PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 30, 2010

SALE DATE: JANUARY 10, 2011
New Issue
Book-Entry Only

Ratings : Moody's: Aa2
Standard & Poor's: AA+
(See "Other Bond Information—Ratings.")

This is a Preliminary Official Statement, subject to correction and change. The County has authorized the distribution of the Preliminary Official Statement to prospective purchasers and others. Upon the sale of the Bonds, the County will complete and deliver an Official Statement substantially in this form.

In the opinion of K&L Gates LLP, Bond Counsel, assuming compliance with certain covenants of the County, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. See "Legal and Tax Information—Tax Matters" herein for a discussion of the opinion of Bond Counsel.

KING COUNTY, WASHINGTON
$175,000,000
SEWER REVENUE BONDS, 2011

DATED: DATE OF INITIAL DELIVERY **DUE: JANUARY 1, AS SHOWN ON INSIDE COVER**

The King County, Washington, Sewer Revenue Bonds, 2011 (the "Bonds"), are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as Bond owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial securities depository for the Bonds. The Bonds will be issued initially in book-entry form only in denominations of $5,000 or any integral multiple thereof within a single maturity of the Bonds. Purchasers will not receive certificates representing their interest in the Bonds purchased. The Bonds bear interest payable semiannually on each January 1 and July 1, beginning July 1, 2011, to the maturity or prior redemption of the Bonds. The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington, currently The Bank of New York Mellon in New York, New York (the "Bond Registrar"). For so long as the Bonds remain in a "book-entry only" transfer system, the Bond Registrar will make such payments only to DTC, which, in turn, is obligated to remit such principal and interest to the DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds as described herein under Appendix F—Book-Entry System.

The Bonds are subject to redemption prior to maturity, as described herein.

MATURITY SCHEDULE ON INSIDE COVER

The Bonds are being issued to (i) finance the construction of improvements to the sewer system (the "Sewer System") of King County (the "County"), (ii) fund a deposit to the Parity Bond Reserve Account, and (iii) pay costs of issuing the Bonds.

The Bonds are secured by a pledge of Revenue of the System subject to prior payment of all Operating and Maintenance Expenses of the Sewer System. The lien of the Bonds on Revenue of the System is equal to the lien securing the outstanding Parity Bonds and any Future Parity Bonds, and senior to all other obligations of the Sewer System except Operating and Maintenance Expenses.

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE COUNTY AND ARE NOT OBLIGATIONS OF THE STATE OF WASHINGTON OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE COUNTY. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OR THE STATE OF WASHINGTON OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS.

The Bonds are offered when, as and if issued, subject to approval of legality by K&L Gates LLP, Seattle, Washington, Bond Counsel, and certain other conditions. The form of Bond Counsel's opinion is attached hereto as Appendix B. It is anticipated that the Bonds will be ready for delivery through the facilities of DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about January 25, 2011.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: _____________

MATURITY SCHEDULE

KING COUNTY, WASHINGTON
$175,000,000
SEWER REVENUE BONDS, 2011

Due January 1	Principal Amounts	Interest Rates	Yields	CUSIP Numbers*
2014	$ 3,205,000			
2015	3,300,000			
2016	3,435,000			
2017	3,570,000			
2018	3,715,000			
2019	3,860,000			
2020	4,015,000			
2021	4,175,000			
2022	4,345,000			
2023	4,560,000			
2024	4,790,000			
2025	5,030,000			
2026	5,280,000			
2027	5,545,000			
2028	5,820,000			
2029	6,110,000			
2030	6,415,000			
2031	6,740,000			
2032	7,075,000			
2033	7,465,000			
2034	7,875,000			
2035	8,310,000			
2036	8,765,000			
2037	9,245,000			
2038	9,755,000			
2039	10,290,000			
2040	10,855,000			
2041	11,455,000			

* CUSIP is a registered trademark of the American Bankers Association. The CUSIP numbers herein are provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by Standard & Poor's. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. The County takes no responsibility for the accuracy of such CUSIP numbers.

KING COUNTY, WASHINGTON
500 FOURTH AVENUE
SEATTLE, WASHINGTON 98104

KING COUNTY EXECUTIVE

Dow Constantine

METROPOLITAN KING COUNTY COUNCIL

Bob Ferguson	Chair
Jane Hague	Vice Chair
Reagan Dunn	Councilmember
Larry Gossett	Councilmember
Kathy Lambert	Councilmember
Joe McDermott	Councilmember
Julia Patterson	Councilmember
Larry Phillips	Councilmember
Pete von Reichbauer	Councilmember

OTHER ELECTED OFFICIALS

Dan Satterberg	Prosecuting Attorney
Lloyd Hara	Assessor
Sue Rahr	Sheriff
Sherril Huff	Director of Elections

DIRECTOR OF FINANCE AND BUSINESS OPERATIONS DIVISION

Ken Guy

CLERK OF THE COUNCIL

Anne Noris

BOND COUNSEL

K&L Gates LLP
Seattle, Washington

FINANCIAL ADVISOR TO THE COUNTY

Seattle-Northwest Securities Corporation
Seattle, Washington

BOND REGISTRAR

The Bank of New York Mellon
New York, New York

No dealer, broker, sales representative or other person has been authorized by the County to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained by the County from County records and from other sources that the County believes to be reliable, but the County does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of the Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

The County makes no representation regarding the accuracy or completeness of the information provided in Appendix F—Book-Entry System, which has been furnished by DTC.

This Official Statement is not to be construed as a contract or agreement between the County and purchasers or owners of any of the Bonds.

Certain statements contained in this Official Statement, including the appendices, reflect not historical facts but forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

This Preliminary Official Statement, as of its date, is in a form "deemed final" by the County for purposes of paragraph (b)(1) of Securities and Exchange Commission Rule 15c2-12, except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, and other terms of the Bonds dependent on the foregoing matters.

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OFFICIAL NOTICE OF BOND SALE

KING COUNTY, WASHINGTON
$175,000,000
SEWER REVENUE BONDS, 2011

Electronic bids for the Sewer Revenue Bonds, 2011 (the "Bonds"), of King County, Washington (the "County"), will be received via BiDCOMP/PARITY ("Parity") in the manner described below until

9:00 A.M., PACIFIC TIME, ON JANUARY 10, 2011,

or at such later date or time as may be established by the King County Finance Director (the "Finance Director") and communicated through TM3, the Bond Buyer Wire or the Bloomberg News Network not less than 18 hours prior to the time bids are to be received, for the purchase of the Bonds. All bids received with respect to the Bonds will be considered by the Metropolitan King County Council (the "County Council") at its regularly scheduled meeting on the day bids are received. If the County accepts a bid for the Bonds, it will be awarded to the successful bidder and its terms will be approved by the County Council by a Sale Motion at such meeting.

The Bonds will be sold on an all-or-none basis. Bids for the Bonds must be submitted electronically via Parity in accordance with its Rules of Participation and this notice, and no bid will be received after the time for receiving bids specified above. For further information about Parity, potential bidders may contact Parity at (212) 849-5021.

By submitting an electronic bid for the Bonds, each bidder hereby agrees to the following terms and conditions:

(i) If any provision in this Official Notice of Bond Sale conflicts with information or terms provided or required by Parity, this Official Notice of Bond Sale, including any amendments issued by public wire, will control.

(ii) Bids may only be submitted via Parity. The bidder is solely responsible for making necessary arrangements to access Parity for purposes of submitting a bid timely and in compliance with the requirements of this Official Notice of Bond Sale.

(iii) The County has no duty or obligation to provide or assure access to Parity, and is not responsible for the proper operation of, or have any liability for, any delays or interruptions of, or any damages caused by, use of Parity.

(iv) The County is using Parity as a communication mechanism, and not as an agent of the County.

(v) Upon acceptance of a bid by the County, this Official Notice of Bond Sale and the information that is electronically transmitted through Parity will form a contract between the bidder and the County.

If all bids for the Bonds are rejected, the Finance Director may fix a new date and time for the receipt of bids for the Bonds by giving notice communicated through TM3, the Bond Buyer Wire or the Bloomberg News Network not less than 18 hours prior to such new date and time. Any notice specifying a new date and/or time for the receipt of bids, following the rejection of bids received or otherwise, will be considered an amendment to this Official Notice of Bond Sale.

A copy of the County's Preliminary Official Statement (with this Official Notice of Sale), dated December 30, 2010, and further information regarding the details of the Bonds may be obtained from i-Deal Prospectus, a service of i-Deal LLC, at *www.i-dealprospectus.com*, or upon request to the King County Finance and Business Operations Division (the "Finance Division") or the County's financial advisor. See "Contact Information."

Contact Information

Finance Division	Nigel Lewis King County (206) 296-1168 *nigel.lewis@kingcounty.gov*
Financial Advisor	Rob Shelley Seattle-Northwest Securities Corporation Office: (206) 628-2879 Day of Bond Sale: (206) 601-2249 *rshelley@snwsc.com*
Bond Counsel	David Thompson K&L Gates LLP (206) 623-7580 *david.thompson@klgates.com*

Description of the Bonds

The Bonds will be dated the date of their initial delivery. The Bonds bear interest payable semiannually on each January 1 and July 1, beginning July 1, 2011, to the maturity or earlier redemption of the Bonds.

The Bonds are issuable only as fully registered bonds and when issued will be registered in the name of Cede & Co. as Bond owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. The principal of and interest on the Bonds are payable by the fiscal agency for the State of Washington, currently The Bank of New York Mellon in New York, New York (the "Bond Registrar"), to DTC, which in turn is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to beneficial owners of the Bonds.

Election of Maturities

The bidder for the Bonds will designate whether the principal amounts of the Bonds as set forth below will be retired on January 1 of each respective year as serial bonds maturing in such year or as amortization installments of term bonds maturing in the years specified by the bidder.

Serial Maturity or Amortization Installment	Principal Amounts	Serial Maturity or Amortization Installments	Principal Amounts
2014	$ 3,205,000	2028	$ 5,820,000
2015	3,300,000	2029	6,110,000
2016	3,435,000	2030	6,415,000
2017	3,570,000	2031	6,740,000
2018	3,715,000	2032	7,075,000
2019	3,860,000	2033	7,465,000
2020	4,015,000	2034	7,875,000
2021	4,175,000	2035	8,310,000
2022	4,345,000	2036	8,765,000
2023	4,560,000	2037	9,245,000
2024	4,790,000	2038	9,755,000
2025	5,030,000	2039	10,290,000
2026	5,280,000	2040	10,855,000
2027	5,545,000	2041	11,455,000

The County will deposit certain money as provided in the Bond Ordinance and will retire the Bonds by purchase or redemption on or before January 1 of the years and in the amounts, if any, designated by the bidder to be amortization installments as provided for above.

Redemption of the Bonds

The County reserves the right to redeem outstanding Bonds maturing on or after January 1, 2022, in whole or in part, at any time on or after January 1, 2021, at the price of par plus accrued interest, if any, to the date fixed for redemption. In addition, the Bonds may be subject to mandatory redemption if the successful bidder for the Bonds specifies term bonds.

Security

The Bonds are secured by a pledge of Revenue of the System subject to prior payment of all Operating and Maintenance Expenses of the Sewer System. The lien of the Bonds on Revenue of the System is equal to the lien securing the outstanding Parity Bonds and any Future Parity Bonds, and senior to all other obligations of the Sewer System except Operating and Maintenance Expenses.

The County has always met principal and interest payments on outstanding bonds and notes when due.

Bidding Information

Bidders are invited to submit bids for the purchase of the Bonds fixing the interest rates that the Bonds will bear. The interest rates bid must be in a multiple of 1/8 or 1/20 of one percent. No more than one rate of interest may be fixed for any one maturity of the Bonds. Bids must be without condition and may only be submitted electronically via Parity.

No bid will be considered for the Bonds that is less than an amount equal to 100 percent of the par value of the Bonds nor more than an amount equal to 110 percent of the par value of the Bonds, or for less than the entire offering of the Bonds. Each individual maturity must be reoffered at a yield that will produce a price of not less than 98 percent of the principal amount for that maturity. For the purpose of the preceding sentence, "price" is defined as the lesser of the price at the redemption date or the price at the maturity date.

For the purpose of comparing bids only, the interest rate bid being controlling, each bid must state the true interest cost of the bid, determined by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payment from the payment date to the date of the Bonds and to the price bid.

Bidders are requested to provide a list of any syndicate members with their bids or within 24 hours of submitting their bids. The County strongly encourages the inclusion of women and minority business enterprise firms in bidding syndicates.

Good Faith Deposit

The successful bidder for the Bonds is required to deliver a good faith deposit in the amount of $1,750,000 by federal funds wire transfer to the Treasury Section of the Finance Division by no later than 90 minutes following the successful bidder's receipt of the verbal award. Wiring instructions will be provided to the successful bidder at the time of the verbal award.

The good faith deposit of the successful bidder for the Bonds will be retained by the County as security for the performance of such bid, and will be applied to the purchase price of the Bonds on the delivery of the Bonds to the successful bidder. Pending delivery of the Bonds, the good faith deposit may be invested for the sole benefit of the County.

If the Bonds are ready for delivery and the successful bidder fails to complete the purchase of the Bonds within 40 days following the acceptance of its bid, the good faith deposit will be forfeited to the County, and, in that event, the County Council may accept the next best bid or call for additional proposals.

Insurance

Bids for the Bonds will not be conditioned upon obtaining insurance or any other credit enhancement. If the Bonds qualify for the issuance of any policy of municipal bond insurance or commitment therefor at the option of a bidder, any purchase of such insurance or commitment therefor will be at the sole option and expense of the bidder and any increased costs of issuance of the Bonds resulting by reason of such insurance, unless otherwise paid, will be paid by such bidder. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued will not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds.

Award

The Bonds will be sold to the bidder making a bid that conforms to the terms of the offering and that, on the basis of the lowest true interest cost, is the best bid for the Bonds. For the purpose only of comparing bids, the interest rate bid being controlling, each bid shall state the true interest cost of the bid, determined by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payment from the payment date to the date of the Bonds and to the price bid.

If there are two or more equal bids for the Bonds and those bids are the best bids received, the County Council will determine by lot which bid will be accepted. The County reserves the right to reject any or all bids submitted and to waive any formality in the bidding or bidding process. If all bids for an offering are rejected, the Bonds may be readvertised for sale in the manner provided by law and as provided above.

Issue Price Information

Upon award of the Bonds, the successful bidder will advise the County and Bond Counsel of the initial reoffering prices to the public of the Bonds (the "Initial Reoffering Prices"). Simultaneously with or before delivery of the Bonds, the successful bidder is required to furnish to the County and Bond Counsel a certificate in form and substance acceptable to Bond Counsel:

(i) confirming the Initial Reoffering Prices,

(ii) certifying that a *bona fide* offering of the Bonds has been made to the public (excluding bond houses, brokers and other intermediaries),

(iii) stating the prices at which a substantial amount (at least ten percent) of the Bonds was sold to the public (excluding bond houses, brokers and other intermediaries),

(iv) stating the prices at which any portion of the Bonds that remains unsold at the date of closing would have been sold on the date the Bonds were awarded, and

(v) stating the offering price of each portion of the Bonds sold to institutional or other investors at discount.

Delivery

The County will deliver the Bonds (consisting of one word-processed certificate for each maturity of the Bonds) to DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer, prior to the date of closing. Closing will occur within 40 days after the sale date. Settlement will be in federal funds available in Seattle, Washington, on the date of delivery. Delivery is expected to be January 25, 2011.

If, prior to the delivery of the Bonds, the interest receivable by the owners of the Bonds becomes includable in gross income for federal income tax purposes, or becomes subject to federal income tax other than as described in this Preliminary Official Statement for the Bonds, the successful bidder for the Bonds, at its option, may be relieved of its obligation to purchase the Bonds, and in that case the good faith deposit accompanying its bid will be returned without interest.

The approving legal opinion of K&L Gates LLP, Seattle, Washington, Bond Counsel, will be provided to the purchaser at the time of the delivery of the Bonds. Bond Counsel's opinion will express no opinion concerning the accuracy, completeness or sufficiency of this Preliminary Official Statement or other offering material relating to the Bonds, nor will there be an opinion of Bond Counsel relating to the undertaking of the County to provide ongoing disclosure pursuant to SEC Rule 15c2–12. A no-litigation certificate will be included in the closing papers of the Bonds.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on the Bonds nor any error with respect thereto will constitute cause for a failure or refusal by the purchaser of the Bonds thereof to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Sale.

The successful bidder for the Bonds is responsible for obtaining CUSIP numbers for the Bonds. The charge of the CUSIP Service Bureau will be paid by the successful bidder; however, all expenses for printing the CUSIP numbers on the Bonds will be paid by the County.

Ongoing Disclosure Undertaking

To assist bidders in complying with SEC Rule 15c2–12(b)(5), the County will undertake, pursuant to the Sale Motion, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in this Preliminary Official Statement and will also be set forth in the final Official Statement.

Preliminary Official Statement

This Preliminary Official Statement is in a form that the County has deemed final for the purpose of SEC Rule 15c2–12(b)(1), but is subject to revision, amendment and completion in a final Official Statement, which the County will deliver, at the expense of the County, to the purchaser not later than seven business days after the County's acceptance of the purchaser's bid, in sufficient quantities to permit the successful bidder to comply with SEC Rule 15c2–12(b)(1).

By submitting the successful proposal, the purchaser's designated senior representative agrees:

(i) to provide to the Finance Division, in writing, within 24 hours after the acceptance of the bid, pricing and other related information, including the Initial Reoffering Prices of the Bonds, necessary for completion of the final Official Statement;

(ii) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any amendments or supplements prepared by the County;

(iii) to take any and all actions necessary to comply with applicable rules of the SEC and Municipal Securities Rulemaking Board ("MSRB") governing the offering, sale and delivery of the Bonds to ultimate purchasers, including the delivery of a final Official Statement to each investor who purchases the Bonds; and

(iv) to file the final Official Statement or cause it to be filed with the MSRB within one business day following its receipt from the County.

Official Statement

At closing, the County will furnish a certificate of an official or officials of the County, stating that, to the best knowledge of such official(s) and relying on the opinions of Bond Counsel where appropriate, as of the date of the Official Statement and as of the date of delivery of the Bonds,

(i) the information (including financial information) regarding the County contained in the Official Statement was and is true and correct in all material respects and did not and does not contain any untrue statement of a material fact or omit any statement or information which is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (however, the County will make no representation regarding Bond Counsel's form of opinion or the information provided by DTC, The Bank of New York Mellon, or any entity providing bond insurance, reserve insurance or other credit facility); and

(ii) the descriptions and statements, including financial data, of or pertaining to other bodies and their activities contained in the Official Statement have been obtained from sources that the County believes to be reliable, and the County has no reason to believe that they are untrue in any material respect.

DATED at Seattle, Washington, this 30th day of December, 2010.

/s/

Clerk of the Metropolitan King County Council

PRELIMINARY OFFICIAL STATEMENT

KING COUNTY, WASHINGTON
$175,000,000
SEWER REVENUE BONDS, 2011

INTRODUCTION

This Official Statement contains certain information concerning the issuance by King County, Washington (the "County"), of $175,000,000* aggregate principal amount of its Sewer Revenue Bonds, 2011 (the "Bonds"), in connection with the sale of the Bonds.

The Bonds are issued under the provisions of chapters 35.58, 36.67, 39.46, and 39.53 of the Revised Code of Washington ("RCW") and the County Charter. The Bonds are authorized under the provisions of County Ordinance 16868, passed on June 28, 2010 (the "Bond Ordinance"), and Motion ________ of the Metropolitan King County Council (the "County Council"), adopted on _____________, 2011 (the "Sale Motion," and together with the Bond Ordinance, the "Bond Legislation").

The Bond Ordinance authorized the issuance of no more than $475,000,000 in Parity Bonds or Parity Lien Obligations to pay for costs of improvements to the Sewer System. The County issued $300,000,000 in Parity Bonds under the Bond Ordinance for this purpose in July 2010. The Bonds represent the final $175,000,000 in Parity Bonds to be issued under the Bond Ordinance to fund costs of improvements to the Sewer System.

Information contained herein has been obtained from County officers, employees, records, and other sources the County believes to be reliable. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Bonds.

Quotations, summaries and explanations of constitutional provisions, statutes, resolutions, ordinances, and other documents in this Official Statement do not purport to be complete and are qualified by reference to the complete text of such documents, which may be obtained from the King County Finance and Business Operations Division, 500 Fourth Avenue, Room 600, Seattle, Washington 98104. Capitalized terms that are not defined herein have the same meanings as set forth in the Bond Legislation.

THE BONDS

Description

The Bonds will be dated and bear interest from the date of their initial delivery to the purchaser. The Bonds will be fully registered as to both principal and interest, and will be in the denomination of $5,000 or any integral multiple thereof within a single maturity of the Bonds. When issued, the Bonds will be registered in the name of Cede & Co. as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC").

Interest on the Bonds will be payable semiannually on each January 1 and July 1, beginning July 1, 2011, to the maturity or earlier redemption of the Bonds. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will mature on January 1 in the years and amounts set forth on the inside cover of this Official Statement.

DTC will act as initial securities depository for the Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners or Bond owners will mean Cede & Co. and will not mean the "Beneficial Owners" of the Bonds. In this Official Statement, the term "Beneficial Owner" will mean the person for which a DTC participant acquires an interest in the Bonds.

The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington (the "State"), currently The Bank of New York Mellon in New York, New York (the "Bond Registrar"). For so long as the Bonds remain in a "book-entry only" transfer system, the Bond Registrar is required to make such payments to DTC, which, in turn, is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to the Beneficial Owners of the Bonds, as further described herein in Appendix F—Book-Entry System.

Redemption

Optional Redemption of the Bonds. The County reserves the right to redeem outstanding Bonds maturing on or after January 1, 2022, in whole or in part, at any time on or after January 1, 2021, at the price of par plus accrued interest, if any, to the date fixed for redemption.

If less than all of the Bonds subject to optional redemption are called for redemption, the County will choose the maturities to be redeemed. If less than a whole of a maturity is called for redemption, the Bonds to be redeemed will be chosen randomly by the Bond Registrar (or in such other manner as the Bond Registrar may determine). So long as the Bonds are registered in the name of Cede & Co. or its registered assign, the Bonds to be redeemed will be chosen by DTC in accordance with its procedures. See Appendix F—Book-Entry System.

Mandatory Redemption. If not previously redeemed as described above, the Term Bonds maturing on January 1, ____, and January 1, ____, will be called for redemption (in such manner as DTC will determine) at a price of par, plus accrued interest to the date fixed for redemption, on January 1 in the years and amounts as follows:

____ TERM BOND

Years (January 1)	Amounts
*	

______ TERM BOND

Years (January 1)	Amounts
*	

* Final maturity.

Notice and Effect of Redemption. Written notice of any redemption of Bonds is required to be given by the Bond Registrar by first class mail, postage prepaid, not less than 30 days nor more than 60 days before the redemption date to the registered owners of Bonds that are to be redeemed at their last addresses shown on the Bond Register. So long as the Bonds are in book-entry form, notice of redemption is to be given as provided in the Letter of Representations. These requirements will be deemed complied with when notice is mailed as provided in the Bond Ordinance whether or not it is actually received by the owner.

The County may cancel any notice of an optional redemption of Bonds by giving written notice of such cancellation no later than seven days prior to the designated redemption date to all parties who were given notice of redemption in the same manner as such notice was given. Any optional redemption of Bonds may also be subject to such conditions, including but not limited to the receipt of refunding bond proceeds, as the County may set forth in the notice of redemption.

Unless the County has cancelled a notice of redemption or a condition to the redemption has not been satisfied, the County will transfer to the Bond Registrar amounts that, in addition to other money, if any, held by the Bond Registrar, will be sufficient to redeem, on the redemption date, all the Bonds to be redeemed. Interest on each Bond to be redeemed will cease to accrue from the redemption date.

Book-Entry System

Book-Entry Bonds. The Bonds initially issued will be held in fully immobilized form by DTC acting as depository. Bonds will be registered initially in the name of Cede & Co., as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal designated to mature on such date. Neither the County nor the Bond Registrar has any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds in respect of the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal of or interest on the Bonds, any notice which is permitted or required to be given to registered owners under the Bond Ordinance (except such notices as are required to be given by the County to the Bond Registrar or to DTC), or any consent given or other action taken by DTC as the registered owner. See Appendix F for additional information.

The County makes no representation as to the accuracy or completeness of information in Appendix F provided by DTC. Purchasers of the Bonds should confirm its contents with DTC or its participants.

Termination of Book-Entry System. If DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or if the County determines that it is in the best interest of the Beneficial Owners of any of the Bonds that they be able to obtain such Bonds in the form of bond certificates, the ownership of Bonds may then be transferred to any person or entity as provided in the Bond Ordinance, and the Bonds will no longer be held in fully immobilized form. In that event, interest on the Bonds will be paid by check or draft mailed to the registered owners at the addresses for such registered owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date. If so requested in writing by the registered owner of at least $1,000,000 principal amount of Bonds, interest will be paid by wire transfer on the interest payment date to an account with a bank located in the United States. Principal of the Bonds will be payable upon presentation and surrender of such Bonds by the registered owners at the principal office of the Bond Registrar.

Open Market Purchase

The County has reserved the right to purchase any or all of the Bonds in the open market at any time at any price. Any such purchased Bonds need not be canceled.

Defeasance of Bonds

If money and/or noncallable Government Obligations (as defined in Appendix A—Summary of Bond Ordinance—Certain Definitions) maturing at such time or times and bearing interest in amounts sufficient to redeem and retire, refund or defease part or all of the Bonds in accordance with their terms are set aside in a special account to effect such redemption and retirement, and such money and the principal of and interest on such Government Obligations are irrevocably set aside and pledged for such purpose, then such Bonds will cease to be entitled to any lien, benefit or security of the Bond Ordinance except the right to receive the money so set aside and pledged, and such Bonds will be deemed to be not outstanding under the Bond Ordinance.

USE OF PROCEEDS

Proceeds from the sale of the Bonds will be used to (i) finance the construction of improvements to the County's sewer system (the "Sewer System"), (ii) fund a deposit to the Parity Bond Reserve Account, and (iii) pay the costs of issuing the Bonds.

Sources and Uses of Funds

The proceeds from the Bonds will be applied as follows:

SOURCES OF FUNDS	
Par Amount of Bonds	$
Net Reoffering Premium (Discount)	
Total Sources of Funds	$
USES OF FUNDS	
Deposit to Project Account	$
Deposit to Parity Bond Reserve Account	
Costs of Issuance*	
Total Uses of Funds	$

* Includes underwriter's discount, rating agency fees, financial advisory fees, legal fees, printing costs, and other costs of issuing the Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Sewer Revenue

The Bonds are payable from and secured by a pledge of earnings, revenues and money received by the County from or on account of the operation of the Sewer System ("Revenue of the System"), subject to Operating and Maintenance Expenses of the Sewer System. See "The Sewer System." The lien of the Bonds is equal to the lien on Revenue of the System securing payment of the outstanding Parity Bonds and superior to all other liens on the Revenue of the System except Operating and Maintenance Expenses, including the liens securing the Parity Lien Obligations, the Junior Lien Obligations, the Subordinate Lien Obligations, and the State Revolving Fund ("SRF") Loans and Public Works Trust Fund Loans, all of which are described below under "Outstanding Sewer System Obligations."

Revenue of the System is required to be deposited into the Revenue Fund and used for the following purposes and in the following order of priority:

(i) to pay all Operating and Maintenance Expenses;

(ii) to make required debt service payments on the Bonds and other Parity Bonds and to make Payment Agreement Payments under any Parity Payment Agreements;

(iii) to make required payments pursuant to any reimbursement agreements in connection with any surety bond or letters of credit for the Parity Bond Reserve Account;

(iv) to establish and maintain the Parity Bond Reserve Account;

(v) to make required debt service payments on Parity Lien Obligations and to make Payment Agreement Payments under any Parity Lien Payment Agreements;

(vi) to make required debt service payments on Junior Lien Obligations, to make Payment Agreement Payments under any Junior Lien Payment Agreements, and to make any required payments to providers of any credit enhancements or liquidity facilities for any Junior Lien Obligations;

(vii) to make required debt service payments on Multi-Modal LTGO/Sewer Revenue Bonds, to make Payment Agreement Payments under any Payment Agreements entered into with respect to Multi-Modal LTGO/Sewer Revenue Bonds, and to make any payments required to be made to providers of credit enhancements or liquidity facilities for any Multi-Modal LTGO/Sewer Revenue Bonds;

(viii) to make required debt service payments on the Subordinate Lien Obligations;

(ix) to make required debt service payments on indebtedness secured by a lien on Revenue of the System that is junior and inferior to the Subordinate Lien Obligations; and

(x) to make required debt service payments on the SRF Loans and Public Works Trust Fund Loans.

Any surplus money that the County may have on hand in the Revenue Fund after making the required payments set forth above may be used by the County for any of the following purposes:

(i) to make necessary improvements, additions and repairs to and extensions and replacements of the Sewer System;

(ii) to purchase or redeem and retire sewer revenue bonds of the County;

(iii) to make deposits into the Rate Stabilization Fund (see "Rate Stabilization Fund"); or

(iv) for any other lawful purposes of the County related to the Sewer System.

Outstanding Sewer System Obligations

The following table presents information on the outstanding obligations of the County's Sewer System ("Sewer System Obligations") as of January 1, 2011.

Sewer System Obligations	**Principal Amount of Sewer System Obligations Outstanding**	**Final Maturity**
Parity Bonds	$2,299,490,000	2050
Parity Lien Obligations	727,885,000	2039
Junior Lien Obligations	100,000,000	2032
Multi-Modal LTGO/Sewer Revenue Bonds	100,000,000	2040
Subordinate Lien Obligations	100,000,000	2016
SRF Loans and Public Works Trust Fund Loans	135,994,470	2031

Parity Bonds. The County has outstanding 12 series of Parity Bonds, which are sewer revenue bonds that are secured solely by a pledge of Revenue of the System. The lien of the pledge of Revenue of the System securing the Parity Bonds is senior to the lien of all other debt of the Sewer System. As of January 1, 2011, there was $2,299,490,000 aggregate principal amount of outstanding Parity Bonds. The Bonds will be the thirteenth series of Parity Bonds.

Parity Lien Obligations. The County has outstanding three series of Parity Lien Obligations, which are limited tax general obligation bonds of the County that are additionally secured by a pledge of Revenue of the System. The lien of the pledge of Revenue of the System securing the Parity Lien Obligations is junior and subordinate to the lien of the Parity Bonds, but senior to the liens of the Junior Lien Obligations, the Multi-Modal LTGO/Sewer Revenue Bonds, the Subordinate Lien Obligations, and the SRF Loans and Public Works Trust Fund Loans. As of January 1, 2011, there was $727,885,000 aggregate principal amount of outstanding Parity Lien Obligations.

Junior Lien Obligations. The County has outstanding two series of Junior Lien Obligations, which are variable rate demand bonds that are secured by a pledge of Revenue of the System. The lien of the pledge of Revenue of the System securing the Junior Lien Obligations is junior and subordinate to the liens of the Parity Bonds and the Parity Lien Obligations, but senior to the liens of the Multi-Modal LTGO/Sewer Revenue Bonds, the Subordinate Lien Obligations, and the SRF Loans and Public Works Trust Fund Loans. As of January 1, 2011, there was $100,000,000 aggregate principal amount of outstanding Junior Lien Obligations.

Multi-Modal LTGO/Sewer Revenue Bonds. As of January 1, 2011, the County had $100,000,000 aggregate principal amount outstanding in two series of Multi-Modal LTGO/Sewer Revenue Bonds, which are limited tax general obligation bonds of the County that are additionally payable from and secured by a pledge of Revenue of the System. The lien of the pledge of Revenue of the System securing the Multi-Modal LTGO/Sewer Revenue Bonds is junior and subordinate to the liens of the Parity Bonds, the Parity Lien Obligations and the Junior Lien Obligations, but senior to the liens of the Subordinate Lien Obligations and the SRF Loans and Public Works Trust Fund Loans.

Subordinate Lien Obligations. The County has outstanding one issue of Subordinate Lien Obligations, which are Commercial Paper Notes secured by a pledge of Revenue of the System and are authorized in an amount not to exceed $100,000,000. The lien of the pledge of Revenue of the System securing the Subordinate Lien Obligations is junior and subordinate to the liens of the Parity Bonds, the Parity Lien Obligations, the Junior Lien Obligations, and the Multi-Modal LTGO/Sewer Revenue Bonds, but senior to the liens of the SRF Loans and Public Works Trust Fund Loans. As of January 1, 2011, there was $100,000,000 aggregate principal amount of outstanding Commercial Paper Notes.

SRF Loans and Public Works Trust Fund Loans. The County has received loans from the State (administered by various State agencies) that are secured by a pledge of Revenue of the System. The lien of the pledge of Revenue of the System securing these loans (the SRF Loans and the Public Works Trust Fund Loans) is junior and subordinate to the lien of all other debt of the Sewer System. As of January 1, 2011, the outstanding aggregate principal amount of the SRF Loans and Public Works Trust Fund Loans was $135,994,470.

Agreements With Participants

The sewerage service provided by the County is wholesale in character, covering construction, operation and maintenance of main trunk and interceptor sewers, pumping stations, and treatment plants. As the successor to the Municipality of Metropolitan Seattle ("Metro"), the County has assumed by operation of law Metro's rights and obligations under its Service Agreements with 34 Municipal Participants (as defined under "The Sewer System—The Participants") and three non-Municipal Participants. The Service Agreements with the Municipal Participants contain provisions that are uniform in effect with respect to the facilities to be provided, delivery and acceptance of sewage, and payment for sewage disposal. The Service Agreements with the non-Municipal Participants, which accounted for approximately 0.04 percent of the sewage disposal revenues in the year ended December 31, 2009, do not differ substantially from the Service Agreements with the Municipal Participants. The rates set by Municipal Participants for sewer service to their customers are not subject to the jurisdiction of the Washington Utilities and Transportation Commission. Under Washington law, the Municipal Participants have various remedies for the enforcement of delinquent bills, including placing liens on the property of delinquent customers.

The Service Agreements uniformly provide that the County will receive all sewage collected by the Participants in the service area of the Sewer System and will treat and dispose of such sewage. In return, the Participants will deliver their sewage to the Sewer System and pay the County for all costs incurred in providing sewage disposal services including the debt service on all obligations secured by Revenue of the System.

All of the Service Agreements with the Municipal Participants extend to at least July 1, 2036. Since 2002, the County has been in the process of negotiating extensions of the Service Agreements with the Participants. These negotiations continue. Extensions through July 1, 2056, have been signed by the cities of Renton, Tukwila, Pacific, Issaquah, and Carnation, the Vashon Sewer District and the Muckleshoot Indian Tribe. The requirement for certain Municipal Participants to remain customers of the Sewer System beyond the expiration of existing Service Agreements is described below under "Alternative Billing for Agency Customers."

Validity and Enforceability. The common provisions of the Service Agreements (i) provide for the delivery of sewage to the Sewer System by each Participant and the acceptance of such sewage by the County for treatment and disposal, and (ii) establish the method for determining Sewage Disposal Charges and for making payment thereof. In 1960, the Service Agreement with The City of Seattle (containing the essential common provisions of all the Service Agreements) was held valid by an *en banc* decision of the Supreme Court of the State of Washington *(Municipality of Metropolitan Seattle v. City of Seattle, et al.*, 57 Wn.2d 446, 357 P.2d 863 (1960)).

Alternative Billing for Agency Customers

By Ordinance 15757, passed on May 7, 2007, the County Council invoked its authority under RCW 35.58.200(3) to require that each current Participant from within the County continue as an "Agency Customer" (a wholesale customer of the Sewer System not subject to a Service Agreement) following expiration of its Service Agreement so long as bonds issued to finance the capital projects in the Regional Wastewater Services Plan ("RWSP"), which include the Bonds, remain outstanding. In accordance with RCW 35.58.200(4), Ordinance 15757 also established a monthly sewer rate for Agency Customers, including those within the County, who are required to connect to the Sewer System, and those outside the County, who are not required to connect to the Sewer System. The formula for the monthly rate charged Agency Customers under Ordinance 15757 is identical to the formula set forth in the Service Agreements.

Rate and Coverage Covenants

Rate Covenant. The County has covenanted in the Bond Ordinance to establish, maintain and collect rates and charges for sewage disposal service for each calendar year that are fair and nondiscriminatory and adequate to provide the County with Revenue of the System sufficient (i) to pay all Operating and Maintenance Expenses during such calendar year, (ii) to pay punctually all amounts described in paragraphs (ii) through (xi) under "Pledge of Sewer Revenue" due during such calendar year, and (iii) to pay any and all amounts that the County is now or may hereafter become obligated by law or contract to pay during such calendar year from the Revenue of the System.

Coverage Covenant. The County has covenanted in the Bond Ordinance to establish, maintain and collect rates and charges for sewage disposal service that, together with the interest to be earned on investments made of money in the Revenue Fund, Parity Bond Fund, Parity Bond Reserve Account, and Construction Account, will provide in each calendar year Net Revenue (which is defined in the Bond Ordinance as Revenue of the System less Operating and Maintenance Expenses), in an amount equal to at least 1.15 times the amounts required to pay the Annual Parity Debt Service for such year. See "The Sewer System—Current Coverage Policy." From and after the date when none of the currently outstanding Parity Bonds remain outstanding, for purposes of satisfying this rate covenant, Annual Parity Debt Service for any year will exclude any Debt Service Offsets, such as payments received by the County from the federal government as direct subsidy for interest on Build America Bonds and similar taxable bonds. See definition of "Annual Parity Debt Service" and "Debt Service Offsets" in Appendix A—Summary of Bond Ordinance—Certain Definitions.

The Bond Ordinance requires that there be added to Revenue of the System for any calendar year any amount withdrawn from the Rate Stabilization Fund and deposited in the Revenue Fund and that there be subtracted from Revenue of the System for any year any amounts in such year withdrawn from the Revenue Fund and deposited into the Rate Stabilization Fund in such year.

Parity Bond Reserve Account

The Parity Bond Reserve Account of the Parity Bond Fund secures all Parity Bonds. The Bond Ordinance provides that the County will pay into and maintain in the Parity Bond Reserve Account an amount that will be at least equal to the maximum debt service on the Parity Bonds in any calendar year (the "Reserve Requirement"). The County may substitute Qualified Insurance or a Qualified Letter of Credit for amounts required to be paid into or maintained in the Parity Bond Reserve Account. As of October 31, 2010, the balance of cash and investments in the Parity Bond Reserve Account was $130,994,146, including the net effect of the impaired assets (see "King County—King County Investment Pool"). In addition, in connection with the issuance of Parity Bonds in 2006 and 2007, the County obtained debt service reserve surety bonds then satisfying the criteria of "Qualified Insurance" under the applicable bond ordinances (each a "Surety Bond" and together the "Surety Bonds").

The following table provides information on the Surety Bonds.

Surety Provider	Ratings (S&P/Moody's)	Effective Date	Termination Date	Obligations Secured	Maximum Amount
FSA*	AA+/Aa3	5/16/2006	1/1/2036	Parity Bonds	$ 4,880,916
FSA*	AA+/Aa3	11/30/2006	1/1/2036	Parity Bonds	7,189,850
FSA*	AA+/Aa3	06/26/2007	1/1/2047	Parity Bonds	12,500,001

* FSA Holdings Limited was sold to Assured Guaranty Ltd. effective July 1, 2009.

When the Bonds are issued, the County will meet any required deposits to the Parity Bond Reserve Account by depositing Bond proceeds into the Parity Bond Reserve Account. When additional Parity Bonds are issued, money sufficient to establish the required balance in the Parity Bond Reserve Account is required to be deposited at the time of issuance of such Parity Bonds or within one year of such issuance. In the event of a withdrawal from the Parity Bond Reserve Account to pay debt service on the Parity Bonds, any deficiency created in the Parity Bond Reserve Account by reason of such withdrawal will be made up from Revenue of the System. See "Pledge of Sewer Revenue."

Rate Stabilization Fund

The County established the Rate Stabilization Fund in 2005. In accordance with the order of priority described above in "Pledge of Sewer Revenue," the County may from time to time appropriate or budget amounts in the Revenue Fund for deposit in the Rate Stabilization Fund and may from time to time withdraw amounts therefrom for deposit in the Revenue Fund to prevent or mitigate sewer rate increases or for any other lawful purposes of the County related to the Sewer System. The effect on the County's coverage covenant of deposits in and withdrawals from the Rate Stabilization Fund is discussed above in "Rate and Coverage Covenants."

The County made its first deposit into the Rate Stabilization Fund in 2005. As of December 31, 2010, the planned balance in the Rate Stabilization Fund is $51 million. The County expects to utilize all of these funds through 2014 to mitigate sewer rate increases.

Future Parity Bonds

The Bond Ordinance permits the County to issue Future Parity Bonds for the purposes of either financing the construction of additional improvements to the Sewer System or refunding or purchasing and retiring outstanding Sewer System Obligations. The requirements for issuing Future Parity Bonds are as follows:

(i) There must be no deficiency in the Parity Bond Fund or any account therein.

(ii) The Reserve Requirement must be satisfied within one year following the issuance of such Future Parity Bonds, either by the deposit of cash into the Parity Bond Reserve Account or by the provision of Qualified Insurance or a Qualified Letter of Credit.

(iii) At the time of the issuance of any Future Parity Bonds, the County must have on file a certificate from a Professional Utility Consultant showing that the "annual income available for revenue bond debt service" for each year during the life of such Future Parity Bonds will be at least equal to 1.25 times the amount required in each such year to pay the Annual Parity Debt Service for such year. Such "annual income available for revenue bond debt service" must be determined as follows for each year following the proposed date of issue of such Future Parity Bonds:

   (a) The Revenue of the System must be determined for a period of any 12 consecutive months out of the 18 months immediately preceding the delivery of the Future Parity Bonds being issued.

   (b) Such revenue must be adjusted to give effect on a 12-month basis to the rates in effect on the date of such certificate.

   (c) If any customers were added to the Sewer System during such 12-month period or thereafter and prior to the date of the Professional Utility Consultant's certificate, such revenue must be further adjusted on the basis that added customers were customers of the Sewer System during the entire 12-month period.

   (d) The amount expended for Operating and Maintenance Expenses during such period must be deducted from such revenue.

   (e) For each year following the proposed date of issuance of such Future Parity Bonds, there will be added to the annual revenue determined in the preceding four paragraphs an estimate of the income to be received in each such year from the investment of money in the Parity Bond Fund and any account therein and from the Construction Fund to be determined by a firm of nationally recognized financial consultants selected by the County.

(f) Beginning with the second year following the proposed date of issue of such Future Parity Bonds and for each year thereafter, the Professional Utility Consultant will add to the annual revenue determined in the preceding five paragraphs his or her estimate of any additional annual revenue to be received from anticipated growth in the number of customers within the area served by the Sewer System on the date of such certificate, after deducting therefrom any increased Operating and Maintenance Expenses estimated to be incurred as a result of such growth; provided that the estimate of the number of customers served may not assume a growth of more than one-fourth of one percent over and above the number of customers served or estimated to be served during the preceding year.

(g) If extensions of or additions to the Sewer System are in the process of construction at the time of such certificate, or if the proceeds of the Future Parity Bonds being issued are to be used to acquire or construct extensions of or additions to the Sewer System, there will be added to the annual net revenue as above determined any revenue not included in the preceding paragraphs that will be derived from such additions and extensions after deducting therefrom the estimated additional Operating and Maintenance Expenses to be incurred as a result of such additions and extensions; provided that such estimated annual revenue must be based upon 75 percent of any estimated customer growth in the four years following the first full year in which such additional revenue is to be collected and thereafter the estimated customer growth may not exceed one-fourth of one percent per year over and above such reduced estimate.

(iv) Instead of the certificate described in paragraph (iii) above, the County may elect instead to have on file a certificate of the County's Finance Director demonstrating that during any 12 consecutive calendar months out of the immediately preceding 18 calendar months, Net Revenue for such period was at least equal to 1.25 times the amount required to pay, in each year that such Future Parity Bonds would be outstanding, the Annual Parity Debt Service for such year.

(v) The County may at any time for the purpose of refunding at or prior to their maturity any outstanding Parity Bonds or any bonds or other obligations of the County payable from Revenue of the System issue Future Parity Bonds without complying with the provisions described in paragraphs (iii) or (iv) above; provided, however, that the County may not issue Future Parity Bonds for such refunding purpose unless the Finance Director certifies that upon the issuance of such Future Parity Bonds (i) total debt service required for all Parity Bonds (including the refunding bonds but not including the bonds to be refunded thereby) will decrease, and (ii) the annual debt service for each year that any Parity Bonds (including the refunding bonds proposed to be issued) are then outstanding will not be increased by more than $5,000 by reason of the issuance of such Future Parity Bonds.

To satisfy the Future Parity Bonds test applicable to issuance of the Bonds, the County will provide a parity certificate of the type described in paragraph (iv) above. The County will need to be able to make such certifications when it issues the approximately $211 million of additional Parity Bonds that are projected to be needed to finance the construction of planned improvements to the Sewer System through 2014. See "The Sewer System—Future Financing Plans."

SCHEDULED DEBT SERVICE REQUIREMENTS

The following table sets forth the scheduled debt service requirements for the Bonds, and is followed by a table that sets forth the scheduled debt service requirements for all outstanding obligations of the Sewer System.

DEBT SERVICE SCHEDULE

Year Ending	The Bonds[1]		
December 31[2]	Principal	Interest[3]	Total
2011	$ -	$ 8,288,607	$ 8,288,607
2012	-	8,880,650	8,880,650
2013	3,205,000	8,880,650	12,085,650
2014	3,300,000	8,784,500	12,084,500
2015	3,435,000	8,652,500	12,087,500
2016	3,570,000	8,515,100	12,085,100
2017	3,715,000	8,372,300	12,087,300
2018	3,860,000	8,223,700	12,083,700
2019	4,015,000	8,069,300	12,084,300
2020	4,175,000	7,908,700	12,083,700
2021	4,345,000	7,741,700	12,086,700
2022	4,560,000	7,524,450	12,084,450
2023	4,790,000	7,296,450	12,086,450
2024	5,030,000	7,056,950	12,086,950
2025	5,280,000	6,805,450	12,085,450
2026	5,545,000	6,541,450	12,086,450
2027	5,820,000	6,264,200	12,084,200
2028	6,110,000	5,973,200	12,083,200
2029	6,415,000	5,667,700	12,082,700
2030	6,740,000	5,346,950	12,086,950
2031	7,075,000	5,009,950	12,084,950
2032	7,465,000	4,620,825	12,085,825
2033	7,875,000	4,210,250	12,085,250
2034	8,310,000	3,777,125	12,087,125
2035	8,765,000	3,320,075	12,085,075
2036	9,245,000	2,838,000	12,083,000
2037	9,755,000	2,329,525	12,084,525
2038	10,290,000	1,793,000	12,083,000
2039	10,855,000	1,227,050	12,082,050
2040	11,455,000	630,025	12,085,025
Total	$ 175,000,000	$180,550,332	$ 355,550,332

(1) Preliminary, subject to change.

(2) January 1 payments are presented in the prior year.

(3) Assumes interest rates between 3.00% and 5.50%.

SCHEDULED DEBT SERVICE ON ALL OBLIGATIONS OF THE SEWER SYSTEM
(Fiscal Years Ending December 31)

Year Ending December 31 [1]	Parity Bonds Outstanding	Parity Bonds The Bonds[2]	Parity Lien Obligations	Junior Lien Obligations[3]	Multi-Modal LTGO /Sewer[3]	Commercial Paper Notes[3]	Public Works Trust Fund and SRF Loans	Total
2011	$ 150,573,767	$ 8,288,607	$ 39,014,038	$ 5,175,000	$ 5,175,000	$ 5,175,000	$ 9,991,934	$ 223,393,345
2012	151,927,210	8,880,650	38,990,313	5,175,000	5,175,000	5,175,000	10,574,027	225,897,200
2013	155,095,555	12,085,650	44,854,475	5,175,000	5,175,000	5,175,000	10,610,934	238,171,614
2014	155,102,304	12,084,500	44,666,975	5,175,000	5,175,000	5,175,000	10,602,832	237,981,611
2015	155,111,981	12,087,500	44,636,975	5,175,000	5,175,000	5,175,000	10,594,861	237,956,316
2016	143,606,942	12,085,100	56,147,175	5,175,000	5,175,000	105,175,000	10,587,025	337,951,241
2017	143,596,487	12,087,300	56,129,425	5,175,000	5,175,000	-	10,505,143	232,668,355
2018	143,579,567	12,083,700	56,109,175	5,175,000	5,175,000	-	10,498,335	232,620,777
2019	143,592,505	12,084,300	56,073,925	5,175,000	5,175,000	-	10,491,676	232,592,405
2020	143,568,130	12,083,700	56,061,675	5,175,000	5,175,000	-	10,002,995	232,066,500
2021	143,631,892	12,086,700	56,028,425	5,175,000	5,175,000	-	9,600,658	231,697,674
2022	143,651,648	12,084,450	56,011,525	5,175,000	5,175,000	-	8,557,346	230,654,969
2023	144,008,418	12,086,450	55,970,125	5,175,000	5,175,000	-	7,571,762	229,986,755
2024	144,029,818	12,086,950	55,950,125	5,175,000	5,175,000	-	7,572,640	229,989,533
2025	144,073,993	12,085,450	55,916,375	5,175,000	5,175,000	-	6,211,138	228,636,955
2026	144,116,501	12,086,450	55,875,875	5,175,000	5,175,000	-	3,037,585	225,466,411
2027	144,163,126	12,084,200	55,845,125	5,175,000	5,175,000	-	2,579,697	225,022,147
2028	144,202,013	12,083,200	55,804,625	5,175,000	5,175,000	-	2,166,777	224,606,615
2029	144,251,582	12,082,700	55,765,750	5,175,000	5,175,000	-	1,197,641	223,647,672
2030	144,307,420	12,086,950	55,722,113	5,175,000	5,175,000	-	1,197,289	223,663,771
2031	144,284,526	12,084,950	55,762,819	105,175,000	5,175,000	-	121,860	322,604,154
2032	144,337,626	12,085,825	55,707,188	-	5,175,000	-	-	217,305,638
2033	143,490,863	12,085,250	47,696,788	-	5,175,000	-	-	208,447,901
2034	148,071,794	12,087,125	37,969,275	-	5,175,000	-	-	203,303,194
2035	109,160,263	12,085,075	21,293,656	-	5,175,000	-	-	147,713,994
2036	109,404,869	12,083,000	21,328,700	-	5,175,000	-	-	147,991,569
2037	109,456,869	12,084,525	21,353,475	-	5,175,000	-	-	148,069,869
2038	109,500,369	12,083,000	21,381,538	-	5,175,000	-	-	148,139,907
2039	109,472,156	12,082,050	-	-	105,175,000	-	-	226,729,206
2040	109,451,788	12,085,025	-	-	-	-	-	121,536,813
2041	109,281,050	-	-	-	-	-	-	109,281,050
2042	75,107,213	-	-	-	-	-	-	75,107,213
2043	74,923,850	-	-	-	-	-	-	74,923,850
2044	74,861,750	-	-	-	-	-	-	74,861,750
2045	74,796,175	-	-	-	-	-	-	74,796,175
2046	74,724,725	-	-	-	-	-	-	74,724,725
2047	50,829,725	-	-	-	-	-	-	50,829,725
2048	17,899,000	-	-	-	-	-	-	17,899,000
2049	17,897,250	-	-	-	-	-	-	17,897,250
Total	$4,733,142,711	$355,550,332	$1,334,067,650	$ 208,675,000	$250,075,000	$131,050,000	$ 154,274,155	$7,166,834,848

NOTES TO TABLE:

(1) January 1 payments are presented in the prior year.

(2) Preliminary, subject to change. Assumes interest rates between 3.00% and 5.50%.

(3) Debt service is based on an interest rate of 5.175 percent, which represents 90 percent of the Revenue Bond Index assumed by the County for long-term financial planning purposes. The Junior Lien Obligations have a bullet maturity in 2032. The Multi-Modal LTGO/Sewer Bonds have a bullet maturity in 2040. The Commercial Paper program is authorized through 2016; the figures shown here assume issuance of the full authorized amount of $100 million.

THE SEWER SYSTEM

The Facilities

The Sewer System has been designated by the County as its Water Quality Enterprise. The Sewer System, distributed over a 420-square-mile service area, collects and treats an average of 169 million gallons per day ("mgd") from approximately 1.4 million residents. The major wastewater facilities include two secondary treatment plants at West Point and Renton, 335 miles of interceptors, 42 pump stations, and 19 regulator stations. Other facilities include two combined sewer overflow ("CSO") treatment plants, 38 CSO control locations, and secondary treatment plants on Vashon Island and in Carnation. In addition, a new treatment plant and conveyance system known as Brightwater is under construction. See "Brightwater Project."

The Participants

Municipal Participants. The Municipal Participants (33 cities and sewer districts in King County, south Snohomish County and northern Pierce County, and the Muckleshoot Indian Tribe) contract with the County for sewage treatment services. The Municipal Participants from within the County are required to continue as Agency Customers in the absence of a Service Agreement. See "Security and Sources of Payment for the Bonds—Alternative Billing for Agency Customers." The sewerage service provided by the County is wholesale in character, covering construction, operation and maintenance of main trunk and interceptor sewers, pumping stations, and treatment plants. The division of responsibility between the County and the Participants and their respective obligations are set forth in the Service Agreements. See "Security and Sources of Payment for the Bonds—Agreements with Participants."

Each Municipal Participant and each Agency Customer within the County is required to deliver to the Sewer System all of the sewage and industrial wastes collected by it from its service area. The County is required to accept such sewage and wastes for treatment subject to reasonable rules and regulations. The County may not directly accept sewage or wastes from any person, firm, corporation or governmental agency that is within the boundaries of, or is delivering sewage into, the local sewerage facilities of any Municipal Participant without the consent of such Municipal Participant. A Municipal Participant or Agency Customer cannot deliver sewage to another agency without the consent of the County.

Non-Municipal Participants. The County also provides sewage treatment and disposal services to three small non-Municipal Participants, pursuant to Service Agreements that do not differ substantially from the Service Agreements with the Municipal Participants, and to certain other small customers.

Customers and Residential Customer Equivalents. The number of Residential Customers and Residential Customer Equivalents reported by each Municipal Participant and the Non-Municipal Participants as of December 31, 2010, is presented in the following table.

SEWER SYSTEM PARTICIPANTS AS OF DECEMBER 31, 2010

Municipal Participants-Cities	Single Family Residential Customers	RCE[1]	Total Customers	Percentage of Total (%)
Algona	1,032	382	1,414	0.20
Auburn	10,973	15,755	26,728	3.78
Bellevue	33,230	27,928	61,158	8.65
Black Diamond	767	258	1,025	0.15
Bothell	4,404	3,381	7,785	1.10
Brier[2]	1,513	306	1,819	0.26
Carnation	674	332	1,006	0.00
Issaquah	4,604	5,370	9,974	1.41
Kent	11,773	22,981	34,754	4.92
Kirkland	8,809	5,777	14,586	2.06
Lake Forest Park	3,354	660	4,014	0.57
Mercer Island	7,070	1,819	8,889	1.26
Pacific	1,443	956	2,399	0.34
Redmond	13,164	15,315	28,479	4.03
Renton	14,070	14,835	28,905	4.09
Seattle[3]	140,498	146,961	287,459	40.67
Tukwila	900	6,884	7,784	1.10
Subtotal	258,278	269,900	528,178	74.72
Municipal Participants-Sewer Districts and Tribe				
Alderwood Water & Wastewater District[2]	24,183	12,393	36,576	5.17
Cedar River Water & Sewer District	3,886	1,425	5,311	0.75
Coal Creek Utility District	2,708	809	3,517	0.50
Cross Valley Water District [2]	0	255	255	0.04
Highlands Sewer District	106	0	106	0.01
Lakehaven Utility District	864	7	871	0.12
Muckleshoot Indian Tribe	215	104	319	0.05
NE Sammamish Sewer & Water District	4,581	125	4,706	0.67
Northshore Utility District	18,422	10,229	28,651	4.05
Olympic View Water & Sewer District[2]	191	0	191	0.03
Ronald Wastewater District	14,945	4,907	19,852	2.81
Sammamish Plateau Water & Sewer District	8,838	4,190	13,028	1.84
Skyway Water & Sewer District	3,791	1,350	5,141	0.73
Soos Creek Water & Sewer District	29,157	5,535	34,692	4.91
Valley View Sewer District	6,861	8,056	14,917	2.11
Vashon Sewer District	371	559	930	0.13
Woodinville Water District	2,225	3,403	5,628	0.80
Subtotal	121,344	53,347	174,691	24.71
Non-Municipal Participants and Other Customers	0	3,999	3,999	0.57
Total	379,622	327,246 0	706,868	100.00

NOTES TO TABLE:

(1) Residential Customer Equivalents (includes multifamily, commercial and industrial customers) are customer units based on water consumption.

(2) These Participants are outside the County and are not required to connect to the Sewer System under Ordinance 15757.

(3) Financial and operating information about the drainage and wastewater system of the City of Seattle may be found in the City's most recent official statement and continuing disclosure filings for its drainage and wastewater revenue bonds, on file with the Municipal Securities Rulemaking Board (the "MSRB"). The City's comprehensive annual financial reports may also be obtained on the City's website at *www.seattle.gov/cafrs*.

Source: King County Wastewater Treatment Division

Sewer Rates

The County annually adopts a monthly charge (the "Sewer Rate") for sewage disposal. The Sewer Rate is set by the County at a level that is intended to provide the County with money sufficient, together with other sources of Revenue of the System, to pay all costs of the Sewer System, including debt service on all obligations secured by Revenue of the System, and to satisfy the County's debt service coverage policies.

The monthly Sewer Rate is applied to each single family residence ("Residential Customers") and to a customer equivalency value of each 750 cubic feet of water consumption by all other customers such as multifamily, commercial and industrial properties ("Residential Customer Equivalents"). Each Municipal Participant and Agency Customer is billed monthly an amount based upon the adopted Sewer Rate and the number of Residential Customers and Residential Customer Equivalents reported by the Participant or Agency Customer.

Each Municipal Participant irrevocably obligates and binds itself to pay its sewage disposal charge (the "Sewage Disposal Charge") out of the gross revenues of its sewerage utility. Each Municipal Participant further binds itself to establish, maintain and collect sewerage charges that will at all times be sufficient to pay all costs of maintenance and operation of its sewerage utility, including the Sewage Disposal Charge payable to the County under the Service Agreement, and sufficient to pay the principal of and interest on any revenue bonds of such Municipal Participant that will constitute a charge upon such gross revenue. It is recognized by the County and each Municipal Participant that the Sewage Disposal Charge paid by such Municipal Participant to the County must constitute an expense of maintenance and operation of such Municipal Participant's sewerage utility. Each of the Service Agreements requires that the Municipal Participant provide in the issuance of its sewer revenue bonds that expenses of maintenance and operation of its sewerage utility will be paid before payment of principal and interest on such sewer revenue bonds.

The payment by each Municipal Participant and Agency Customer is due on the last day of the month. The County may charge interest at six percent on any amount remaining unpaid for 15 days after the due date and may enforce payment by any remedy available by law or equity.

Historical Sewer Rates. The monthly sewer rates paid by the Participants for each Residential Customer or Residential Customer Equivalent for the period 2004 through 2010 are set forth in the following table.

SEWER RATES FOR
RESIDENTIAL CUSTOMERS OR
RESIDENTIAL CUSTOMER EQUIVALENTS

Effective Date (January)	Rate ($/month)	Percentage Change
2004	23.40	--
2005	25.60	9.4%
2006	25.60	--
2007	27.95	9.2
2008	27.95	--
2009	31.90	14.1
2010	31.90	--

Source: King County Wastewater Treatment Division

Projected Sewer Rates. The following table shows current Sewer Rate projections for the years 2011 through 2015. The County Council adopted the 2011 rate on June 14, 2010. The 2012-2015 projections are for planning purposes only, are based on rate increases which would be required to meet the County Council's debt service coverage policies, and are subject to approval by the County Council. Under the Service Agreements, the County Council must formally adopt the Sewer Rate each year. The monthly Sewer Rates established by the County Council do not require the approval of the Washington Utilities and Transportation Commission or the Participants.

PROJECTED SEWER RATES
FOR RESIDENTIAL CUSTOMERS
OR RESIDENTIAL CUSTOMER EQUIVALENTS

Effective Date (January)	Rate ($/month)	Percentage Change
2011*	36.10	13.2%
2012	36.10	0.0
2013	39.60	9.7
2014	39.96	0.9
2015	42.89	7.3

* Adopted by the King County Council on June 14, 2010.

Source: King County Wastewater Treatment Division

Current Coverage Policy

The County Council is obligated by applicable bond ordinances to set wholesale sewage disposal rates at a level adequate to provide Net Revenue equal to at least 1.15 times the amounts required to pay Annual Parity Bond Debt Service. See "Security and Sources of Payment for the Bonds—Rate and Coverage Covenants." In 1991, the Metro Council adopted a policy to achieve Parity Bond debt service coverage of at least 1.25 times, higher than that required by the bond ordinances. Following the County's assumption of Metro, the County Council has maintained this policy and has made it also applicable to Parity Lien Obligations.

To further strengthen the financial position of the Sewer System, the County established in 2001 the principle of setting the Sewer Rate to achieve an overall debt service coverage target of 1.15 times coverage on the combined Sewer System Obligations, in addition to continuing to satisfy the existing policy of providing at least 1.25 times coverage on Parity Bonds and Parity Lien Obligations. Additionally, the County Council established an operating liquidity reserve, equal to $5.0 million plus ten percent of operating expenses; an emergency capital reserve equal to $15 million; and a reserve to accumulate funds for the Sewer System's share of total implementation costs of a new County financial system. As of December 31, 2010, the planned balances in these three reserves were $15,684,000, $15,000,000, and $7,500,000, respectively.

Other Revenues

The monthly sewage disposal charges described above consistently account for more than 83 percent of the total Revenue of the System.

Of the balance, the next largest single source of revenue is generated by the capacity charge that has been imposed since 1990 on new customers who connect to the Sewer System. The capacity charge currently being paid by the customers of the Sewer System, which is imposed monthly for 15 years from the commencement of service, varies depending on the date of their connection. The charges can be prepaid on a discounted basis at the customer's option. The charge for new connections in 2010 is $49.07 per month. A capacity charge of $50.45 per month for 2011 was adopted by the County Council on June 14, 2010. State law imposes limitations on the calculation of capacity charges.

A number of other charges, including fees paid by septage haulers for treatment, payments for the by-products of the sewage treatment process, and surcharges imposed for high strength and heavy metal discharges into the Sewer System, collectively account for another approximately three percent of Revenue of the System.

The final element that comprises Revenue of the System is the interest income earned on money held in the various funds of the Sewer System.

Historical Customers, Revenues and Expenses

The following table sets forth a summary of customers, revenues and expenses of the Sewer System.

HISTORICAL FINANCIAL STATEMENTS
($000)

	2005	2006	2007	2008	2009
Residential Customer and Residential Customer Equivalents (Average for Year, Rounded)	689,800	690,900	702,900	706,800	703,800
Revenues and Expenses					
Sewer Operating Revenues	$ 235,543	$ 241,317	$ 271,180	$ 281,173	$ 322,256
Rate Stabilization[1]	(14,500)	0	(8,250)	3,000	(15,400)
Operating and Maintenance Expense	83,651	91,122	95,574	98,370	103,118
Net Operating Revenue	$ 137,392	$ 150,195	$ 167,356	$ 185,803	$ 203,738
Interest Income	6,617	9,131	5,559	4,087	5,613
Net Revenue Available for Debt Service	$ 144,009	$ 159,326	$ 172,915	$ 189,890	$ 209,351
Debt Service on Parity Bonds[2]	$ 77,584	$ 81,203	$ 95,952	$ 110,237	$ 118,926
Debt Service on Parity Lien Obligations	30,936	31,087	29,369	24,178	26,042
Net Revenue Available for Other Purposes, including Subordinate Debt Service	$ 35,489	$ 47,036	$ 47,594	$ 55,475	$ 64,383
Subordinate Debt Service[3]	9,100	13,010	20,398	19,263	12,890
Net Revenue Available for Other Purposes	$ 26,389	$ 34,027	$ 27,196	$ 36,212	$ 51,493
Debt Service Coverage on Parity Bonds	1.86	1.96	1.80	1.72	1.76
Debt Service Coverage on Parity Bonds and Parity Lien Obligations	1.33	1.41	1.37	1.41	1.44
Debt Service Coverage on All Sewer System Obligations[4]	1.22	1.27	1.18	1.24	1.33

(1) Deposits from the Revenue Fund into the Rate Stabilization Fund are shown in parentheses.

(2) Total debt service on Parity Bonds and Parity Lien Obligations in thousands of dollars was $136,532 in 2008 and $163,420 in 2009. The amounts shown in the table exclude interest payments from capitalized interest reserves.

(3) Subordinate debt service consists of debt service on Junior Lien Obligations, Subordinate Lien Obligations and SRF Loans and Public Works Trust Fund Loans. In 2008 and 2009, interfund interest of $1.8 million and $1.4 million, respectively, was included to reflect significant interfund borrowing.

(4) Net Revenue Available for Debt Service divided by the sum of debt service on Parity Bonds and Parity Lien Obligations, plus Subordinate Debt Service.

Source: Audited Financial Statements of Water Quality Enterprise Fund, Finance and Business Operations Division

Management Discussion of Audited 2009 Sewer System Financial Results

After a planned increase of $15.4 million in the Rate Stabilization Fund, the Sewer System generated net operating revenue of $203.7 million during 2009, an increase of 9.7 percent from 2008. Total operating revenues, excluding rate stabilization, increased from $284.2 million to $306.9 million, while non-depreciation operating expenses increased from 98.4 million to $103.1 million.

Revenues. The $22.7 million increase in operating revenue, excluding rate stabilization, was due to a 14.6 percent increase in sewage disposal revenue (monthly customer charges). Sewage disposal revenue increased from $237.0 million to $271.6 million. In 2009, new customer connections increased by 8,949, with overall capacity charge revenues increasing from $35.0 million to $40.7 million, an increase of 16.3 percent.

Operating revenues from other sources increased to $10.0 million, an 8.7 percent increase, primarily due to a 20.0 percent increase in septic hauler dumping fee revenue.

Expenses. Overall, operating expenses of the Sewer System, excluding depreciation, increased $4.8 million to $103.1 million in 2009, a 4.7 percent increase. Operating labor expenses increased by $1.6 million, an increase of 1.5 percent, reflecting higher wages and benefits. Operating wages increased by 1.6 percent in 2009, while overall benefits costs increased 1.2 percent. Chemicals, electricity and natural gas expenses increased to $15.5 million in 2009, an 8.9 percent increase. General and administrative expenses remained constant at $30.1 million. Sewage treatment, disposal and transmission expenses increased to $73.1 million, a 7.0 percent increase, in 2009.

Interest Income. Interest income increased from $4.1 million to $5.6 million, reflecting the recovery in the credit markets experienced in 2009 and the completion of losses from additional impaired investment accrued in 2008. The King County Investment Pool maintained monthly yields ranging from 1.24 percent to 1.62 percent.

Debt Service Coverage. The Sewer System achieved a coverage ratio of 1.44x on the combined debt service of its Parity Bonds and Parity Lien Obligations, exceeding the 1.25x minimum coverage target stipulated by the County's adopted financial policies. The Sewer System achieved a debt service coverage ratio of 1.33x on all of its 2009 debt, exceeding the 1.15x minimum coverage target stipulated by the County's adopted financial policies.

Estimated 2010 Sewer System Financial Results

The following presents a discussion of preliminary estimates of the expected financial results for 2010. For most entries, the numbers presented are based on data through October 2010. After a planned deposit of $15.9 million into the Rate Stabilization Fund, the Sewer System is expected to generate net operating revenue of $194.1 million during 2010, a decrease of 4.8 percent from 2009. After accounting for transfers to the Rate Stabilization Fund, total operating revenue is expected to decrease from $306.9 million to $300.9 million, a decrease of 1.9 percent. Non-depreciation operating expenses are expected to increase from $103.1 million to $106.8 million, an increase of 3.6 percent.

Revenues. The $6.0 million decrease in operating revenue, excluding rate stabilization, is due to expected decreases in investment income, capacity charge revenues, and a less than one percent decrease in sewage disposal revenue (monthly customer charges). Sewage disposal revenue is expected to decrease from $271.6 million in 2009 to $269.4 million in 2010 due to a one-time revenue adjustment in 2009. In 2010, new customer connections are expected to increase by 6,500. However, overall capacity charge revenues are expected to decrease from $40.8 million in 2009 to $38.0 million in 2010, a decrease of 7 percent, partly reflecting a relatively large portion of customers paying their full liability in 2009.

Expenses. Overall, operating expenses of the Sewer System, excluding depreciation, are expected to increase by $3.7 million to $106.8 million in 2010, a 3.6 percent increase. The change in operating expenses reflects various and partially offsetting changes to components within this broad category. Estimated labor and benefit costs in 2010 are expected to total $40.6 million, a 6.9 percent increase from 2009.

Interest Income. Interest income is expected to decrease from $5.6 million in 2009 to $3.0 million in 2010, reflecting relatively low rates of return on the County's invested balances. The monthly investment yields in the King County Investment Pool have averaged less than one percent during 2010 to date.

Debt Service Coverage. The Sewer System is expecting to achieve a coverage ratio of 1.65x on its Parity Bonds alone in 2010. On the combined debt service of its Parity Bonds and Parity Lien Obligations, the coverage ratio is expected to be 1.35x, exceeding the 1.25x minimum coverage target stipulated by the County's adopted financial policies. The Sewer System is expecting to achieve a debt service coverage ratio of 1.23x on all of its debt in 2010, exceeding the 1.15x minimum coverage target stipulated by the County's adopted financial policies.

Projected Customers, Revenues and Expenses

The following table sets forth a summary of the County's most recent projections of the Sewer System's customers, revenues and expenses for the fiscal years ending December 31, 2010, through December 31, 2014. Notes for this table are provided on the page following the table.

The gains in revenue that are projected in the following table reflect the assumed monthly Sewer Rates presented in the table above labeled "Projected Sewer Rates for Residential Customers or Residential Customer Equivalents." These projected Sewer Rates are designed to produce sufficient Net Revenue, together with any planned withdrawals from the Rate Stabilization Fund, to satisfy the debt service coverage targets stipulated by the Sewer System's financial policy as well as to allow for any planned deposits into the Rate Stabilization Fund.

IN THE PREPARATION OF THE PROJECTIONS IN THIS OFFICIAL STATEMENT, THE COUNTY HAS MADE CERTAIN ASSUMPTIONS WITH RESPECT TO CONDITIONS THAT MAY OCCUR IN THE FUTURE. WHILE THE COUNTY BELIEVES THESE ASSUMPTIONS ARE REASONABLE FOR THE PURPOSE OF THE PROJECTIONS, THEY DEPEND UPON FUTURE EVENTS, AND ACTUAL CONDITIONS MAY DIFFER FROM THOSE ASSUMED. THE COUNTY DOES NOT REPRESENT OR GUARANTEE THAT ACTUAL RESULTS WILL REPLICATE THE ESTIMATES IN THE VARIOUS TABLES SET FORTH IN THIS OFFICIAL STATEMENT. POTENTIAL PURCHASERS OF THE BONDS SHOULD NOT RELY ON THE PROJECTIONS IN THIS OFFICIAL STATEMENT AS STATEMENTS OF FACT. SUCH PROJECTIONS ARE SUBJECT TO CHANGE, AND WILL CHANGE, FROM TIME TO TIME. THE COUNTY HAS NOT COMMITTED ITSELF TO PROVIDE INVESTORS WITH UPDATED FORECASTS OR PROJECTIONS.

IN THE VIEW OF THE COUNTY, THESE FINANCIAL PROJECTIONS ARE PREPARED ON A REASONABLE BASIS AND REFLECT THE BEST CURRENTLY AVAILABLE ESTIMATES AND PRESENT, TO THE BEST OF THE COUNTY'S KNOWLEDGE AND BELIEF, THE EXPECTED COURSE OF ACTION AND THE EXPECTED FUTURE FINANCIAL PERFORMANCE OF THE SEWER SYSTEM.

SUMMARY OF PROJECTED SEWER SYSTEM
CUSTOMERS, REVENUES AND EXPENSES
($000)

	2010*	**2011**	**2012**	**2013**	**2014**
Residential Customer and Residential Customer Equivalents [(1)] (Average for Year, Rounded)	703,800	696,800	696,800	696,800	700,200
Revenues and Expenses					
Sewer Operating Revenues[(2)]	$316,742	$349,653	$352,482	$385,980	$395,831
Rate Stabilization [(3)]	(15,850)	(14,600)	26,200	19,700	19,700
Operating and Maintenance Expense	(106,842)	(111,160)	(117,164)	(121,850)	(126,724)
Net Operating Revenue	$194,050	$223,893	$261,518	$283,830	$288,807
Interest Income[(4)]	3,040	4,767	6,002	9,662	11,039
Net Revenue Available for Debt Service	$197,090	$228,660	$267,520	$293,492	$299,846
Debt Service on Parity Bonds[(5)]	$119,655	$139,297	$159,964	$175,898	$180,851
Debt Service on Parity Lien Obligations	26,838	32,910	38,990	44,854	44,667
Available for Subordinate Debt Service and Other Purposes	$50,598	$56,453	$68,567	$72,740	$74,328
Subordinate Debt Service [(6)]	13,186	26,157	33,201	34,458	35,218
Available for Other Purposes	$37,412	$30,296	$35,366	$38,282	$39,110
Debt Service Coverage on Parity Bonds	1.65	1.64	1.67	1.67	1.66
Debt Service Coverage on Parity Bonds and Parity Lien Obligations	1.35	1.33	1.34	1.33	1.33
Debt Service Coverage on All Debt [(7)]	1.23	1.15	1.15	1.15	1.15

* 2010 information based on actual results through October 2010.

NOTES TO TABLE:

(1) The projected decrease in customers in 2011 followed by no change in 2012 and 2013 reflects a projection of weak economic activity and employment in the region for these years.

(2) Based on projected Sewer Rates presented earlier (see "Projected Sewer Rates").

(3) Withdrawals from (deposits into) the Rate Stabilization Fund.

(4) Based on an assumed interest rate on investments of 1.00 percent in 2010, 1.25 percent in 2011, 2.00 percent in 2012, 3.00 percent in 2013, and 3.50 percent in 2014.

(5) Senior lien debt includes Parity Bonds, including the Bonds, and Parity Lien Obligations. Projections assume the issuance of additional Parity Bonds as follows: 2012: $50 million at 5.75 percent; 2013: $85 million at 5.75 percent; and 2014: $77 million at 5.75 percent. See "Future Financing Plans."

(6) Subordinate Debt Service consists of debt service on Junior Lien Obligations, Multi-Modal LTGO/Sewer Revenue Bonds, Subordinate Lien Obligations, and SRF Loans and Public Works Trust Fund Loans. Assumes payment of interest only on the outstanding Junior Lien Obligations, Multi-Modal LTGO/Sewer Revenue Bonds, Subordinate Lien Obligations, plus $156 million in future Multi-Modal LTGO/Sewer Revenue Bonds expected to be issued during the period 2011 through 2014. Estimated annual interest rate in 2010 is 1.0 percent. Assumes annual interest rates of 5.175 percent in 2011-2014, which represents 90 percent of the Parity Bond interest rates shown in footnote (5) above.

(7) Net Revenue Available for Debt Service divided by Debt Service on the Sewer System Obligations.

Source: King County Wastewater Treatment Division

Regional Wastewater Services Plan

The County Council adopted the Regional Wastewater Services Plan in 1999. The RWSP outlines a number of important projects, programs and policies for the County to implement through 2030 in order to continue to protect public health and water quality and ensure sufficient wastewater capacity to meet future growth needs. Major RWSP projects include the building of Brightwater, the County's third regional treatment plant; improvements to the County's regional conveyance system to meet the 20-year peak flow storm design standard and accommodate increased flows where needed; construction of 21 CSO control projects; and expansion of the Renton treatment plant from 115 mgd to 135 mgd in 2029. The RWSP also includes projects to control infiltration and inflow, process biosolids, and produce reclaimed water. The projected total cost of the RWSP is approximately $3.96 billion in 2009 dollars, including amounts spent through 2009.

Brightwater Project

Overview. The largest component of the RWSP currently underway is the construction of a new treatment plant and its associated conveyance system, collectively referred to as Brightwater. Figure 1 provides a schematic illustration of the major components of the Brightwater project.

The treatment plant site is in unincorporated Snohomish County east of State Highway SR-9, just north of the intersection of SR-9 and SR-522 and the City of Woodinville. When the treatment plant begins operation (expected in August 2011), it will be able to treat an average of 36 mgd of wastewater, with a peak flow capacity of 130 mgd. In the decade starting in 2040, the County expects to expand the plant's treatment capacity to 54 mgd with a peak capacity of 170 mgd.

The conveyance system will collect and convey wastewater to the Brightwater treatment plant and will discharge treated effluent to Puget Sound. The conveyance system is composed of three tunnels (east, central and west) with a total length of approximately 13 miles, an influent pump station, a marine outfall, and ancillary facilities, which include structures to collect or divert flow from existing sewers into the Brightwater system. The project also includes a reclaimed water pipeline and odor control facilities.

Costs. To facilitate cost tracking over time, a baseline budget was developed for the project in October 2004. In 2004, the total estimated cost of the project was $1.48 billion in 2004 dollars. Each year, the County re-evaluates the estimated cost of the project and releases a comprehensive and detailed report on the results of the review. In the current update, "Brightwater Cost Update, Current Conditions and Trends, January 2010," the County estimates that total Brightwater project costs, including both the treatment plant and conveyance system, will be approximately $1.82 billion to $1.86 billion. The range reflects the total project cost with and without a $41 million credit related to a sales tax exemption for the production of reclaimed water. The State Department of Revenue ("DOR") has contested this exemption, while the County and its legal counsel do not agree with DOR's ruling. Legal action will be taken on this matter. Because the credit appears to be appropriate, the County included it in the current cost estimate. Due to the time required by litigation on this matter, the outcome may not be known until late 2011 at the earliest.

The current (January 2010) cost estimate is approximately $26 million above the baseline budget forecast in 2004 with five percent inflation. Compared to the previous cost update from January 2009, the current cost estimate represents an overall estimated increase of $16.1 million, or less than one percent of the total project cost. This is comprised of $5.6 million in treatment plant costs and $10.5 million in conveyance costs. The remaining contingency reserves for the project are approximately $19 million available for the treatment plant and $55 million available for the conveyance system

As of October 2010, the County had spent approximately $1.63 billion on the project. The County expects to fund the balance of construction costs from the proceeds of the Bonds and a combination of Revenue of the System and additional borrowings (see "Capital Improvement Plan" and "Future Financing Plans").

Project Status. Most elements of the conveyance system are either complete (the marine outfall) or on schedule to be complete without impacting the scheduled commissioning of the treatment plant. The one critical exception is the central tunnel, comprised of the two segments referred to as BT-2 (eastbound) and BT-3 (westbound). Construction in these segments was originally under contract with Vinci, Parsons and Frontier-Kemper ("VPFK"). In May 2009, construction was temporarily suspended in both central tunnel segments after inspections revealed extensive damage to the cutterhead rims on the tunnel boring machines. Subsequently, VPFK successfully repaired the BT-2 machine; tunnel construction resumed in February 2010 and was completed on June 22, 2010. VPFK proposed a cost estimate of $98 million for BT-3 completion and a schedule through the end of 2012 to repair the damaged BT-3 machine and complete construction of that segment. The County did not agree with this cost or the proposed approach to completing BT-3 and selected a different contractor to complete the BT-3 mining work.

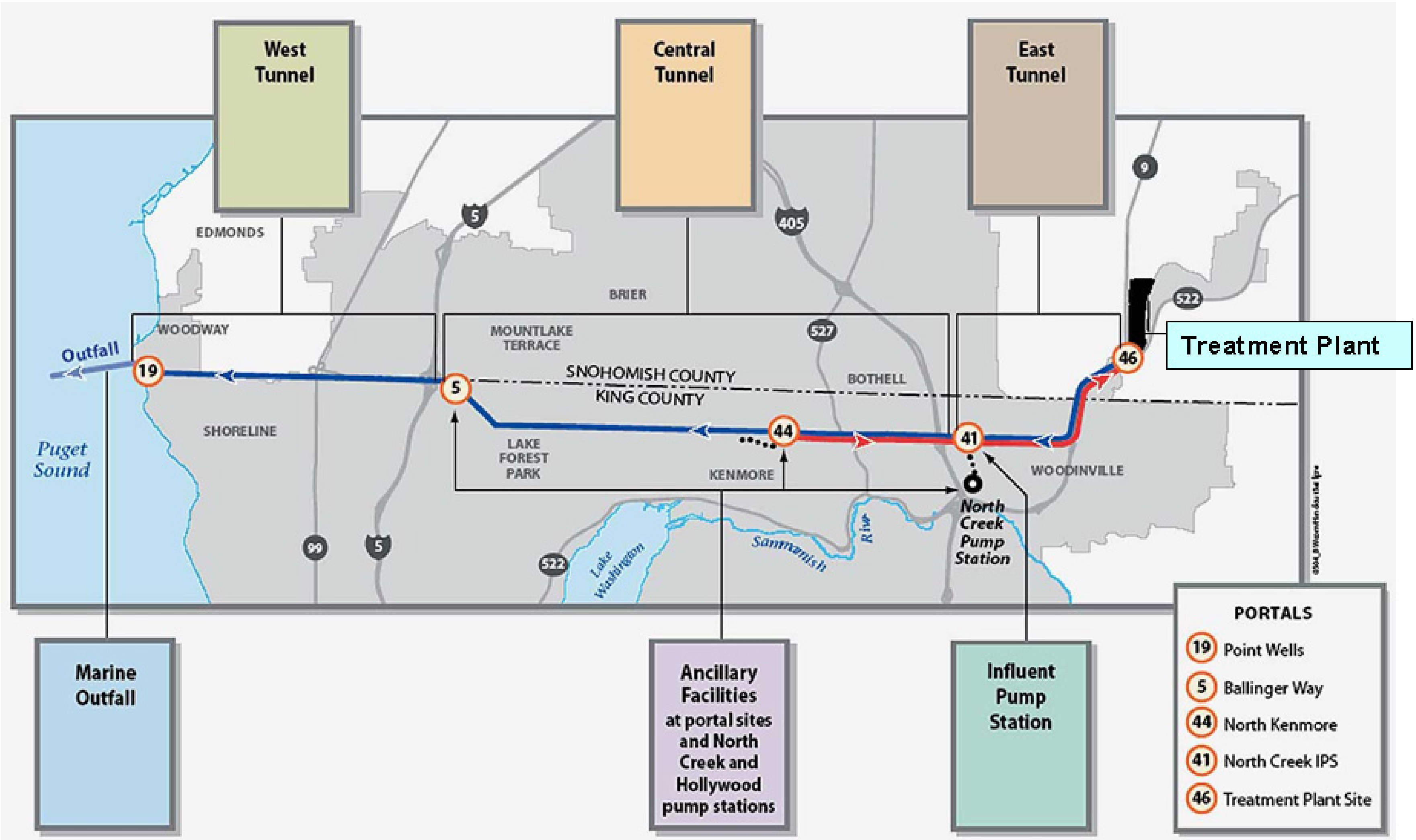
While VPFK remains under contract to complete the eastbound BT-2 and BT-3 lining and pipe installation work, there is a dispute over past claims and contractor default. The County asserts that VPFK is in default of its obligations because, among other things, the contractor did not achieve substantial completion of all work by November 23, 2010, as required by the contract.

On February 18, 2010, the King County Executive deemed the VPFK proposal for completing BT-3 unacceptable and declared an emergency to enable the County to waive bidding requirements and hire a new contractor to complete the tunneling. Under the waiver, two of the companies hired for the west tunnel, Jay Dee and Coluccio (together, "JDC"), were hired to complete construction of the BT-3 tunnel. The new BT-3 construction schedule calls for completion of mining in September 2011 and all work under the JDC contract to be complete by late 2011. JDC began mining of the BT-3 remaining segment on September 30, 2010; costs are in line with those expected through September 2010. The County expects that this new contract will allow the remaining tunneling to proceed on the revised schedule, given the effective management team, refurbished boring machine and proven record of progress of the JDC team. VPFK remains under contract to complete all remaining work on the BT-3 tunnel with the exception of the tunneling.

The County is seeking reimbursement from VPFK for costs already incurred in addressing the delays in the tunneling, plus contractual obligations to be paid to the new contractor in a lawsuit. VPFK has counterclaimed for claims that were denied by the County. See "Legal and Tax Information—Litigation."

The County expects that the treatment plant will be substantially complete in early 2011. The plant continues to be on schedule to begin treating wastewater in August 2011. Until completion of the conveyance system, expected in the summer of 2012, treated flows will be routed through the North Creek Pump Station to either the West Point treatment plant or the South treatment plant in Renton.

FIGURE 1: MAJOR COMPONENTS OF THE BRIGHTWATER PROJECT



Capital Improvement Plan

As shown in the following table, the Sewer System's capital improvement plan for the period 2010 through 2014 is comprised of three distinct elements. In addition to Brightwater and other RWSP projects, the Sewer System expects to spend significant amounts annually for other capital improvements and the replacement of existing assets pursuant to its Capital Asset Management Plan.

CAPITAL IMPROVEMENT PLAN—PROJECTED EXPENDITURES
(000)

	RWSP		Other Improvements and	
Year	Brightwater	Other RWSP[1]	Asset Management	Total
2010	$ 329,079	$ 27,530	$ 41,765	$ 398,374
2011	154,194	26,285	67,939	248,418
2012	25,874	25,996	61,079	112,949
2013	8,072	50,388	68,942	127,402
2014	0	78,229	51,720	129,949
2015-2030[2]	0	1,019,518	908,054	1,927,572
Total	$ 517,219	$ 1,227,946	$ 1,199,499	$ 2,944,664

(1) Includes conveyance system improvements that expand system capacity, CSO control and planned expansion of the South treatment plant late in the forecast period.

(2) Estimated expenditures during 2015-30 are expressed in 2009 dollars. Expenditures in 2010-2014 are in nominal dollars. Capital expenditures for Brightwater in 2010-2011 are adjusted to reflect an accomplishment rate of 95 percent, and the 2010-2011 adjustments are added to the final two years of Brightwater expenditures in 2012-13. Capital expenditures for other projects during the period 2010-2014 are adjusted using an accomplishment rate of 85 percent, and the adjustments are added into the totals for 2015-30.

Source: King County Wastewater Treatment Division

Future Financing Plans

The current financial plan for the Sewer System anticipates the issuance of approximately $211 million of additional Parity Bonds and approximately $156 million of additional Multi-Modal LTGO/Sewer Revenue Bonds during the period 2011 through 2014 to provide continued funding for the capital improvement plan. The balance of the capital improvement program through 2014 is expected to be funded by a mix of new SRF Loans and Public Works Trust Fund Loans and contributions from net operating revenue.

Beyond 2014, approximately 70 percent of the capital improvement plan is expected to be financed through the issuance of additional debt and the balance provided from net operating revenue.

EPA Compliance Audit

In 2007, the Federal Environmental Protection Agency ("EPA") informed the County and the City of Seattle that it would be undertaking an audit of NPDES permit and CSO Long-Term Control Plan compliance. The EPA requested numerous documents and made a week-long site visit in January 2008. In September 2008, the County received the EPA's preliminary findings on the NPDES compliance. The EPA issued a Request for Information and Compliance Order by Consent on June 23, 2009, that identified three reports required of the County. The reports were submitted as required in August and December of 2009 and were approved by the EPA. The EPA met with County representatives again in October 2009 to address its audit of the CSO Long-Term Control Plan. The EPA's consultants reviewed the County's Control Plan documents and provided a preliminary summary of their findings on June 9, 2010. The process will continue with additional information requests by the EPA. The EPA has consistently reiterated its intention, as has been done throughout the country, to negotiate a consent decree establishing enforceable timelines for all the CSO projects. At this time, the EPA intends to incorporate the County's existing CSO control plans into the consent decree.

Nutrient Removal Standards

The reduction of nutrient discharges from all point and non-point sources has recently been identified as a major policy initiative by the EPA. This action recognizes that a significant number of water bodies nationwide, including Puget Sound, are impaired by nutrient loadings or have low dissolved oxygen. In the Puget Sound area, South Puget Sound exhibits low dissolved oxygen in the summer months, and other areas of central Puget Sound exhibit periods when dissolved oxygen concentrations are reduced. The State Department of Ecology ("Ecology") is currently undertaking two studies investigating whether nitrogen loading from wastewater and other sources of nutrients are affecting Puget Sound waters. If these studies indicate that County treatment plants cause or contribute to water quality impairment, the County may, in turn, be required to identify how nitrogen levels in treatment plant effluent can be reduced. Ecology is also currently analyzing the technical and financial feasibility of requiring nutrient removal at all treatment plants in the State. These evaluations and studies will require a significant period of time before conclusions can be drawn or regulations promulgated.

Environmental Regulatory Compliance

The County discharges treated wastewater under permits issued by Ecology. Ecology administers the NPDES permits under authority delegated to the department by the EPA. The Federal Clean Water Act requires that all discharges of pollutants be permitted under the NPDES program. These permits outline the conditions under which a municipality can discharge wastewater.

Ecology renewed the West Point treatment plant NPDES permit in June 2009 and the South treatment plant NPDES and Reclaimed Water permits in September 2009. These permits cover the treatment plants and their respective conveyance systems for a period of five years, expiring in 2014. Both NPDES permits included additional data collection and monitoring requirements and specify the conditions requiring new technology studies if nutrient impacts are predicted from plant nutrient loadings into Puget Sound. The West Point permit also included compliance schedule milestones for the four Puget Sound CSO beach projects and a closer look at sediment data adjacent to CSO outfalls. The public discussions, attendant with the permit renewals, showcased the County's record in water quality protection and, at the same time, highlighted the balance required between the water quality benefits and fiscal challenges of imposing new standards in these permits. The Vashon treatment plant has a permit that expires in 2011, and the Carnation treatment plant has NPDES and reclaimed water permits that expire in 2013. The permitting process for Brightwater is currently underway, with permits expected to be issued in July 2011.

The West Point and South treatment plants have consistently met all permit effluent limits. In the past, the Vashon plant periodically exceeded some of its permit limits because the facility was operating at capacity, but these violations have been eliminated with the construction of a replacement plant that became operational in 2006. The Carnation plant has been meeting all permit limits. Both the South and West Point plants received platinum awards from the National Association of Clean Water Agencies. Additionally, the Vashon and Carnation plants were recognized for their outstanding compliance performance by Ecology with 2010 Outstanding Treatment Plant Awards, which recognize permit compliance in the 2009 calendar year.

Environmental Remediation Liability

The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) of 1980 created the federal Superfund, the EPA program that addresses abandoned hazardous waste sites. The two basic kinds of liability described under the Superfund law are liability related to historic contamination and liability related to damages to natural resource values.

In 2001, the EPA listed the Lower Duwamish Waterway south of downtown Seattle as a Superfund site. Four Potentially Responsible Parties ("PRPs"), including King County, the City of Seattle, the Port of Seattle, and the Boeing Company (the "Respondents"), signed an Administrative Settlement Agreement Order on Consent ("AOC") with the EPA and the Washington State Department of Ecology ("Ecology") to perform a remedial investigation and feasibility study along the Lower Duwamish Waterway. The results of these actions are to determine the nature and extent of the historical contamination at the sites and the preferred option for cleanup.

Under the AOC, the Respondents are responsible for conducting and paying for the studies, known as the Duwamish Remedial Investigation, Feasibility Study and Engineering and Cost Analyses, the latter analyses being related to early action cleanup units within the overall Superfund Site. These studies are expected to result in a Record of Decision in 2011 or 2012, delineating the full extent of cleanup actions and liability of PRPs. Consequently, at this time, the level of each PRP's liability for this clean-up is not known as it depends on the contributions of contamination by each party. Further information regarding existing and potential environmental remediation liabilities is contained in Appendix C, the King County Water Quality Enterprise 2009 Audited Financial Statements—Notes 7 and 8.

Impact of Endangered Species Act

Sewer System capital projects that receive federal funding or federal permits require consultation with the National Marine Fisheries Service and/or the United States Fish and Wildlife Service (the "Services") under Section 7 of the ESA. Once Chinook salmon were listed as threatened in the late 1990s, the consultation process changed significantly and became more complicated, time-consuming, and expensive.

Initially, the County pursued a course of action that would result in long-term programmatic agreements (covering all capital projects collectively) with the Services regarding ESA compliance for Sewer System activities.

During the more than five years spent pursuing the long-term programmatic agreements with the Services regarding ESA, the County determined that completing Section 7 consultation on individual projects is more beneficial to the Sewer System than pursuing long-term programmatic agreements such as a habitat conservation plan or programmatic biological assessment.

While a programmatic agreement would yield a more predictable ESA compliance process, implementation would necessitate costly monitoring and reporting requirements and reduce the Sewer System's flexibility. Consequently, the County has discontinued its efforts to pursue a programmatic agreement and, instead, complies with the ESA through the traditional Section 7 consultation process on a project-by-project basis. The County will continue to fund a position at the National Marine Fisheries Service to review Sewer System projects.

Retirement Programs

Substantially all full-time and qualifying part-time employees of the Sewer System participate in the Public Employees' Retirement System ("PERS") or the Seattle City Employees' Retirement System ("SCERS").

The Public Employees' Retirement System is a State-wide governmental retirement system administered by the State of Washington's Department of Retirement Systems. Sewer system employees are covered by one of three retirement plans: PERS Plan I, II, or III. Each biennium, the Washington State Legislature establishes contribution rates for the three retirement plans. The current employer contribution rate is 5.31%.

SCERS is a retirement plan administered in accordance with Seattle Municipal Code Chapter 4.36. Sewer System employees who are former employees of Seattle Transit are covered by SCERS. The current Sewer System contribution rate for employees covered by SCERS is 8.03%. The contribution rates are established by the SCERS Board of Administration.

Additional information regarding retirement benefits of Sewer System employees is presented in Appendix C—King County Water Quality Enterprise 2009 Audited Financial Statements—Note 9.

Other Post-Employment Benefits

The County accrues other post-employment benefits ("OPEB") expenses related to its post-retirement healthcare plan based on a computed annual required contribution that includes the current period's service cost and an amount to amortize unfunded accrued liabilities. The liability is included in noncurrent liabilities on the statements of net assets for the Sewer System. See Appendix C—King County Water Quality Enterprise 2009 Audited Financial Statements—Page 11 and —Note 11.

The County's Law Enforcement Officers' and Fire Fighters' ("LEOFF") Retirement System Plan ("LEOFF 1") retirees are not required to contribute to the Health Plan. All other retirees are required to pay the Consolidated Omnibus Budget Reconciliation Act ("COBRA") rate associated with the elected plan. During 2009, the Sewer System contributed an estimated $80 thousand to the Health Plan. The contribution was entirely to fund "pay-as-you-go" costs and not to advance fund the cost of benefits. The Sewer System's net OPEB obligation as of December 31, 2009, was $503,000.

KING COUNTY

General

As a general purpose government, the County provides roads, solid waste disposal, flood control, certain airport facilities, public health and other human services, park and recreation facilities, courts, law enforcement, agricultural services, property tax assessment and collection, fire inspection, planning, zoning, animal control, and criminal detention and rehabilitative services. Certain services are provided on a County-wide basis and certain services only to unincorporated areas.

In 1994, the County assumed Metro's rights, powers, functions, and obligations, including the development and operation of a regional transit system and the regional collection and treatment of sewage. Metro's transit function became part of the County's Transportation Department, and the sewer utility function was integrated into the County's Department of Natural Resources. The administrative functions of Metro were merged with those of the County in the appropriate departments.

Organization of the County

The County is organized under the executive-council form of government and operates under a Home Rule Charter adopted by a vote of the electorate in 1968. The County Executive, the County Council, the Prosecuting Attorney, the Assessor, the Director of Elections, and the Sheriff are all elected to four-year terms.

The County Executive. The County Executive serves as the chief executive officer of the County. The County Executive presents to the County Council annual statements of the financial and governmental affairs of the County, budgets and capital improvement plans. The County Executive signs, or causes to be signed on behalf of the County, all deeds, contracts and other instruments. All County employees other than those appointed by the County Council, Prosecuting Attorney, Assessor, Director of Elections, or Sheriff report to the County Executive.

The County Council. The County Council consists of nine members and is the policy-making legislative body of the County. County Council members are elected by district to four-year staggered terms and serve on a full-time basis. The County Council sets tax levies, makes appropriations, and adopts and approves the annual operating budget for the County.

The Superior and District Courts. The Washington State Constitution provides for the existence of county superior courts as the courts of general jurisdiction. The County currently has 53 superior court judges who are elected to four-year terms. Pursuant to local court rule, the King County Superior Judges appoint the Chief Administrative Officer who is supervised by the Presiding Judge. Superior court employees report to the Chief Administrative Officer, except for superior court commissioners, special masters, referees, and each judge's bailiff.

The Washington State Constitution authorizes the legislature to create other courts of limited jurisdiction. Exercising this authority, the Washington State Legislature has established district courts as one form of courts of limited jurisdiction. The County has 21 district court judges who are elected to four-year terms. Pursuant to the district court local rule, County district court employees report to the district court chief administrative officer, who is under the supervision of the Chief Presiding Judge and reports to the district court executive committee.

The County's Budget Process

Pursuant to a charter amendment approved by voters in November 2008, a Forecast Council, composed of representatives of the executive and legislative branches, is responsible for adopting annual economic and revenue forecasts that are the basis for the County's budgeting process. These forecasts are prepared by an Office of Economic and Financial Analysis, which is overseen by the Forecast Council.

The County's Office of Management and Budget, under the direction of the County Executive, has the responsibility for (i) preparation and management of the annual operating and capital budgets, (ii) expenditure and revenue policy, and (iii) planning and growth management. The budget must be presented to the County Council on or before September 27 of each year. The County Council holds public hearings and may increase or decrease proposed appropriations. Any changes in the budget must be within the revenues and reserves estimated as available, or the revenue estimates must be changed by an affirmative vote of at least six members of the County Council. The County Executive has general and line-item veto power over appropriation ordinances approved by the County Council. The appropriation ordinance establishes the budgeted level of authorized expenditures that may not be exceeded without County Council approval of supplemental appropriation ordinances. The County Executive, within the restrictions of any provisos of the appropriation ordinances, may establish and amend line-item budgets as long as the total budget for each appropriation unit does not exceed the budgeted level of authorized expenditures.

Finance and Business Operations Division

The Finance and Business Operations Division is comprised of five sections. The Treasury Section manages the receipt and investment of assigned revenues due to the County or to other agencies for which the section performs the duties of treasurer. The Financial Management Section is responsible for the accounting and disbursing of assigned public funds. The other sections are responsible for administering the County's payroll and benefits and for managing the County's procurement and contracting practices.

Auditing

Legal compliance and fiscal audits of the County and all County agencies except the Water Quality Enterprise are conducted by examiners from the State Auditor's office. The County is audited annually. The most recent State Auditor's Report is for the year ending December 31, 2009, and is incorporated into the County's 2009 Comprehensive Annual Financial Report.

The County's Comprehensive Annual Financial Report in its entirety may be accessed on the internet at the following link, which is not incorporated into this Official Statement by reference:

http://www.kingcounty.gov/operations/Finance/FMServices/CAFR.aspx

or from the Financial Management Section at King County Finance and Business Operations Division, 500 Fourth Avenue, Room 600, Seattle, Washington 98104.

The financial statements of the King County Water Quality Enterprise (the "Enterprise") as of and for the fiscal year ended December 31, 2009, included herein as Appendix C, have been audited by Moss Adams LLP, independent accountants, as stated in its report appearing herein. The Enterprise has not requested that Moss Adams LLP provide consent for inclusion of its audited financial statements in this Official Statement, and Moss Adams LLP has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Further, Moss Adams LLP has not participated in any way in the preparation or review of this Official Statement.

See Appendix C— King County Water Quality Enterprise 2009 Audited Financial Statements.

County Employees

The number of full and part-time employees of the County at year-end is shown below:

COUNTY EMPLOYEES

Year	Full-time	Part-time
2009	13,799	1,739
2008	13,762	621
2007	13,649	892
2006	13,565	1,487
2005	13,721	983
2004	12,887	1,973

Source: King County Finance and Business Operations Division—Financial Management Section

The County has collective bargaining agreements with 31 unions representing approximately 12,000 employees. There have been no strikes or work stoppages during the last ten years.

Retirement Programs

Full-time employees are covered by one of the following retirement systems:

NUMBER OF EMPLOYEES AS OF DECEMBER 31, 2009	RETIREMENT SYSTEM
106	City of Seattle*
755	State of Washington—Law Enforcement Officers and Fire Fighters Retirement System
346	State of Washington—Public Safety Employees Retirement System ("PSERS")
All Others	State of Washington—Public Employees Retirement System (PERS)

* Primarily Seattle-King County Health Department employees.

Source: King County Finance and Business Operations Division—Financial Management and Payroll Systems and Operations Sections

The County administers payroll deductions under these retirement programs and remits the deductions together with County contributions to the respective retirement systems annually. The County's employer contribution rates and amounts for the fiscal year ended December 31, 2009, were as follows:

	PERS Plan 1*	PERS Plan 2*	PERS Plan 3*	LEOFF Plan 1*	LEOFF Plan 2*	PERS Plan 2*	SCERS
Contribution Rate	5.31%	5.31%	5.31%	0.16%	5.24%	7.85%	8.03%
Contribution Amount (000s)	$3,097	$46,437	$7,159	$1	$4,099	$2,156	$615

* The employer rate includes an employer administrative expense fee of 0.16%.

The County has met its funding obligations to these systems when they have come due. While the County's contributions represent its full current liability under the retirement systems, any unfunded pension benefit obligations could be reflected in future years as higher contribution rates. The funded status from the most recent actuarial report for each system is shown in the following table:

RETIREMENT SYSTEM FUNDED STATUS
(dollar amounts in millions)

	Administered by	Most Recent Actuarial Valuation Report	Actuarial Accrued Liability (a)	Actuarial Valuation of Assets (b)[2]	UAAL (a-b)[3]	Funded Ratio (b/a)	Plan Status
PERS - Plan 1	WSDRS[1]	As of 6/30/08	13,901	9,853	4,048	71%	Closed in 1977
PERS - Plan 2/3	WSDRS[1]	As of 6/30/08	16,508	16,693	(185)	101%	Open
PSERS - Plan 2	WSDRS[1]	As of 6/30/08	33	39	(6)	118%	Open
LEOFF - Plan 1	WSDRS[1]	As of 6/30/08	4,368	5,593	(1,225)	128%	Closed in 1977
LEOFF - Plan 2	WSDRS[1]	As of 6/30/08	3,998	5,053	(1,055)	126%	Open
SCERS	City of Seattle	As of 1/1/10	2,654	1,645	1,009	62%	Open

(1) Washington State Department of Retirement Systems

(2) Asset valuations for State of Washington-administered plans incorporate the smoothing of investment gains and losses; asset valuations for the SCERS system reflect the market value of assets at the time of valuation.

(3) Unfunded Actuarial Accrued Liability.

Source: Washington State Office of the State Actuary and the City of Seattle

For more information on employee benefit plans, see the County's 2009 Comprehensive Annual Financial Report.

Other Post-Employment Benefits

The King County Health Plan (the "Health Plan") is a single-employer defined-benefit healthcare plan administered by the County. The Health Plan provides medical, prescription drug, vision, and other unreimbursed medical benefits to eligible retirees and employees. LEOFF 1 retirees are not required to contribute to the Health Plan. LEOFF participants who joined the system by September 30, 1977, are Plan 1 members. Entry into LEOFF 1 is now closed. All other retirees are required to pay the COBRA rate associated with the elected plan. The County's OPEB liability is limited to the direct Health Plan subsidy associated with LEOFF 1 retirees and the implicit rate subsidy for other Health Plan retiree participants, which is the difference between (i) what retirees pay for their health insurance as a result of being included with active employees for rate-setting purposes, and (ii) the estimated required premiums if their rates were set based on claims experience of the retirees as a group separate from active employees. For the fiscal year ended December 31, 2009, the County contributed an estimated $5.007 million to the Health Plan. The County's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to prefund benefits. The County's annual OPEB cost (expense), which is calculated based on the annual required contribution of the County, was $12.836 million for the fiscal year ended December 31, 2009.

For additional information regarding the County's OPEB liability, see the County's 2009 Comprehensive Audited Financial Report.

Risk Management and Insurance

The County has a separate division that is responsible for claims handling, insurance and loss control programs. The County has implemented a program of self-insurance to cover its (i) general and automobile liability, (ii) Health Department professional malpractice, (iii) police professionals, and (iv) public officials' errors and omissions. The County has excess liability coverage that currently provides $97.5 million in limits above a $2.5 million per occurrence self-insured retention for the above exposures, but must satisfy an annual "corridor" deductible of $1.0 million above the $2.5 million self-insured retention.

Insurance policies currently in force covering major exposure areas are as follows:

COVERAGE	LIMITS
Combined Property Damage and Extra Expense for covered County property (includes $100 million earthquake, $250 million flood, and $250 million terrorism)	$500 million
Airport Liability	$300 million
Airport Property Damage and Extra Expense for covered airport property (includes $50 million earthquake, $100 million flood, and $100 million terrorism)	$160 million
Fiduciary Liability	$10 million
Employee Dishonesty	$2.5 million
Police Helicopter Program	$50 million
Excess Workers' Compensation	Statutory above $2,500,000 deductible per occurrence
Marine Policies	$50 million

The cash balance in the Insurance Fund was $84.9 million as of December 31, 2009. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2009, was $62.6 million.

In addition to funding reserves for known and incurred, but not reported, cases, the County has adopted a plan to create catastrophic loss reserves to respond to large, non-recurring losses. As of December 31, 2009, $9.3 million of the $84.9 million cash balance in the Insurance Fund had been designated for catastrophic loss reserves.

Investment Policy

A summary of the County's investment policy, including the definitions of certain terms used herein, is included as Appendix D.

King County Investment Pool

The King County Investment Pool (the "Pool") invests cash reserves for all County agencies and approximately 100 special districts and other public entities such as fire, school, sewer and water districts and other public authorities. It is one of the largest investment pools in the State, with an asset balance of about $4.1 billion. On average, County agencies comprise 40 percent of the pool and outside districts 60 percent, with assets of the County's Sewer System comprising approximately five percent of the balance in the pool.

The Committee establishes County investment policies and oversees the investment portfolio to ensure that specific investments comply with both those investment policies and State law. The Pool is only allowed to invest in certain types of highly-rated securities, including certificates of deposit, U.S. treasury obligations, federal agency obligations, municipal obligations, repurchase agreements and commercial paper. The Pool has averaged almost a five percent rate of return over the past 15 years.

As a result of unprecedented turmoil and uncertainty in global credit markets surfacing in late August 2007, the County halted all purchases of commercial paper. In early September 2007, the County commissioned an outside financial consultant, Public Financial Management ("PFM"), to review the Pool's remaining investments in commercial paper and make recommendations going forward. PFM validated the County's strategy of halting the purchase of any new commercial paper and recommended holding remaining assets to their maturity dates, while monitoring new developments in the commercial paper markets.

In early 2008, the Pool held four impaired commercial paper investments in its portfolio with an outstanding par value of $207 million. For three of the four impaired investments (Cheyne, Rhinebridge and Mainsail), the

County participated in restructuring auctions in 2008 and has recovered a total of $75.2 million, or about 50 percent of the adjusted par value of these securities. Since December 2008, the County has been receiving monthly *pro rata* cash payments from the receiver of Victoria, the County's last remaining impaired commercial paper investment, totaling approximately $19.9 million through November 2010. These cash payments have reduced the County's outstanding principal value in Victoria from $52.9 million (adjusted par value) to $33.0 million.

In September 2009, the County completed the restructuring process for Victoria and, based on consultations with legal and financial experts representing the County, elected to participate in an "Exchange Offer" in which the County's *pro rata* share of assets in Victoria are transferred to a new company titled VFNC Trust. The financial analysis indicated that the Exchange Offer may result in a potential recovery in the range of $26.3 million to $40.4 million, which accounts for cash collected to date and the bulk of anticipated monthly cash flow payments expected over the next five to six years (with some cash receipts extended beyond this time). The VFNC Trust investment will replace Victoria in the "impaired pool," and it will continue to be separated from the larger "performing pool." The impaired pool was established in 2008 by the County to help account for the recovery of funds from the various restructuring auctions and post-auction residual cash payments.

The County has asked PFM to conduct quarterly reviews of all assets in the pool. In its most recent assessment, dated September 30, 2010, PFM concluded that "the county's investment pool appears to provide ample liquidity, is well diversified, and is of sound credit quality." The most recent portfolio review can be obtained at the following web site link:

http://www.kingcounty.gov/operations/Finance/Treasury/InvestmentPool.aspx

Standard & Poor's Rating Services, Inc. ("S&P") first rated the Pool in 2005 and granted the Pool its highest rating of AAAf. In mid-January 2008, S&P took the temporary action of suspending its rating of the Pool with the understanding that the County could request a restored rating by separating any impaired investments into an impaired pool, which the County subsequently completed. S&P has since modified its rating criteria for investment pools, and the County is reconsidering the benefits and costs associated with a pool rating. The County is also in the process of upgrading its investment system software, which will be a component of any new pool rating. The County will make a final decision regarding pursuit of a new pool rating after it completes the installation of the new investment system software, expected in the first quarter of 2011.

INITIATIVES AND REFERENDA

Under the State Constitution, Washington voters may initiate legislation (either directly to the voters, or to the Legislature and then, if not enacted, to the voters) and require the Legislature to refer legislation to the voters through the power of referendum. Any law approved through the power of initiative by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws. The Washington State Constitution may not be amended by initiative.

Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least eight percent (initiative) and four percent (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election.

In recent years, several State-wide initiative petitions to repeal or reduce the growth of taxes and fees, including County taxes, have garnered sufficient signatures to reach the ballot. Some of those tax and fee initiative measures have been approved by the voters and, of those, some remain in effect while others have been invalidated by the courts. Tax and fee initiative measures continue to be filed, but it cannot be predicted whether any such initiatives might gain sufficient signatures to qualify for submission to the Legislature and/or the voters or, if submitted, whether they ultimately would become law.

Under the County Charter, County voters may initiate County legislation, including modifications to existing legislation, and through referendum may prevent legislation passed by the County Council from becoming law. The County Charter also permits legislation to be proposed by at least one half of the cities in the County.

Future Initiatives and Legislative Action

Additional initiative petitions may be filed in the future. The County cannot predict whether any such initiatives will qualify to be submitted to the voters or, if submitted, will be approved. Likewise, the County cannot predict what actions the Legislature might take, if any, regarding any future initiatives approved by the voters.

LEGAL AND TAX INFORMATION

Litigation

There is no litigation pending questioning the validity of the Bonds or the power and authority of the County to issue the Bonds.

Tort Litigation. As a result of its operations, the County and its agencies are a party to litigation involving tort claims. Information under the heading "King County—Risk Management and Insurance" herein describes the County's self insurance program and the insurance policies that cover pending tort litigation. The County expects that the amount of the Insurance Fund and County insurance coverage, together with routinized budget practices, are sufficient to cover all costs associated with known tort litigation pending.

The County has also arranged insurance for the Brightwater Project Site under an Owner Controlled Insurance Program ("OCIP"). An OCIP is a single insurance program that insures the County, all eligible and enrolled construction managers, general and prime contractors and subcontractors of all tiers for work performed at the Brightwater site. The OCIP consists of the following lines of insurance: commercial general liability, employer's liability (stop gap liability), umbrella and excess liability and contractor's pollution liability. As the owner of the project, the County has also procured builders' risk insurance and professional liability insurance for architects, engineers and others who perform professional design services for Brightwater.

As part of the OCIP, the OCIP Administrator has established reserves for third party claims. The County expects that the amount of OCIP reserves and OCIP general liability insurance coverage, together with the amounts in the Brightwater project budget, are sufficient to cover all costs associated with known tort litigation arising from the Brightwater project.

Non-Tort Litigation. In June 2010, the County filed a condemnation action against the owners of a site needed for a temporary construction easement to complete the tunnel mining operations for BT-3. The County has use and possession of this temporary construction easement area through June 2011, but will require continued use of the easement area through December 31, 2011, with the option to extend the use on a monthly basis thereafter through December 31, 2012. The County has scheduled a motion with the court to establish public use and necessity, the first step in acquiring use and possession of the required easement for the extended duration.

In April 2010, the County filed a lawsuit in King County Superior Court that seeks to recover from VPFK and its surety all costs due to VPFK's default. These amounts include the cost of hiring JDC to complete the BT-3 tunnel, approximately $69 million, and an additional $5 million paid on the Brightwater West Conveyance Contract due to the changed approach to tunneling BT-3. The County will add other costs to the lawsuit that it incurs due to the Central contractor's default on the BT-3 tunnel part of its contract. In July 2010, VPFK answered the lawsuit and brought its contract claims as counterclaims, in an amount they assert is expected to exceed $75 million. Both parties may claim additional damages. The trial date is currently set for October 2011.

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of the Bonds by the County are subject to the unqualified approving legal opinion of K&L Gates LLP, Seattle, Washington, Bond Counsel. A form of the opinion of Bond Counsel is attached to this Preliminary Official Statement as Appendix B. Bond Counsel has reviewed this document only to confirm that the portions of it describing the Bonds and the authority to issue them conform to the Bonds and the applicable laws under which they are issued.

Conflicts of Interest

The fees of Bond Counsel and the Financial Advisor are contingent upon the sale of the Bonds. From time to time, Bond Counsel represents the Financial Advisor on transactions unrelated to the issuance of the Bonds.

Tax Matters

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Bonds and the facilities financed with proceeds of the Bonds and certain other matters. The County has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the County comply with the above-referenced covenants and, in addition, will rely on representations by the County and its advisors with respect to matters solely within the knowledge of the County and its advisors, respectively, which Bond Counsel has not independently verified. If the County fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the County's compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Bonds. Owners of the Bonds are advised that, if the IRS does audit the Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the County as the taxpayer, and the owners of the Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

No Bank Qualification. The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Continuing Disclosure Undertaking

In accordance with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2–12 under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule"), the County has agreed pursuant to the Sale Motion to the following written undertaking for the benefit of the Owners and Beneficial Owners of the Bonds (the "Undertaking").

Annual Disclosure Report. The County agrees to provide or cause to be provided to the MSRB the following annual financial information and operating data for the prior fiscal year (commencing in 2011 for the fiscal year ending December 31, 2010):

(i) annual financial statements, which may or may not be audited, showing year-end fund balance for the County's Water Quality Enterprise fund prepared in accordance with the Budget Accounting and Reporting System ("BARS") prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statutes) and generally of the type attached hereto as Appendix C;

(ii) the amount of outstanding Parity Bonds; and

(iii) information regarding customers, revenues and expenses of the Sewer System, as set forth in the table titled "Historical Customers, Revenues and Expenses."

Items (ii) and (iii) are required only to the extent that such information is not included in the annual financial statement.

Such annual information and operating data described above will be so provided on or before the end of seven months after the end of the County's fiscal year. The County's current fiscal year ends on December 31. The County may adjust such fiscal year by providing written notice to the MSRB. In lieu of providing such annual financial information and operating data, the County may cross-refer to other documents available to the public on the MSRB's internet website or filed with the SEC.

If not provided as part of the annual financial information discussed above, the County will provide the County's audited annual financial statement prepared in accordance with BARS when and if available to the MSRB.

Material Events. The County further agrees to provide or cause to be provided to the MSRB in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to the rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers for the Bonds;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership, or similar event of any "obligated person" (as such term is defined in the Rule;

(xiii) the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material, and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Solely for purposes of disclosure and not intending to modify this undertaking, the County advises with reference to items (iii) and (x) that the Parity Bond Reserve Account is the debt service reserve for the Bonds and no property secures repayment of the Bonds.

The County agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information and operating data described above on or prior to the date set forth above.

EMMA; Format for Filings with the MSRB. Until otherwise designated by the MSRB or the Commission, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at *www.emma.msrb.org* (which is not incorporated into this Official Statement by reference). All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

Termination of Undertaking. The County's obligations to provide annual financial information and notices of material events will terminate upon the legal defeasance or payment in full of the Bonds. These obligations, or any provision hereof, will be null and void if the County:

(i) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require these obligations, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and

(ii) notifies the MSRB of such opinion and the cancellation of these obligations.

Amendment of Undertaking. Notwithstanding any other provision of the Bond Ordinance or the Sale Motion, the County may amend its undertaking, and any provision thereof may be waived, with an approving opinion of nationally recognized bond counsel and in accordance with the Rule.

In the event of any amendment of or waiver of a provision of the County's undertaking, the County will describe such amendment in the next annual report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements:

(i) notice of such change will be given in the same manner as for a material event, and

(ii) the annual report for the year in which the change is made will present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Remedies, Beneficiaries. The right of a Bond Owner or Beneficial Owner to enforce the provisions of the County's undertaking described in this section will be limited to a right to obtain specific enforcement of the County's obligations, and any failure by the County to comply with the provisions of this undertaking will not be an event of default with respect to the Bonds. For purposes of this section, "Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond, including persons holding Bonds through nominees or depositories.

Prior Compliance. The County has entered into written undertakings under the Rule with respect to all of its obligations subject thereto and is in compliance with all such undertakings.

OTHER BOND INFORMATION

Ratings

The Bonds have been rated Aa2 and AA+ by Moody's Investors Service and S&P, respectively. The ratings reflect only the views of the rating agencies, and an explanation of the significance of the ratings may be obtained from each rating agency. There is no assurance that the ratings will be maintained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price and liquidity of the Bonds.

Financial Advisor

The County has retained Seattle-Northwest Securities Corporation, Seattle, Washington, as financial advisor (the "Financial Advisor") in connection with the preparation of the County's financing plans and with respect to the authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make any independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Seattle-Northwest Securities Corporation is a full service investment banking firm which provides financial advisory and underwriting services to state and local governmental entities in the Pacific Northwest. While under contract to the County, the Financial Advisor may not participate in the underwriting of any County debt.

Purchaser of the Bonds

The Bonds are being purchased by _________________ (the "Purchaser") at a price of $______________, and will be reoffered at a price of $_____________, as set forth on the cover of this Official Statement. The Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering price set forth on the inside cover hereof, and such initial offering price may be changed from time to time, by the Purchaser. After the initial public offering, the public offering price may be varied from time to time.

Official Statement

All forecasts, estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not intended to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds. The information contained in this Official Statement is presented for the guidance of prospective purchasers of the Bonds described herein. The information has been compiled from official sources and, while not guaranteed by the County, is believed by the County to be correct.

At the time of the delivery of the Bonds, one or more officials of the County will furnish a certificate stating that to the best of his or her knowledge and belief at the time of delivery of the Bonds, this Official Statement and supplemental information furnished by the County did not and does not contain any untrue statements of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in any material respect.

The County has authorized the execution and delivery of this Official Statement.

KING COUNTY, WASHINGTON

By: ______________________________

Ken Guy
Director of Finance and Business Operations Division

APPENDIX A

SUMMARY OF THE BOND ORDINANCE

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SUMMARY OF THE BOND ORDINANCE

Ordinance 16868 of the County, passed by the County Council on June 28, 2010 (the "Bond Ordinance") authorizes the issuance of not to exceed $475,000,000 in Parity Bonds or Parity Lien Obligations to pay for costs of improvements to the Sewer System and not to exceed $1,000,000,000 in Parity Bonds or Parity Lien Obligations to refund outstanding County bonds payable from revenues of the Sewer System. The Bonds are the final authorization of bonds under the Bond Ordinance. The Bonds are being issued as Parity Bonds. Certain provisions of the Bond Ordinance relevant to the Bonds and to Parity Bonds are summarized herein. Please refer to the Bond Ordinance for full and complete statements of such provisions and for other provisions relating to the Bonds. Copies of the Bond Ordinance are available on request to Seattle-Northwest Securities Corporation, 1420 Fifth Avenue, Suite 4300, Seattle, Washington 98101, or to the County.

Many of the capitalized words or phrases used in this summary and elsewhere in this Official Statement are defined in the Bond Ordinance. Certain of those definitions are summarized below.

Certain Definitions

"Annual Parity Debt Service" means, with respect to any calendar year, the sum of the following:

1. The interest due for all outstanding Parity Bonds (i) on all interest payment dates (other than January 1) in such calendar year, and (ii) on January 1 of the next succeeding year, and any Payment Agreement Payments due on such dates in respect of any Parity Payment Agreements, minus any Payment Agreement Receipts due in such period in respect of such Parity Payment Agreements. For purposes of calculating the amounts required to pay interest on Parity Bonds, capitalized interest and accrued interest paid to the County upon the issuance of Parity Bonds will be excluded. The amount of interest deemed to be payable on any issue of Variable Rate Parity Bonds will be calculated on the assumption that the interest rate on those bonds would be equal to the rate that is 90% of the average Bond Buyer Revenue Bond Index or comparable index during the fiscal quarter preceding the quarter in which the calculation is made; provided, however, provided, however, that for purposes of determining actual compliance in any past calendar year with the rate coverage covenant applicable to Parity Bonds, the actual amount of interest paid on any issue of Variable Rate Parity Bonds will be taken into account.

2. The principal due (at maturity or upon the mandatory redemption of Term Bonds prior to their maturity) for all outstanding Parity Bonds (i) on all principal payment dates (other than January 1) of such calendar year and (ii) on January 1 of the next succeeding year.

In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or upon the mandatory redemption of Parity Term Bonds that are Capital Appreciation Bonds shall be included in the calculation of Annual Debt Service, and references in this ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or upon the mandatory redemption of any Capital Appreciation Bonds.

Notwithstanding the foregoing, debt service on Parity Bonds with respect to which a Payment Agreement is in force will be calculated by the County to reflect the net economic effect on the County intended to be produced by the terms of the Parity Bonds and the terms of the applicable Payment Agreement.

From and after the date when no 2001 Bonds, 2002A Bonds, 2002B Bonds, 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2^{nd}) Bonds, 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, for purposes of calculating the Reserve Requirement and satisfying the rate covenant and the tests for the issuance of Future Parity Bonds, Annual Debt Service for any Fiscal Year or calendar year will be calculated net of any Debt Service Offsets.

"Bank Note" means the bank note issued to secure payment of the Commercial Paper Notes.

"Commercial Paper Notes" means the King County, Washington, Sewer Revenue Bond Anticipation Notes, Commercial Paper Series A.

"Comprehensive Plan" means the County's Comprehensive Sewage Disposal Plan, as defined in Section 28.82.150 of the King County Code.

"Debt Service Account" means the account of that name within the Parity Bond Fund to provide for the payment of principal of and interest on the Parity Bonds.

"Debt Service Offset" means receipts of the County, including but not limited to federal interest subsidy payments, designated as such by the County that are not included in Gross Revenue and that are legally available to pay debt service on Parity Bonds, Parity Lien Obligations or other obligations of the County payable from and secured by a pledge of Gross Revenue.

"Future Parity Bonds" means any sewer revenue bonds or other obligations that may be issued in the future as Parity Bonds.

"Junior Lien Obligations" means the County's Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001A and Series 2001B, issued under date of August 15, 2001, and any other revenue bonds or other revenue obligations having a lien on Revenue of the System equal to the lien thereon of such bonds.

"Multi-Modal LTGO/Sewer Revenue Bonds" means the County's Multi-Modal Limited Tax General Obligation Bonds (Payable from Sewer Revenue), Series 2010A and Series 2010B Bonds, issued under date of January 21, 2010, and any additional limited tax general obligation bonds of the County payable from Revenue of the System and having the same lien on that revenue as those bonds.

"Net Revenue" means Revenue of the System less Operating and Maintenance Expenses.

"Operating and Maintenance Expenses" means all normal expenses incurred by the County in causing the System to be maintained in good repair, working order and condition and includes payments to any private or governmental agency for the operation or maintenance of facilities or for the disposal of sewage but excludes any allowance for depreciation.

"Parity Bond Fund" means the "Water Quality Revenue Bond Account" designated pursuant to Section 30 of Ordinance 12076 of the County for the purpose of paying and securing the payment of the Parity Bonds.

"Parity Bond Reserve Account" means the account of that name within the Parity Bond Fund to secure the payment of the Parity Bonds.

"Parity Bonds" means the Bonds, the following sewer revenue bonds, and any other sewer revenue bonds hereafter issued on a parity therewith:

Designation	**Ordinance**	**Date of Issue**	**Original Principal**
2001 Bonds	14225	11/28/2001	$270,060,000
2002A Bonds	14406	8/14/2002	100,000,000
2002B Bonds	14406	10/03/2002	346,130,000
2003A	14406	4/24/2003	96,470,000
2004A	14753	3/18/2004	185,000,000
2004B	14753	3/18/2004	61,760,000
2006 Bonds	15385	5/16/2006	124,070,000
2006 (2nd) Bonds	15385	11/30/2006	193,435,000
2007 Bonds	15758	6/26/2007	250,000,000
2008 Bonds	16133	8/14/2008	350,000,000
2009 Bonds	16133	8/12/2009	250,000,000
2010 Bonds	16868	7/29/2010	334,365,000

"Parity Bonds" also includes any Parity Payment Agreements and reimbursement agreements entered into with the providers of credit facilities supporting Parity Bonds.

"Parity Lien Obligations" means the following sewer revenue bonds and any other sewer revenue obligations hereafter issued on a parity therewith:

Designation	**Ordinance**	**Date of Issue**	**Original Principal**
Series 2005	15033	4/21/2005	$200,000,000
Series 2008	15779	2/12/2008	236,950,000
Series 2009	16133	4/8/2009	300,000,000

“Parity Lien Obligations” also includes any Payment Agreements entered into with respect to Parity Lien Obligations and reimbursement agreements entered into with the providers of credit facilities supporting Parity Lien Obligations.

“Parity Payment Agreement” means a Payment Agreement under which the County’s payment obligations are expressly stated to constitute a charge and lien on the Revenue of the System equal in rank with the charge and lien upon such revenue securing amounts required to be paid into the Parity Bond Fund to pay and secure the payment of principal of and interest on the Parity Bonds.

“Parity Term Bonds” means Parity Bonds that are Term Bonds.

“Payment Agreement” means, to the extent permitted from time to time by applicable law, a written agreement entered into by the County (i) in connection with or incidental to the issuance, incurring or carrying of bonds or other obligations of the County secured in whole or in part by a lien on Revenue of the System; (ii) for the purpose of managing or reducing the County’s exposure to fluctuations or levels of interest rates, currencies or commodities or for other interest rate, investment, asset or liability management purposes; (iii) with an entity that at the time the agreement is entered into is a Qualified Counterparty; and (iv) which provides, on either a current or forward basis, for an exchange of payments determined in accordance with a formula specified therein.

“Payment Agreement Payments” means the amounts periodically required to be paid by the County to the Qualified Counterparty pursuant to a Payment Agreement. The term “Payment Agreement Payments” does not include any termination payment required to be paid with respect to a Payment Agreement.

“Payment Agreement Receipts” means the amounts periodically required to be paid by the Qualified Counterparty to the County pursuant to a Payment Agreement.

“Professional Utility Consultant” means a licensed professional engineer, a certified public accountant, or other independent person(s) or firm(s) selected by the County having a favorable reputation for skill and experience with sewer systems of comparable size and character to the System in such areas as are relevant to the purposes for which they are retained.

“Public Works Trust Fund Loans” means loans to the County by the State of Washington under the Public Works Trust Fund loan program and any loan agreements hereafter entered into by the County under the Public Works Trust Fund loan program, the repayment obligations of which are secured by a lien on Revenue of the System equal to the lien thereon established by the current loan agreements.

“Qualified Counterparty” means with respect to a Payment Agreement an entity (i) whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability or whose payment obligations under a Payment Agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability are rated (at the time the Payment Agreement is entered into) at least as high as A3 by Moody's and A- by S&P, or the equivalent thereof by any successor thereto and (ii) who is otherwise qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

"Qualified Insurance" means (i) so long as any 2001 Bonds, 2002A Bonds, 2002B Bonds, 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2^{nd}) Bonds, 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, any unconditional municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States or by a service corporation acting on behalf of one or more such insurance companies, which insurance company or service corporation is rated in one of the two highest rating categories by Moody's, S&P, and any other rating agency then maintaining a rating on the Parity Bonds, provided, that, as of the time of issuance of such policy or surety bond, such insurance company or companies maintain a policy owner's surplus in excess of $500,000,000; and (ii) from and after such time as no 2001 Bonds, 2002A Bonds, 2002B Bonds, 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2^{nd}) Bonds, 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, any unconditional municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States or by a service corporation acting on behalf of one or more such insurance companies, which insurance company or service corporation, as of the time of issuance of such policy or surety bond, is then rated in one of the two highest rating categories by Moody's, S&P, and any other rating agency then maintaining a rating on the Parity Bonds and maintains a policy owner's surplus in excess of $500,000,000.

"Qualified Letter of Credit" means any irrevocable letter of credit issued by a bank for the account of the County and for the benefit of the owners of Parity Bonds, provided that such bank maintains an office, agency or branch in the United States, and provided further, that, as of the time of issuance of such letter of credit, such bank is currently rated in one of the two highest rating categories by Moody's, S&P and any other rating agency then maintaining a rating on the Bonds.

"Rate Stabilization Fund" means the special fund of the County of that name created in anticipation of increases in revenue requirements of the System.

"Revenue of the System" means all the earnings, revenues and money received by the County from or on account of the operations of the Sewer System and from the investment of money in the Revenue Fund or any account within such fund, but will not include any money collected pursuant to the Service Agreements applicable to administrative costs of the County other than costs of administration of the System.

"Reserve Requirement" means maximum Annual Parity Debt Service.

"Service Agreements" means the sewage disposal agreements between the County and municipal corporations, persons, firms, private corporations, or governmental agencies providing for the disposal by the County of sewage collected from such contracting parties.

"SRF Loans" means loans to the County by the State of Washington Department of Ecology pursuant to certain current loan agreements and any loan agreements hereafter entered into by the County under the State of Washington water pollution control revolving fund loan program, the repayment obligations of which are secured by a lien on Revenue of the System equal to the lien thereon established by the current loan agreements.

"Subordinate Lien Obligations" means the Commercial Paper Notes, the Bank Note and any additional Subordinate Lien Obligations

"System" or "Sewer System" means the sewers and sewage disposal facilities now or hereafter acquired, constructed, used or operated by the County for the purpose of carrying out the Comprehensive Plan.

"Term Bonds" means those bonds identified as such in the proceedings authorizing their issuance, the principal of which is amortized by a schedule of mandatory redemptions, payable from a bond redemption fund, prior to their maturity.

"Trustee" means a trustee for the Parity Bonds authorized to be appointed by owners of the Parity Bonds.

"Variable Rate Parity Bonds" means Parity Bonds bearing interest at a variable rate of interest.

Revenue Fund--Priority of Payment

All Revenue of the System is to be deposited in the Revenue Fund. The Revenue of the System must be used in the order of priority described under the caption "Security and Sources of Payment for the Bonds—Pledge of Sewer Revenue" in this official statement:

Covenants and Representations

Rate Covenant. The rate covenant is described under the caption "Security and Sources of Payment for the Bonds—Rate Covenant" in this official statement.

Maintenance and Operation. The Sewer System and the business in connection therewith will be operated in a safe, sound, efficient and economic manner in compliance with applicable health, safety and environmental laws and regulations. Necessary or proper repairs, replacements and renewals will be made, without undue deferral.

Books and Records. The County will keep proper books of record and accounts of operation of the System, including an annual financial report.

Annual Audit. The County will cause its books of accounts to be audited annually by the State auditor's office or other State department or agency as may be authorized and directed by law to make such audits, or if such an audit will not be made for twelve months after the close of any fiscal year of the County, by a certified public accountant. The County will furnish such audit to the Registered Owner of any Bond upon written request therefore.

Insurance. The County will at all times carry fire and extended coverage and such other forms of insurance on such of the facilities and properties of the Sewer System as under good practice are ordinarily carried by municipal or privately owned utilities engaged in the operation of sewer systems and also to carry adequate public liability insurance, provided that the County may self-insure.

Construction. The County will cause the construction of any duly authorized and ordered portions of the Comprehensive Plan to be performed and completed within a reasonable time and at the lowest reasonable cost.

Collection of Revenue. The County will so operate and maintain the System and conduct its affairs as to entitle it at all times to receive and enforce payment to it of sewage disposal charges payable (i) pursuant to the ordinance or ordinances establishing a tariff of rates and charges for sewage disposal services and (ii) under any Service Agreement that the County has now or may hereafter enter into, and to entitle the County to collect all revenues derived from the operation of the System. The County may not release the obligations of any person, corporation or political subdivision under such tariff of rates and changes or the Service Agreements and must at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the County and of the owners of the Parity Bonds under or with respect to such agreements.

In accordance with RCW 35.58.200(3), the County will require any county, city, special district or other political subdivision to discharge to the System all sewage collected by such entity from any portion of the Seattle metropolitan area that can drain by gravity flow into facilities of the System that serve such areas if the County Council declares that the health, safety or welfare of the people within the metropolitan area require such action.

Legal Authority. The County has full legal right, power and authority to adopt the Bond Ordinance, to sell, issue and deliver the Bonds as provided therein, and to carry out and consummate all other transactions contemplated by the Bond Ordinance.

Due Authorization. By all necessary official action prior to or concurrently with the Bond Ordinance, the County has duly authorized and approved the execution and delivery of, and the performance by the County of its obligations contained in, the Bonds and in the Bond Ordinance and the consummation by it of all other transactions necessary to effectuate the Bond Ordinance in connection with the issuance of Bonds, and such authorizations and approvals are in full force and effect and have not been amended, modified or supplemented in any material respect.

Binding Obligation. The Bond Ordinance constitutes a legal, valid and binding obligation of the County.

No Conflict. The adoption of the Bond Ordinance, and compliance on the County's part with the provisions contained therein, will not conflict with or constitute a breach of or default under any constitutional provisions, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, ordinance, motion, agreement or other instrument to which the County is a party or to which the County or any of its property or assets are otherwise subject, nor will any such adoption, execution, delivery, sale, issuance or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the County or under the terms of any such law, regulation or instrument.

Performance Under Bond Ordinance. None of the proceeds of the Bonds will be used for any purpose other than as provided in the Bond Ordinance, and the County will not allow any amendment or supplement to the Bond Ordinance, or any departure from the due performance of the obligations of the County thereunder, that might materially adversely affect the rights of the owners from time to time of the Bonds.

Sale or Disposition of Property. The County will not sell or voluntarily dispose of all of the operating properties of the Sewer System unless provision is made for payment into the Parity Bond Fund of a sum sufficient to pay the principal of and interest on all outstanding Parity Bonds.

The County will not sell or voluntarily dispose of any part of the operating properties of the System unless provision is made (i) for payment into the Parity Bond Fund of an amount that will bear at least the same proportion to the amount of the outstanding Parity Bonds that the estimated amount of any resulting reduction in the Revenue of the System for the twelve months following such sale or disposition bears to the Revenue of the System that would have been realized if such sale or disposition had not been made and (ii) for payment into the Parity Lien Obligation Bond Fund of an amount that will bear at least the same proportion to the amount of the outstanding Parity Lien Obligations that the estimated amount of any resulting reduction in the Revenue of the System for the twelve months following such sale or disposition bears to the Revenue of the System that would have been realized if such sale or disposition had not been made. Such estimate shall be made by a Professional Utility Consultant. Any money so paid into the Parity Bond Fund and the Parity Lien Obligation Bond Fund shall be used to retire outstanding Parity Bonds and Parity Lien Obligations at the earliest possible date. Notwithstanding the foregoing, the County may sell or otherwise dispose of any of the works, plant, properties and facilities of the System or any real or personal property comprising a part of the System with a value of less than 5% of the net utility plant of the System or which has become unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or no longer necessary, material to or useful in such operation, without making any deposit into the Parity Bond Fund or the Parity Lien Obligation Bond Fund.

Future Parity Bonds

The County covenants with the owners of the Parity Bonds that it will not create any special fund for the payment of the principal of and interest on any revenue bonds that will rank on a parity with or have any priority over the payments out of the Revenue of the System required to be made into the Parity Bond Fund and the accounts therein, except that it reserves the right to issue additional or refunding bonds for the purpose of:

- acquiring, constructing and installing any portion of the Comprehensive Plan, or
- acquiring, constructing and installing any necessary renewals or replacements of the System, or
- refunding or purchasing and retiring at or prior to their maturity any outstanding obligations of the County payable from Revenue of the System.

Such bonds will rank on a parity with the outstanding Parity Bonds upon compliance with certain conditions, including the following:

1. There must be no deficiency in the Parity Bond Fund or any account therein.

2. If Parity Bonds are issued for refunding purposes, any money held in any fund or account of the County created to pay the refunded bonds must be applied to pay such bonds or be transferred to the Parity Bond Fund.

3. Upon the issuance of any Future Parity Bonds, the Reserve Requirement must be satisfied either by the deposit of cash into the Parity Bond Reserve Account or by the provision of Qualified Insurance or a Qualified Letter of Credit.

4. a. At the time of the issuance of any Future Parity Bonds, the County must have on file a certificate from a Professional Utility Consultant (the certificate may not be dated more than 90 days prior to the date of delivery of such Future Parity Bonds) showing that the "annual income available for revenue bond debt service" for each year during the life of such Future Parity Bonds will be at least equal to 1.25 times the amount required in each such year to pay the Annual Parity Debt Service for such year.

b. Such "annual income available for revenue bond debt service" will be determined as follows for each year following the proposed date of issue of such Future Parity Bonds:

(i) The Revenue of the System will be determined for a period of any 12 consecutive months out of the 18 months immediately preceding the delivery of the Future Parity Bonds being issued.

(ii) Such revenue may be adjusted to give effect on a 12-month basis to the rates in effect on the date of such certificate.

(iii) If any customers were added to the System during such 12-month period or thereafter and prior to the date of the Professional Utility Consultant's certificate, such revenue may be further adjusted on the basis that added customers were customers of the System during the entire 12-month period.

(iv) The amount expended for Operating and Maintenance Expenses during such period will be deducted from such revenue.

(v) For each year following the proposed date of issuance of such Future Parity Bonds, the Professional Utility Consultant may add to the annual revenue determined in the preceding four paragraphs an estimate of the income to be received in each such year from the investment of money in the Parity Bond Fund and any account therein and from the Construction Fund to be determined by a firm of nationally recognized financial consultants selected by the County.

(vi) Beginning with the second year following the proposed date of issue of such Future Parity Bonds and for each year thereafter, the Professional Utility Consultant may add to the annual revenue determined in the preceding five paragraphs his or her estimate of any additional annual revenue to be received from anticipated growth in the number of customers within the area served by the System on the date of such certificate, after deducting therefrom any increased Operating and Maintenance Expenses estimated to be incurred as a result of such growth; provided that the estimate of the number of customers served shall not assume a growth of more than 1/4 of 1% over and above the number of customers served or estimated to be served during the preceding year.

(vii) If extensions of or additions to the System are in the process of construction at the time of such certificate, or if the proceeds of the Future Parity Bonds being issued are to be used to acquire or construct extensions of or additions to the System, there may be added to the annual net revenue as above determined any revenue not included in the preceding paragraphs that will be derived from such additions and extensions after deducting therefrom the estimated additional Operating and Maintenance Expenses to be incurred as a result of such additions and extensions; provided that such estimated annual revenue will be based upon 75% of any estimated customer growth in the four years following the first full year in which such additional revenue is to be collected and thereafter the estimated customer growth may not exceed 1/4 of 1% per year over and above such reduced estimate.

5. Instead of the certificate described in paragraph 4 above, the County may elect instead to have on file a certificate of the County's Finance Director demonstrating that during any 12 consecutive calendar months out of the immediately preceding 18 calendar months Net Revenue was at least equal to 1.25 times the amount required to pay, in each year that such Future Parity Bonds would be outstanding, the Annual Parity Debt Service for such year.

6. The County may at any time for the purpose of refunding at or prior to their maturity any outstanding Parity Bonds or any bonds or other obligations of the County payable from Revenue of the System issue Future Parity Bonds without complying with the provisions described in paragraphs 4 or 5 above; provided, however, that the County may not issue Future Parity Bonds for such refunding purpose unless the Finance Manager certifies that upon the issuance of such Future Parity Bonds (i) total debt service required for all Parity Bonds (including the refunding bonds but not including the bonds to be refunded thereby) will decrease and (ii) the annual debt service for each year that any Parity Bonds (including the refunding bonds proposed to be issued) are then outstanding will not be increased by more than $5,000 by reason of the issuance of such Future Parity Bonds.

Subordinate Obligations. Nothing contained in the Bond Ordinance prevents the County from issuing revenue bonds that are a charge upon the Revenue of the System and money in the Revenue Fund junior or inferior to the payments required to be made therefrom into the Parity Bond Fund and any account therein, nor does the Bond Ordinance prevent the County from issuing Future Parity Bonds to refund maturing Parity Bonds for the payment of which money is not otherwise available.

Parity Payment Agreements

General. To the extent permitted by state law, the County may enter into Payment Agreements secured by a lien on Revenue of the System equal to the lien thereon of the Bonds. "Payment Agreements" include agreements providing for an exchange of payments based on interest rates (known as interest rate swaps) or providing for ceilings or floors on such payments. Each Parity Payment Agreement must set forth the manner in which the Payment Agreement Payments and the Payment Agreement Receipts will be calculated and a schedule of payment dates. Any Parity Payment Agreement must be authorized by ordinance, and the County must give notice to Moody's and S&P prior to entering into a Parity Payment Agreement.

Calculation of Debt Service with respect to Parity Payment Agreements. For purposes of determining compliance with the rate covenant and the test for issuing Future Parity Bonds, the Bond Ordinance provides that debt service on Parity Bonds with respect to which a Parity Payment Agreement is in force will be calculated to reflect the net economic effect on the County intended to be produced by the terms of the Parity Bonds and the terms of the Parity Payment Agreement. In calculating such amounts, the County must comply with the following requirements.

The amount of interest deemed payable on any Parity Bonds with respect to which a Parity Payment Agreement is in force will be the amount of interest that would be payable at the rate or rates stated in those Parity Bonds plus Payment Agreement Payments minus Payment Agreement Receipts.

For any period during which Payment Agreement Payments are not taken into account in calculating interest on any outstanding Parity Bonds because the Parity Payment Agreement is not then related to any outstanding Parity Bonds, Payment Agreement Payments on that Parity Payment Agreement must be calculated based upon the following assumptions:

- If the County is obligated to make Payment Agreement Payments based on a fixed rate and the Qualified Counterparty is obligated to make payments based on a variable rate index, payments by the County will be based on the assumed fixed payor rate, and payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable rate index specified by the Parity Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made.

- If the County is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make payments based on a fixed rate, payments by the County will be based on a rate equal to the average rate determined by the variable rate index specified by the Parity Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made, and the Qualified Counterparty will make payments based on the fixed rate specified by the Parity Payment Agreement.

Termination Payments. The County's authorizations of Parity Lien Obligations, Junior Lien Obligations, Multi-Modal LTGO/Sewer Revenue Bonds, and Subordinate Lien Obligations do not provide that termination payments with respect to any Parity Payment Agreements may have a lien on Revenue of the System senior to the lien thereon of such Parity Lien Obligations, Junior Lien Obligations, Multi-Modal LTGO/Sewer Revenue Bonds, or Subordinate Lien Obligations. Therefore any termination payments with respect to Parity Payment Agreements would have a lien position junior to the lien on Revenue of the System of all such Parity Lien Obligations, Junior Lien Obligations, Multi-Modal LTGO/Sewer Revenue Bonds, and Subordinate Lien Obligations.

Notice to Rating Agencies. The County will give notice to Moody's and S&P 30 days prior to the date it intends to enter into a Parity Payment Agreement.

Trustee for Bondowners

Appointment of Trustee. Upon the occurrence of any event of default under the Bond Ordinance, as described below, the owners of a majority in principal amount of the outstanding Parity Bonds may appoint a Trustee. Any Trustee must be a bank or trust company organized under the laws of the State of Washington or the State of New York or a national banking association. The fees and expenses of a Trustee must be borne by the Bondowners and not by the County. The bank or trust company acting as a Trustee may be removed at any time, and a successor Trustee may be appointed by the owners of a majority in principal amount of the outstanding Parity Bonds.

Any Trustee appointed as described above, and each successor thereto, is a trustee for the owners of all Parity Bonds and is empowered to exercise all the rights and powers conferred by the Bond Ordinance on a Trustee.

Certain Rights and Obligations of Trustee. The Trustee is not responsible for recitals in any resolution, ordinance or in the Parity Bonds, or for the validity of said bonds, nor will the Trustee be responsible for insuring the System or for collecting any insurance money or for the title to any of the property of the System. The Trustee will be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed, sent or delivered by the person or persons by whom such paper or document shall purport to have been signed, sent or delivered. The Trustee is not answerable for any neglect or default of any person, firm or corporation employed and selected by it with reasonable care.

The Trustee will permit the owner or holder of any Parity Bonds to inspect any instrument, opinion or certificate filed with the Trustee by the County or by any person, firm or corporation acting for the County. The Trustee is not bound to recognize any person as a owner or holder of any Parity Bond until his, her or its title thereto, if disputed, shall have been established to its reasonable satisfaction. The Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee in good faith and in accordance with the opinion of such counsel.

Events of Default; Powers and Duties of Trustee

Events of Default. The occurrence of one or more of the following events are "events of default" under the Bond Ordinance:

- Default in the payment of principal of or interest on any Parity Bonds when the same becomes due; or

- Default in the observance or performance of any of the other covenants applicable to Parity Bonds contained in the Bond Ordinance, and such default continues for a period of six months after written notice to the County from a Parity Bond holder specifying such default and requiring the same to be remedied.

Powers of Trustee. The Trustee in its own name and on behalf of and for the benefit and protection of the holders and owners of all Parity Bonds may proceed, and upon the written request of the holders and owners of not less than 25% in principal amount of the Parity Bonds then outstanding must proceed, to protect and enforce any rights of the Trustee and, to the full extent that owners or holders of Parity Bonds themselves might do, the rights of such owners and holders of Parity Bonds, including the right to sue for, to enforce payment of and to receive any and all amounts due from the County for principal, interest, penalty interest, if any, together with any and all costs and expenses of the Trustee.

In the event that default is made in the payment of principal of any Parity Bond and such default continues for 30 days, (i) so long as any of the 2001 Bonds, 2002A Bonds, 2002B Bonds, 2003A Bonds and 2004 Bonds remain outstanding, the Trustee shall be entitled to declare all outstanding Parity Bonds immediately due and payable and may proceed to enforce payment thereof as hereinabove provided, and (ii) after such time as no 2001 Bonds, 2002A Bonds, 2002B Bonds, 2003A Bonds and 2004 Bonds remain outstanding, the Trustee may not accelerate payment of any Parity Bonds, but may proceed to enforce payment thereof as hereinabove provided. In the event that any default shall, in the sole judgment of the Trustee, be cured and the Trustee furnishes the County a certificate so stating, such default will be conclusively deemed to be cured and the County, Trustee and owners and holders of Parity Bonds will be restored to the same rights and position they would have held if no event of default had occurred.

Procedure by Bond Owners. No owner of any one or more of the Bonds will have any right to institute any action, suit or proceedings at law or in equity for the enforcement of the same or coupons appertaining thereto, unless an event of default has occurred, and unless no Trustee has been appointed, but any remedy authorized to be exercised by a Trustee may be exercised individually by any Bondowner, in his own name and on his own behalf or for the benefit of all Bondowners, in the event no Trustee has been appointed, or with the consent of the Trustee if such Trustee has been appointed.

Application of Money Collected by Trustee. Any money collected by the Trustee at any time shall be applied, first, to the payment of its charges, expenses, advances and compensation and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys, and, second, toward payment of the amount then due and unpaid upon the Parity Bonds and coupons, ratably and without preference or priority of any kind not expressly provided in the Bond Ordinance, according to the amounts due and payable upon such bonds and coupons, at the time and in the manner prescribed in the Bond Ordinance.

Supplemental Ordinances

The County Council from time to time and at any time may adopt an ordinance or ordinances supplemental to the Bond Ordinance for any one or more of the following purposes:

- To add to the covenants and agreements of the County in the Bond Ordinance such other covenants and agreements thereafter to be observed, which will not adversely affect the interests of the holders and owners of any Parity Bonds, or to surrender any right or power reserved to or conferred upon the County in the Bond Ordinance.

- To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in the Bond Ordinance or any ordinance authorizing Future Parity Bonds in regard to matters or questions arising under such ordinances as the County council may deem necessary or desirable and not inconsistent with such ordinances and which will not adversely affect the interest of the holders and owners of Parity Bonds.

APPENDIX B

FORM OF BOND COUNSEL OPINION

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January __, 2011

King County, Washington
Seattle, Washington

____
____

Re: King County, Washington
Sewer Revenue Bonds, 2011 - $___________

Ladies and Gentlemen:

We have acted as bond counsel to King County, Washington (the "County"), and have examined a certified transcript of the proceedings taken in connection with the issuance by the County of its Sewer Revenue Bonds, 2011, dated the date hereof, in the aggregate principal amount of $___________ (the "Bonds"). The Bonds are issued pursuant to Ordinance 16868 of the County passed on June 28, 2010 (the "Bond Ordinance"), and Motion _____ of the County Council passed on _________ __, 2011 (together, the "Bond Legislation"), to finance a portion of the cost of capital improvements to the County's sewer system and to refund certain outstanding bonds of the County payable from revenue of the sewer system. Capitalized terms used herein and not otherwise defined have the meanings given them in the Bond Legislation.

The Bonds are subject to redemption as provided in the Bond Legislation.

As to questions of fact material to our opinion, we have relied upon representations of the County contained in the Bond Legislation and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally issued and constitute valid special obligations of the County, both principal thereof and interest thereon being payable solely out of a special fund of the County known as the "Water Quality Revenue Bond Account" (the "Bond Fund"), except to the extent that the enforcement of the rights and remedies of the owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application affecting the rights of creditors, by the application of equitable principles, and by the exercise of judicial discretion.

2. The County has irrevocably bound itself to set aside and pay into the Bond Fund and accounts therein out of Revenue of the System amounts sufficient to pay the principal of and interest on the Bonds as the same become due.

3. The County has pledged that the payments to be made from Revenue of the System into the Bond Fund and accounts therein shall have a lien and charge on Revenue of the System superior to all other charges of any kind or nature except Operating and Maintenance Expenses, and equal in rank to the lien and charge upon Revenue of the System of the amounts required to pay and secure the payment of the principal of and interest on the outstanding Parity Bonds and any Future Parity Bonds. The County has reserved the right to issue Future Parity Bonds on the terms set forth in the Bond Ordinance.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The County has covenanted to comply with all applicable requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto or relating to the undertaking of the County to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

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APPENDIX C

KING COUNTY WATER QUALITY ENTERPRISE 2009 AUDITED FINANCIAL STATEMENTS

The financial statements of the King County Water Quality Enterprise (the "Enterprise") as of and for the fiscal year ended December 31, 2009, included herein as Appendix C, have been audited by Moss Adams LLP, independent accountants, as stated in its report appearing herein. The Enterprise has not requested that Moss Adams LLP provide consent for inclusion of its audited financial statements in this Official Statement, and Moss Adams LLP has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Further, Moss Adams LLP has not participated in any way in the preparation or review of this Official Statement.

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KING COUNTY WATER QUALITY ENTERPRISE FUND

(An Enterprise Fund of
King County, Washington)

Independent Auditor's Report

and Financial Statements with

Required Supplementary Information

and Supplemental Schedule

December 31, 2009 and 2008

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Metropolitan King County Council
Seattle, Washington

We have audited the accompanying financial statements of the King County Water Quality Enterprise Fund ("Water Quality"), as of and for the year ended December 31, 2009, which collectively comprise Water Quality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Water Quality's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the King County Water Quality Enterprise Fund as of and for the year ended December 31, 2008 prior to restatement, were audited by other auditors, whose report dated October 7, 2009 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the King County Water Quality Enterprise Fund as of December 31, 2009, and the changes in its financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15, Water Quality corrected errors related to its accounting for capital assets, amortization of debt related accounts, and classification of net assets accounts and has restated the 2008 financial statements and its net assets as of January 1, 2008, to conform with accounting principles generally accepted in the United States of America. We also audited the adjustments described in Note 15 that were applied to restate the 2008 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

The accompanying management's discussion and analysis on pages 2 through 9 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of Water Quality's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedule of Net Revenues Available for Debt Service is not a required part of the basic financial statements, but is supplemental information presented for purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Moss Adams LLP

Seattle, Washington
July 6, 2010

The management of King County Water Quality Enterprise Fund ("Water Quality") presents to readers of its financial statements this narrative overview and analysis of its activities and financial performance for the fiscal years ended December 31, 2009 and 2008.

THE SEWER SYSTEM

Water Quality provides wastewater treatment services to King County, part of Snohomish County, and part of Pierce County with a service area encompassing over 420 square miles. The major wastewater treatment facilities include two large secondary treatment plants at West Point in Seattle and South Plant in Renton, two smaller secondary treatment plants at Vashon Island and Carnation, 335 miles of interceptors, 42 pump stations, and 38 combined sewer overflow ("CSO") control locations. The sewer system collects and treats 206 million gallons per day in a normal flow year from approximately 1.5 million residents.

FINANCIAL HIGHLIGHTS

During 2009, Water Quality provided sewage treatment services to 703,795 residential customer equivalents ("RCE") compared to 706,846 in 2008 and 702,946 in 2007. An RCE is one single-family residence or an equivalent unit of 750 cubic feet of monthly water consumption for all other customers such as multifamily residential, commercial, and industrial properties. The capacity charge program added 8,949 new connections to its customer billing base in 2009. The program added 11,331 and 12,271 new connections in 2008 and 2007, respectively. The average flow of the four treatment plants was 169 million gallons per day ("MGD") with a peak daily flow of 525 MGD. Maximum system capacity remained at 767 MGD in 2009. The average daily flow fluctuated between a peak of 178 in 2007, a low of 162 MGD in 2008 and 169 in 2009. The amount of annual precipitation largely determines annual fluctuations in flows, with recent years considered low flow years.

In 2009, Water Quality produced 47,718 wet tons of biosolids at its West Point Treatment Plant and 68,280 wet tons at its South Treatment Plant. The entire system produced 28,287 dry tons of biosolids. About 333 million gallons of reclaimed water were used for landscape irrigation, industrial processes, and for heating and cooling in 2009. Reclaimed water capacity will expand when the Brightwater Treatment Plant begins service in 2011.

The Industrial Pretreatment Program conducted 438 inspections and took 2,650 compliance samples in 2009. The program currently tracks 304 facilities with discharge authorization permits and 130 significant industrial users.

Water Quality currently has 38 combined sewer overflow facilities. An aggressive effort conducted in concert with the City of Seattle has resulted in a significant reduction in combined sewer overflows in years 1980-1983 from a baseline of 2.3 billion gallons per year to 815 million gallons currently.

In 1999, the Metropolitan King County Council adopted the Regional Wastewater Services Plan ("RWSP") to construct additional capacity, protect public health and provide for future projected population growth in its service area through 2030. Major RWSP projects include the building of the Brightwater Treatment Plant, improvements to the regional conveyance system, construction of 21 combined sewer overflow control projects, and expansion of the South Treatment Plant to 135 million gallons per day capacity by 2029. The RWSP also includes projects to control infiltration and inflow into the conveyance system, process additional biosolids, and produce additional reclaimed water. Total Water Quality capital program expenditures were $470.9 million for 2009 and $474.1 million for 2008.

Construction continued on the new Brightwater Treatment Plant located in southern Snohomish County and the associated conveyance system. Current cost estimates for the Brightwater project total $1.8 billion. The $360.6 million project expenditures in 2009 pushed life to date expenditures to $1.4 billion. The treatment plant is scheduled for completion and to begin operations in 2011 with the conveyance to be completed in 2012.

Water Quality operating revenues increased by 8.0 percent to $306.9 million in 2009 from $284.2 million in 2008. Operating expenses before depreciation increased by 4.8 percent to $103.1 million in 2009 from $98.4 million in 2008.

The monthly sewer rate increased to $31.90 per RCE in 2009 after remaining stable in 2008 at $27.95. The capacity charge rate increased to $47.64 per RCE in 2009 from $46.25 in 2008. Capacity charge revenues increased 16.7 percent to $40.7 million in 2009 from $34.9 million in 2008. The RCE billed for sewer treatment services decreased to 703,795 in 2009 from 706,846 in 2008. The rate stabilization reserve was increased by $15.4 million to $35.2 million in 2009 from $19.8 million in 2008. This increase of $15.4 million in the reserve balance decreases operating revenues for the year and has been excluded from the calculation of debt service coverage for 2009. Future deposits to the rate stabilization reserve will decrease operating revenues and debt service coverage in the year of the deposit. Withdrawals will have the opposite effect of increasing operating revenues and debt service coverage in the year the rate stabilization reserve is reduced.

The rate stabilization reserve, as mandated by the Metropolitan King County Council as part of its rate setting activities, requires Water Quality to set aside a portion of current revenue for future periods in order to moderate the impact of rate increases over time.

Water Quality issued $300.0 million in new limited tax general obligation bonds in April 2009 and $250.0 million in new revenue bonds in August 2009 at average coupon rates of 5.12 percent and 5.09 percent, respectively. The King County Metro Transit Vehicle Replacement fund provided a loan to the Water Quality Construction fund as bridge financing from October 2009 until proceeds from a $100.0 million variable rate bond issue were received in January 2010. The negative unrestricted net assets balance was reduced to ($88.0) million at December 31, 2009 from ($176.4) million at December 31, 2008. Water Quality received $19.2 million of new, low-rate loans from the State of Washington to help fund the capital program at interest rates between 2.7 percent and 3.1 percent.

In 2008, Water Quality issued $350.0 million in new revenue bonds, $237.0 million in limited tax general obligation refunding bonds, and retired $100.0 million of existing variable rate debt. In addition, surplus King County funds provided a five-year loan of $100.0 million to be repaid in increments of $20.0 million annually.

The results of operations for 2009 and 2008 produced a debt service coverage ratio on senior lien debt of 1.44 and 1.41, respectively, exceeding the coverage covenant requirement of 1.15 in both years. The total debt coverage ratio of 1.33 in 2009 and 1.24 in 2008 exceeded the 1.15 policy minimum in both years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Water Quality's basic financial statements. The basic financial statements are comprised of the comparative statements of net assets; statements of revenues, expenses and changes in net assets; statements of cash flows, and the notes to the financial statements, which explain certain elements of the financial statements in greater detail.

REQUIRED FINANCIAL STATEMENTS

Water Quality's financial statements provide information with respect to all of its activities using accounting methods similar to those used by private-sector companies. The statements provide both long-term and short-term information about Water Quality's financial status.

The comparative statement of net assets presents information on all of Water Quality's assets and liabilities, with the difference between assets and liabilities presented as net assets as of each year-end. The statement of net assets provides information about the nature and amount of investments in resources (assets) and obligations to creditors (liabilities). Over time, the statements demonstrate Water Quality's financial health by providing a basis for the reader to evaluate capital structure, liquidity, and financial flexibility.

The two most recent years' of Water Quality operating and nonoperating revenues and expenses are accounted for in the statements of revenues, expenses and changes in net assets. The statements illustrate the current and prior period results of operations and recovery of costs by receipt of fees, and are instrumental in demonstrating Water Quality's continued creditworthiness. All changes in net assets are reported as soon as the underlying event occurs, irrespective of the timing of related cash flows. The receipt of monthly sewage treatment charges provides the principal support for Water Quality's activities. Sewage treatment charges provided 83.5 percent of operating revenues in 2009 and 84.5 percent in 2008. Water Quality is a wholesale provider of sewage treatment services to thirty-five municipal and three nonmunicipal participants in King, Pierce, and Snohomish counties. The receipt of the monthly payments is governed by service agreements, the majority of which expire in July 2036.

The statements of cash flows report cash receipts, cash payments, and net changes in cash derived from operations, financing, and investment activities. From the statements, the reader can discern Water Quality's sources and applications of cash during 2009 and 2008, reasons for differences between operating cash flows and operating income, and the effect on the statements of net assets from investing, capital, and financing activities.

The notes to financial statements provide additional information essential to obtain a full understanding of the data provided in the basic statements.

In the following comparative analysis of the financial statements, percentages and ratios were calculated and rounded using the actual detail from the financial statements.

FINANCIAL ANALYSIS OF THE STATEMENTS OF NET ASSETS

Comparative data, stated in millions of dollars:

	Years Ended December 31		
	2009	2008[1]	2007[1]
Current assets	$ 227.9	$ 173.0	$ 177.4
Noncurrent assets	172.6	142.7	100.2
Capital assets	3,483.1	3,084.7	2,659.4
Other	111.3	80.7	77.4
Total assets	3,994.9	3,481.1	3,014.4
Long term liabilities	3,088.7	2,530.2	2,298.3
Other liabilities	362.4	431.8	231.0
Total liabilities	3,451.1	2,962.0	2,529.3
Net assets invested in capital assets	410.6	521.8	353.3
Net assets-restricted	221.2	173.7	117.2
Net assets-unrestricted	(88.0)	(176.4)	14.6
Total net assets	$ 543.8	$ 519.1	$ 485.1

1 Prior period amounts have been restated. See Note 15 - Prior Period Adjustments.

Net assets serve as a useful indicator of Water Quality's financial position. As of December 31, 2009 and 2008, assets exceeded liabilities by $543.8 million and $519.1 million, respectively.

Of the total assets of Water Quality, 87.2 percent or $3,483.1 million were invested in capital assets such as treatment plants, pumping and regulator stations, interceptors, and other equipment at year-end 2009. For the year-end 2008, 88.6 percent or $3,084.7 million were invested in capital assets. Water Quality uses its capital assets to provide wholesale wastewater collection and treatment services in King, Pierce, and Snohomish counties. Current operating and debt service requirements are met by operating and nonoperating revenues composed of monthly sewage treatment charges, a capacity charge for new customers, other special-handling charges, miscellaneous operating revenues, and investment earnings.

Net assets increased by 4.8 percent or $24.7 million in 2009 to $543.8 million in 2009 from $519.1 million in 2008 due to strong operating results. Restricted net assets increased by 27.3 percent or $47.4 million in 2009 to $221.1 million in 2009 from $173.7 million in 2008. Unrestricted net assets increased by 50.1 percent or $88.4 million in 2009 to ($88.0) million in 2009 from ($176.4) million in 2008.

Water Quality reported its investment in capital assets, net of debt related to capital asset acquisition, as $410.6 million and $521.8 million at December 31, 2009 and 2008, respectively.

FINANCIAL ANALYSIS OF THE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Comparative data, stated in millions of dollars:

	Years Ended December 31		
	2009	2008[1]	2007[1]
Sewage treatment fees	$ 271.6	$ 237.0	$ 236.0
Rate stabilization	(15.4)	3.0	(8.3)
Capacity charge revenue	40.7	34.9	27.1
Other revenue	10.0	9.3	8.1
Operating revenues	306.9	284.2	262.9
Operating expenses	194.8	180.1	173.9
Operating income	112.1	104.1	89.0
Non operating revenues (expenses)	(89.2)	(72.1)	(94.1)
Grant revenues and transfers	1.8	2.0	1.0
Change in net assets	24.7	34.0	(4.1)
Net assets beginning of year	519.1	485.1	489.2
Net assets end of year	$ 543.8	$ 519.1	$ 485.1

[1] Prior period amounts have been restated. See Note 15 - Prior Period Adjustments.

While the statement of net assets shows changes in assets, liabilities and net assets, the statements of revenues, expenses and changes in net assets provide insight into the source of these changes.

During 2009, operating revenues increased by 8.0 percent or $22.7 million to $306.9 million in 2009 from $284.2 million in 2008. Operating expenses increased by 8.1 percent or $14.6 million to $194.7 million in 2009 from $180.1 million in 2008.

Water Quality collected a monthly sewage treatment charge of $31.90 per RCE in 2009 and $27.95 per RCE in 2008. Total sewer disposal revenues before the rate stabilization transfer increased by 14.6 percent or $34.6 million to $271.6 million in 2009 from $237.0 million in 2008.

- Other operating revenues, including capacity charges for new customers and other treatment charges increased by 14.7 percent or $6.5 million in 2009 to $50.7 million in 2009 from $44.2 million in 2008. Capacity charge early payoff revenues were $10.8 million or 26.5 percent of total capacity charge revenues in 2009 while in 2008, capacity charge early payoff revenues were 29.1 percent or $10.1 million of the annual total. Actual new capacity charge connections were 8,949 in 2009 and 11,331 in 2008.

- Net nonoperating revenues and expenses increased by 23.7 percent or ($17.1) million to ($89.2) million in 2009 from ($72.1) million in 2008.

- Capital grant revenues and transfers received from federal and state agencies decreased by 18.6 percent or $0.4 million to $1.7 million in 2009 from $2.1 million in 2008. Low interest loans have largely replaced grants as the primary method of state agency support in recent years.

CAPITAL ASSETS

At December 31, 2009, Water Quality's investment in capital assets, net of accumulated depreciation, was $3.5 billion as compared to $3.1 billion in 2008. These represent increases of 12.9 percent or $398.4 million in 2009 and 16.0 percent or $425.3 million in 2008. The changes are a result of replacement and additions to the interceptor and siphon systems, purchases of land, additional storage capacity, extensions of sewer trunk lines, and continued efforts to control odor and improve sewage-handling technology.

The increases are directly related to continued implementation of Water Quality's Regional Wastewater Services Plan.

Large 2009 construction project expenditures include:

- $5.6 million for Pipeline Rehabilitation;
- $6.7 million for the Brightwater Reclaimed Water Pipeline;
- $6.8 million for the South Plant Control System Replacement;
- $12.8 million for the North Creek Pipeline;
- $360.6 million spent toward the Brightwater Treatment Plant and conveyance.

Large 2008 construction project expenditures include:

- $6.8 million for Juanita Bay Pump Station construction;
- $6.9 million for the Hidden Lake Pump Station;
- $7.2 million for the North Creek Pipeline;
- $9.9 million for the New South Plant Administration Building;
- $369.8 million spent toward the Brightwater Treatment Plant and conveyance.

For more detailed information on capital assets please refer to the notes to the financial statements.

DEBT ADMINISTRATION

Water Quality issued $300 million of limited tax general obligation bonds in April 2009 with an average life of 20.0 years at an average coupon rate of 5.12 percent. An additional $250.0 million in revenue bonds were issued in August 2009, with an average life of 26.8 years at an average coupon rate of 5.09 percent.

Water Quality received $19.2 million in low-interest loans from the state of Washington in 2009 and $16.9 million in 2008. The loans carry below-market rates between 0.00 percent and 3.10 percent with repayment terms up to 20 years.

Water Quality has $2.2 billion of sewer revenue bonds and variable rate revenue bonds outstanding at the end of 2009 and $1.9 billion outstanding at the end of 2008. Revenue bonds are repaid from and secured by a pledge of earnings, revenues and money received by Water Quality from or on account of operation of the sewer system, to include receipts from sewage treatment fees and other income of Water Quality. Revenue bonds are not guaranteed by the full faith and credit of King County.

Water Quality has $733.0 million of general obligation bonds outstanding at the end of 2009, and $437.0 million of general obligation bonds outstanding at the end of 2008. Although repaid from a portion of receipts from sewage treatment fees and other income, the full faith and credit of King County guarantees repayment of principal and interest on general obligation bonds.

King County received a AAA rating from Standard & Poor's for the limited tax general obligation bond issue refunding issue in April 2009 with ratings of "Aa1" from Moody's Investor's Service and "AA+" from Fitch Ratings. At the time of the issuance of the sewer revenue bonds in August 2009, Water Quality's bond ratings were:

Moody's Investor's Service	Standard & Poor's
Aa3	AA+

As required by bond covenant, Water Quality maintains a bond reserve account, which is funded by cash balances and surety policies. At December 31, 2009, the cash balance in the reserve account was $113.1 million and $101.0 million at the end of 2008. In addition to bond covenant reserves, Water Quality also maintains financial policy reserves. At December 31, 2009, the rate stabilization, liquidity, and asset management financial policy reserves totaled $66.6 million and $49.9 million at the end of 2008.

For more detailed information on debt please refer to the notes to the financial statements.

DEBT SERVICE COVERAGE RATIOS

	FY 2009	FY 2008
Parity Debt	1.44	1.41
Total Debt	1.33	1.24

Two debt service coverage ratios closely monitored by bond rating agencies are coverage on parity debt and coverage on total debt. By bond ordinance, Water Quality sets sewer rates at a level adequate to provide net revenue equal to at least 1.15 times the annual debt service requirement on parity debt. Water Quality has an adopted policy to achieve a ratio of at least 1.25 on parity debt or 0.10 above the ratio required by bond ordinance. Since 2001, Water Quality established a minimum coverage policy of 1.15 on total debt to further strengthen coverage performance.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of Water Quality's financial condition as of the years ended December 31, 2009 and 2008. Questions concerning this report or requests for additional information should be addressed to Pete Anthony, Chief Accountant for King County, 500 Fourth Avenue, Room 653, Seattle, WA 98104.

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KING COUNTY WATER QUALITY ENTERPRISE FUND
STATEMENTS OF NET ASSETS
DECEMBER 31, 2009 AND 2008
(in thousands)

ASSETS

	2009	2008 (As Restated)
CURRENT ASSETS		
Cash and cash equivalents	$ 21,625	$ 19,045
Restricted cash and cash equivalents	169,998	122,881
Accounts receivable, net	25,639	21,564
Inventory of supplies	5,384	5,572
Due from other funds	5,118	3,900
Prepayments	152	117
	227,916	173,079
NONCURRENT ASSETS		
Revenue fund		
Cash and cash equivalents	43,586	28,188
Accounts receivable, net	384	406
Construction fund—cash and cash equivalents	15,560	13,043
Bond fund—cash and cash equivalents	113,051	101,028
	172,581	142,665
Capital assets		
Building and land improvements	2,230,292	2,156,295
Plant in service and other equipment	643,841	611,835
Less accumulated depreciation	(1,151,861)	(1,082,002)
	1,722,272	1,686,128
Land	153,290	152,930
Construction work in progress	1,607,537	1,245,615
	3,483,099	3,084,673
Other noncurrent		
Regulatory assets - environmental remediation	51,946	39,205
Other utility assets	24,360	21,338
Deferred environmental remediation costs	12,393	5,625
Other deferred charges	22,561	14,495
	111,260	80,663
TOTAL ASSETS	$ 3,994,856	$ 3,481,080

See accompanying notes.

KING COUNTY WATER QUALITY ENTERPRISE FUND
STATEMENTS OF NET ASSETS (CONTINUED)
DECEMBER 31, 2009 AND 2008
(in thousands)

LIABILITIES AND NET ASSETS

	2009	2008 (As Restated)
CURRENT LIABILITIES		
Accounts payable	$ 57,105	$ 44,370
Interest payable	70,098	55,832
Wages and benefits payable	3,154	2,741
Compensated absences	387	547
Environmental remediation costs—current portion	3,126	-
Notes payable	100,000	100,000
State loans payable	7,771	7,029
Due to other funds	3,502	2,761
Interfund loans payable	82,633	184,041
General obligation bonds payable—current portion	2,530	3,905
Revenue bonds payable—current portion	32,090	30,540
	362,396	431,766
NONCURRENT LIABILITIES		
Retainage payable	15,756	13,043
Compensated absences	9,906	8,824
Other post-employment benefits	503	336
General obligation bonds payable	730,515	433,045
Revenue bonds payable	2,135,275	1,917,365
Deferred bond premium, discount, and refunding losses	(13,298)	(18,474)
Rate stabilization	35,150	19,750
Environmental remediation costs	41,486	34,141
State loans payable	133,394	122,157
	3,088,687	2,530,187
Total liabilities	3,451,083	2,961,953
NET ASSETS		
Invested in capital assets—net of related debt	410,649	521,803
Restricted for		
Debt service	185,242	147,679
Regulatory assets and environmental liabilities	35,870	26,021
Unrestricted	(87,988)	(176,376)
Total net assets	543,773	519,127
TOTAL	$ 3,994,856	$ 3,481,080

KING COUNTY WATER QUALITY ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(in thousands)

	2009	2008 (As Restated)
OPERATING REVENUES		
Sewage disposal fees	$ 256,160	$ 240,001
Other operating revenues	50,696	44,172
Total operating revenues	306,856	284,173
OPERATING EXPENSES		
Sewage treatment, disposal, and transmission	73,046	68,292
General and administrative	30,072	30,078
Depreciation and amortization	91,595	81,744
Total operating expenses	194,713	180,114
OPERATING INCOME	112,143	104,059
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	4,776	5,066
Interest	(69,893)	(65,578)
Amortization of debt related accounts	(3,196)	(4,049)
Environmental remediation	(1,565)	(724)
Loss on disposal and impairment of capital assets	(19,996)	(7,613)
Other	674	781
Total nonoperating expenses	(89,200)	(72,117)
INCOME BEFORE GRANTS, CONTRIBUTIONS, AND TRANSFERS	22,943	31,942
CAPITAL GRANT REVENUES	1,843	2,311
TRANSFERS	(140)	(219)
	1,703	2,092
CHANGE IN NET ASSETS	24,646	34,034
NET ASSETS		
Beginning of year, as restated	519,127	485,093
End of year	$ 543,773	$ 519,127

See accompanying notes.

KING COUNTY WATER QUALITY ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(in thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 316,985	$ 277,877
Cash payments to suppliers for goods and services	(47,458)	(42,609)
Cash payments for employee services	(37,816)	(37,674)
Net cash provided by operating activities	231,711	197,594
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	(140)	(219)
Interfund loan principal received	82,633	184,041
Interfund loan principal paid	(184,041)	-
Interest paid on short-term loans	(2,242)	(1,789)
Net cash from noncapital financing activities	(103,790)	182,033
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(450,268)	(460,723)
Principal paid on general obligation bonds	(3,905)	(6,270)
Interest paid on general obligation bonds	(25,342)	(21,194)
Proceeds of new bond issuance	550,000	586,950
Principal paid on bonds by refunding	-	(244,270)
Principal paid on revenue bonds	(30,540)	(126,315)
Interest paid on revenue bonds	(90,789)	(87,364)
Interest paid on notes payable	(853)	(1,863)
Principal paid on state loans	(7,228)	(6,252)
Proceeds of state loans	19,208	16,914
Interest paid on state loans	(2,123)	(2,162)
Capital grants received	1,843	2,311
Payments made on other noncurrent assets	(13,065)	15
Net cash used in capital and related financing activities	(53,062)	(350,223)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and realized gains	4,776	5,066
NET INCREASE IN CASH AND CASH EQUIVALENTS	79,635	34,470
CASH AND CASH EQUIVALENTS		
Beginning of year	284,185	249,715
End of year	$ 363,820	$ 284,185

See accompanying notes.

(in thousands)

	2009	2008 (As Restated)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 112,143	$ 104,059
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	91,595	81,744
Changes in assets		
Accounts receivable	(4,053)	(836)
Due from other funds	(1,218)	(2,460)
Inventory of supplies	188	(323)
Prepayments	(35)	(9)
Changes in liabilities		
Accounts payable	12,735	9,586
Due to other funds	741	(481)
Retainage payable	2,713	8,513
Rate stabilization	15,400	(3,000)
Wages and benefits payable	413	173
Compensated absences	922	426
Other postemployment benefits	167	202
Total adjustments	119,568	93,535
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 231,711	$ 197,594
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Contribution of capital assets from government	$ 632	$ 211

NON CASH INVESTING ACTIVITIES

In 2008, Water Quality issued capital bonds to refund debt issued in 1998. The $249,084 thousand bond proceeds were placed in escrow for the defeasance of the $244,270 thousand of outstanding bond principal.

	2009	2008
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Changes in fair value of investments (held in investment pool)	$ 1,333	$ (2,282)

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Note 1 - Operations and Accounting Policies

Summary of Operations - The King County Water Quality Enterprise Fund ("Water Quality") is an enterprise fund operated by the King County Department of Natural Resources in accordance with Chapter 35.58 of the Revised Code of Washington ("RCW") to provide sewage treatment and water pollution abatement services to the urbanized areas of King County, Washington (the "County").

Water Quality is an integral part of the County reporting entity and is included, as an enterprise fund, in the County's comprehensive annual financial report. As an enterprise fund, Water Quality is funded and operated separately from other operations of the County. Revenues, bond proceeds, and grants are restricted by purpose. Accordingly, Water Quality maintains separate accounting records and issues stand-alone financial statements.

Water Quality has long-term sewage disposal agreements with the cities and sewer districts that operate sewage collection systems within its service area. The monthly sewage disposal charge to the contracting cities and districts is based on Water Quality's estimated annual monetary requirements, including operating costs and debt service. Revenues from Water Quality's largest customer, the City of Seattle (Seattle Public Utilities), represent approximately 40 percent of total sewage disposal fees in 2009 and 41 percent in 2008.

Water Quality purchases goods and services from other County agencies, including reimbursement of the County's general fund for a share of general government. Expenses incurred in doing business with other County agencies amounted to $27.2 million and $29.2 million in 2009 and 2008, respectively.

Significant Accounting Policies - Water Quality is accounted for using the flow of economic resources measurement focus similar to that of a private enterprise organized for profit. Water Quality's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units using the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. Water Quality, regardless of the timing of cash flows, applies all applicable Governmental Accounting Standards Board ("GASB") pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB Pronouncements. Water Quality, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, elected not to apply all statements of the FASB issued subsequent to November 30, 1989.

Note 1 - Operations and Accounting Policies (Continued)

a. *Cash and Cash Equivalents* - Water Quality considers as cash and cash equivalents all balances held with the King County Treasurer in the King County Investment Pool (the "Pool"), cash with escrow agents or held in trust, and petty cash. Unrealized gain or loss on Water Quality's proportionate share of the Pool is reported as a component of investment earnings.

b. *Due to/From Other Funds* - Due to/from other funds consists of current receivables/payables from or to other funds within the King County primary government. These typically arise from exchange transactions, reimbursements, and from authorized transfers to or from the other funds.

c. *Interfund Loans Payable/Receivable* - Interfund loans consist of authorized short-term borrowing/lending between Water Quality and other funds within the King County primary government.

d. *Inventory of Supplies* - Inventory is recorded at the lower of cost or market using the weighted-average cost method. Materials and supplies are expensed as consumed. Inventory is written off in the year that it is determined obsolete.

e. *Restricted Assets* - In accordance with Water Quality's bond resolutions, state law, King County codes, or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes, including debt service payments and funding of capital projects. These funds are maintained in the revenue fund, construction fund, and bond fund on the statements of net assets.

f. *Capital Assets* - Capital assets are stated at cost, less accumulated depreciation. Water Quality's capitalization threshold was changed in 2008 in accordance with King County's new capitalization policy: equipment at $5 thousand; software at $25 thousand, and buildings and improvements at $50 thousand. Below-threshold equipment and software were removed from capital assets in 2008. For buildings and improvements the new threshold changes were applied prospectively. Provision for depreciation is made on a straight-line basis over the estimated useful lives of Water Quality's capital assets, which range from 3 to 50 years.

   Water Quality capitalizes certain interest income and expense related to tax-free borrowings until the assets are ready for their intended use. The amount capitalized is the difference between the interest revenue and interest expense associated with the applicable tax free borrowings. Total interest incurred was $135.2 million and $116.9 million during the years ended December 31, 2009 and 2008, respectively, of which $65.3 million and $51.3 million, respectively, was capitalized.

   Repairs and maintenance are expensed as incurred; major renewals, replacements, and betterments are capitalized.

Note 1 - Operations and Accounting Policies (Continued)

Water Quality annually reviews long-lived assets for impairment to determine whether any events or circumstances indicate the carrying value of the assets may not be recoverable. The fuel cell demonstration project was deemed impaired in 2009 due to the failure of a vital component and technological obsolesce of the installed model. A charge of $12.6 million was incurred as a loss on the abandonment of the impaired asset.

g. *Compensated Absences* - Employees earn vacation based upon their date of hire and years of service. They may accumulate a maximum of 480 hours or as bargained for by represented employees. Unused vacation at retirement or normal termination is considered vested and payable to the employee.

   Employees also earn up to 12 days of sick leave per year and may accumulate sick leave balances without limit. Employees or their beneficiaries are paid 35 percent of the accrued unused sick leave upon retirement or death. No amounts are paid for unused sick leave upon termination.

   In addition, Water Quality accrues estimated excess compensation liabilities to the Washington State Department of Retirement Systems based on an employee's accrued vacation and sick leave. An excess compensation liability is incurred when an employee whose retirement benefits are based in part on excess compensation receives a termination or severance payment defined by the State as excess compensation. This includes, but is not limited to, a cash-out of unused annual leave in excess of 240 hours and a cash-out of any other form of leave.

h. *Amortization* - Bond premiums and discounts, refunding losses, as well as issuance costs, are deferred and amortized over the life of the bonds using the outstanding principal balance method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

i. *Operating and Nonoperating Revenues and Expenses* - Operating revenues result from exchange transactions of Water Quality's activities. Expenses associated with providing wastewater treatment services and operating Water Quality's treatment facilities are considered operating. Nonoperating revenues result from nonexchange transactions such as operating subsidies and investment earnings.

Note 1 - Operations and Accounting Policies (Continued)

j. *Deferred Compensation* - The County offers a consolidated deferred compensation plan that complies with Internal Revenue Code Section 457. The plan permits employees to defer a portion of annual compensation until future years. Participation in the plan is voluntary. The assets are not the property of Water Quality and not recorded in the financial statements.

k. *Use of Estimates* - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Specific estimates have been made in the areas of allowance for uncollectible accounts, environmental remediation costs, useful lives of capital assets, and future interest rates. Actual results could differ from these estimates.

l. *Reclassifications* - Certain reclassifications have been made to the prior year statements to conform to the current year presentation (also see Note 15 – Prior Period Adjustments).

m. *Capital Grant Revenues* - Pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, grant revenues are reported separately from operating and nonoperating revenues as capital grant revenues. Water Quality received capital grant revenues of $1.8 million and $2.3 million for the years ended December 31, 2009 and 2008, respectively.

n. *Net Assets* - Pursuant to GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, grant revenues and resources set aside for repayment of bonds, net of related liabilities, are classified as restricted net assets on the statement of net assets, as their use is limited by externally-imposed restrictions. Capital assets, net of related debt, are reported as a separate component of net assets. Any net assets not subject to classification as restricted or invested in capital assets are reported as unrestricted.

New Accounting Standards - GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, established accounting and financial reporting standards for pollution remediation obligations. The requirements of this statement were effective for fiscal periods beginning after December 15, 2007. Water Quality implemented this pronouncement in the 2008 fiscal period.

GASB Statement No. 50, *Pension Disclosure—an amendment of GASB Statements No. 25 and 27*, closely aligns financial reporting requirements for pensions with those for other postemployment benefits ("OPEB") and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplemental information by pension plans and by employers that provide pension benefits. GASB Statement No. 50 was effective for fiscal periods beginning after June 15, 2007 and was implemented by Water Quality in 2008 without a material impact on its financial position or result of operations.

Note 1 - Operations and Accounting Policies (Continued)

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The objective of this statement is to establish accounting and financial reporting requirements for intangible assets, thereby enhancing the comparability of the accounting and financial reporting of such assets among local governments. This statement provides 1) authoritative guidance that specifically addresses the nature of these intangible assets, 2) establishes a specified-conditions approach to recognizing intangible assets that are internally generated, 3) provides guidance on recognizing internally generated computer software as an intangible asset, 4) serves as an application of the specified-conditions approach described above to the development cycle of computer software, and 5) provides guidance on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions. The statement is effective for financial statements for periods beginning after June 15, 2009. The provisions of this statement generally are required to be applied retroactively. Water Quality management is currently studying the statement and plans on adoption, as required, for the 2010 financial statements.

GASB has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which provides guidance for the recognition, measurement and disclosure of activity related to derivative instruments held by state and local governments. This statement becomes effective for the period beginning January 1, 2010. Management is evaluating the impact of this standard on the financial statements.

GASB has issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, to ensure integration of the GAAP hierarchy for state and local governments into GASB literature. This statement has no impact on the financial statement disclosures for 2009 or 2008.

GASB has issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This statement addresses three issues not included in the authoritative literature that establishes accounting principles: related party transactions, going concern considerations, and subsequent events. This statement was effective immediately upon its issuance. This statement has no impact on the financial statements.

Note 2 - Deposits and Investments

The King County Treasurer is the custodian of Water Quality's cash. Water Quality's cash on deposit with the King County Treasurer is pooled with cash from other County funds and other jurisdictions and either deposited in the County's bank account or invested by the County. The King County Investment Pool (the "Pool") functions essentially as a demand deposit account where Water Quality receives an allocation of its proportionate share of pooled earnings as interest.

Note 2 - Deposits and Investments (Continued)

The Pool is not registered with the Securities and Exchange Commission as an investment company. Oversight is provided by the King County Executive Finance Committee ("EFC") pursuant to RCW 36.29.020. The EFC consists of the Chair of the County Council, the County Executive, Chief Budget Officer, and Director of the Finance and Business Operations Division. All investments are subject to written policies and procedures adopted by the EFC. The EFC reviews pool performance monthly.

The County has deposit and investment policies addressing risks that have the potential to result in losses of deposits and investments. All deposits not covered by the Federal Depository Insurance Corporation ("FDIC") are 100 percent covered by the Public Deposit Protection Commission of the State of Washington ("PDPC"), a statutory authority established under chapter 39.58 RCW. Beginning in July 2009, PDPC requires all banks and thrifts that operate as public depositories to collateralize their uninsured public deposits at 100 percent. The custodial credit risk for deposits is the risk that Water Quality's deposits may not be returned to it in the event of a bank failure. Assessing Water Quality's risk exposure, Water Quality's cash and cash equivalents balance of $363.8 million was fully insured and collateralized as of December 31, 2009 and $15.0 of $284.2 million cash and cash equivalents as of December 31, 2008 was exposed to custodial credit risk as uninsured and uncollateralized.

Statutes permit the Pool to enter into reverse repurchase agreements to enhance yield. The proceeds from these agreements are reinvested in other instruments with the same maturity as the collateral securities resulting in a matched position. County policy sets maturity limits and maximum amounts and prohibits the use of these contracts as borrowing mechanisms. There were no reverse repurchase agreements outstanding as of December 31, 2009 and December 31, 2008.

During the year, the County did not buy, sell, or hold any derivative instrument except for certain US agency collateralized mortgage obligations purchased by the Pool. Although these securities are sensitive to early prepayments by mortgagees, County policies are in place to ensure that only the lowest risk securities of this type are acquired.

At the start of 2008, the Pool held four commercial paper securities that were impaired and were part of an enforcement event. The County completed the restructuring of three of the four securities in 2008 and completed the restructuring of the fourth security in 2009. The Pool has suspended investments in commercial paper securities since 2007. Water Quality's share of the unrealized loss from the Pool's impaired investments was $2.0 million at December 31, 2009 and $3.1 million at December 31, 2008. Losses from impaired investments are offset against other investment earnings.

Note 3 - Restricted Assets

A significant portion of Water Quality's assets is restricted as to use by legal and contractual provisions and by fiscal management policy. Restricted assets comprise $342.6 million in 2009 and $265.5 million in 2008 to pay for debt service and to comply with bond reserve requirements.

Note 4 - Risk Management

Water Quality is exposed to a wide range of risks of loss, including those related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters.

Water Quality participates in three County internal service funds to account for and finance its (1) property/casualty, (2) workers' compensation and (3) employee medical and dental benefits, through self-insurance programs. The County contracts with a plan administrator to process medical and dental claims. County fund/claims managers, together with the Civil Division of the King County Prosecuting Attorney's Office, are responsible for processing all tort and workers' compensation claims.

Claims settlements and loss expenses are accrued in the three internal service funds for the estimated settlement value of both reported and unreported claims. These funds are responsible for collecting interfund premiums from insured funds and departments, for paying claim settlements, and for purchasing certain policies. The County's internal service funds assess premiums attributable to Water Quality on the basis of claims experience, actuarial evaluation of future claims risk, and adequacy of available reserves. Premiums are recorded as an expense in the year paid or accrued.

Water Quality retains all risk associated with environmental claims.

Note 5 - Long-Term Liabilities and Notes Payable

Sewer Revenue Bonds - As of December 31, 2009, bonds outstanding include $798.7 million of serial bonds maturing from January 1, 2010 through 2034, bearing interest at stated rates of 3.00 percent to 5.50 percent per annum, and $1,368.6 million of term bonds maturing on January 1 in the years 2024 through 2048, bearing interest at stated rates of 4.38 percent to 5.75 percent per annum.

Note 5 - Long-Term Liabilities and Notes Payable (Continued)

In 2009, Water Quality issued $250.0 million of Sewer Revenue Bonds maturing from January 1, 2013 to 2048. The new issues include $48.0 million of serial bonds maturing from January 1, 2017 through 2034, bearing interest at stated rate between 4.00 percent and 5.00 percent, and $202.0 million of term bonds, maturing in the years 2039 through 2042, bearing interest at stated rates between 5.00 percent and 5.25 percent.

In 2008, Water Quality issued $350.0 million of Sewer Revenue Bonds maturing from January 1, 2017 to 2048. The new issues includes $45.8 million of serial bonds maturing from January 1, 2017 through 2033, bearing interest at stated rate of 5.50 percent, and $304.2 million of term bonds, maturing in the years 2038 through 2048, bearing interest at stated rates between 5.00 percent and 5.75 percent.

Bond issues provide funding for Water Quality's construction plan. Certain serial bonds may not be redeemed prior to maturity; other bonds may be redeemed at declining premiums after the lapse of specific periods of time. Amounts from the sewer revenue bond fund may be used to purchase term bonds prior to maturity.

The bonds are secured by a pledge of the revenue of the sewer system subject to payment of all operating and maintenance expenses of the sewer system. Payments from revenues of Water Quality are required to be made to the sewer revenue bond fund in annual amounts sufficient to retire serial or term bonds on or before maturity. At December 31, 2009, Water Quality restricted cash balances in the amount of $82.7 million to repay principal and interest due on revenue bonds on January 1, 2010. Annual principal and interest payments on the bonds are expected to require less than 74 percent of net revenues. Principal and interest incurred in the current year and total customer net revenues were $150.6 million and $203.7 million, respectively.

Additional amounts of $113.1 million and $101.0 million held in the bond fund as bond reserves, as of December 31, 2009 and 2008, respectively, have been designated as net assets restricted for future debt service. Water Quality met additional reserve requirements required by the issuance of Sewer Revenue Bonds, Series 2009, by depositing $11.9 million to the bond reserve account for this issue. The amount required in the cash reserves and surety policies are based on the highest year of debt service over the life of all outstanding revenue bonds. As of December 31, 2009, Water Quality is in compliance with the combined amount required for the reserve and surety policies.

Note 5 - Long-Term Liabilities and Notes Payable (Continued)

The following table summarizes Water Quality's revenue bonds (in thousands):

	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at December 31, 2009
2001A-B Jr. lien var. rate	1/1/32	(variable)	$ 100,000	$ 100,000
2001 Refunding	1/1/35	5.00-5.25%	270,060	223,375
2002A	1/1/35	5.00-5.50%	100,000	94,960
2002B Refunding	1/1/33	4.00-5.50%	346,130	249,350
2003A Refunding	1/1/35	3.00-5.50%	96,470	91,625
2004A	1/1/35	4.50-4.75%	185,000	185,000
2004B Refunding	1/1/35	3.00-5.00%	61,760	58,900
2006 Refunding	1/1/36	5.00%	124,070	124,070
2006 (2nd Series) Refunding	1/1/36	3.50-5.00%	193,435	190,085
2007	1/1/47	5.00%	250,000	250,000
2008	1/1/48	5.00-5.75%	350,000	350,000
2009	1/1/42	4.00-5.25%	250,000	250,000
			$ 2,326,925	$ 2,167,365

General Obligation Bonds - As of December 31, 2009, bonds outstanding include $438.2 million of serial bonds maturing January 1, 2009 through 2031, bearing interest at stated rates of 3.25 percent to 5.25 percent per annum. General Obligation Bonds outstanding also include $294.8 million of term bonds maturing on January 1, 2033 through 2039, bearing interest at stated rates of 4.60 percent to 5.25 percent.

In 2009, Water Quality issued $300.0 million of Limited Tax General Obligation ("LTGO") Bonds maturing from January 1, 2014 to 2039. The new issues included $150.1 million of serial bonds maturing from January 1, 2014 through 2030, bearing interest at stated rate of 5.00 percent, and $149.9 million of term bonds, maturing in the years 2033 through 2039, bearing interest at stated rates between 5.13 percent and 5.25 percent.

The bonds were issued to provide funding for Water Quality's construction plan. Certain serial bonds cannot be redeemed prior to maturity; other bonds may be redeemed at declining premiums after the lapse of specific periods of time.

In 2008, Water Quality issued $237.0 million of Limited Tax General Obligation (Sewer Revenue) Refunding Bonds maturing from 2009 to 2034, bearing interest at stated rates of 3.25 percent to 5.25 percent. This issue fully refunded the 1998 Series B LTGO Bonds.

Note 5 - Long-Term Liabilities and Notes Payable (Continued)

The economic gain resulting from the refunding transaction was $13.0 million. The difference between the cash flows required to service the outstanding bonds and the cash flows required to service the new debt was a gain of $15.6 million.

The following table summarizes Water Quality's general obligation bonds (in thousands):

	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at December 31, 2009
2005 LTGO	1/1/35	4.50-5.00%	$ 200,000	$ 200,000
2008 LTGO	1/1/34	3.25-5.25%	236,950	233,045
2009B LTGO	7/1/39	5.00-5.25%	300,000	300,000
			$ 736,950	$ 733,045

State Loans - Water Quality has received loans from the Washington Department of Ecology under the Water Pollution Control State Revolving Fund Loan Program and the Washington Public Works Trust Fund. The loans require annual payments of principal and interest from 2010 through 2031 and bear interest at stated rates from 0.00 percent and 3.10 percent. As of December 31, 2009, the balance due on all state loans is $141.2 million. Water Quality maintains separate cash reserves of $8.4 million. These reserves are treated as restricted, being required under the Revolving Fund Loan Program.

At December 31, 2009, the required principal and interest payments for all classes of long-term debt are as follows (in thousands):

	Revenue Bonds		Variable Rate Revenue Bonds	
Year(s) Beginning	Principal	Interest	Principal	Interest
January 1, 2010	$ 32,090	$ 96,370	$ -	$ 5,625
January 1, 2011	33,710	102,516	-	5,625
January 1, 2012	35,395	100,845	-	5,625
January 1, 2013	38,185	99,404	-	5,625
January 1, 2014	40,165	97,445	-	5,625
January 1, 2015—2019	198,475	455,187	-	28,125
January 1, 2020—2024	226,890	404,512	-	28,125
January 1, 2025—2029	289,685	342,610	-	28,125
January 1, 2030—2034	368,930	263,395	100,000	11,250
January 1, 2035—2039	324,235	172,060	-	-
January 1, 2040—2044	298,240	90,499	-	-
January 1, 2045—2049	181,365	22,255	-	-
	$ 2,067,365	$ 2,247,098	$ 100,000	$ 123,750

Note 5 - Long-Term Liabilities and Notes Payable (Continued)

	General Obligation Bonds		State Loans		
Year(s) Beginning	Principal	Interest	Principal	Interest	Total
January 1, 2010	$ 2,530	$ 32,430	$ 7,771	$ 2,145	$ 178,961
January 1, 2011	2,630	36,416	8,142	2,040	191,079
January 1, 2012	2,730	36,284	8,527	1,921	191,327
January 1, 2013	2,795	36,195	8,642	1,797	192,643
January 1, 2014	8,750	36,104	8,760	1,672	198,521
January 1, 2015—2019	85,685	172,005	45,425	6,399	991,301
January 1, 2020—2024	136,025	144,121	39,346	3,115	982,134
January 1, 2025—2029	172,990	106,402	13,619	702	954,133
January 1, 2030—2034	211,265	59,390	933	12	1,015,175
January 1, 2035—2039	107,645	15,682	-	-	619,622
January 1, 2040—2044	-	-	-	-	388,739
January 1, 2045—2049	-	-	-	-	203,620
	$ 733,045	$ 675,029	$ 141,165	$ 19,803	$ 6,107,255

The future annualized interest payments for the variable rate revenue bonds are based on an interest rate of 5.625 percent, which represents 90 percent of the Revenue Bond Index assumed by the County for financial planning purposes.

Commercial Paper (Notes Payable) - In December 1995, Water Quality initiated a commercial paper program that gives Water Quality the ability to issue up to $100.0 million. The program is supported by an annually renewable line of credit that expires November 30, 2015. As of December 31, 2009, $100.0 million was issued and outstanding under this program. The commercial paper has maturities ranging between 11 and 63 days and is classified as a current liability of Water Quality's operating fund.

Variable Rate Revenue Bonds - The variable rate bonds are supported by an annually renewable letter of credit that expires December 31, 2015.

Financial Policy Reserves - In addition to bond reserves related to Sewer Revenue Bonds, Water Quality maintains liquidity and asset management reserves totaling $30.3 million at December 31, 2009.

Compliance with Bond Resolutions - With respect to the year ended December 31, 2009, Water Quality complied with all covenants stipulated by its bond resolutions.

Note 5 - Long-Term Liabilities and Notes Payable (Continued)

Changes in Long-Term Liabilities - Long-term liability activity for the years ended December 31, 2009 and 2008 was as follows (in thousands):

	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009	Due Within One Year
Bonds payable	$ 2,384,855	$ 550,000	$ (34,445)	$ 2,900,410	$ 34,620
Bond premiums	46,626	3,344	(3,474)	46,496	3,345
Refunding losses	(65,100)	-	5,307	(59,793)	(5,223)
Total bonds payable	2,366,381	553,344	(32,612)	2,887,113	32,742
Retainage payable	17,027	4,336	(140)	21,223	5,467
State loans	129,186	19,207	(7,228)	141,165	7,771
Compensated absences	9,371	922	-	10,293	387
Other post-employment benefits	336	167	-	503	-
Environmental remediation	34,141	14,152	(3,681)	44,612	3,126
Rate stabilization	19,750	15,400	-	35,150	-
Total long-term liabilities	$ 2,576,192	$ 607,528	$ (43,661)	$ 3,140,059	$ 49,493

The current portion of retainage payable in the amount of $5,467 thousand and $3,984 thousand for 2009 and 2008, respectively, is classified in Accounts Payable.

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008 (as restated)	Due Within One Year
Bonds payable	$ 2,174,760	$ 350,000	$ (139,905)	$ 2,384,855	$ 34,445
Bond premiums	35,071	14,872	(3,317)	46,626	2,434
Refunding losses	(66,419)	(4,376)	5,695	(65,100)	(5,404)
Total bonds payable	2,143,412	360,496	(137,527)	2,366,381	31,475
Retainage payable	4,530	13,014	(517)	17,027	3,984
State loans	118,524	16,915	(6,253)	129,186	7,029
Compensated absences	8,811	560	-	9,371	547
Other post-employment benefits	134	202	-	336	-
Environmental remediation	39,669	-	(5,528)	34,141	-
Rate stabilization	22,750	-	(3,000)	19,750	-
Total long-term liabilities	$ 2,337,830	$ 391,187	$ (152,825)	$ 2,576,192	$ 43,035

Note 6 - Changes in Capital Assets

Changes in capital assets for the years ended December 31, 2009 and 2008 are shown in the following table (in thousands):

	Balance January 1, 2009	Increases	Decreases	Balance December 31, 2009
Land	$ 152,930	$ 360	$ -	$ 153,290
Construction work in progress	1,245,615	533,779	(171,857)	1,607,537
Total nondepreciable assets	1,398,545	534,139	(171,857)	1,760,827
Building and land improvements	2,156,295	89,601	(15,604)	2,230,292
Major equipment and vehicles	9,195	601	(210)	9,586
Shop and other equipment	592,194	45,455	(11,172)	626,477
Software development	10,446	2,056	(4,724)	7,778
Total depreciable assets	2,768,130	137,713	(31,710)	2,874,133
Accumulated depreciation and amortization:				
Building and land improvements	(694,914)	(49,564)	3,752	(740,726)
Major equipment and vehicles	(6,748)	(849)	188	(7,409)
Shop and other equipment	(372,077)	(38,285)	10,698	(399,664)
Software development	(8,263)	(523)	4,724	(4,062)
Total depreciation and amortization	(1,082,002)	(89,221)	19,362	(1,151,861)
Depreciable assets - net	1,686,128	48,492	(12,348)	1,722,272
Total capital assets - net	$ 3,084,673	$ 582,631	$ (184,205)	$ 3,483,099

Note 6 - Changes in Capital Assets (Continued)

	Balance January 1, 2008 (as restated)	Increases	Decreases	Balance December 31, 2008 (as restated)
Land	$ 149,997	$ 2,933	$ -	$ 152,930
Construction work in progress	982,726	450,799	(187,910)	1,245,615
Total nondepreciable assets	1,132,723	453,732	(187,910)	1,398,545
Building and land improvements	2,033,287	123,377	(369)	2,156,295
Major equipment and vehicles	8,917	421	(143)	9,195
Shop and other equipment	514,329	77,912	(47)	592,194
Software development	9,310	1,136	-	10,446
Total depreciable assets	2,565,843	202,846	(559)	2,768,130
Accumulated depreciation and amortization:				
Building and land improvements	(652,074)	(45,558)	2,718	(694,914)
Major equipment and vehicles	(6,099)	(792)	143	(6,748)
Shop and other equipment	(343,670)	(32,730)	4,323	(372,077)
Software development	(7,983)	(251)	(29)	(8,263)
Total depreciation and amortization	(1,009,826)	(79,331)	7,155	(1,082,002)
Depreciable assets - net	1,556,017	123,515	6,596	1,686,128
Total capital assets - net	$ 2,688,740	$ 577,247	$ (181,314)	$ 3,084,673

Note 7 - Environmental Remediation

Water Quality operations are subject to rules and regulations enacted by the Washington State Department of Ecology (“DOE”) and the U.S. Environmental Protection Agency (“EPA”). In years prior to 2008, Water Quality evaluated and accrued for environmental remediation based on engineering studies and estimates of future potential costs. Water Quality settled lawsuits related to certain environmentally damaged sites and agreed to pay its portion of remediation and cleanup costs. The initial settlement costs were capitalized as deferred environmental remediation costs and are being amortized over 40 years as offsetting revenues are collected from Water Quality’s customers.

In 2008, Water Quality implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, (“GASB 49”) which mandates the disclosure of “obligations to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities.” GASB 49 establishes five events, any one of which obligates Water Quality to record a liability for pollution remediation expenditures. Liabilities are related to ongoing projects, which include the sediment management of aquatic habitats along Elliot Bay and the clean-up of certain sites along the Lower Duwamish Waterway.

Note 7 - Environmental Remediation (Continued)

The sediment management project has been approved by the Metropolitan King County Council as a self obligated pollution remediation program. The Lower Duwamish Waterway project became a Water Quality obligation when King County entered into an Administrative Order on Consent ("AOC") with the DOE and EPA. This AOC also includes The Boeing Company, the City of Seattle and the Port of Seattle as parties to the cleanup. Each party has agreed to pay one fourth of the cleanup costs.

Both projects may result in additional cleanup efforts as a result of additional regulatory orders. Additionally, the U.S. Environmental Protection Agency has announced its intention to negotiate an agreement with local governments, including King County, and other Potentially Responsible Parties ("PRP") for the remediation of Combined Sewer Overflows which may result in Water Quality recording additional pollution remediation liabilities in the future. These potential cleanup liabilities cannot be currently estimated. Ongoing, regulatory action may identify other PRP's for the Lower Duwamish Waterway cleanup.

There are no estimated recoveries at this time that will reduce the amount of Water Quality's pollution remediation obligations. However, the State of Washington has indicated that it intends to fund grants in support of Water Quality's Lower Duwamish Waterway cleanup. These amounts are forecast at $1.2 million over the period 2010 to 2016.

The implementation of GASB 49 resulted in a 2007 restatement of $27.9 million added to the estimated remediation liability being carried forward to subsequent years. The total liability at December 31, 2009 stands at $44.6 million.

The methodology for estimating liabilities continues to be based on Water Quality engineering analysis, program experience and cost projections for the remediation activities scheduled to be undertaken in future years as programmed under Water Quality's Regional Wastewater Services Plan. Certain costs were developed by consulting engineers. Costs were estimated using the expected cash flow method set out by GASB 49. A weighted average cost estimate was not employed because the remaining work is well-defined and negates the utility of multiple estimates. The cost estimates continue to be re-measured as succeeding benchmarks are reached or when cost assumptions are modified. Beginning in 2006, all pollution remediation obligations are being deferred as permitted by regulatory accounting standards (see Note 8 - Regulatory Deferrals.)

Note 8 - Regulatory Deferrals

The King County Council has taken various regulatory actions resulting in differences between the recognition of revenues for rate-making purposes and their treatment under generally accepted accounting principles for nonregulated entities. Changes to these balances and their inclusion in rates may occur only at the direction of the Council.

Note 8 - Regulatory Deferrals (Continued)

Rate Stabilization - In 2005, pursuant to regulatory accounting standards, the Council established a Rate Stabilization Reserve. This action created a regulatory liability which deferred $14.5 million from 2005 operating revenue to be set aside in a reserve and recognized in subsequent years to maintain stable sewer rates. This was increased in 2007 by an additional $8.3 million. In 2008, the liability was reduced by $3 million to realize matching revenues against allowable costs in the current year. In 2009, the liability was increased by $15.4 million to $35.2 million.

Pollution Remediation - In 2006, the Council approved the application of regulatory accounting to treat pollution remediation obligations as regulatory assets to allow for cost recovery through future rate increases. The amount of the regulatory assets capitalized during 2006 and 2007 were revised in 2008 to account for an increase in the estimated liability with the implementation of GASB Statement No. 49 (see Note 7 - Environmental Remediation). The portion of regulatory asset costs that have been paid out is being amortized over a recovery period of 30 years.

Note 9 - Employee Benefit Plans

Defined Benefit Pension Plans - Substantially all full-time and qualifying part-time employees of Water Quality participate in either the Public Employees' Retirement System ("PERS") or the Seattle City Employees' Retirement System ("SCERS"). PERS is a statewide governmental retirement system administered by the State of Washington's Department of Retirement Systems.

Historical trend and other information regarding PERS are presented in the State of Washington Department of Retirement Systems' 2009 Comprehensive Annual Financial Report. A copy of this report may be obtained from the Department of Retirement Systems, PO Box 48380, Olympia, WA 98504-8380.

Historical trend and other information regarding SCERS are presented in the Seattle City Employees' Retirement System's 2009 Comprehensive Annual Financial Report. A copy of this report may be obtained from the Seattle City Employees' Retirement System, 801 Third Avenue, Suite 300, Seattle, WA 98104.

Public Employees Retirement System - The Washington State Legislature (the "Legislature") established PERS in 1947 under RCW chapter 41.40. PERS is a cost-sharing, multiple-employer defined benefit system.

The PERS plan contains three tiers. Participants who joined the system by September 30, 1977 are Plan I members. Those joining thereafter are enrolled in Plan II, unless the employee chooses Plan III. Retirement benefits for all plans are financed from employee and employer contributions and investment earnings. Retirement benefits are vested after various minimum periods of eligible service.

Note 9 - Employee Benefit Plans (Continued)

Plan I members are eligible for retirement after 30 years of service or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the final average salary per year of service, capped at 60 percent. If qualified, after reaching age 66, a limited cost of living allowance is granted.

Plan II members may retire at the age of 65 with 5 years of service or at 55 with 20 years of service, with an allowance of 2 percent per year of service of the final average salary. Plan II retirements prior to the age of 65 are actuarially reduced. There is no cap on years-of-service credit and a limited cost-of-living allowance is granted.

Plan III members may retire with ten years of service or with 5 service years, including one year earned after age 54 and five service years under Plan II prior to transfer to Plan III. Plan III retirements prior to age 65 are actuarially reduced. With respect to the defined benefit portion of Plan III, there is no cap on years-of-service credit, and a limited cost of living allowance is granted.

Each biennium, the Legislature establishes Plan I employer contribution rates, Plan II employer and employee contribution rates and Plan III employer contribution rates. Employee contribution rates for Plan I are not necessarily adequate to fully fund the system. The employer and employee contribution rates for Plan II and the employer contribution rates for Plan III are developed by the Office of the State Actuary to fully fund future pension obligations. All employers are required to contribute at the level established by the Legislature.

Water Quality's contribution rates expressed as a percentage of covered payrolls as of December 31, 2009 were as follows:

	PERS					
	Plan I		Plan II		Plan III	
	January 1 to June 30, 2009	July 1 to December 31, 2009	January 1 to June 30, 2009	July 1 to December 31, 2009	January 1 to June 30, 2009	July 1 to December 31, 2009
Employer	8.31%	5.29% - 5.31%	8.31%	5.29% - 5.31%	8.31%	5.29% - 5.31%
Employee	6.00%	6.00%	5.45%	3.89% - 3.90%	5% - 15%	5% - 15%

Employer contributions to Plan III are the same as those required for Plan II. Employee contributions to Plan III are made to a separate defined contribution account and may vary from 5 percent to 15 percent.

Note 9 - Employee Benefit Plans (Continued)

Water Quality's required employer contributions for the years ended December 31 were (in thousands):

	PERS	
	Plan I	Plans II and Ill
2009	$ 157	$ 3,628
2008	169	3,824
2007	163	2,975

Seattle City Employees' Retirement System ("SCERS") - SCERS is a cost-sharing, multiple-employer retirement plan administered in accordance with the Seattle Municipal Code Chapter 4.36. Water Quality employees who are former employees of Seattle Transit are covered by SCERS. SCERS provides retirement, death, and disability benefits.

Employees covered by this plan may retire after 30 years of service regardless of age, after age 52 with 20 years or more of service, after age 57 with 10 or more years of service and after age 62 with 5 or more years of service. Disability retirement is available after ten years of service. The unmodified monthly retirement allowance is based on a percentage of average salary for every year of service to a maximum of 60 percent. The average salary for this plan is defined as the highest consecutive 24-month average rate of pay. The percentage for each year of service used to compute the retirement benefit depends on the age at retirement and the years of service and ranges from 1.2 percent at age 52 with 20 years of service to a maximum of 2.0 percent for each year of service. The maximum allowance a member can receive is the unmodified plan, which has no provision for a beneficiary, and under which all payments stop at the member's death. Several optional retirement benefit formulas exist that make provisions for beneficiaries with reduced monthly allowances.

Within SCERS, there were no material changes in benefit provisions in 2009.

The SCERS member contribution rate is 8.03 percent of compensation, except for members qualifying prior to June 1972 for lower rates. Water Quality is required to contribute at an actuarially determined rate. The current rate is 8.03 percent of annual covered payroll. The contribution requirements of plan members and Water Quality are established and may be amended by the Board of Administration. Both Water Quality and the employees made the required contributions.

Note 10 - Operating Subsidies and Grant Revenues

Various federal and state government agencies make grants to Water Quality to aid in financing construction costs (capital grants), including those on various projects included in the comprehensive plan, and for operating costs (operating subsidies). Operating subsidies are recorded as revenues in the statements of revenues, expenses, and changes in net assets. Capital grants amounted to $1.8 million and $2.3 million for the years ended December 31, 2009 and 2008, respectively.

Note 11 - Other Post-Employment Benefits

In 2007, the County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*, which requires the County to accrue other post-employment benefits expenses related to its post-retirement healthcare plan based on a computed annual required contribution that includes the current period's service cost and an amount to amortize unfunded accrued liabilities. The liability is included in noncurrent liabilities on the statements of net assets for Water Quality.

Plan Description - The King County Health Plan (the "Health Plan") is a single-employer defined benefit healthcare plan administered by the County. The Health Plan provides medical, prescription drug, vision, and other unreimbursed medical benefits to eligible employees. The Health Plan's actuary is Healthcare Actuaries and it does not issue a separate stand-alone financial report.

Funding Policy - Law Enforcement Officers' and Fire Fighters' Retirement System Plan ("LEOFF") 1 retirees are not required to contribute to the Health Plan. All other retirees are required to pay the COBRA rate associated with the elected plan. During 2009, Water Quality contributed an estimated $80 thousand to the Health Plan. The contribution was entirely to fund "pay-as-you-go" costs and not to advance fund the cost of benefits.

Annual OPEB and Net OPEB Obligation - Water Quality's allocated annual OPEB costs, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation for the years ended December 31, 2009 and 2008 were as follows (in thousands):

	2009	2008
Net OPEB Obligation at January 1	$ 336	$ 134
Annual OPEB Cost	247	208
Contributions Made	(80)	(6)
Net OPEB Obligation at December 31	$ 503	$ 336
Percentage of annual OPEB cost contributed	32.4%	2.9%

Note 11 - Other Post-Employment Benefits (Continued)

Funded Status and Funding Progress - The funded status of the Health Plan as of December 31, 2009 and 2008 was as follows (in thousands):

	2009	2008
Actuarial Value of Plan Assets	$ -	$ -
Actuarial Accrued Liability (AAL)	149,390	145,393
Unfunded Actuarial Accrued Liability (UAAL)	$ 149,390	$ 145,393
Funded Ratio (actuarial value assets / AAL)	0%	0%
Covered Payroll (active plan members)	$ 947,530	$ 890,310
UAAL as a percentage of covered payroll	15.8%	16.3%

The December 31, 2009 valuation used the unit credit actuarial cost method. The actuarial assumption included a 4.00 percent investment rate of return (net of administrative expenses) and an initial healthcare cost trend rate of 11.0 percent for KingCare medical, 8.5 percent for KingCare Rx, and 11.0 percent for HMO medical/Rx, each reduced by decrements to an ultimate rate of 5.2 percent after 71 years and 12 years for medical and pharmacy, respectively. The vision trend rate is 1.0 percent, the miscellaneous trend rate is 7.0 percent, and the Medicare premium trend rate is 8.5 percent, for all years. All trend rates include a 3.0 percent inflation assumption, with the exception of vision trends. The amortization of UAAL at transition uses a level dollar amount on a closed basis. The remaining amortization period at December 31, 2009 was 27.0 years. The UAAL is recalculated each year and amortized as a level dollar amount on an open basis over 30 years.

Note 12 - Interfund Borrowing and Transfers

At December 31, 2009, Water Quality had outstanding interfund short-term loans in the amount of $82.6 million borrowed from the King County Public Transportation Enterprise as authorized by the King County Executive Finance Committee. The loan proceeds were used to: 1) reimburse the operating fund that financed the early retirement of certain sewer revenue bonds, and 2) reimburse the construction fund for capital expenses incurred in anticipation of bond issuance in 2010.

The King County Council approves ordinances and/or motions authorizing Water Quality to contribute and receive amounts to and from various County funds. These net amounts are reported as transfers on the statements of revenues, expenses, and changes in net assets. During 2009 and 2008, the net cash transfers to other funds from Water Quality were $140 thousand and $219 thousand, respectively.

Note 13 - Net Assets Deficit

The deficits in unrestricted net assets of $88.0 and $176.4 million in 2009 and 2008 respectively are the result of short term borrowings by Water Quality from other County funds (see Note 12 - Interfund Borrowing and Transfers). Water Quality general obligation bonds were issued in the subsequent fiscal years to cover the capital construction loans.

Note 14 - Commitments and Contingencies

Contingencies and Claims - There is no litigation or claim currently pending against the King County Water Quality Enterprise Fund in which, to our knowledge, the likelihood of an unfavorable outcome with material damages assessed against the enterprise is considered "probable."

The following litigation, or potential litigation, may involve claims for material damages against the King County Water Quality Enterprise Fund for which the Water Quality is unable to provide an opinion as to the ultimate outcome or the amount of damages that may be found:

- Claims for unspecified damages filed by two sewer districts who allege that certain expenditures of the King County Wastewater Treatment Division ("WTD") constitute a breach of contract and a violation of the King County Charter and a local government accounting statute. The County is vigorously defending the claim. The court has ruled in favor of the County on two of the five motions filed for partial summary judgment. Trial on the remaining issues is set for October 4, 2010.

- An administrative order from the Environmental Protection Agency that requires the County, the City of Seattle, the Boeing Company, and the Port of Seattle to conduct a feasibility study to determine the nature and extent of the contamination in the Lower Duwamish Waterway. Potentially, upon completion of the study, additional remediation may be required.

- A potential requirement for more cleanups in the area contaminated when the Denny Way combined sewer outflow was replaced in 2005. The WTD has already performed interim cleanup costing $3.6 million to comply with a formal agreement with Washington State Department of Ecology. The DOE reserves its rights to require additional remediation.

Note 14 - Commitments and Contingencies (Continued)

- Potential claims for past and future cleanup costs at the Harbor Island Superfund Site. Certain removal costs already incurred by the Port of Seattle are expected to be defrayed by the County and the City of Seattle. The parties have also agreed to share the cost of a supplemental investigation and feasibility study required by the EPA. The agreement states that the WTD has only a one-third pro rata share of the study costs and that portion is still potentially allocable among the several potentially responsible parties. Further remediation costs cannot be reasonably estimated until the studies are completed.

- A contractor's request for adjustment for termination costs, in the amount of $5.2 million, over a $34 million sewer project owned by the County and under management by an independent local wastewater agency. At issue is whether the law pertaining to payment of reasonable costs on a termination for convenience allows the owner to reassess contract payments that may have been made. The local agency is negotiating settlement within parameters set by the County.

- A claim in the amount of $3.7 million filed by the contractor for the Juanita Bay Pump Station Replacement project alleging defective specifications. Contract requires mediation and the County is vigorously defending the claim.

- Three separate contract claims arising out of the Brightwater project: 1) a series of requests for change orders (currently in the amount of $75 million) from the prime contractor for the Central conveyance system alleging differing site conditions and defective specifications (a new contractor has since been engaged and the County has filed suit alleging contract default by the previous contractor); 2) demands for additional money and time totaling about $9 million from the contractor for the East conveyance system, and 3) a claim for additional compensation of approximately $427 thousand to cover unexpected tariff increases on imported construction materials. The claims are in various stages of the contract dispute process.

Office Facilities - Water Quality currently rents office space from the Department of Executive Services - Facilities Management Division of King County. Water Quality has not entered into a formalized legal contract for the use of these spaces but is expecting to continue to rent office space for future years. Rent expenses incurred in 2009 and 2008 were approximately $1.3 million for each year.

Note 15 - Prior Period Adjustments

Errors related to prior periods were corrected and the 2008 financial statements and its net assets as of January 1, 2008 were restated to conform with accounting principles generally accepted in the United States of America.

A comprehensive analysis of construction work in progress, bond accounts and net assets resulted in adjustment of amounts related to prior periods. Total assets at December 31, 2008 were restated in the amount of $59.3 million from $3,540.4 million as originally reported to $3,481.1 million as restated. Total net assets at December 31, 2008 were restated from $577.2 million to $519.1 million for a total impact of $58.1 million. These changes impacted each of the financial statements and are displayed with the original and restated balances, by line item, in the following schedule.

The impact of the restatement to periods prior to 2008 was $53.6 million and is reflected in the restatement of beginning of year net assets for 2008.

Revised balances are shown in the following schedule (in thousands):

STATEMENT/ACCOUNT TITLE	Balances As Revised Dec. 31, 2008	Balances As Issued Dec. 31, 2008	Net Change
STATEMENT OF NET ASSETS			
Capital assets:			
Building and land improvements	$ 2,156,295	$ 2,113,091	$ 43,204
Plant in service and other equipment	611,835	584,447	27,388
Less accumulated depreciation	(1,082,002)	(1,077,580)	(4,422)
Land	152,930	152,498	432
Construction work in progress	1,245,615	1,394,646	(149,031)
Other noncurrent:			
Regulatory assets - environmental remediation	39,205	39,506	(301)
Other utility assets	21,338	-	21,338
Other deferred charges	14,495	12,456	2,039
NET CHANGE TO TOTAL ASSETS			$ (59,353)
Noncurrent liabilities:			
Deferred bond premium, discount, and refunding losses	18,474	17,245	1,229
Net assets:			
Invested in capital assets—net of related debt	(521,803)	(582,761)	60,958
Restricted for debt service	(147,679)	(34,825)	(112,854)
Restricted for regulatory assets and environmental liabilities	(26,021)	(10,990)	(15,031)
Unrestricted	176,376	51,325	125,051
NET CHANGE TO TOTAL LIABILITIES AND NET ASSETS			$ 59,353

Note 15 - Prior Period Adjustments (Continued)

STATEMENT/ACCOUNT TITLE	Balances As Revised Dec. 31, 2008	Balances As Issued Dec. 31, 2008	Net Change
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS			
Operating Expenses:			
Depreciation and amortization	$ (81,744)	$ (76,399)	$ (5,345)
Nonoperating Expenses:			
Interest	(65,578)	(63,594)	(1,984)
Amortization of debt related accounts	(4,049)	(7,319)	3,270
Loss on disposal and impairment of capital assets	(7,613)	(7,114)	(499)
NET CHANGE TO CHANGE IN NET ASSETS			$ (4,558)
NET ASSETS - Beginning of year	(485,093)	(538,659)	53,566
NET ASSETS - End of year	(519,127)	(577,251)	58,124

The impact of these restatements on the Statement of Cash Flows was within the reconciliation of operating income to net cash provided by operating activities. Operating income decreased and depreciation and amortization increased by $5.3 million.

Note 16 - Subsequent Event

Water Quality issued $100.0 million of Limited Tax General Obligation multi-modal revenue bonds in January 2010. These bonds will be used to finance capital construction and improvements to the sewer system.

SUPPLEMENTAL INFORMATION (UNAUDITED)

Water Quality is obligated by applicable bond ordinances to set sewage disposal rates at a level adequate to provide net revenue equal to at least 1.15 times the annual debt service requirements for sewer revenue and general obligation bonds payable from revenues of Water Quality. It is an adopted policy of Water Quality to achieve a debt service coverage ratio of 1.25.

Coverage (1.15 required by covenant, adopted policy 1.25)	1.44

In 2001, Water Quality adopted a new debt service target of 1.15 times the annual debt service for bonds, obligations, notes, and loans of Water Quality.

Coverage (1.15 adopted target)	1.33

Water Quality is required to generate revenues sufficient to pay all costs of operation of the sewage treatment system and debt service on obligations of Water Quality.

Coverage (1.00 required by covenant)	1.24

In 2001, Water Quality issued an additional tier of revenue bonds. The bond covenants of the Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001A and Series 2001B, require that sewage disposal rates provide net revenue equal to at least 1.10 times the annual debt service requirements for all Junior Lien obligations after payment of senior lien requirements.

Coverage (1.10 required by covenant)	87.49

APPENDIX D

KING COUNTY'S INVESTMENT POLICY

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KING COUNTY'S INVESTMENT POLICY

Additional discussion of recent developments pertaining to the King County Investment Pool can be found under "King County—King County Investment Pool" in the body of this Official Statement.

Additional discussion of recent developments pertaining to the King County Investment Pool can be found under "King County—King County Investment Pool" in the body of this Official Statement.

The Treasury Operations Section of the King County Finance and Business Operations Division (the "Finance Division") administers the County's investments. Under Section 4.10 of the County Code, the Executive Finance Committee (the "Committee") oversees the County's investment practices. The Committee consists of the Chair of the County Council or his or her designee, the County Executive or his or her designee, the Chief Budget Officer, and the County Director of the Finance Division.

The County's own funds are invested in the County's Residual Investment Pool (the "Investment Pool"). All investments of County funds are subject to written policies and procedures adopted by the Committee. The Committee reviews the performance of the Investment Pool on a monthly basis.

In addition to investing the County's own funds, the Treasury Operations Section also invests the funds of more than 120 special purpose districts within the County for which the Treasury Operations Section serves as treasurer, including all school districts, fire protection districts, water districts, sewer districts, and hospital districts. Each district has the option either to invest in the Investment Pool or to direct the term and amount of each of its investments. The Treasury Operations Section selects the particular investment instruments.

The Investment Pool is managed as two separate portfolios: the liquidity portfolio and the core portfolio. The liquidity portfolio is intended to meet the County's short-term liquidity requirements, and the average maturity of the portfolio cannot exceed 120 days. The total balance of the liquidity portfolio must be at least 15% of the total Investment Pool. As of September 30, 2010, the liquidity portfolio had a balance of $2.4 billion and an average maturity of 116 days.

The core portfolio is managed similarly to a short-term fixed-income fund. The average duration of the core portfolio is restricted currently to a range of one and one-quarter to three and one-quarter years. Securities in the core portfolio cannot have an average life greater than five years. As of September 30, 2010, the core portfolio had a balance of $2.1 billion and an average duration of 1.29 years.

Under State law and the County's current investment policy, the County may invest in the following instruments:

(i) U.S. Treasury and Agency securities;

(ii) Certificates of deposit with institutions that are public depositaries in the State. State law and County policies also limit the amount that can be deposited with an individual institution based on quarterly financial data;

(iii) Bankers' acceptances issued by any of the top 50 world banks in terms of assets as listed by *American Banker,* or issued by approved domestic banks;

(iv) Repurchase agreements, subject to the following limitations:

- (a) the repurchase agreement may not exceed a period of 60 days,
- (b) the underlying security must be an investment authorized by State law; and
- (c) all underlying securities used in repurchase agreements are held by a third party;

(v) Commercial paper with the highest short-term rating from at least two nationally recognized credit rating agencies. No more than 5% of the County's portfolio may be invested in commercial paper of a single issuer;

(vi) Municipal bonds, subject to the following limitations: bonds must be:

(a) obligations of the State or any local government in the State; or

(b) general obligation bonds of a state other than Washington or general obligation bonds of a local government of a state other than Washington.

In addition, bonds must have one of the three highest credit ratings of a nationally recognized credit rating agency ("A" or better);

(vii) Mortgage-backed securities, subject to the following limitations:

(a) must be issued by agencies of the U.S. government;

(b) must pass the FFIEC (Federal Financial Institutions Examination Council) suitability test which banks use to determine lowest risk securities; and

(c) average life must be limited to five years at time of purchase;

(viii) Bank notes, subject to the following limitations:

(a) must be a note, bond or debenture of a savings and loan association, bank, mutual savings bank, or savings and loan service corporation operating with the approval of the Federal Home Loan Bank; and

(b) at the time of purchase must be rated "A" or better by two nationally recognized credit rating agencies or insured or guaranteed by the federal government or one of its agencies; and

(ix) The State's Local Government Investment Pool.

The County currently does not purchase structured notes or inverse floating rate notes, and has no intention of doing so in the near future.

Reverse Repurchase Agreements. The County enters into reverse repurchase agreements with respect to securities held in the Investment Pool in accordance with a policy adopted by the Committee. A reverse repurchase agreement involves the sale of a security to a provider for a specified price with a simultaneous agreement to repurchase such security from the provider at a specified future date at the same price plus a stated rate of interest. Under the County's current policy:

(i) the County does not spend the proceeds received under its reverse repurchase agreements, but rather invests the proceeds in other securities;

(ii) the County does not enter into reverse repurchase agreements with a term of more than 180 days;

(iii) the County invests the proceeds of such reverse repurchase agreements only in securities which have the same maturity date as the end date of the reverse repurchase agreement; and

(iv) the County does not enter into reverse repurchase agreements in an aggregate amount in excess of 20% of the total balance in the Investment Pool at any one time.

All of the County's active reverse repurchase agreements are with primary dealers. The average balance in the Investment Pool over the course of the 2009 fiscal year was approximately $4.1 billion. There have been no reverse repurchase agreements in effect since 2007.

APPENDIX E

DEMOGRAPHIC AND ECONOMIC INFORMATION

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DEMOGRAPHIC AND ECONOMIC INFORMATION

King County is the largest county in Washington in population, number of cities and employment, and the twelfth most populated county in the United States. Of Washington's population, nearly 30% reside in King County, and of the County's population, 32% live in the City of Seattle. Seattle is the largest city in the Pacific Northwest and, as the County seat, is the center of the County's economic activity. Bellevue is the State's fifth largest city and the second largest in the County, and is the center of the County's eastside business and residential area.

Population

Historical and current population figures for the State of Washington, the County, the two largest cities in the County, and the unincorporated areas of the County are given below.

POPULATION

Year	Washington	King County	Seattle	Bellevue	Unincorporated King County
1980 (1)	4,130,163	1,269,749	493,846	73,903	503,100
1990 (1)	4,866,692	1,507,319	516,259	86,874	NA
2000 (1)	5,894,121	1,737,034	563,374	109,827	349,773
2001 (2)	5,974,900	1,758,300	568,100	111,500	353,579
2002 (2)	6,041,700	1,774,300	570,800	117,000	351,675
2003 (2)	6,098,300	1,779,300	571,900	116,400	351,843
2004 (2)	6,167,800	1,788,300	572,600	116,500	356,795
2005 (2)	6,256,400	1,808,300	573,000	115,500	364,498
2006 (2)	6,375,600	1,835,300	578,700	117,000	367,070
2007 (2)	6,488,800	1,861,300	586,200	118,100	368,255
2008 (2)	6,587,600	1,884,200	592,800	119,200	341,150
2009 (2)	6,668,200	1,909,300	602,000	120,600	343,180
2010 (2)	6,733,250	1,933,400	612,000	122,900	343,340

(1) Source: U.S. Department of Commerce, Bureau of Census

(2) Source: State of Washington, Office of Financial Management

Per Capita Income

The following table presents per capita personal income for the Seattle Primary Metropolitan Statistical Area ("PMSA"), the County and the State.

PER CAPITA INCOME

	2003	2004	2005	2006	2007	2008
Seattle PMSA	$ 41,935	$ 45,829	$ 45,918	$ 50,161	$ 53,248	$ 53,999
King County	45,276	50,132	49,582	54,370	57,409	58,141
State of Washington	33,852	35,959	36,734	39,550	41,919	42,747
United States	32,271	33,881	35,424	37,698	39,392	40,166

Source: U.S. Bureau of Economic Analysis, U.S. Department of Commerce

Construction

The table below lists the value of housing construction for which building permits have been issued by entities within King County. The value of public construction is not included in this table.

RESIDENTIAL BUILDING PERMIT VALUES

	New Single Family Units		New Multi Family Units		
Year	**Number**	**Value($)**	**Number**	**Value($)**	**Total Value($)**
2004	6,947	1,684,139,845	4,998	451,908,793	2,136,048,638
2005	6,331	1,741,241,527	5,703	556,297,096	2,297,538,623
2006	5,770	1,622,174,594	8,305	1,023,922,267	2,646,096,861
2007	5,206	1,506,180,957	10,212	1,246,804,898	2,752,985,855
2008	3,029	866,565,304	7,427	1,009,669,531	1,876,234,835
2009	2.033	538,910,481	1,183	137,161,103	676,071,584
2009*	1,633	442,473,179	1,094	122,038,192	561,511,371
2010*	2,219	609,392,476	2,661	224,746,183	834,138,659

* Through October.

Source: U.S. Bureau of the Census

Retail Activity

The following table presents taxable retail sales in Seattle and King County.

THE CITY OF SEATTLE AND KING COUNTY
TAXABLE RETAIL SALES (000)

Year	King County	Seattle
2004	$ 37,253,103,540	$ 12,868,301,227
2005	40,498,328,830	14,236,200,469
2006	43,993,478,514	15,564,363,159
2007	47,766,338,768	17,030,512,254
2008	45,711,920,389	17,096,581,492
2009	39,594,903,520	15,101,407,742
2009*	19,102,154,079	7,375,731,258
2010*	18,607,030,407	7,002,393,971

* Through second quarter.

Source: Washington State Department of Revenue

Industry and Employment

The following table presents State-wide employment data in 2009 for certain major employers in the Puget Sound area.

PUGET SOUND AREA
MAJOR EMPLOYERS

Employer	Employees[1]
The Boeing Company	72,200[2]
Joint Base Lewis-McChord	42,400
Microsoft	41,500
University of Washington	24,600
Navy Region Northwest	24,000
Providence Health & Services	18,700
Wal-Mart Stores, Inc.	17,900
King County Government	13,800
Fred Meyer Stores	12,500
City of Seattle	10,300
Group Health Cooperative	8,900
MultiCare Health System	8,700
Costco	8,000
Weyerhaeuser	7,000
Alaska Air Group, Inc.	6,100

(1) Does not include part-time or seasonal employment figures.

(2) From Boeing, as of January 28, 2010.

Source: Puget Sound Book of Lists, 2010 (rounded)

KING COUNTY
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT
AND NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT*

	Annual Average				
	2005	**2006**	**2007**	**2008**	**2009**
Civilian Labor Force	1,012,940	1,047,740	1,070,870	1,090,620	1,110,860
Total Employment	965,940	1,005,240	1,031,700	1,040,550	1,020,470
Total Unemployment	47,000	42,500	39,170	50,070	90,380
Percent of Labor Force	4.6	4.1	3.7	4.6	8.1

NAICS INDUSTRY	**2005**	**2006**	**2007**	**2008**	**2009**
Total Nonfarm	1,143,675	1,176,683	1,200,233	1,216,692	1,153,425
Total Private	982,475	1,014,800	1,036,983	1,050,325	986,442
Goods Producing	170,850	183,108	188,433	186,458	161,292
Natural Resources and Mining	658	658	650	583	500
Construction	62,808	70,075	74,733	73,858	57,692
Manufacturing	106,900	112,367	113,058	112,017	103,092
Services Providing	973,300	993,583	1,011,800	1,030,242	992,150
Trade, Transportation, and Utilities	222,858	224,283	224,233	224,800	210,200
Information	69,283	72,500	75,742	79,750	79,917
Financial Activities	76,467	77,567	76,992	75,917	69,700
Professional and Business Services	173,225	182,233	190,417	194,242	176,950
Educational and Health Services	122,750	124,717	127,758	133,250	137,908
Leisure and Hospitality	106,092	108,575	111,717	113,358	108,275
Other Services	41,392	41,808	41,692	42,542	42,200
Government	161,208	161,892	163,258	166,383	166,975
Workers in Labor/Management Disputes	850	8	0	958	0

	Oct. 2010
Civilian Labor Force	1,107,040
Total Employment	1,012,820
Total Unemployment	94,220
Percent of Labor Force	8.5

* Columns may not add to totals due to rounding.
Source: Washington State Employment Security Department.

APPENDIX F

BOOK-ENTRY SYSTEM

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BOOK-ENTRY SYSTEM

The following information has been provided by DTC. The County makes no representation as to the accuracy or completeness thereof. Beneficial Owners should confirm the following with DTC or the Participants (as hereinafter defined).

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com* and *www.dtc.org*.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Bond Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the County or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.