INTERLOCAL FINANCING AGREEMENT

THIS INTERLOCAL FINANCING AGREEMENT, dated as of October 1, 1999, by and between Snohomish County, Washington (the “County”), and the City of Edmonds, Washington (the “City”);

W I T N E S S E T H:

WHEREAS, the County and the City have entered into the Snohomish County Emergency Radio System (ERS) Interlocal Cooperation Agreement (the “ERS Agreement”) dated as of July 1, 1999, with the cities of Brier, Everett, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo and Woodway and the interlocal associations of SNOPAC and SNOCOM to, inter alia, develop and operate an emergency radio communication system (the “System”); and

WHEREAS, in Section 1.3 of the ERS Agreement, the County, the City and the cities of Brier, Everett, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo and Woodway indicate their intent to pay the capital costs associated with designing, developing, acquiring and installing the System (the “Project”); and

WHEREAS, Section 10.3.1 of the ERS Agreement provides that the City may pay its share of the capital costs associated with completing the first phase of the System either with cash or, with financing provided by the County (at the option of the County) subject to repayment; and

WHEREAS, the City wishes to finance not to exceed $1,453,300.08 of these costs on the terms and conditions set forth herein; and

WHEREAS, to provide such financing, the County will issue its limited tax general obligation bonds in a principal amount to be determined by the County (the “Bonds”) and lend $1,480,000 of the proceeds to the City by applying such amount to pay Project Costs and Issuance Costs on the City’s behalf; and

WHEREAS, in return, this Interlocal Financing Agreement requires the City to make or cause to be made payments in amounts and at times sufficient to pay its share of the principal of, premium, if any, and interest on the Bonds, when due pursuant to their terms or upon redemption or acceleration thereof; and

WHEREAS, the County and the City are authorized by RCW 39.34.030, RCW 39.34.080 and RCW 36.89.050 to enter into interlocal cooperation agreements for the cooperative undertaking, financing and administration of projects within their respective powers;
NOW, THEREFORE, for and in consideration of the mutual promises, benefits and covenants contained herein, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. Unless otherwise defined herein, capitalized terms used in this Agreement shall have the same meanings given to such terms in the ERS Agreement, which terms are incorporated by reference herein.

“Agreement” means this Interlocal Financing Agreement dated as of October 1, 1999, by and between the County and the City.

“Bond” or “Bonds” means any one or more of the tax-exempt Snohomish County, Washington, Limited Tax General Obligation Bonds, (ERS Project) issued to finance the Project and any bonds issued to refund Bonds. Such Bonds may be issued in one or more series.

“Bond Closing” means the date upon which there is exchange of the Bonds for the proceeds representing the purchase price of the Bonds.

“Bond Ordinance” means the Ordinance of the County authorizing the issuance of the Bonds.

“City” means the City of Edmonds, Washington.

“City Obligation” means the City’s obligation to repay the Loan.

“Code” means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or Internal Revenue Service, to the extent applicable to the Bonds.

“County” means Snohomish County, Washington.

“ERS” means the Emergency Radio System, a public nonprofit corporation created under RCW 39.34.040(3) pursuant to the ERS Agreement.

“ERS Agreement” means the Snohomish County Emergency Radio System Interlocal Cooperation Agreement by and among the County, the City, the cities of Brier, Everett, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo and Woodway and the interlocal associations of SNOPAC and SNOCOM dated as of July 1, 1999.

“Interest Payment Date” means any day on which interest and/or principal on the Bonds is due and payable, whether at maturity, prior redemption or otherwise.

-2-
“Issuance Costs” means all costs and expenses of issuance of the Bonds, including, but not limited to: (a) underwriter’s discount or fee; (b) counsel fees, including bond counsel, underwriter’s counsel, and County counsel, as well as any other specialized counsel fees incurred in connection with the issuance of the Bonds; (c) financial advisor fees and expenses incurred in connection with the issuance of the Bonds; (d) costs of printing the Preliminary Official Statement and Official Statement for the Bonds; (e) publication or copying costs associated with the proceedings relating to the Bonds; (f) costs of insuring the Bonds; (g) fees and expenses, if any, of the rating agency relating to the Bonds and (h) costs of preparation and administration of this Agreement and the Loan. Such Issuance Costs shall not exceed the difference between the amount of the Loan and the amount of capital costs being financed by the City as stated in the fourth recital above.

“Loan” means the loan by the County to the City pursuant to this Agreement in the principal amount of $1,480,000, plus interest thereon to provide financing for the City’s share of Project Costs and Issuance Costs.

“Project” means Phase I of the System’s development, as more fully described in Exhibit A hereto.

“Project Costs” means, without intending to limit any proper definition of such costs under any applicable law or accounting principles, the following: all costs incurred in connection with the planning, design, acquisition, construction and installation of the Project, including indemnity and surety bonds, taxes, insurance, governmental charges, costs of inspection, supervision and administration of construction or acquisition of any portion of the Project, fees and expenses of engineers, accountants, attorneys and other consultants and any other expenses heretofore or hereafter incurred in direct connection with the accomplishment of the Project.

“SNOCOM” means the Southwest Snohomish County Public Safety Communications Agency, an interlocal association of Snohomish County municipalities and special purpose districts.

“SNOPAC” means the Snohomish County Police Staff and Auxiliary Services, an interlocal association of Snohomish County municipalities and special purpose districts.

“State” means the State of Washington.

“System” means a system to provide for voice, data, and other methods of communication consisting of: (1) an 800 MHz trunked radio communication system with compatible mobile, portable and control station radios; (2) a VHF paging system; (3) VHF interoperability systems; (4) a 900 MHz mobile data system; (5) a microwave transmission network; (6) network controllers; (7) other related real property, vehicles, equipment and appurtenances; and (8) associated administrative expenses.
ARTICLE II
ISSUANCE OF THE BONDS

Section 2.1. Agreement to Issue Bonds and Apply Proceeds. The County hereby agrees to provide funding for the Project in an amount that shall in no event exceed the amount specified in the Bond Ordinance, of which $1,480,000 shall represent the City’s share of Project Costs under the ERS Agreement plus its share of Issuance Costs. The County shall satisfy this obligation by the issuance of the Bonds, as provided herein and in the Bond Ordinance. The financing obligation of the County hereunder shall be limited solely to issuing the Bonds in the amount authorized by the Bond Ordinance and applying $1,480,000 of the proceeds of the Bonds to pay Project Costs and Issuance Costs on behalf of the City. If the Bonds are issued, the County shall apply the proceeds faithfully in accordance with the Agreement, and the ERS Agreement, and duly account therefor to the City.

ARTICLE III
THE LOAN

Section 3.1. Loan to the City. The County hereby agrees to lend to the City the principal sum of $1,480,000 (the “Loan”), derived solely from the proceeds of the Bonds, and the City hereby borrows said sum from the County pursuant to this Agreement for the purpose of financing its share of Project Costs and Issuance Costs. The County’s obligations hereunder are contingent on passage of the Bond Ordinance by the County Council which passage shall be at the discretion of the County Council.

Section 3.2. City Obligation. The City agrees to assume and accept the City Obligation to repay the Loan in the amount of $1,480,000 plus interest thereon. The amounts to be paid by the City pursuant to this Agreement representing interest due on its City Obligation shall be computed at the same rate or rates of interest borne by the corresponding maturities of the Bonds which rate or rates shall be determined by the County Council at the time of the sale of the Bonds, based on then current market conditions. The amounts to be paid by the City pursuant to this Agreement representing principal due on its City Obligation shall be computed and scheduled to provide funds sufficient to pay the principal of the Loan as the same shall mature, based on the Loan repayment and City Obligation maturity schedules attached as Exhibit B hereto. Such schedules shall be prepared by the County and attached at the Bond Closing and a copy sent to the City.

Section 3.3. Disbursement of the Loan. The City acknowledges and agrees that $1,480,000 of the proceeds of the Bonds will be disbursed by the County on behalf of the City to pay the City’s share of Project Costs and Issuance Costs. In so doing, the County may accept billings from ERS as accurate, due and payable. The City Obligation shall be deemed to be in full effect when the Bonds have been issued. Earnings on investment of proceeds of the Bonds will be credited to each participant in the ERS financing in amounts proportionate to the principal amount of the Bonds applicable to each.
ARTICLE IV  

REPAYMENT OF THE LOAN  

Section 4.1. Loan Repayment; Other Payments. In repayment of the Loan, the City agrees to pay to the County the principal of, premium (if any) and interest on the City Obligation at the times set forth below, in the manner and in the amounts set forth on Exhibit B hereto. 

(a) The City shall pay in repayment of the Loan to the County, until the principal of, premium (if any) and interest on the City Obligation shall have been paid or full provision for payment has been made by defeasance, the following amounts: 

(1) On or before five days immediately before each Interest Payment Date for the Bonds, the principal and mandatory sinking fund payments, if any, becoming due on the City Obligation on such date until such time as the principal amount of the City Obligation is paid in full; and 

(2) On or before five days immediately before each Interest Payment Date for the Bonds the interest becoming due on the City Obligation on such date until such time as all principal of and interest on the City Obligation is paid in full. 

(3) Delinquent payments shall be subject to a late payment penalty of 5% of the amount due plus additional interest of 10% per annum, up to, but not exceeding, any applicable limitations provided by law on such penalties or penalty interest. 

(b) To the extent permitted by law, in the event that the amounts to be paid to the County by the City under this Agreement are not paid by the City in a timely manner as specified herein, the City directs the County Treasurer, as ex officio treasurer of property taxes collected on behalf of the City, to deduct such amounts from taxes to be remitted to the City or any other funds due to the City. The City further directs the County Treasurer to apply these amounts deducted to pay principal of and interest on the City Obligation until such time as the City cures any default in payments due under this Agreement. Nothing in this Agreement shall be construed to diminish, revoke or otherwise impair the County’s rights of set-off, recoupment or counterclaim against the City with respect to the City Obligation. Such directions by the City to the County Treasurer are irrevocable. 

(c) The County shall annually bill the City for the County’s reasonable costs of administration of the Loan (with a statement containing a reasonable breakdown of such costs) and the City agrees to reimburse the County for such costs of administration. 

(d) The City may prepay the City Obligation at any time if such prepayment can be accomplished without financial loss to the County as reasonably determined by the County. The amount of such prepayment shall be not less than the principal remaining due on the City Obligation plus accrued interest to the date of prepayment. 

Section 4.2. Nature of the City Obligation.
(a) The City Obligation hereunder constitutes a non-voted general obligation of the City to which its full faith, credit and resources are pledged.

(b) The City shall repay the Loan pursuant to the terms of Section 4.1 of this Agreement, irrespective of any rights of set-off, recoupment or counterclaim it might have against the County or any other person; provided, that any such payment shall not constitute a waiver by the City of any claim for recoupment or of any counterclaim. The City will not suspend, discontinue or reduce any such payment or (except as expressly provided herein) terminate this Agreement for any cause, including, without limiting the generality of the foregoing, (i) any delay or interruption in the design, development, acquisition, installation or operation of the Project; (ii) the failure to obtain any permit, order or action of any kind from any governmental agency relating to the Loan or the Project; (iii) any event constituting force majeure; (iv) any acts or circumstances that may constitute commercial frustration of purpose; (v) the termination of this Agreement or any of the other Loan documents; (vi) any change in the laws of the United States of America, the State or any political subdivision thereof; (vii) any failure of the County to perform or observe any covenant whether expressed or implied, or to discharge any duty, liability or obligation arising out of or connected with the City Obligation; (viii) withdrawal or expulsion of the City from ERS; (ix) bankruptcy of ERS; or (x) termination of the ERS Agreement; it being the intention of the parties that, as long as the City Obligation or any portion thereof remains outstanding and unpaid, the obligation of the City to repay the Loan and provide such money shall continue in all events. This Section 4.2 shall not be construed to release the County from any of its obligations hereunder or, except as provided in this Section 4.2, to prevent or restrict the City from asserting any rights which it may have against the County under any provision of law, or to prevent or restrict the City, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the County or taking any other action to protect or secure its rights.

(c) At the Bond Closing, the City, at its own expense, will provide to the County an opinion of its counsel, dated as of the Bond Closing, to the effect that (1) the City is a duly organized and legally existing political subdivision under the laws of the State of Washington; (2) the City has the power and authority to execute and deliver, and perform its obligations under, the Loan, the City Obligation and this Agreement; (3) this Agreement has been duly authorized and executed by the City’s authorized representatives and, assuming due authorization, execution and acknowledgment, where necessary, by the County’s authorized representatives, is valid, binding, and enforceable upon the City in accordance with its terms, except to the extent that enforcement is affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditor’s rights heretofore or hereafter enacted to the extent constitutionally applicable and except to the extent that enforcement may also be subject to the exercise of judicial discretion in appropriate cases; (4) assuming that this Agreement is so executed by the County, and to the extent that the Bonds are issued and sold, the City Obligation constitutes a valid general obligation of the City; and (5) the City Obligation will be within the constitutional and statutory limits for voted, nonvoted and total indebtedness. At the Bond Closing, the City will also provide to the County a calculation by its counsel of the City’s current indebtedness and its capacity, within its applicable debt limits, to enter into this Agreement.
Section 4.3. Mandatory/Optional Prepayment of the Loan

(a) The Loan is subject to optional and mandatory prepayment at the price and pursuant to the same terms as the Bonds are subject to optional and mandatory redemption. The optional and mandatory prepayment provisions for the City Obligation shall be determined by the County Council at the time of the sale of the Bonds, based upon then current market conditions and shall be set forth on Exhibit C hereto, which may be attached following the sale of the Bonds.

(b) In the event of a partial prepayment of the Loan, pursuant to this Section, the principal amount of the City Obligation shall be reduced by the principal amount prepaid. In the event the City Obligation is prepaid in part in accordance with this Section, mandatory prepayments due on the City Obligation, if any, shall be reduced on a proportionate basis.

Section 4.4. Refunding the Bonds. In the event the Bonds are refunded and the interest rate the County is obligated to pay on its refunding bonds in any year is less than the interest rates payable by the City on the City Obligation for the corresponding year pursuant to Section 3.2, then both the City Obligation interest payments and principal payments will be adjusted so that the interest rate paid by the City in any year is equal to the interest rate paid by the County on its refunding bonds for such year. In the event of such refunding, the County shall present to the City for the City’s approval a revised Loan repayment and City Obligation debt service schedule. If approved by the City, this revised schedule shall replace the schedule attached hereto as Exhibit B.

Section 4.5. Reallocation of Debt Service in the Event of Annexation. If a member or user City annexes territory during the term of this agreement, unless otherwise agreed by that City and the County, the City shall assume and pay to the County an additional allocation of System capital costs incurred by the County reflecting pro-rata any redistribution of assessed valuation of property between the City and the County. A revised schedule of Loan repayment reflecting such redistribution shall be prepared by the County and shall replace the schedule attached hereto as Exhibit B.

ARTICLE V
FURTHER AGREEMENTS

Section 5.1. Tax-Exempt Status of Bonds; Arbitrage. It is the intention of the County and the City that interest on the Bonds shall be and remain excluded from gross income of the Owners of the Bonds, and to that end the covenants and agreements of the County and the City in this section are for the benefit of each and every Bond owner.

The County and the City covenant and agree that they have not taken or permitted to be taken and will not take or permit to be taken any action that will cause the interest on the Bonds to become included in gross income for federal tax purposes pursuant to the Code or to become “arbitrage bonds” within the meaning of Section 148 of the Code.
The City agrees to pay its proportionate share of the costs of the calculation of the Rebate Amount and the Rebate Amount, if any, owing to the United States on the Bonds. The City’s proportionate share of these costs shall be equal to the cost of calculation and Rebate Amount times the ratio of the face amount of the City Obligation to the aggregate initial principal amount of the Bonds.

The City further covenants that it will not take any action, fail to take any action or make any use of the Project financed by the Bonds or the proceeds of the Bonds which would cause the Bonds to be or become private activity bonds under the Code.

Section 5.2. Additional Instruments. The City hereby covenants to execute and deliver such additional instruments and to perform such additional acts as may be necessary, in the reasonable opinion of the County to carry out the intent of this Agreement or to perfect or give further assurances of any of the rights granted or provided for in the Loan documents, including a Continuing Disclosure Undertaking in accordance with Section 7.13.

Section 5.3. Indemnification of the County. The City shall indemnify, hold harmless and defend the County, and its commissioners, officers, members, directors, officials, agents and employees and each of them from and against:

(i) any and all claims by or on behalf of any person arising from any cause whatsoever in connection with the making of the Loan, other than claims established to be occasioned by the negligence or willful misconduct of the County or its respective officers or employees;

(ii) any and all claims arising from any act or omission of the City or any of its agents, servants, employees or licensees, in connection with the Loan or the Project or any certification submitted in connection therewith; and

(iii) all reasonable costs, reasonable counsel fees, or liabilities incurred in connection with any such claim or proceeding brought thereon.

In the event that any action or proceeding is brought against the County or any of its respective commissioners, officers, members, directors, officials or employees, with respect to which indemnity may be sought hereunder, the City, upon written notice from the indemnified party, shall assume the investigation and defense thereof, including the employment of counsel, and the payment of all expenses related thereto, provided that no settlement of a claim or proceeding against an indemnified party shall occur without the consent of such party.

Section 5.4. Completion of the Project. The County makes no express or implied warranty that the money financed under the provisions of this Agreement, will be sufficient to pay all the amounts which may have been incurred for the City’s share of the Project Costs under the ERS Agreement and Issuance Costs. Payments of amounts due the County hereunder which are delinquent may be made prior to any payment then due ERS on behalf of the City. Within six months of completion of the Project, the County shall distribute to the City a portion of any
remaining Bond proceeds proportionate to the amount of the Loan as compared to the aggregate principal amount of the Bonds.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.1. Events of Default. Each of the following shall be a “Loan Default”:

(a) Monetary Defaults. Any failure by the City to make any required monetary payments to the County pursuant to the City Obligation or Section 4.1 of this Agreement when due. If an event which would constitute a Monetary Default shall occur, the County shall provide prompt telephone notice confirmed in writing (which may be by facsimile or electronic transmission) to the City and demand a cure thereof (provided, that failure by the County to send such written notice shall not constitute a waiver of or prevent the occurrence of a Loan Default), and if such event is not cured within fifteen days of the scheduled payment date, then such event shall constitute a Loan Default and the County may, in its sole discretion, proceed with its remedies under Section 4.1(b) or Section 6.2.

(b) Nonmonetary Defaults. Any failure on the part of the City to perform or observe the duties, provisions or obligations required of it pursuant to this Agreement, other than as set forth in (a) above, if such failure shall have continued for a period of 60 days after written notice thereof has been delivered to the City.

Section 6.2. Remedies. Upon the occurrence of any Loan Default under this Agreement, any one or more of the following steps may be taken:

(a) If the conditions set forth therein are applicable, take any action authorized by Section 4.1(b) of this Agreement.

(b) The County may proceed to protect and enforce its rights in equity or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein or in the other Loan documents, or for the enforcement of any other appropriate legal or equitable remedy, as the County, being advised by counsel, may deem most effectual to protect and enforce any of its concurrent or reserved rights or interests hereunder with respect to:

(i) tax exemption of the Bonds;

(ii) the payment of fees or amounts due;

(iii) indemnifications and reimbursements due to the County; and

(iv) receipt of reports and notices.
Section 6.3. **Attorneys’ Fees and Costs.** If a Loan Default occurs and if the County or City should employ attorneys or incur expenses for the enforcement of any obligation or agreement of the City or County contained herein, the non-prevailing party on demand will pay to the prevailing party the reasonable fees of such attorneys of the prevailing party and the reasonable costs so incurred, including, without limitation, reasonable fees and costs of court appeals.

Section 6.4. **No Right or Remedy Exclusive.** No right or remedy herein conferred upon or reserved to the County is intended to be exclusive of any other available right, remedy or remedies, but each and every such right or remedy shall be cumulative and shall be in addition to every other right or remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the County to exercise any remedy reserved to it, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. No dispute resolution process set forth in the ERS Agreement shall be required with respect to disputes arising under this Agreement.

Section 6.5. **No Additional Waiver Implied by One Waiver.** In the event any agreement or covenant contained in this Agreement should be breached by the City and thereafter waived by the County, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

**ARTICLE VII**

**MISCELLANEOUS**

Section 7.1. **Entire Agreement.** This Agreement constitutes the entire and final agreement and supersedes all prior agreements and understandings, both written and oral, among the County and the City with respect to the subject matter hereof, with the exception of the ERS Agreement. This Agreement shall be administered and enforced independently from the ERS Agreement.

Section 7.2. **Notices.** All notices, certificates or other communications shall be in writing and shall be sufficiently given and shall be deemed given on the date on which the same has been mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the County: Snohomish County
Snohomish County Courthouse
3000 Rockefeller Avenue, M/S 610
Everett, WA 98201
Business: (425) 388-3475
Fax: (425) 388-3373
Attn: Finance Director
If to the City: City of Edmonds
121 5th Avenue N
Edmonds, WA  98020
Business: (425) 775-2525
Fax: (425) 771-0252
Attention: Accounting Manager

The County or the City may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, documents or other communications shall be sent.

Section 7.3. Assignments. This Agreement may not be assigned by any party without the prior written consent of all parties hereto which consent shall not be unreasonably withheld.

Section 7.4. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

Section 7.5. Execution of Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 7.6. Amendments, Changes and Modifications. Except as otherwise provided in this Agreement, subsequent to the issuance of Bonds and prior to their payment in full (or provision for payment thereof having been made in accordance with the provisions of the Bond Resolution) and payment in full of the City Obligation, this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of all the parties hereto.

Section 7.7. Governing Law. This Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State.

Section 7.8. Term of Agreement. This Agreement shall be in full force and effect from the date hereof until such time as all the Bonds shall have been fully paid, provision made for such payment by defeasance pursuant to the Bond Ordinance, or the City Obligation shall have been fully paid, whichever shall be earlier. Time is of the essence in this Agreement.

Section 7.9. Survival of Agreement. All agreements, representations and warranties made herein shall survive the making of the Loan.

Section 7.10. Non-Business Days. Any payment or act required to be done or made on a day that is not a business day shall be done or made on the next succeeding day that is a business day with the same force and effect as if it had been done on the date originally scheduled for such payment or act.
Section 7.11. Conflict of Documents. In the event the provisions of this Agreement conflict with provisions of the Bond Ordinance, the provisions of the Bond Ordinance shall be deemed to control. In the event the provisions of this Agreement conflict with the ERS Agreement, the provisions of this Agreement shall be deemed to control. This Agreement shall survive termination of the ERS Agreement.

Section 7.12. Compliance with Continuing Disclosure Requirements of the Securities and Exchange Commission. If the City qualifies as an “obligated person” within the meaning of the Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), with respect to the Bonds, the City hereby agrees to enter into an undertaking, on or before the Bond Closing, to provide the financial information and notice of material events as required by the Rule.

Section 7.13. Disposition of Property Upon Termination. Disposition of property comprising the System, exclusive of Bond proceeds or earnings thereon, shall be governed by the ERS Agreement.

Section 7.14. Administrator. This Agreement shall be administered by the County Executive.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, all as of the day and year first above mentioned.

SNOHOMISH COUNTY, WASHINGTON

________________________________________
County Executive
Approved as to form:

________________________________________
Snohomish County Special Deputy
Prosecuting Attorney

CITY OF EDMONDS, WASHINGTON

________________________________________
Mayor
Approved as to form:

________________________________________
City Attorney
EXHIBIT A

DESCRIPTION OF THE PROJECT

The following description is repeated from that appearing in the ERS Agreement and is intended to provide information as to the contemplated nature and function of the Project. The following information does not constitute a warranty or a representation in any sense and shall not be construed to impose any covenant or create any obligation on the part of the City or the County.

A.1 Introduction.
The Emergency Radio System (the “System”) will provide a significantly improved level of communications capability when compared to existing radio systems. The System will provide effective and coordinated public safety communications on a day-to-day basis, provide significant operational enhancements, increase user safety, and provide an increased level of interoperability and coordination among the four dispatch centers in Snohomish County (three city/county dispatch centers and one WSP dispatch center). The System will be developed in a manner that maximizes the price advantages realized in large-scale and long-term purchasing agreements. It is expected to demonstrate the wisest possible use of taxpayer dollars when compared to other communications systems, and to realize the benefits of improved public safety communications for all county residents.

A.2 System Elements.
The System will consist of the following tangible elements: (a) a county-wide 800 MHz trunked radio system with compatible mobile, portable, and control station radios; (b) a county-wide VHF paging system; (c) county-wide VHF radio interoperability systems (including enhancements to existing VHF infrastructure in the Phase II service area to improve back country and search and rescue operations); (d) an upgraded county-wide 900 MHz mobile data system; (e) a county-wide microwave transmission network to link system facilities; and (f) related real property, vehicles, equipment, and appurtenances.

A.3 System Design Features.
The System will be designed to provide the full range of available radio system features and to improve upon the overall area coverage offered by existing radio systems. The System will be designed to maximize performance and to eliminate or minimize radio system redundancies. The System will be designed on a county-wide basis and will function with equal effectiveness throughout populated areas of the County.

The System will be designed to provide participating agencies (Members and Users) effective communications in the event of a major disaster. Should a significant portion of the System fail, restoration of complete System operation will be the highest priority of the Governing Board, System Manager, and technical support staff.

The 800 MHz radio system will operate in simulcast mode from multiple sites, supported by new or upgraded towers and buildings. The system will also include separate low capacity trunked “filler” radio sites in difficult service areas. All conventional and filler sites will be
integrated into a single system at the system controller/audio switch, allowing radios that are in transit to automatically “roam” while maintaining effective communications.

The VHF paging system will consist of a multiple site simulcast system. The paging system will be alpha-numeric. It will be designed to provide improved police, fire, and EMS paging.

The VHF radio interoperability systems will link non-participating agencies (federal, state, and other local agencies) to the System, and will link participating agencies (Members and Users) during transition to full System operation. Interoperability with the King County Regional Radio System and the trunked radio system operated by the Boeing Company will be provided using 800 MHz radios compatible with the Motorola trunked radio technology used by those systems.

The existing 900 MHz mobile data system owned by Snohomish County Public Utility District No. 1, which is used by participating agencies (Members and Users) under existing agreements with dispatch centers, will be upgraded pursuant to one or more agreements to be approved by ERS. The upgraded system will provide enhanced coverage and capacity required to support use of that system by participating agencies (Members and Users).

The microwave transmission network will be loop-protected, except insofar as the County may determine that loop-protection is not possible in Phase II. The network will provide excess capacity for additional ERS radio systems, PSAP links, or other point-to-point government communication needs.

The System will provide encrypted communications through an infrastructure design that supports digital communications, except that the County may determine that encrypted communications are not possible in Phase II. Two deployable encryption-capable repeaters will be available to participating agencies for specialized operations or for use outside of the System’s service areas.

The three dispatch centers operated by SNOCOM, SNOPAC, and the City of Marysville will be upgraded with new console equipment required to operate the System. That equipment will be connected to the ERS microwave network via a protected spur microwave facility or, where possible, directly to the high capacity loop. All operational system features will be provided through participating dispatch centers.

A.4. Phased Construction.

The System will be designed as a county-wide entity, but will be constructed in two phases. ERS will proceed with construction of Phase I following approval of the final system design. Construction of Phase II is contingent upon funding by the County, and ERS will proceed with construction of Phase II only if authorized by the County.

A.4.1. Phase I Service Area.

The Phase I service area is bounded to the North by the northerly boundary of the City of Marysville, to the South by the boundary of Snohomish and King Counties, to the West by Puget Sound, and to the East by SR 9. The 800 MHz system in this service area will include approximately nine channels operating from approximately eight sites. Stand alone filler sites will be provided for the Edmonds/Lynnwood waterfront areas and Everett rail tunnel.
A.4.2. Phase II Service Area.

The Phase II service area is the remainder of the County. Construction of Phase II is contingent upon funding by the County, and may be developed in stages or limited to particular features or parts of the Phase II service area as directed by the County. The 800 MHz radio system will consist of approximately seven channels operating from approximately seven simulcast sites. Low capacity trunked filler or conventional 800 MHz sites will provide back-country coverage as required for effective coverage. While the number of filler sites needed to serve the most rural portions of the County has not yet been determined, a stand alone filler site will serve the Darrington area and a stand alone filler site will serve the Index area. All trunked filler and conventional 800 MHz facilities will be fully integrated into the county-wide radio system. The infrastructure supporting VHF interoperability in the Phase II service area will be upgraded to ensure high-performance, county-wide interoperability. The VHF system supporting back country and search and rescue operations will be upgraded to provide for added voting receivers and simulcast operation and to comply with regulatory changes resulting from the FCC “refarming” rulemaking.


The System will be engineered for enhanced reliability, redundancy, and survivability in the event of a disaster. Specific performance and capability enhancements for participating agencies (Members and Users) include the following:

- Consistent and reliable portable and mobile radio coverage within each participating agency’s service area;
- Increased radio system channel capacity and reduced channel congestion;
- Capacity for emergency signaling of dispatchers by officers in trouble;
- Ability to employ individual radio identifier codes for positive identification of users;
- Ability to disable stolen or lost radios;
- Highly survivable infrastructure designed to provide uninterrupted services;
- Newer, more reliable radio equipment and infrastructure;
- Enhanced trunked and conventional 800 MHz and VHF interoperability for all participating agencies.
EXHIBIT B

LOAN REPAYMENT AND CITY OBLIGATION MATURITY SCHEDULE

(The following is an estimated schedule reflecting estimates of interest rates at the time of sale of the Bonds. At the time of the Bond Closing a revised schedule reflecting final interest rates will be provided by the County.)
EXHIBIT C

OPTIONAL AND/OR MANDATORY PREPAYMENT OF THE CITY OBLIGATION
(ESTIMATED)

Optional Prepayment on or after December 1, 2009, at par plus accrued interest to the date of redemption.
INTERLOCAL FINANCING AGREEMENT

By and Between

Snohomish County, Washington

and

The City of Edmonds, Washington

Dated: October 1, 1999
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>ARTICLE I</th>
<th>DEFINITIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1.1. Definitions</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE II</th>
<th>ISSUANCE OF THE BONDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 2.1. Agreement to Issue Bonds and Apply Proceeds</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE III</th>
<th>THE LOAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 3.1. Loan to the City</td>
<td>4</td>
</tr>
<tr>
<td>Section 3.2. City Obligation</td>
<td>4</td>
</tr>
<tr>
<td>Section 3.3. Disbursement of the Loan</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE IV</th>
<th>REPAYMENT OF THE LOAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 4.1. Loan Repayment; Other Payments</td>
<td>5</td>
</tr>
<tr>
<td>Section 4.2. Nature of the City’s Obligation</td>
<td>5</td>
</tr>
<tr>
<td>Section 4.3. Mandatory/Optional Prepayment of the Loan</td>
<td>7</td>
</tr>
<tr>
<td>Section 4.4. Refunding the Bonds</td>
<td>7</td>
</tr>
<tr>
<td>Section 4.5. Reallocator of Debt Service in the Event of Annexation</td>
<td>7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE V</th>
<th>FURTHER AGREEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 5.1. Tax-Exempt Status of Bonds; Arbitrage</td>
<td>7</td>
</tr>
<tr>
<td>Section 5.2. Additional Instruments</td>
<td>8</td>
</tr>
<tr>
<td>Section 5.3. Indemnification of the County</td>
<td>8</td>
</tr>
<tr>
<td>Section 5.4. Completion of the Project</td>
<td>8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE VI</th>
<th>EVENTS OF DEFAULT AND REMEDIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 6.1. Events of Default</td>
<td>9</td>
</tr>
<tr>
<td>Section 6.2. Remedies</td>
<td>9</td>
</tr>
<tr>
<td>Section 6.3. Attorneys’ Fees and Costs</td>
<td>10</td>
</tr>
<tr>
<td>Section 6.4. No Right or Remedy Exclusive</td>
<td>10</td>
</tr>
<tr>
<td>Section 6.5. No Additional Waiver Implied by One Waiver</td>
<td>10</td>
</tr>
</tbody>
</table>
ARTICLE VII
MISCELLANEOUS

Section 7.1. Entire Agreement  10
Section 7.2. Notices  10
Section 7.3. Assignments  11
Section 7.4. Severability  11
Section 7.5. Execution of Counterparts  11
Section 7.6. Amendments, Changes and Modifications  11
Section 7.7. Governing Law  11
Section 7.8. Term of Agreement  11
Section 7.9. Survival of Agreement  11
Section 7.10. Non-Business Days  11
Section 7.11. Conflict of Documents  12
Section 7.12. Compliance with Continuing Disclosure Requirements of the Securities and Exchange Commission  12
Section 7.13. Disposition of Property Upon Termination  12
Section 7.14. Administrator  12