



## STATE OF WASHINGTON

**\$518,775,000**

**MOTOR VEHICLE FUEL TAX GENERAL OBLIGATION BONDS  
(SR 520 CORRIDOR PROGRAM—TOLL REVENUE), SERIES 2012C**

The State of Washington hereby adds the following subsection to the “LITIGATION” section of the Official Statement dated October 13, 2011, for the above-referenced bonds. The additional subsection is shown below.

### **New Litigation**

On October 25, 2011, a lawsuit relating to the SR 520 Floating Bridge and Eastside Project was brought in Whatcom County, Washington, Superior Court, by four individuals including Tim Eyman, one of the sponsors of I-1125. See “BALLOT MEASURES.” The lawsuit was filed against the State Finance Committee (the “Committee”), the State Treasurer, and the State Treasurer’s Office, asserting: (1) provisions of the Toll Facilities Act delegating future Eligible Toll Facilities Toll rate adjustments to the Tolling Authority are inconsistent with state law; (2) amendments to two sections of the Toll Facilities Act contained in a 2010 statute relating to planning and design of certain portions of the SR 520 Corridor (principally the Westside Project) and certain uses of Toll Revenue are invalid because the subjects of those sections were not reflected in the statute’s title; and (3) based on the assertions in clauses (1) and (2), above, the Committee’s authorization of the Series 2012C Bonds was outside its statutory authority, the Committee’s decision to issue the Series 2012C Bonds was “arbitrary and capricious” in violation of the State Administrative Procedures Act, and the court should declare the Series 2012C Bonds invalid.

Based on the Complaint and Petition as filed, the lawsuit does not challenge the Legislature’s ratification of the existing schedule of Tolls on the SR 520 Corridor. However, with respect to the assertions described in clause (1), above, if the courts were to hold definitively that the delegation of future Toll rate adjustments to the Tolling Authority was unlawful, future increases in Tolls on Eligible Toll Facilities would need to be approved by the Legislature in accordance with the Toll Facilities Act, the Bond Act and the Master Resolution, potentially including each of the annual 2.5 percent increases starting on July 1, 2012, that the Transportation Commission and the Legislature have previously approved. See “SR 520 FLOATING BRIDGE AND EASTSIDE PROJECT—Sources of Funds—Toll Revenue—Initial Tolls.” This could extend the time for adoption of future increases of Tolls and introduce political risks with respect to such adoption.

With respect to the allegations in clause (2), above, a definitive court ruling that the amendments of the Toll Facilities Act contained in challenged sections of the 2010 statute are ineffective would not affect the validity of the Series 2012C Bonds. Further, such an adverse ruling would not affect the use of Toll Revenue or the expenditure of proceeds of the Series 2012C Bonds on eligible portions of the SR 520 Floating Bridge and Eastside Project, although an adverse ruling might cause certain high occupancy improvements beyond the bridge to become ineligible.

With respect to the assertions in clause (3), while the lawsuit’s plaintiffs asked the court to declare the Series 2012C Bonds invalid, the Complaint, as filed, does not identify any basis for linking the asserted defects to the validity of the Series 2012C Bonds, nor any basis for a holding that issuance of the Series

2012C Bonds is outside the Committee's statutory authority, nor any basis for a finding that the Committee's actions have been "arbitrary and capricious." Nothing in the Complaint identifies any basis for challenging the pledge of Motor Vehicle Fuel Taxes and the state's full faith and credit and taxing power with respect to the Series 2012C Bonds.

Because none of the assertions in the Complaint, as filed, provides the basis for a court to rule that the Series 2012C Bonds are invalid, nothing in that Complaint has caused Bond Counsel to conclude that it would be unable to provide its approving legal opinion as set forth in Appendix C, including its opinions with respect to the lawful authorization and issuance of the Series 2012C Bonds and the pledge of Toll Revenue, Motor Vehicle Fuel Taxes and the state's full faith, credit and taxing power as set forth in the Series 2012C Bonds and the Series 2012C Bond Resolution. The state cannot predict whether plaintiffs may amend the Complaint to add other claims or to provide additional arguments or whether the pendency of this litigation, among other factors, might affect the value of the Series 2012C Bonds. However, the state believes that its authorization of the Series 2012C Bonds has been made in full accordance with all applicable law, and the state intends to vigorously defend the lawsuit.

*DATED: October 27, 2011.*