

an aggregate principal amount not to exceed \$200,000,000 to refund certain outstanding sewer revenue bonds (the "Refunding Bonds"), and

WHEREAS, the Bond Ordinance provided that such bonds be sold in one or more series and by negotiated sale or competitive bid as determined by the county's director of the finance and business operations division (the "Finance Director") in consultation with the county's financial advisors, and

WHEREAS, the Finance Director has determined that a series of such bonds in the aggregate principal amount of \$124,070,000 (the "Bonds") be sold by negotiated sale, representing \$100,000,000 principal amount of Project Bonds and \$24,070,000 principal amount of Refunding Bonds, and

WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement dated April 21, 2006, has been prepared for the sale of the Bonds and the Finance Director has negotiated the sale of the Bonds to Lehman Brothers, as representative of itself and A.G. Edwards, Goldman, Sachs & Co., and Siebert Brandford Shank & Co., LLC (the "Underwriter"), and

WHEREAS, it is in the best interest of the county that the Bonds be sold to the Underwriter on the terms set forth in the attached bond purchase contract, the Bond Ordinance, and this motion, and

WHEREAS, in accordance with the Bond Ordinance, the council wishes to ratify and confirm certain terms of the Bonds and authorize and approve a plan of refunding certain outstanding sewer revenue bonds of the county from proceeds of the Refunding Bonds, as set forth herein;

NOW, THEREFORE, BE IT MOVED by the Council of King County:

A. Definitions. Except as expressly authorized herein, capitalized terms used in this motion have the meanings set forth in the Bond Ordinance.

B. Approval of Bond Purchase Contract and Authorization of Bonds. The issuance of the Bonds, designated as the King County, Washington, Sewer Revenue and Refunding Bonds, Series 2006, in the aggregate principal amount of \$124,070,000, and the terms and conditions thereof as set forth in the Bond Purchase Contract attached hereto as Attachment A (the "Purchase Contract") are hereby ratified and confirmed,

and the Purchase Contract is hereby approved. The Bonds shall bear interest at the rates set forth in the Purchase Contract and shall conform in all other respects to the terms and conditions specified in the Purchase Contract and Bond Ordinance. The Bonds shall be subject to optional and mandatory redemption as set forth in the Purchase Contract.

In accordance with the Purchase Contract, the council hereby accepts the commitment from Financial Security Assurance (the "Insurer") to provide a municipal bond insurance policy guaranteeing the scheduled payment of principal of and interest on the Bonds (the "Bond Insurance Policy"). The council further authorizes and directs all proper officers, agents, attorneys and employees of the county to cooperate with the Insurer in preparing such additional agreements, certificates, and other documentation on behalf of the county as shall be necessary or advisable in providing for the Bond Insurance Policy.

C. Application of Project Bond Proceeds. In accordance with Section 13.A of the Bond Ordinance, there is hereby established a special subaccount within the Construction Account to be designated as the Series 2006 Construction Subaccount (the "Construction Subaccount"). Proceeds of the Project Bonds (exclusive of accrued interest, if any, which shall be deposited into the Debt Service Account in the Bond Fund) shall be deposited in the Construction Subaccount and applied to pay costs of improvements to the System, in accordance with Section 13.A of the Bond Ordinance, and costs of issuance of the Project Bonds.

D. Refunding and Redemption of Refunded Bonds.

1. Plan of Refunding. In accordance with Sections 14 and 24 of the Bond Ordinance, the Finance Director has determined, in consultation with the county's financial advisors, that proceeds of the Refunding Bonds shall be used to refund the following obligations of the county payable from sewer revenues pursuant to the plan of refunding set forth below and ratified and confirmed hereby:

Refunded 1999 Bonds

	<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Call</u>
	<u>(January 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Date</u>
2017	\$	2,925,000	5.500%	01/01/2009

2018	3,080,000	5.500	01/01/2009
2019	3,255,000	5.500	01/01/2009
2020	3,450,000	5.500	01/01/2009
2021	3,620,000	5.500	01/01/2009
2022	3,830,000	5.500	01/01/2009
2023	4,045,000	5.375	01/01/2009

The Refunded 1999 Bonds shall be referred to collectively in this motion as the Refunded Bonds. As provided in Section 14 of the Bond Ordinance, the King County Series 2006 Sewer Revenue Bonds Refunding Account (the "Refunding Account") shall be established and maintained with the Escrow Agent (as identified below). Proceeds of the Refunding Bonds (exclusive of accrued interest, if any, which shall be deposited into the Debt Service Account in the Bond Fund) shall be deposited in the Refunding Account and used, together with other funds of the county, if necessary, to purchase certain "Government Obligations" (which obligations so purchased are herein called "Acquired Obligations"), bearing such interest and maturing as to principal and interest in such amounts and at such times that, together with any necessary beginning cash balance, will provide for the payment of:

(a) the interest on the Refunded Bonds due and payable on and prior to January 1, 2009; and

(b) the redemption price (101% of the principal amount) payable on January 1, 2009, of the Refunded Bonds.

Any beginning cash balance and the Acquired Obligations shall be irrevocably deposited with the Escrow Agent in an amount sufficient to defease the Refunded Bonds in accordance with the ordinance(s) authorizing the Refunded Bonds. Any amounts described above that are not provided for in full by such beginning cash balance and the purchase and deposit with the Escrow Agent of the Acquired Obligations shall be provided for by the irrevocable deposit of the necessary amount out of the proceeds of sale of the Bonds or any other money of the county legally available therefor. The proceeds of the Bonds remaining in the Refunding Account after acquisition of the Acquired Obligations and provision for the necessary beginning cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations

and the costs of issuing the Bonds. The county may, from time to time, transfer, or cause to be transferred, from the Refunding Account any money not thereafter required for the purposes set forth in subparagraphs (a) and (b) above, subject to verification in writing by an independent certified public accountant that such transfer will not result in inadequate funds being available to make the required payments therefrom. The county reserves the right to substitute other securities for the Acquired Obligations in the event it may do so pursuant to Section 148 of the Code and applicable regulations thereunder, upon compliance with the conditions set forth in the Escrow Agreement.

The selection of U.S. Bank, National Association as Escrow Agent is hereby ratified and confirmed.

2. Redemption of Refunded Bonds. The county hereby irrevocably sets aside sufficient funds through the purchase of the Acquired Obligations and an initial cash deposit to make the payments, as specified in subparagraphs (a) and (b) above.

The county hereby defeases and calls for redemption on January 1, 2009, the Refunded Bonds in accordance with the provisions of the ordinance(s) authorizing the redemption and retirement of the Refunded Bonds prior to their fixed maturities.

Said defeasance and call for redemption of the Refunded Bonds shall be irrevocable after the final establishment of the Refunding Account and delivery of the Acquired Obligations and the requisite cash deposit, if any, to the Escrow Agent, except as provided herein relating to the substitution of securities. The Finance Director is authorized and requested to provide whatever assistance is necessary to accomplish such defeasance and redemption.

The Escrow Agent is hereby authorized and directed to notify the fiscal agency of the State of Washington to give notice of the defeasance and redemption of the Refunded Bonds in accordance with the applicable provisions of the ordinance(s) authorizing their issuance. The Finance Director is authorized and requested to provide whatever assistance is necessary to accomplish such defeasance and redemption and the giving of notice therefor. The costs of publication of such notice shall be an expense of the county.

The Escrow Agent is hereby authorized and directed to pay to the fiscal agency or agencies of the State of Washington sums sufficient to make, when due, the payments specified in subparagraphs (a) and (b) above. All such sums shall be paid from the money and the Acquired Obligations deposited with the Escrow Agent pursuant to this section, and the income therefrom and proceeds thereof. All such sums so paid shall be credited to the Refunding Account. All money and Acquired Obligations deposited with the Escrow Agent and any income therefrom shall be held, invested and applied in accordance with the provisions of the Bond Ordinance and with the laws of the State of Washington for the benefit of the county and the owners of the Refunded Bonds.

3. Findings of Saving and Defeasance. This council hereby finds and determines that the issuance and sale of the Refunding Bonds at this time will effect a savings to the county and ratepayers of the System. In making such finding and determination, the council has given consideration to the interest on and the fixed maturities of such Refunding Bonds and the Refunded Bonds, the costs of issuance of such Refunding Bonds and the known earned income from the investment of the proceeds of sale of such Refunding Bonds pending redemption and payment of the Refunded Bonds.

This council hereby further finds and determines that the Acquired Obligations to be deposited with the Escrow Agent and the income therefrom, together with any necessary beginning cash balance, are sufficient to defease and redeem the above-referenced Refunded Bonds and will discharge and satisfy the obligations of the county with respect to such Refunded Bonds under the ordinance authorizing their issuance and the pledges of the county therein. Immediately upon the delivery of such Acquired Obligations to the Escrow Agent and the deposit of any necessary beginning cash balance, such Refunded Bonds shall be deemed not to be outstanding under their authorizing ordinance and shall cease to be entitled to any lien, benefit or security under such ordinance except the right to receive payment from the Acquired Obligations and beginning cash balance so set aside and pledged.

E. Reserve Requirement. In accordance with Section 9.C of the Bond Ordinance, proceeds of the

Bonds shall be used to purchase Qualified Insurance in the form of a surety bond (the "Surety Bond") from FSA in an amount sufficient to satisfy the Reserve Requirement with respect to the Bonds. The county agrees to the conditions for obtaining the Surety Bond, including the payment of the premium therefor and the other requirements to be set forth in an agreement to be approved and executed by the Finance Director on behalf of the county. The council further authorizes and directs all proper officers, agents, attorneys and employees of the county to cooperate with the Insurer in preparing such additional agreements, certificates, and other documentation on behalf of the county as shall be necessary or advisable in providing for the Surety Bond.

F. Undertaking to Provide Ongoing Disclosure.

1. Contract/Undertaking. In accordance with Section 27 of the Bond Ordinance, this Section F constitutes the county's written undertaking for the benefit of the owners and Beneficial Owners of the Bonds as required by Section (b)(5) of the Rule.

2. Financial Statements/Operating Data. The county agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 2006 for the fiscal year ended Month12December 31, 2005):

(a) Annual financial statements, which may or may not be audited, showing year-end fund balance for the County