that each payment is a minimum of \$50 (except that an Initial Cash Investment of not less than \$250 must be made by an eligible customer who is not a shareholder) and all payments, including any Initial Cash Investment, do not exceed a maximum of \$120,000 per calendar year per participant. All participants who have submitted properly executed Authorization Forms are eligible to make Optional Cash Payments. See Response 7 for instructions regarding the proper completion of Authorization Forms. If a participant sends a cash payment of less than \$50 (or an Initial Cash Investment of less than \$250 in the case of an applicant who is not a shareholder), the payment will be returned to the participant. The Company will not waive the maximum amount a participant may contribute under the Plan per calendar year. If a participant's payments aggregate more than \$120,000 in a calendar year, the Agent will return to the participant any payment (in its entirety) that, if processed, would result in an investment amount over \$120,000.

**13. How are Optional Cash Payments and Initial Cash Investments made?**

The option to make Optional Cash Payments is available to each participant at any time. Optional Cash Payments will be invested once a month. The same amount of money need not be sent each month and there is no obligation to make an Optional Cash Payment in any month.

Optional Cash Payments or Initial Cash Investments must be made by personal check drawn on a U.S. bank and payable to the Agent in U.S. dollars. Participants who wish to purchase Common Stock in this manner should mail cash investments to the Agent at the address set forth in Response 3 together with the Transaction Request Form attached

to a participant's statement of account (or the Residential Customer Authorization Form in the case of an Initial Cash Investment by an eligible customer). Cash investments mailed to any other address are not validly delivered. Additional Transaction Request Forms and Authorization Forms are available upon request from the Agent.

Third party checks, money orders, travelers checks, and checks not drawn on a U.S. bank or not in U.S. currency will not be accepted and will be returned to the sender.

**In the event a cash investment check is returned unpaid for any reason, the participant will be charged a \$20.00 return fee. Further, the Agent will immediately remove from the participant's account shares which were purchased in anticipation of the collection of such funds. The Agent will sell these shares to recover any uncollected amounts plus the return fee. The Agent reserves the right to sell such additional shares from any of the participant's accounts maintained by the Agent as may be necessary to recover in full the uncollected balance.**

**14. When will Optional Cash Payments and Initial Cash Investments received by the Agent be invested?**

All cash investments received from participants by 12:00 noon eastern U.S. time on the day prior to an Investment Date will be invested as of such Investment Date. **NO INTEREST WILL BE PAID BY THE COMPANY ON CASH INVESTMENTS. ANY CASH INVESTMENT A PARTICIPANT WISHES TO MAKE MUST BE SENT SO AS TO REACH THE AGENT PRIOR TO THE APPLICABLE DEADLINE.** Investment Dates are approximately the 15th day of each month. See Response 6.

*Reports to Participants*

**15. What kind of reports will be sent to participants in the Plan?**

Each participant in the Plan will receive a quarterly statement of account from the Agent. As soon as practicable after each purchase of additional shares, the participant will also receive a statement of account, a sample of which is attached as **APPENDIX C**. These statements are a participant's continuing record of the cost of the participant's purchases and should be retained for income tax purposes. In addition, each participant will receive copies of the same communications sent to every other holder of shares of Common Stock, including the Company's quarterly reports, annual reports, the notices of annual meetings of shareholders, and proxy statements for shareholder meetings.

*Dividends*

**16. Will participants be credited with dividends on shares held in their accounts under the Plan?**

Yes. The Company pays dividends, as declared, to the record holders of all its shares of Common Stock. The Company ordinarily pays dividends quarterly, on approximately February 15, May 15, August 15, and November 15. As the record holder for participants in the Plan, the Agent, as agent, will receive dividends for all Plan shares held on the record date for such dividend. It will credit such dividends to participants on the basis of full and fractional shares held in their accounts.

If a participant has elected the "Full Dividend Reinvestment" option, the cash dividends on all shares of Common Stock held by the participant, whether in the Plan or in certificate form, will be reinvested in additional shares of Common Stock to be held in the Plan.

Although it has been the Company's practice to pay quarterly dividends on the shares of its Common Stock, the Company is under no obligation to

continue to pay dividends on a quarterly basis or otherwise.

*Certificates for Shares*

**17. Will certificates be issued for shares of Common Stock purchased under the Plan?**

Normally, certificates for shares of Common Stock purchased under the Plan will not be issued to participants. The number of shares credited to an account under the Plan will be shown on the participant's statement of account. This convenience protects against loss, theft or destruction of stock certificates.

Certificates for any number of whole shares credited to an account under the Plan will be issued upon the participant's written request, using the Transaction Request Form attached to the participant's statement of account. This request should be signed by the participant and mailed to the Agent at the address set forth in Response 3. Any remaining full shares and fractions of a share will continue to be credited to the participant's account until the participant completely withdraws or terminates plan participation. See Response 19.

Shares credited to the account of a participant under the Plan may not be pledged. A participant who wishes to pledge such shares must request that certificates for such shares be issued.

Certificates for fractions of shares will not be issued under any circumstances.

**18. In whose name will certificates be registered when issued?**

Accounts of eligible shareholders who join the Plan are maintained in the names in which their certificates were registered at the time they joined the Plan. Accounts of eligible customers who join the Plan are maintained in the names specified in their Residential Customer Authorization Form. Certificates for whole shares will be similarly registered when issued.

Upon written request, certificates also can be registered and issued in names other than that of the participant subject to compliance with any applicable laws and the payment by the participant of any applicable taxes, provided that the request bears the signature of the participant and the signature is medallion guaranteed by a commercial bank, trust company or member of the New York Stock Exchange.

*Withdrawal*

**19. How does a participant withdraw from the Plan?**

In order to withdraw from the Plan, a participant must notify the Agent, in writing, using the Transaction Request Form attached to the participant's statement of account or notifying the Agent at [www.stockbny.com](http://www.stockbny.com), that the participant wishes to withdraw. When a participant withdraws from the Plan, or in the event of termination of the Plan by the Company, certificates for whole shares credited to the participant's account under the Plan will be issued and fractional shares will be sold, with the participant receiving a check reflecting the gross proceeds of the sale less brokerage commission, and any relevant taxes.

**20. When may a participant withdraw from the Plan?**

A participant may discontinue automatic Dividend Reinvestment under the Plan and completely withdraw from participation in the Plan at any time by giving written notice to that effect to the Agent using the Transaction Request Form attached to the participant's statement of account or notifying the Agent at [www.stockbny.com](http://www.stockbny.com).

An election to discontinue automatic Dividend Reinvestment and withdraw from the Plan will be deemed to also constitute a request for a stock certificate for all whole shares held by the Agent for the account of the participant under the Plan and for cash settlement of any fractional shares.

Once a participant's request to withdraw is received by the Agent, all dividends due will be paid in cash to the participant unless the participant re-enrolls in the Plan.

After a participant withdraws from the Plan, the participant may re-enroll at any time by submitting a new Authorization Form in the same manner as any new applicant.

*Sales or Transfers of Shares*

**21. What happens when a participant transfers all shares registered in the participant's name?**

If a participant transfers all shares of Common Stock registered in the participant's name, the Agent will continue to reinvest the dividends on the shares credited to the transferee's account under the Plan until notified to take other action.

**22. May a participant request that the shares held in the participant's account be sold?**

Participants may instruct the Agent to sell some or all shares held in their account by one of the following methods:

*Sale Orders via IVR System*

You may instruct the Agent to sell some or all of your Plan shares by placing a sale order via the Interactive Voice Response (IVR) system. To place a sale order, contact the Agent toll free, at (800) 524-4458. Enter your social security number or taxpayer ID at the prompt and select the menu option for sales and follow the instructions provided. For security purposes, you will be asked to enter your Plan account number.

*Sale Orders via Internet*

You may instruct the Agent to sell some or all of your Plan shares by placing a sale order via the Internet. To place a sale order, you will first need to request a PIN by visiting the [www.stockbny.com](http://www.stockbny.com)

website (see Response 3 on how to access the Agent's website).

***Sale Orders via Mail***

You may instruct the Agent to sell some or all of your Plan shares by completing and signing the Transaction Request Form attached to your account statement and mailing the instructions to the Agent. If there is more than one name or owner on the Plan account, all participants must sign the Transaction Request Form attached to your account statement.

A participant who wishes to submit a sale request should telephone the Agent at (888) 269-8845 for instructions and for information regarding the fees for arranging the sale or visit the Agent at [www.stockbny.com](http://www.stockbny.com).

As soon as practicable after a sale of shares, the participant will receive a transaction advice. The Agent will forward a check to the participant for the sale proceeds, less any transaction fee, any applicable brokerage commission, and transfer and withholding taxes, if any.

**23. How are shares sold?**

The Agent aggregates all requests to sell shares received from Plan participants and sells the total number of shares, at least once a week, on the open market. Unless directed otherwise by The Bank of New York, any open market sales will be made through a broker affiliated with The Bank of New York. Normally, the shares are sold on the New York Stock Exchange.

Depending on the number of shares being sold and trading volume in the shares, sales may be executed in multiple transactions and may be traded on more than one day. The selling price will not be known until the sale is completed. The price per share sold will reflect the brokerage commission and will always be the average weighted price for all shares sold for the Plan on the trade date or dates. Participants will incur a transaction fee of \$15.00 plus

a brokerage commission of \$0.10 per share sold. A check for the proceeds of the sale of shares, less applicable taxes, transaction fees and brokerage commissions, will normally be mailed to the participant by first class mail within two (2) business days after final trade settlement date.

Participants should be aware that the share price may fluctuate between the time a sale request is received by the Agent and the time sale is made on the open market. The Agent may, at its discretion, accept written requests to revoke instructions.

*Rights Offerings, Stock Dividends or Stock Splits*

**24. If the Company has a rights offering, how will a participant's entitlement be computed?**

In the event of a rights offering, the participant will receive rights based upon the shares held of record in the participant's name and whole shares credited to the participant's account under the Plan as of the record date for the offering. Rights certificates will not be issued for fractional shares of Common Stock.

**25. What happens if the Company issues a stock dividend or declares a stock split?**

Any shares of Common Stock distributed as a result of a stock dividend or stock split, including any fractions, on shares held in participants' Plan accounts (and, for participants who have elected the Full Dividend Reinvestment feature, for shares registered in their names) will be credited to their Plan accounts.

*Voting Rights*

**26. How will a participant's shares be voted at meetings of shareholders?**

All shares of Common Stock (including any fractional share) held for the account of a participant under the Plan may be voted by the participant at shareholders' meetings in the same manner as shares registered in the participant's name. A proxy form



will be sent to each participant with respect to each shareholders' meeting. When the participant returns the executed proxy, all shares will be voted as directed. If the participant attends the shareholders' meeting in person, the participant may vote such shares in person at the meeting, whether or not the participant has sent in the proxy.

*Federal Income Tax Aspects*

**27. What are the Federal income tax consequences of participation in the Plan?**

A participant will be treated for Federal income tax purposes as having received, on the Investment Date, a taxable dividend equal to the full amount of the cash dividend otherwise payable on such date. In the event the Company directs the Agent to purchase shares on the open market or in privately negotiated transactions, participants will be treated as having received an additional dividend in the amount of the pro rata brokerage fees paid by the Company. Participants will realize gain or loss when their shares are sold. The amount of gain or loss will be the difference between the amount the participant receives for the shares and the participant's tax basis for the shares. Such gain or loss will be long-term or short-term capital gain or loss, depending on the participant's holding period for the shares and provided that the shares are held as a capital asset. Generally, the tax basis for shares acquired through Dividend Reinvestment, Optional Cash Payments or Initial Cash Investments will be equal to the purchase price for the shares plus any brokerage commissions paid with respect to the shares, and the holding period for the shares will begin on the day after the shares are credited to the participant's account.

Participants should consult their tax advisors regarding specific tax treatment of participation in the Plan.

**28. How are income tax withholding provisions applied to foreign shareholders?**

In the case of those foreign shareholders whose dividends on Common Stock are subject to United States income tax withholding, the amount of dividends reinvested will be reduced by the amount of the tax to be withheld.

**29. How are backup income tax withholding provisions applied to shareholders?**

In the case of shareholders whose dividends on Common Stock are subject to United States backup income tax withholding, the amount of Dividend Reinvestment will be reduced by the amount of the tax to be withheld. Backup withholding applies to certain shareholders who fail to furnish the Agent with their correct tax identification number (usually, for individuals, their Social Security numbers), or who fail to sign a certificate stating that they are not subject to backup withholding. Backup withholding also applies if the Internal Revenue Service notifies the Company that a shareholder has failed to report dividends, interest or patronage dividends in prior years or that a shareholder has furnished an incorrect taxpayer identification number.

*Use of Proceeds*

**30. What use will be made of the funds generated by the Plan?**

The Company intends to add the proceeds it receives from the issuance of shares under the Plan to the general funds of the Company, to be available for its continuing construction program and other appropriate corporate purposes. The Company is unable to estimate the amount of the proceeds that will be devoted to any specific purposes. The funds will increase shareholders' equity which, in turn, strengthens the Company's overall financial position. The Company will realize no proceeds when shares of Common Stock are purchased under the Plan on the open market or in privately negotiated transactions. The Company does not know either the

number of shares that will ultimately be purchased under the Plan or the prices at which such shares will be purchased.

*Other Information*

**31. What are the responsibilities of the Company and the Agent under the Plan?**

Neither the Company nor the Agent, in administering the Plan, will be liable for any act done in good faith or for any good faith omission to act, including, without limitation, any claim of liability arising out of failure to terminate a participant's account upon such participant's death prior to receipt of notice in writing of such death.

Each participant should recognize that the Company cannot assure the participant of a profit nor protect against a loss with respect to the shares of Common Stock purchased by the participant under the Plan.

**32. May the Plan be changed or discontinued?**

The Company reserves the right to suspend, modify or terminate the Plan at any time. All participants whose rights are affected by any suspension, modification or termination of the Plan will receive notice of any such suspension, modification or termination. Upon termination of the Plan by the Company, certificates for whole shares credited to a participant's account under the Plan will be issued and a cash payment, payable as described in Response 19, will be made for any fractional share.

**33. Who interprets and regulates the Plan?**

The Company reserves the right to interpret and regulate the Plan as deemed desirable or necessary in connection with its operation.

**34. Where should correspondence regarding the Plan be sent?**

All correspondence concerning the Plan should be addressed to the Agent at the address set forth in Response 3.

**LEGAL MATTERS**

The validity of the securities offered by this prospectus and certain other legal matters will be passed upon for us by Hillis Clark Martin & Peterson, P.S., Seattle, Washington.

**EXPERTS**

The consolidated financial statements and the related financial statement schedule as of September 30, 2004 and September 30, 2003 and for each of the three years in the period ended September 30, 2004, incorporated in this prospectus by reference from our annual report on Form 10-K for the year ended September 30, 2004, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is incorporated in this prospectus by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

**APPENDIX A**

**Plan Authorization Form**

**Automatic Dividend Reinvestment Plan  
PLAN AUTHORIZATION FORM**

*We make warm neighbors*

**THIS IS NOT A PROXY**

Please check the desired Plan option below, sign and mail in return envelope.

By signing this Authorization Form, you agree that you have read the terms and conditions of the CASCADE NATURAL GAS CORPORATION AUTOMATIC DIVIDEND REINVESTMENT PLAN presented in the Prospectus. By signing this Authorization Form and checking one of the boxes on the right side of this Authorization Form, you also agree that you would like to take advantage of the Plan option that is checked, and hereby authorize Cascade Natural Gas Corporation ("Cascade") to reinvest cash dividends on shares of Cascade Common Stock registered in your name and/or held in your account under the Plan for the purchase of additional shares of Cascade Common Stock, as indicated by the checked option. You also understand and agree that your participation in the Plan and this authorization are subject to the terms and conditions of the Plan set forth in the Prospectus describing the Plan.

Partial Dividend Reinvestment

By checking this box, you hereby authorize cash dividends on only those shares of Cascade Common Stock now or subsequently held in your account under the Plan to be reinvested in additional shares of Common Stock. The cash dividends on those shares of Common Stock you hold in certificate form will not be reinvested in additional shares of Common Stock.

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To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you complete an enrollment application, we will ask for your name, address, date of birth, and other information that will allow us to identify you. Please be aware that we will verify the information you provide and may also ask for copies of your driver's license or other identifying documents.

- o Full Dividend Reinvestment  
By checking this box, you hereby authorize cash dividends on all shares of Cascade Common Stock now or subsequently registered in your name, including shares held in your account under the Plan and certificated shares, to be reinvested in additional shares of Common Stock.  
This authorization applies only if the certificated shares are registered in the same name as your Plan account.

TAXPAYER I.D. NUMBER (SSN #)  
Address, City, State, Zip Code  
Please print name here  
Please *sign* name here

Date of Birth  
  
Date

TAXPAYER I.D. NUMBER (SSN #)  
Address, City, State, Zip Code  
Co-owner, Please print name here  
Co-owner, Please *sign* name here

Date of Birth  
  
Date

**APPENDIX B**

**Residential Customer Authorization Form**

**Automatic Dividend Reinvestment Plan  
RESIDENTIAL CUSTOMER AUTHORIZATION  
FORM**

*We make warm neighbors*

By signing this Authorization Form and enclosing your initial cash investment of at least \$250, you agree that you have read the terms and conditions of the CASCADE NATURAL GAS CORPORATION AUTOMATIC DIVIDEND REINVESTMENT PLAN presented in the Prospectus, and you hereby authorize Cascade Natural Gas Corporation ("Cascade") to invest the accompanying initial cash investment and to reinvest all cash dividends payable on any shares of Cascade Common Stock held in your account under the Plan for the purchase of additional shares of Cascade Common Stock. If you have checked the box opposite the heading "Full Dividend Reinvestment", you hereby authorize Cascade to reinvest cash dividends on all shares of Cascade Common Stock now or subsequently registered in your name, including shares held in your account under the Plan and certificated shares, to be reinvested in additional shares of Cascade Common Stock. You also understand and agree that your participation in the Plan and this authorization are subject to the terms and conditions of the Plan set forth in the Prospectus describing the Plan. By signing this Authorization Form, you hereby certify that you are a resident of the state of Oregon or Washington.

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you complete an enrollment application, we will ask for your name, address, date of birth, and other information that will allow us to identify you. Please be aware that we will verify the information you provide and may also ask for copies of your driver's license or other identifying documents.

AMOUNT  
ENCLOSED  
\$ (Initial Cash Investment must be at least \$250. All cash payments must be in U.S. Dollars drawn on a U.S. bank and payable to The Bank of New York.)

**Full Dividend Reinvestment**  
By checking this box, you hereby authorize cash dividends on all shares of Cascade Common Stock now or subsequently registered in your name, including shares held in your account under the Plan and certificated shares, to be reinvested in additional shares of Common Stock.

This authorization applies only if the certificated shares are registered in the same name as your Plan account.

TAXPAYER I.D. NUMBER (SOCIAL SECURITY NUMBER)

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Under penalties of perjury, you hereby certify that:

- 1) the number entered above is your correct tax identification number; and
- 2) you are not subject to backup withholding either because you have not been notified that you are subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified you that you are no longer subject to backup withholding.

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Your signature (Please sign and mail in return envelope)	Date of Birth	Date
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Signature of co-holder if joint ownership	Date of Birth	Date
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**Account Registration** Please Print Clearly

NAME (S) UNIT/APT  
 STREET  
 CITY STATE ZIP PHONE NUMBER

Examples of registrations which will be accepted for the Plan:

- Individual: John Q. Public
- Joint: John Q. Public & Jane Q. Public JT Ten  
(As Joint Tenants with Right of Survivorship)
- Custodian: John Q. Public Custodian for Ann A. Public  
(Under the Uniform Transfers to Minors Act)

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(State)

**APPENDIX C**

**Transaction Request Form**

*Cascade Natural Gas Corporation*

**The Bank of New York  
Dividend Reinvestment Plan for the Shareholders  
of**

The Cascade Natural Gas Corporation

The Bank of New York, Administrator  
P.O. Box 1958  
Newark, NJ 07101-9774      SEQ #

**STATEMENT OF  
ACCOUNT**

Answers to many questions and requests are available by visiting The Bank of New York's website at: <http://stockbny.com> or Email at: [Shareowners@bankofny.com](mailto:Shareowners@bankofny.com)

Company Number  
Account Number  
Record Date  
Payment Date

Next Anticipated Investment Date

**CURRENT DIVIDEND PURCHASE INFORMATION**

**Plan Record Date Position**

<b>Held By You In Certificate Form</b>	<b>Held By Plan Administrator</b>	<b>Total</b>	<b>Rate</b>	<b>Gross Dollars Paid</b>	<b>Service Fees</b>	<b>Tax Withheld</b>	<b>Net Dollars Reinvested</b>
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**YEAR-TO-DATE TRANSACTIONS**

<b>Transaction Date</b>	<b>Transaction Description</b>	<b>Transaction Dollars</b>	<b>Price per Share</b>	<b>Transaction Shares</b>	<b>Total Shares Held By Administrator</b>
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YEAR-TO-DATE SUMMARY

GROSS DIVIDENDS	TAXES WITHHELD	CASH CONTRIBUTIONS	SERVICE FEES	TOTAL FUNDS INVESTED	ADDITIONAL INCOME	FAIR MARKET VALUE
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- DETACH HERE -

**TRANSACTION REQUEST FORM PLEASE KEEP THIS FORM FOR FUTURE REQUESTS**

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>o Sell Plan Shares (Enter Number of Whole shares) If "All" is entered, Participation in the plan will be terminated. Shares will be sold subject to the Terms and Conditions Detailed in the Plan. <span style="float: right;">0000000</span></li> <li>o Issue Plan Shares (Enter Number of Whole shares) If "All" is entered, Participation in the plan will be terminated. A certificate will be issued in Registered holder(s) name. <span style="float: right;">0000000</span></li> <li>o Optional Cash Contribution Amount Enclosed All Payments must be in U.S. Dollars Drawn on a U.S. Bank and Payable to The Bank of New York. <span style="float: right;">\$000,000.00</span></li> </ul> | <ul style="list-style-type: none"> <li>o Certificate Transaction <i>Mark this box and complete the other side of form. Do not Sign the Certificate(s)</i></li> <li>o Address Change <i>Mark this box and complete the other side of form</i></li> </ul> |
|---|---|
- 
- |  |           |           |      |                       |
|--|-----------|-----------|------|-----------------------|
| ALL REQUESTS MUST BE SIGNED BY ALL REGISTERED OWNERS | SIGNATURE | SIGNATURE | DATE | DAYTIME TELEPHONE NO. |
|--|-----------|-----------|------|-----------------------|
- ( )

(MAKE NO MARKINGS BELOW THIS LINE)

Your Plan Statement provides you with a record of your current dividend purchase activity, year-to-date transactions, and year-to-date summary. To request a transaction, complete the tear-off form at the bottom of the statement and mail it to us. Most request transactions, such as selling shares, issuing a certificate and terminating dividend reinvestment are also available online or via the automated telephone system. For secure transactions, visit <http://www.stockbny.com>. Website access is restricted to PIN holders. Log on to receive your PIN. Transactions are also available by calling the toll free number on the front of this statement.

**If you wish to transfer your reinvestment shares to another person, please call us at our toll-free telephone number listed on the front of this statement for transfer instructions and a stock power form. If the person receiving the shares wishes to enroll in a reinvestment plan, please request a reinvestment enrollment form and mail the completed form to The Bank of New York along with the transfer instructions.**

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### A GUIDE TO UNDERSTANDING YOUR STATEMENT OF ACCOUNT

- \* **Record Date:** The date you must officially be the holder of the stock in order to be entitled to receive a dividend.
- \* **Payment Date:** The date on which dividends are paid.
- \* **Next Anticipated Investment Date:** The next date on which your optional cash payment can be invested to purchase additional shares.

### CURRENT DIVIDEND PURCHASE INFORMATION

The information in this section only pertains to those shares enrolled in the Plan.

- \* **Enrolled Record Date Shares Held By You In Certificate Form:** The total number of shares held by you which were enrolled in the Plan on the record date.
- \* **Enrolled Record Date Shares Held By Plan Administrator:** The total number of shares held for you by the Plan Administrator, The Bank of New York.
- \* **Enrolled Record Date Shares Total:** Represents the total number of enrolled record date shares.
- \* **Rate:** The amount of the dividend paid per share.
- \* **Gross Dividends Paid:** The combined total of Enrolled Record Date Shares held on record date multiplied by the rate.
- \* **Service Fees (If Any):** The amount of service fees deducted from your dividend as indicated in the Plan prospectus.
- \* **Tax Withheld (If Any):** The amount of income taxes withheld from your dividend payment prior to investment.
- \* **Net Dollars Reinvested:** The amount available for investment after deduction of service fees and taxes.

### YEAR-TO-DATE TRANSACTIONS

- \* **Transaction Date:** The activity date in your Plan account. Purchase and sale activity reflects the trade date not the settlement date. The trade date is usually 3 business days prior to the settlement date.
- \* **Transaction Description:** The type of activity that took place in your Plan account.
- \* **Transaction Dollars:** For purchases, it is the net money invested after deduction of service fees and taxes. For sales, it is the net proceeds after deduction of fees and commissions. See Plan prospectus for fee information.
- \* **Price per Share:** The price per share, adjusted for brokerage commissions, used in the transaction as outlined in the Plan prospectus.
- \* **Transaction Shares:** The number of shares added to your Plan account.
- \* **Total Shares Held By Administrator:** The cumulative total of shares held for you by the Plan Administrator.

### YEAR-TO-DATE SUMMARY

- \* **Gross Dividends:** The gross dividends paid for the year on Plan shares plus any amount indicated in additional income.
- \* **Taxes Withheld:** The total amount of taxes withheld from dividends prior to reinvestment, if any.
- \* **Cash Contributions:** The total amount of optional cash invested after deducting any commission and/or fees.
- \* **Service Fees:** The total amount deducted as outlined in the Plan prospectus.
- \* **Total Funds Invested:** The total net dividends and net cash contributions.
- \* **Additional Income:** The amount of brokerage commission paid on your behalf. This amount is income and will be reported to the Internal Revenue Service on Tax Form 1099-DIV.

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\* **Fair Market Value:** The market value of the total shares in the Plan as of the last dividend transaction date listed on the front of this statement under "Year-to-Date Transaction" section.

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IMPORTANT TAX INFORMATION

In the case of those shareowners whose dividends are subject to Federal income tax withholding, the appropriate amount of taxes were deducted from the gross dividends paid on enrolled shares held as of the record date.

SEE THE PROSPECTUS FOR FURTHER INFORMATION.

TRADING ACTIVITY

The Plan Administrator may use BNY Brokerage Incorporated, a wholly owned subsidiary of The Bank Of New York Company Inc., for trading activity under the Plan on behalf of Plan participants. BNY Brokerage receives a commission in connection with the transaction it processes.

If you have any questions about the account, contact our Investor Service Center or email us.

- DETACH HERE -

Change of Address Request

Certificate Transactions

Fill in New Information (Please Print)

Street

o Sell Certificate Shares. Enter Number of Whole shares. (Enclose Certificate(s) with request.) Do not Sign the Certificates. Shares will be Sold subject to the terms and conditions Detailed in the Plan. 000000

Street (cont)

City

o Deposit Certificate Shares For Safekeeping. Enter Number of Whole shares (Enclose Certificate(s) with request). Do not Sign the Certificate. The shares will be deposited into the plan. The dividends will automatically be reinvested. 000000

State Zip Code  
oo 00000

Telephone Number During Business hours  
Note: To Change The Address All Registered Owner(s) Must Sign on the Front of the Form Where Indicated.

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