

June 16, 2009

VIA E-MAIL AND US MAIL

Ronald J. English, Esq.
Assistant General Counsel
Seattle School District No. 1
2445 3rd Avenue South
M.S. 32-151
PO Box 34165
Seattle, WA 98134-1923

Re: Seattle School District No. 1, King County, Washington Limited Tax General
Obligation Bonds, Series 2007A and Series 2007B (the "Bonds")

Dear Ron:

Our firm acted as bond counsel in connection with the issuance of the Bonds. You have asked us for an additional clarification regarding the permitted use of the proceeds of the Bonds, including interest earnings thereon.

The use of interest earnings on Bond proceeds is governed by federal tax law in connection with the issuance of tax-exempt bonds and by state law in connection with the issuance of tax-exempt bonds as well as taxable bonds. Federal tax law in connection with the issuance of tax-exempt bonds is consistent with the applicable provisions of state law in connection with school district bonds.

Section 28A.320.330(2) RCW provides as follows: "Money derived from the sale of bonds, including interest earnings thereof, may only be used for those purposes described in RCW 28A.530.010, except that accrued interest paid for bonds shall be deposited in the debt service fund."

The enumerated purposes for which bond proceeds (and interest earnings thereon) are set forth in RCW 28A.530.010 and are as follows:

The board of directors of any school district may borrow money and issue negotiable bonds therefor for the purpose of:

- (1) Funding outstanding indebtedness or bonds theretofore issued; or

(2) For the purchase of sites for all buildings, playgrounds, physical education and athletic facilities and structures authorized by law or necessary or proper to carry out the functions of a school district; or

(3) For erecting all buildings authorized by law, including but not limited to those mentioned in subsection (2) of this section immediately above or necessary or proper to carry out the functions of a school district, and providing the necessary furniture, apparatus, or equipment therefor; or

(4) For improving the energy efficiency of school district buildings and/or installing systems and components to utilize renewable and/or inexhaustible energy resources; or

(5) For major and minor structural changes and structural additions to buildings, structures, facilities and sites necessary or proper to carrying out the functions of the school district; or

(6) For payment of (a) an installment purchase contract for school plant facilities or (b) a financing lease the term of which is ten years or longer and that contains an option by the school district to purchase the leased property for nominal consideration, but only to the extent such payment constitutes a capital expenditure; or

(7) For any or all of these and other capital purposes.


The use of Bond proceeds, including interest earnings thereon, is limited to capital purposes. Bond proceeds (and interest earnings thereon) may not be used for operating (non capital) expenditures of the District.

If we may provide any additional clarification or information, let us know.

Very truly yours,

K&L PRESTON GATES ELLIS

By


Cynthia M. Weed

CMW:cmw