



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

May 1, 2006

Motion 12278

Proposed No. 2005-0498.2

Sponsors Gossett

1 A MOTION of the county council approving a bond
2 purchase agreement for a series of the county's sewer
3 revenue bonds in the aggregate principal amount of
4 \$124,070,000 and establishing certain terms of such bonds
5 and a plan of refunding, all in accordance with Ordinance
6 15385.

7
8
9 WHEREAS, the county council by Ordinance 15385 passed on March 13, 2006
10 (the "Bond Ordinance"), authorized the issuance and sale of the county's sewer revenue
11 bonds in an aggregate principal amount not to exceed \$150,000,000 to finance a portion
12 of the costs of capital improvements to the county's sewer system (the "Project Bonds")
13 and authorized the issuance and sale of the county's sewer revenue bonds in an aggregate
14 principal amount not to exceed \$200,000,000 to refund certain outstanding sewer revenue
15 bonds (the "Refunding Bonds"), and

16 WHEREAS, the Bond Ordinance provided that such bonds be sold in one or more
17 series and by negotiated sale or competitive bid as determined by the county's director of

18 the finance and business operations division (the "Finance Director") in consultation with
19 the county's financial advisors, and

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

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

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

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

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

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

39 B. Approval of Bond Purchase Contract and Authorization of Bonds. The
40 issuance of the Bonds, designated as the King County, Washington, Sewer Revenue and

41 Refunding Bonds, Series 2006, in the aggregate principal amount of \$124,070,000, and
42 the terms and conditions thereof as set forth in the Bond Purchase Contract attached hereto
43 as Attachment A (the "Purchase Contract") are hereby ratified and confirmed, and the
44 Purchase Contract is hereby approved. The Bonds shall bear interest at the rates set forth
45 in the Purchase Contract and shall conform in all other respects to the terms and
46 conditions specified in the Purchase Contract and Bond Ordinance. The Bonds shall be
47 subject to optional and mandatory redemption as set forth in the Purchase Contract.

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

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

64 D. Refunding and Redemption of Refunded Bonds.

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

70 Refunded 1999 Bonds

71	Maturity	Principal	Interest	Call
72	<u>(January 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Date</u>
73	2017	\$ 2,925,000	5.500%	01/01/2009
74	2018	3,080,000	5.500	01/01/2009
75	2019	3,255,000	5.500	01/01/2009
76	2020	3,450,000	5.500	01/01/2009
77	2021	3,620,000	5.500	01/01/2009
78	2022	3,830,000	5.500	01/01/2009
79	2023	4,045,000	5.375	01/01/2009

80
81 The Refunded 1999 Bonds shall be referred to collectively in this motion as the
82 Refunded Bonds. As provided in Section 14 of the Bond Ordinance, the King County
83 Series 2006 Sewer Revenue Bonds Refunding Account (the "Refunding Account") shall
84 be established and maintained with the Escrow Agent (as identified below). Proceeds of
85 the Refunding Bonds (exclusive of accrued interest, if any, which shall be deposited into
86 the Debt Service Account in the Bond Fund) shall be deposited in the Refunding Account

87 and used, together with other funds of the county, if necessary, to purchase certain
88 "Government Obligations" (which obligations so purchased are herein called "Acquired
89 Obligations"), bearing such interest and maturing as to principal and interest in such
90 amounts and at such times that, together with any necessary beginning cash balance, will
91 provide for the payment of:

92 (a) the interest on the Refunded Bonds due and payable on and prior to January
93 1, 2009; and

94 (b) the redemption price (101% of the principal amount) payable on January 1,
95 2009, of the Refunded Bonds.

96 Any beginning cash balance and the Acquired Obligations shall be irrevocably
97 deposited with the Escrow Agent in an amount sufficient to defease the Refunded Bonds
98 in accordance with the ordinance(s) authorizing the Refunded Bonds. Any amounts
99 described above that are not provided for in full by such beginning cash balance and the
100 purchase and deposit with the Escrow Agent of the Acquired Obligations shall be
101 provided for by the irrevocable deposit of the necessary amount out of the proceeds of
102 sale of the Bonds or any other money of the county legally available therefor. The
103 proceeds of the Bonds remaining in the Refunding Account after acquisition of the
104 Acquired Obligations and provision for the necessary beginning cash balance shall be
105 utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations
106 and the costs of issuing the Bonds. The county may, from time to time, transfer, or cause
107 to be transferred, from the Refunding Account any money not thereafter required for the
108 purposes set forth in subparagraphs (a) and (b) above, subject to verification in writing by
109 an independent certified public accountant that such transfer will not result in inadequate

110 funds being available to make the required payments therefrom. The county reserves the
111 right to substitute other securities for the Acquired Obligations in the event it may do so
112 pursuant to Section 148 of the Code and applicable regulations thereunder, upon
113 compliance with the conditions set forth in the Escrow Agreement.

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

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

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

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

128 The Escrow Agent is hereby authorized and directed to notify the fiscal agency of
129 the State of Washington to give notice of the defeasance and redemption of the Refunded
130 Bonds in accordance with the applicable provisions of the ordinance(s) authorizing their
131 issuance. The Finance Director is authorized and requested to provide whatever

132 assistance is necessary to accomplish such defeasance and redemption and the giving of
133 notice therefor. The costs of publication of such notice shall be an expense of the county.

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

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

151 This council hereby further finds and determines that the Acquired Obligations to
152 be deposited with the Escrow Agent and the income therefrom, together with any
153 necessary beginning cash balance, are sufficient to defease and redeem the above-
154 referenced Refunded Bonds and will discharge and satisfy the obligations of the county

155 with respect to such Refunded Bonds under the ordinance authorizing their issuance and
156 the pledges of the county therein. Immediately upon the delivery of such Acquired
157 Obligations to the Escrow Agent and the deposit of any necessary beginning cash
158 balance, such Refunded Bonds shall be deemed not to be outstanding under their
159 authorizing ordinance and shall cease to be entitled to any lien, benefit or security under
160 such ordinance except the right to receive payment from the Acquired Obligations and
161 beginning cash balance so set aside and pledged.

162 E. Reserve Requirement. In accordance with Section 9.C of the Bond Ordinance,
163 proceeds of the Bonds shall be used to purchase Qualified Insurance in the form of a
164 surety bond (the "Surety Bond") from FSA in an amount sufficient to satisfy the Reserve
165 Requirement with respect to the Bonds. The county agrees to the conditions for
166 obtaining the Surety Bond, including the payment of the premium therefor and the other
167 requirements to be set forth in an agreement to be approved and executed by the Finance
168 Director on behalf of the county. The council further authorizes and directs all proper
169 officers, agents, attorneys and employees of the county to cooperate with the Insurer in
170 preparing such additional agreements, certificates, and other documentation on behalf of
171 the county as shall be necessary or advisable in providing for the Surety Bond.

172 F. Undertaking to Provide Ongoing Disclosure.

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

176 2. Financial Statements/Operating Data. The county agrees to provide or cause
177 to be provided to each NRMSIR and to the SID, if any, in each case as designated by the

178 Commission in accordance with the Rule, the following annual financial information and
179 operating data for the prior fiscal year (commencing in 2006 for the fiscal year ended
180 December 31, 2005):

181 (a) Annual financial statements, which may or may not be audited, showing
182 year-end fund balance for the County's Water Quality Enterprise fund prepared in
183 accordance with the Budget Accounting and Reporting System ("BARS") prescribed by
184 the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statutes) and
185 generally of the type included in the official statement for the Bonds as Appendix C;

186 (b) Amount of outstanding Parity Bonds; and

187 (c) Information regarding customers, revenues and expenses of the sewer
188 system generally in the form set forth in the Official Statement for the Bonds in the table
189 labeled "Historical Customers, Revenues and Expenses."

190 Items (b) and (c) shall be required only to the extent that such information is not
191 included in the annual financial statements.

192 Such annual information and operating data described above shall be provided on
193 or before the end of nine months after the end of the county's fiscal year. The county's
194 fiscal year currently ends on December 31. The county may adjust such fiscal year by
195 providing written notice of the change of fiscal year to each then existing NRMSIR and
196 the SID, if any. In lieu of providing such annual financial information and operating
197 data, the county may cross-reference to other documents provided to the NRMSIR, the
198 SID or to the Commission and, if such document is a final official statement within the
199 meaning of the Rule, available from the MSRB.

200 If not provided as part of the annual financial information discussed above, the
201 county shall provide the county's audited annual financial statement prepared in
202 accordance BARS when and if available to each then existing NRMSIR and the SID, if
203 any.

204 3. Material Events. The county agrees to provide or cause to be provided, in a
205 timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the
206 occurrence of any of the following events with respect to the Bonds, if material:

- 207 (a) Principal and interest payment delinquencies;
- 208 (b) Non-payment related defaults;
- 209 (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- 210 (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- 211 (e) Substitution of credit or liquidity providers, or their failure to perform;
- 212 (f) Adverse tax opinions or events affecting the tax-exempt status of the
213 Bonds;
- 214 (g) Modifications to rights of Bond holders;
- 215 (h) Optional, contingent or unscheduled calls of any Bonds other than
216 scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act
217 Release 34-23856;
- 218 (i) Defeasances;
- 219 (j) Release, substitution or sale of property securing repayment of the Bonds;
- 220 and
- 221 (k) Rating changes.

222 Solely for purposes of disclosure, and not intending to modify this undertaking,
223 the county advises with reference to item (j) above that no property secures payment of
224 the Bonds.

225 4. Notification Upon Failure to Provide Financial Data. The county agrees to
226 provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB
227 and to the SID notice of its failure to provide the annual financial information described
228 in subsection 2 above on or prior to the date set forth in subsection 2 above.

229 5. Centralized Filing. Any filing required to be made with any NRMSIR or SID
230 pursuant to the county's undertaking may be made by transmitting such filing solely to (i)
231 the Texas Municipal Advisory Council (the "MAC") as provided in
232 <http://www.disclosureusa.org> unless the SEC has withdrawn the interpretive advice in its
233 letter to the MAC dated September 7, 2004, or (ii) any other entity for whom the SEC has
234 provided interpretive advice recognizing that a filing solely with such entity shall satisfy
235 an issuer's filing requirements under the Rule.

236 6. Termination/Modification. The county's obligations to provide annual
237 financial information and notices of material events shall terminate upon the legal
238 defeasance, prior redemption or payment in full of all of the Bonds. These obligations, or
239 any provision hereof, shall be null and void if the county (i) obtains an opinion of
240 nationally recognized bond counsel to the effect that those portions of the Rule which
241 require these obligations, or any such provision, are invalid, have been repealed
242 retroactively or otherwise do not apply to the Bonds; and (ii) notifies each then existing
243 NRMSIR and the SID of such opinion and the cancellation of these obligations.

244 Notwithstanding any other provision of this motion, the county may amend this
245 Section F, and any provision of this Section F may be waived, with an approving opinion
246 of nationally recognized bond counsel and in accordance with the Rule.

247 In the event of any amendment or waiver of a provision of this Section F, the
248 county shall describe such amendment in the next annual report, and shall include, as
249 applicable, a narrative explanation of the reason for the amendment or waiver and its
250 impact on the type (or in the case of a change of accounting principles, on the
251 presentation) of financial information or operating data being presented by the county. In
252 addition, if the amendment relates to the accounting principles to be followed in
253 preparing financial statements, (i) notice of such change shall be given in the same
254 manner as for a material event under subsection 3, and (ii) the annual report for the year
255 in which the change is made should present a comparison (in narrative form and also, if
256 feasible, in quantitative form) between the financial statements as prepared on the basis
257 of the new accounting principles and those prepared on the basis of the former accounting
258 principles.

259 7. Bond Owner's Remedies Under This Section. The right of any Bond owner
260 or Beneficial Owner of Bonds to enforce the provisions of this Section F shall be limited
261 to a right to obtain specific enforcement of the county's obligations hereunder, and any
262 failure by the county to comply with the provisions of this undertaking shall not be an
263 event of default with respect to the Bonds hereunder. For purposes of this section,
264 "Beneficial Owner" means any person who has the power, directly or indirectly, to vote
265 or consent with respect to, or to dispose of ownership of, any Bonds, including persons
266 holding Bonds through nominees or depositories.

267 G. Further Authority. The county officials, their agents, attorneys and
268 representatives are hereby authorized and directed to do everything necessary for the
269 prompt issuance and delivery of the Bonds and for the proper use and application of the
270 proceeds of such sale.

271 H. Severability. If any provision in this motion is declared by any court of
272 competent jurisdiction to be contrary to law, then such provision shall be null and void

273 and shall be deemed separable from the remaining provisions of this motion and shall in
274 no way affect the validity of the other provisions of this motion or of the Bonds.
275

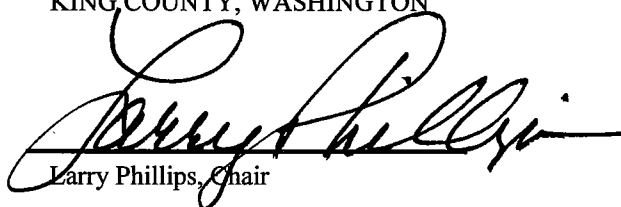
Motion 12278 was introduced on 11/21/2005 and passed by the Metropolitan King County Council on 5/1/2006, by the following vote:

Yes: 8 - Mr. Phillips, Ms. Lambert, Mr. Dunn, Mr. Ferguson, Mr. Gossett,
Ms. Hague, Ms. Patterson and Mr. Constantine

No: 0

Excused: 1 - Mr. von Reichbauer

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Larry Phillips, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments A. \$124,070,000 King County, Washington Sewer Revenue and Refunding Bonds,
Series 2006 Bond Purchase Contract

12278

FP DRAFT 5/1/06

ATTACHMENT A

\$124,070,000
KING COUNTY, WASHINGTON
SEWER REVENUE AND REFUNDING BONDS, SERIES 2006

BOND PURCHASE CONTRACT

May 1, 2006

King County, Washington

Ladies and Gentlemen:

Lehman Brothers Inc. (the "Representative"), acting on behalf of itself, A.G. Edwards & Sons, Inc., Goldman, Sachs & Co. and Siebert Brandford Shank & Co., L.L.C., (collectively, the "Underwriters"), offers to enter into this bond purchase contract (together with the exhibit attached hereto, the "Contract") with King County, Washington (the "County"), regarding the above-referenced bonds (the "Bonds"), which upon acceptance of this offer by the County will be binding upon the County and the Underwriters. This offer is made subject to receipt by the Representative of the documents described in this Contract and to the County's acceptance by executing this Contract and delivering it to the Representative at or prior to 11:00 p.m., Pacific Time, on the date hereof. If not so accepted, this offer will be subject to withdrawal by the Representative upon notice delivered to the County at any time prior to acceptance hereof by the County. Upon acceptance of this offer in accordance with the terms hereof, this Contract will constitute a binding agreement between the County and the Underwriters.

All capitalized terms used herein shall have the respective meanings ascribed to them in the Bond Ordinance (defined herein), unless otherwise defined herein.

The County and the Underwriters hereby agree as follows:

1. Purchase and Sale. Subject to the terms and conditions and in reliance upon the representations, warranties and covenants set forth in this Contract, the Underwriters hereby agree to purchase from the County, and the County hereby agrees to execute, sell and deliver to the Underwriters, all (but not less than all) of the \$124,070,000 aggregate principal amount of the Bonds. The Bonds shall be dated the date of their initial delivery to the Underwriters; shall be fully registered as to both principal and interest; and shall bear interest at the rates per annum, be payable as to principal and interest and have such terms relating to redemption as are set forth in Exhibit A attached hereto and such other terms and provisions as are set forth in the Official Statement (defined herein). Payment when due of the regularly scheduled principal of and interest on the Bonds shall be insured by a municipal bond insurance policy (the "Policy") issued by Financial Security Assurance Inc. (the "Insurer"). The purchase price for the Bonds shall be \$127,445,231.29 (representing the aggregate principal amount of the Bonds plus an original

issue premium of \$3,839,236.80, less an underwriting discount of \$464,005.51) (the "Purchase Price").

2. Closing. Subject to the terms and conditions of this Contract, the delivery of the Bonds and payment of the Purchase Price (the "Closing") shall take place at the King County Office of Finance no later than 10:00 a.m., Pacific Time, on May 16, 2006, or on such other day or at such other place as shall be agreed to by the Representative and the County (the "Closing Date"). At the Closing:

(a) the County shall deliver to the Underwriters (i) the Bonds as provided in clause (c) of this paragraph and (ii) the other instruments and documents required to be delivered to the Representative at the Closing pursuant to paragraph 5(f);

(b) the Underwriters shall pay the Purchase Price to or to the order of the County in federal funds (by any combination of one or more electronic funds or wire transfers as may be agreeable to the County and the Representative); and

(c) the Bonds initially shall be held in fully registered form by The Depository Trust Company ("DTC") acting as depository pursuant to the terms and conditions set forth in the County's Blanket Issuer Letter of Representations with DTC. The Bonds shall be issued in denominations equal to the aggregate principal amount of each maturity and initially shall be registered in the name of Cede & Co., as the nominee of DTC. The County shall deliver the Bonds to or to the order of DTC at least one full business day before the Closing for purposes of inspection. The Bonds delivered at the Closing shall bear proper CUSIP numbers to be obtained by the Representative (provided, however, that neither the printing of an incorrect CUSIP number on any Bond nor the failure to print a proper CUSIP number on any Bond shall constitute cause to refuse delivery of that Bond).

3. Deliveries to Be Made Upon Acceptance; Delivery of Official Statement.

(a) At or prior to the time of the execution of this Contract, the County shall deliver to the Representative (a) a copy of Ordinance 15385 passed on March 13, 2006, and (b) two copies of the Preliminary Official Statement of the County dated April 21, 2006, relating to the Bonds (the "Preliminary Official Statement"), which the County has "deemed final" except for information permitted to be omitted under paragraph (b)(1) of Rule 15c2-12 ("Rule 15c2-12") of the Securities and Exchange Commission. At or prior to the time of the execution of this Contract, or promptly thereafter, the County shall deliver to the Representative a copy of the Sale Motion of the County Council to be adopted on the date of this Contract, approving this Contract and authorizing the issuance and sale of the Bonds (together with Ordinance 15385, the "Bond Ordinance"). The Official Statement of the County, dated the date of this Contract, in the form of the Preliminary Official Statement (including the cover and inside cover thereof and all appendices, exhibits, reports and statements included therein or attached thereto), together with such amendments or supplements thereto that have been approved by the Representative as of the date of this Contract, as executed by the Director of the County's Finance and Business Operations Division, is referred to as the "Official Statement."

(b) As soon as possible, but in any event no more than seven business days after the time of the County's acceptance of this Contract, the County shall deliver to the Representative as many copies of the Official Statement as are required to permit the Underwriters to comply with the requirements of Municipal Securities Rulemaking Board ("MSRB") Rule G-32 and Rule 15c2-12. The County hereby ratifies, approves and confirms the distribution and use of the Preliminary Official Statement by the Underwriters and hereby authorizes the distribution and use of the Official Statement in connection with the public offering and sale of the Bonds.

(c) If, between the date of this Contract and 25 days after the "end of the underwriting period," as that term is defined in paragraph (f)(2) of Rule 15c2-12, any event shall occur or any preexisting fact shall become known by the County that might or would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County shall promptly notify the Representative, and if, in the reasonable opinion of the Representative, such event requires preparation and distribution of a supplement or amendment to the Official Statement, the County will, at its expense, supplement or amend the Official Statement in a form and in a manner approved by the Representative, which approval shall not be unreasonably withheld. The end of the underwriting period shall be the Closing Date unless the County is informed otherwise in writing by the Representative. If the Official Statement is supplemented or amended pursuant to this subparagraph, as of the date of each supplement or amendment thereto, to the best of the County's knowledge after due review and investigation, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit or fail to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4. Representations and Warranties of the County. The County hereby represents and warrants to the Underwriters, and (as appropriate) covenants to the Underwriters, as follows:

(a) The County is a duly created and existing political subdivision of the State of Washington and has all requisite legal right, power and authority (i) to enter into this Contract; (ii) to pass the Bond Ordinance; (iii) to execute, issue and deliver the Bonds as provided herein and to perform its obligations with respect thereto; (iv) to execute, deliver and perform this Contract and the Escrow Agreement, dated as of the Closing Date (the "Escrow Agreement"), by and between the County and U.S. Bank National Association, as escrow agent (the "Escrow Agent"); (v) to execute and deliver the Official Statement; and (vi) to consummate the transactions to which it is or is to be a party as contemplated by this Contract and by the Bond Ordinance, the Bonds, the Escrow Agreement and the Official Statement. The execution, delivery and performance of this Contract, the Bonds and the Escrow Agreement, and the passage of the Bond Ordinance and the issuance of the Bonds thereunder, the execution and delivery by the County and the use and distribution by the Underwriters of the Official Statement and the consummation by the County of the transactions to which it is or is to be a party as contemplated by this Contract and by the Bond Ordinance, the Bonds, the Escrow Agreement and the Official Statement have been duly authorized by all necessary action on the part of the County.

(b) In the Sale Motion, the County entered into a written agreement or contract constituting the "Undertaking" to provide ongoing disclosure about the County for the benefit of the holders of the Bonds as required by paragraph b(5)(i) of Rule 15c2-12 and in the form summarized in the Preliminary Official Statement.

(c) This Contract, the Escrow Agreement, the Official Statement and the Bonds (when delivered and paid for at the Closing) have been or at the Closing shall be duly authorized, approved, executed, delivered and (in the case of the Bonds) registered and issued. This Contract constitutes, and the Bonds, when registered, issued, executed and delivered, will constitute, legal, valid and binding obligations of the County enforceable in accordance with their respective terms, except to the extent that enforceability is subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally. The performance by the County of its obligations contained in this Contract, the Bond Ordinance, the Bonds and the Escrow Agreement and the consummation by it of all transactions contemplated by this Contract, the Bond Ordinance, the Bonds, the Escrow Agreement and the Official Statement to have been performed or consummated at or prior to the Closing have been duly authorized and approved by the County, as the case may be. The Bond Ordinance has been duly and lawfully passed by the County, is in full force and effect and is valid and binding upon the County and enforceable in accordance with its terms, except to the extent that enforceability is subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally. When delivered and paid for at the Closing, the Bonds shall be entitled to the benefits and the security, and shall be subject only to the terms and conditions, set forth in the Bond Ordinance and described in the Official Statement. The issuance of the Bonds is permitted by, and the Bonds when issued will be issued in compliance with, the provisions of the Bond Ordinance.

(d) To the best of the knowledge of the Director of the County's Finance and Business Operations Division, after due inquiry, the County is not in material breach of, or in material default under, any indenture, bank loan or credit agreement, bond or note, nor is the County in default under any statute, ordinance, resolution or (in any material respect) any other agreement or instrument, regulation, order, decree, license, permit, judgment, ruling or law or constitutional provision to which the County is a party, which breach or default would adversely affect the validity or enforceability of the Bonds.

(e) The passage of the Bond Ordinance, the execution, delivery and performance of this Contract and the Escrow Agreement, the issuance and sale of the Bonds and the consummation of the transactions contemplated by this Contract and by the Bond Ordinance, the Bonds, the Escrow Agreement and the Official Statement will not in any material respect conflict with or constitute on the part of the County a material breach of or material default under any agreement, indenture, bond, note, statute, ordinance, resolution or other instrument to which the County is a party or to which it is bound or subject, and which breach or default would adversely affect the validity or enforceability of the Bonds.

(f) Except as described in the Official Statement, no litigation or other action, suit, proceeding, inquiry or investigation before or by any court or agency or other administrative body (either of the State of Washington or the United States Government) is pending or, to the knowledge of the County, threatened, that in any way restrains or enjoins, or threatens or seeks

to restrain or enjoin, the issuance, sale or delivery of the Bonds or in any way contests, questions or affects (i) the validity or enforceability of any provision of this Contract, the Bond Ordinance, the Bonds or the Escrow Agreement; (ii) the County's pledge under the Bond Ordinance of (A) the Revenue of the System, (B) investment earnings on money credited to the Revenue Fund, (C) the money credited to the Bond Fund and (D) proceeds of the sale of the Project Bonds to the extent that they are held in funds established by the Bond Ordinance; (iii) the accuracy, completeness or fairness of the Official Statement; or (iv) the legal existence of the County, the title of its elected officers to their respective offices, or the County's authority to perform its obligations hereunder or with respect to the Bonds, or to consummate any of the transactions to which it is or is to be a party as contemplated by this Contract, the Bond Ordinance, the Bonds, the Escrow Agreement or the Official Statement; to the best knowledge of the Director of the County's Finance and Business Operations Division, after due inquiry, there is no other event or circumstance that would have a material adverse effect on the power or ability of the County to perform its obligations hereunder or with respect to the Bonds or to consummate the transactions to which it is or is to be a party as contemplated by this Contract, the Bond Ordinance, the Bonds, the Escrow Agreement or the Official Statement.

(g) The Official Statement as of the date of this Contract is true and complete in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the information contained therein not misleading. However, no warranty is given with respect to the information under the caption entitled "LEGAL AND TAX INFORMATION—Tax Exemption" and the information concerning the Insurer, the Policy, DTC and the book-entry system.

(h) The County does not intend to issue or incur, and the County is not aware of any plans to issue or incur, prior to the issuance of the Bonds, any other bonds, notes or other obligations for borrowed money the repayment of which is backed by a pledge of or lien on Revenue of the System or any material liabilities, direct or contingent, that will have a material adverse effect on the financial condition of the Sewer System, nor does the County expect there to be any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the Sewer System.

(i) In the previous five years, the County has not failed to comply, in all material respects, with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of Rule 15c2-12.

(j) Except as described in the Official Statement, all approvals, consents and other actions by, and all filings or registrations with or notices to, any governmental or administrative authority or agency having jurisdiction in the matter required to be obtained by the County as a condition precedent to the performance by the County of its obligations under this Contract, the Bond Ordinance, the Bonds or the Escrow Agreement have been obtained and are in full force and effect (except no representation is made as to compliance with Blue Sky laws).

(k) Any certificates signed by any authorized representative or officer of the County and delivered to the Representative shall be deemed a representation and warranty by the

County to the Underwriters as to the statements made therein with the same effect as if such representation and warranty were set forth herein.

(l) The County will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the County in cooperation with the Representative as may be requested (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Representative; and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds, provided, however, that the County shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction. The County consents to the use of this Contract, the Bond Ordinance, the Escrow Agreement and the Official Statement by the Underwriters in obtaining such qualifications.

(m) The County has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the County is a bond issuer whose arbitrage certificates may not be relied upon.

(n) The financial statements of the County contained in the Official Statement fairly present the financial position of the Sewer System as of the dates and for the periods therein set forth; such financial statements have been prepared in accordance with generally accepted accounting principles applicable to governmental entities in the State of Washington, except to the extent described therein, and there has been no material adverse change in the financial position or results of operations of the Sewer System from those set forth in the Official Statement.

5. Conditions to the Obligations of the Underwriters. In addition to any other conditions herein stated, the obligations of the Underwriters hereunder are subject to the following conditions:

(a) The Bonds shall be issued and secured under and pursuant to the Bond Ordinance and shall be as described in and shall have the terms and conditions set forth in the Bond Ordinance and the Official Statement.

(b) At the time of the Closing, (i) this Contract, the Bond Ordinance and the Escrow Agreement shall be in full force and effect and shall not have been amended, modified or supplemented; (ii) the County shall perform or have performed all of its respective obligations required under or specified in this Contract, the Bond Ordinance and the Escrow Agreement to be performed at or prior to the Closing; and (iii) all actions by or on behalf of the County or otherwise necessary to execute, authenticate, issue, deliver and sell the Bonds pursuant hereto to give effect to the pledge and other provisions of the Bond Ordinance shall have been taken.

(c) As of the date of the Official Statement, the Official Statement shall not have contained an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and at the time of

the Closing, the Official Statement shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(d) Subsequent to the respective dates as of which information is given in the Official Statement, and prior to the Closing, no material adverse change, or any development involving a prospective material adverse change, in the condition of the County, financial or otherwise, shall have taken place (other than as referred to in or contemplated by the Official Statement), and if prior to the Closing such an event occurs the County shall promptly notify the Representative, and if in the opinion of the Representative and its counsel such event requires a supplement or amendment to the Official Statement, the County will supplement or amend the Official Statement at its expense, in a form and in a manner approved by the Representative and Foster Pepper PLLC, counsel to the Underwriters.

(e) The representations and warranties of the County contained herein shall have been true and complete on the date made and shall be true and complete at the time of the Closing with the same effect as if made at such time.

(f) At or prior to the Closing, unless otherwise agreed by the Representative in writing, the Representative shall receive the following documents:

(i) A copy of the Bond Ordinance, certified by the Clerk of the County Council to have been duly passed or adopted by the County, as applicable, and to be in full force and effect as of the Closing.

(ii) An approving opinion of Preston Gates & Ellis LLP ("Bond Counsel"), dated the Closing Date, in substantially the form attached to the Official Statement as Appendix B, together with a letter, dated the Closing Date and addressed to the Underwriters, entitling the Underwriters to rely thereon.

(iii) A supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriters, to the effect that (A) the County has the legal right, power and authority (I) to pass the Bond Ordinance and to enter into this Contract and the Escrow Agreement, (II) to issue, sell and deliver the Bonds to the Underwriters, (III) to perform its obligations under this Contract, the Bond Ordinance and the Escrow Agreement, and (IV) to carry out the transactions contemplated by this Contract, the Bond Ordinance, the Bonds and the Escrow Agreement; (B) the County has duly passed the Bond Ordinance, has duly approved, authorized, executed and delivered this Contract and the Escrow Agreement, and, assuming due execution and delivery of this Contract and the Escrow Agreement by the other parties thereto, this Contract, the Bond Ordinance and the Escrow Agreement, constitute the legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, except to the extent that enforceability is subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, to the application of equitable principles and to the exercise of judicial discretion, except that no opinion need be expressed with respect to any provisions of this Contract providing for indemnification; (C) the Bonds have been duly authorized, executed and delivered, constitute legal, valid and binding obligations of the County in accordance with their terms, except to the extent that enforceability is subject to

bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, to the application of equitable principles and to the exercise of judicial discretion and are entitled to the benefits and security provided by the Bond Ordinance; (D) the Bond Ordinance creates the valid pledge of and lien on the Revenue of the System that it purports to create, which lien secures the payment of the principal of, premium, if any, and interest on the Bonds, subject to the provisions of the Bond Ordinance; (E) the County has duly authorized the Director of the County's Finance and Business Operations Division to approve and execute the Official Statement; (F) no consent or approval of, or registration or filing with, any commission, board, authority, regulatory body or instrumentality of the State of Washington is or was required in connection with any of the actions of the County taken in regard to the approval and issuance of the Bonds, except such consents, approvals, registrations or filings as have been obtained on or prior to this date, nor is any election or referendum of voters required in connection therewith; provided, however, that no opinion is to be provided with respect to compliance with any Blue Sky laws; (G) the Bonds and their offer and sale are exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Bond Ordinance is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"); and (H) the statements contained in the Official Statement under the captions "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "INITIATIVE AND REFERENDUM" and "LEGAL AND TAX INFORMATION" (except under the caption "Absence of Litigation Affecting the Bonds") and in Appendix A—"Summary of the Bond Ordinance," insofar as such statements contained under such captions or in such appendix purport to summarize certain provisions of this Contract, the Bond Ordinance and the Bonds, are true and correct, and that based solely upon their participation as Bond Counsel in certain conferences with representatives of the County, the Underwriters, the financial advisor to the County and Underwriters' counsel, during which conferences the contents of the Official Statement and related matters were discussed, and without having undertaken to determine independently the accuracy and completeness of the statements contained in the Official Statement, no facts came to the attention of the attorneys of such firm rendering legal services in connection with such representation that caused such firm to believe that the Official Statement (except for information concerning the Insurer, the Policy, DTC and the book-entry transfer system and any financial, demographic and statistical data and projections included in the Official Statement, as to all of which no view need be expressed) as of its date contained, or that the Official Statement as the same may have been amended or supplemented to the Closing Date (except as aforesaid) as of the Closing contains, any untrue statement of a material fact or that the Official Statement omitted as of its date, or that the Official Statement as so amended or supplemented omits as of the Closing, to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading. Such supplemental opinion may be subject to laws relating to bankruptcy, insolvency, reorganization or moratorium by other similar laws affecting creditors' rights generally or to the exercise of judicial discretion in accordance with principles of equity.

(iv) An opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriters, to the effect that the money and/or Acquired Obligations set aside in the Refunding Account pursuant to the Escrow Agreement to defease the Refunded Bonds are irrevocably set aside and pledged for such purpose, and the Refunded Bonds are legally defeased

and deemed not to be outstanding under the authorizing legislation pursuant to which they were issued.

(v) An opinion, dated the Closing Date and addressed to the Underwriters, of Foster Pepper PLLC, counsel to the Underwriters, to the effect that (A) the offer and sale of the Bonds by the Underwriters are exempt from the registration requirements of the Securities Act; (B) the Bond Ordinance is exempt from qualification under the Trust Indenture Act; (C) the Undertaking and this Contract together provide a suitable basis for the Underwriters to reasonably determine, pursuant to paragraph (b)(5)(i) of Rule 15c2-12, that the County has undertaken, in a written agreement or contract for the benefit of the holders of the Bonds, to provide the annual financial information and notices required by paragraph (b)(5)(i) of Rule 15c2-12; and (D) no information came to the attention of the attorneys in such firm rendering legal services in connection with the issuance of the Bonds that caused such attorneys to believe that the Official Statement (except any financial, economic or statistical data contained in the Official Statement, any information contained in the Official Statement regarding the Insurer, the Policy, DTC or how interest on the Bonds is treated for federal income tax purposes, and the information contained in Appendices B, C, D, E, F, G and H to the Official Statement, as to all of which no opinion or belief need be expressed), as of its date and as of the Closing Date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading.

(vi) An opinion of a County Prosecuting Attorney, dated the Closing Date and addressed to the Underwriters, based on such inquiry and investigation as he or she has deemed sufficient, to the effect that except as disclosed in the Official Statement, (A) there is no litigation pending or threatened affecting the issuance and delivery of the Bonds, the collection of the revenues pledged to pay the principal thereof and interest thereon, or in any manner questioning or contesting the proceedings and authority under which the Bonds are issued, the validity of the Bonds, the corporate existence or boundaries of the County, or the title of the present officers to their respective offices, which litigation would prevent the payment by the County of the principal of or interest on the Bonds, when due; (B) the statements contained in the Official Statement under the caption "LEGAL AND TAX INFORMATION—Absence of Litigation Affecting the Bonds," insofar as such statements purport to summarize litigation affecting the Bonds, present a fair and accurate summary of such litigation, and are true and correct; (C) to the best of such counsel's knowledge, after due inquiry, neither the execution nor the delivery by the County of this Contract, the Bonds or the Escrow Agreement nor the passage by the County of the Bond Ordinance, nor the compliance by the County with the terms and conditions hereof and thereof have resulted or will result in either (I) a conflict with or a breach of any of the terms or provisions of any writ, injunction or decree of any court or (II) a material breach under the terms or provisions of any agreement to which the County is a party or by which the County is bound, in each case which conflict or breach would have a material effect on the County's authority to provide for the timely payment of the principal of and interest on the Bonds; and (D) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded.

(vii) The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the County by the Director of its Finance and Business Operations Division.

(viii) A copy of the duly executed Escrow Agreement.

(ix) A report from Grant Thornton LLP, independent certified public accountants, verifying the mathematical accuracy of the computations determining the adequacy of the cash and the maturing principal of and interest on the Acquired Obligations to pay, when due, the principal of and premium and interest on the Refunded Bonds.

(x) Evidence of the County's purchase of the Policy, together with an opinion of counsel to the Insurer and certificate of the Insurer in form and substance satisfactory to the Representative;

(xi) Evidence satisfactory to the Representative that the Bonds have been assigned insured ratings of Aaa and AAA and underlying ratings of A1 and AA by Moody's and Standard & Poor's, respectively.

(xii) A certificate or certificates of the County, each executed by an authorized representative or officer of the County, dated the Closing Date, to the effect that on the date of the certificate (A) the representations, warranties and covenants of the County contained in this Contract are true and correct in all material respects on and as of the Closing with the same effect as if made as of the Closing; (B) to the best of his or her knowledge, the Official Statement, as of the date of this Contract and as of the Closing, was and is true and complete in all material respects and does not contain an untrue statement of a material fact or omit or fail to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no representation or warranty need be made with respect to the information contained under the caption entitled "LEGAL AND TAX INFORMATION—Tax Exemption" and the information concerning the Insurer, the Policy, DTC and the book-entry system); (C) the County is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations for borrowed money of the County payable from and secured by a lien on a pledge of the Revenue of the System; (D) all payments into all funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Revenue of the System have been made in full and the amounts on deposit in such funds or accounts are the amounts then required to be deposited therein; (E) nothing has come to his or her attention to lead him or her to believe that the financial information and statistical data in the Official Statement contain any untrue statement of a material fact or omits or fails to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (however, no warranty or representation need be made with respect to the information contained under the caption entitled "LEGAL AND TAX INFORMATION—Tax Exemption" and the information concerning the Insurer, the Policy, DTC and the book-entry system); (F) the County has never defaulted in the payment of principal or interest on any of its obligations for borrowed money payable from Revenue of the System; and (G) to the best of his or her knowledge, the County has complied in all material respects with

all agreements and satisfied in all material respects all conditions contemplated by this Contract, the Bond Ordinance and the Escrow Agreement on its part to be performed or satisfied at or prior to the delivery of the Bonds.

(xiii) A tax exemption and non-arbitrage certificate dated the Closing Date signed by an authorized representative or officer of the County setting forth facts, estimates and circumstances (including covenants of the County) in existence as of the Closing, sufficient to support the conclusion that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of the Internal Revenue Code of 1986, as amended, and stating that to the best of his or her knowledge and belief, there are not other facts, estimates or circumstances that would adversely affect such expectations.

(xiv) A certificate of the Escrow Agent, executed by an authorized officer of the Escrow Agent, dated the Closing Date, to the effect that (A) the Escrow Agent is a duly organized and validly existing national banking association under the laws of the United States of America, legally doing business in and duly qualified to exercise trust powers in the State of Washington, eligible under the Escrow Agreement to act as Escrow Agent thereunder, and has full corporate right, power and authority to accept the trusts contemplated by and to perform all duties and obligations on its part to be performed and to take all actions required or permitted on its part to be taken under and pursuant to the Escrow Agreement; (B) the Escrow Agent has duly authorized the acceptance of the trusts contemplated by the Escrow Agreement, has duly accepted the duties and obligations of Escrow Agent thereunder, and the duties and obligations of the Escrow Agent under the Escrow Agreement constitute valid, legal and binding obligations of the Escrow Agent in accordance with the terms of the Escrow Agreement subject to customary qualifications and exceptions; (C) all approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, agency, board or commission having jurisdiction in the matter which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Escrow Agent of its duties and obligations under the Escrow Agreement, have been obtained and are in full force and effect; (D) the acceptance of the duties and obligations of the Escrow Agent under the Escrow Agreement and the performance or the consummation of the transactions on the part of the Escrow Agent contemplated in the Escrow Agreement and the compliance by the Escrow Agent with the terms, conditions and provisions of the Escrow Agreement have been duly authorized by all necessary corporate action on the part of the Escrow Agent and do not contravene any provision of applicable law or regulation or any order, decree, writ or injunction or the Escrow Agent's articles of association or bylaws, and do not require consent under (except to the extent such consent has been obtained), or result in a breach of or default under, any credit agreement or other instrument to which the Escrow Agent is a party or is otherwise subject or bound; and (E) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency or public board or body, pending or threatened, in any way contesting or affecting the creation, organization or existence of the Escrow Agent or the authority of the Escrow Agent to accept or perform the duties and obligations of the Escrow Agent under the Escrow Agreement.

(xv) Such additional legal opinions, certificates, instruments and other documents as the Representative may reasonably request to evidence the accuracy, as of the date

hereof and as of the Closing, of the County's representations and warranties contained herein and in the Official Statement and contained in any of the certificates or other documents referred to in this Contract, as the same may be supplemented or amended, and the due performance and satisfaction by the County at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the County.

All certificates, opinions and other documents and instruments delivered pursuant to this paragraph 5 shall be satisfactory in form and substance to the Representative and to Foster Pepper PLLC, counsel to the Underwriters, provided approval of such form and substance shall not be unreasonably withheld.

6. Termination of Contract. The Representative shall have the right in its sole discretion to cancel the Underwriters' obligations hereunder to purchase the Bonds (and such cancellation shall not constitute a default hereunder) by notifying the County of its election to do so between the date hereof and the Closing if, at any time hereafter and prior to the Closing:

(a) The marketability of the Bonds or the market price thereof, in the opinion of the Representative, has been materially adversely affected by (i) an amendment to the Constitution of the United States of America or by any legislation which shall have been introduced in or enacted by the Congress of the United States; (ii) legislation pending in the Congress of the United States; or (iii) legislation (including any amendment thereto, whether or not in formal bill form) recommended to the Congress of the United States or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives; or (iv) legislation (including any amendment thereto, whether or not in formal bill form) proposed that may have an effective date prior to the Closing for consideration by either such Committee or by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States; or (v) legislation favorably presented for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration; (vi) a decision by a court of the United States or the Tax Court of the United States; or (vii) a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency, with respect to federal taxation of revenues or other income of the general character expected to be derived by the County or upon interest received on securities of the general character of the Bonds or which would change, directly or indirectly, the federal income tax consequences resulting from ownership of or receipt of interest on securities of the general character of the Bonds in the hands of the owners thereof.

(b) Any legislation, ordinance, rule or regulation shall be introduced in or be enacted by any governmental body, department or agency in the State of Washington, or a decision by a court within the State of Washington shall be rendered, which in the Representative's opinion, materially adversely affects the marketability of the Bonds or the ability of the Underwriters to enforce contracts for sale of the Bonds.

(c) In the Representative's opinion, any act or event shall exist or may exist that requires or has required an amendment or supplement to the Official Statement, or the subject matter of any amendment or supplement to the Official Statement materially and adversely affects (i) the market price or marketability of the Bonds or (ii) the ability of the Underwriters to enforce contracts for sale of the Bonds.

(d) The New York Stock Exchange or other national securities exchange, the MSRB, the National Association of Securities Dealers, Inc. (the "NASD"), or any governmental authority or agency shall impose, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the offering, sale and distribution, or extension of credit in connection with the purchase of the Bonds.

(e) A general banking moratorium shall have been established by the United States or State of New York or State of Washington authorities.

(f) Any amendment to the Constitution of the United States of America, any legislation enacted by the United States of America, any decision of any court of the United States of America, or any order, ruling, regulation or official statement issued or made by or on behalf of the Securities and Exchange Commission, or of any other governmental agency having jurisdiction over the subject matter, having the effect that obligations of the general character of the Bonds, or the Bonds, are not exempt from the registration requirements of the Securities Act, or that the Bond Ordinance is not exempt from qualification under the Trust Indenture Act.

(g) Any rating of the Bonds or any other sewer revenue obligations of the County shall have been downgraded or withdrawn by a national rating service, which event, in the Representative's opinion, materially adversely affects the market price of the Bonds, or any proceeding shall be pending or threatened by the Securities and Exchange Commission or the Attorney General of the State of Washington against the County relating to the Bonds.

(h) There shall have occurred any outbreak or escalation of hostilities or any national or international calamity or crisis including financial crisis, the effect of which on the financial markets of the United States being such, as in the reasonable judgment of the Representative, would make it impracticable for the Underwriters to market the Bonds or to enforce contracts for the sale of the Bonds.

7. Effect of Termination. If the sale to the Underwriters of the Bonds, as herein contemplated, is not carried out by the Underwriters for any reason permitted hereunder or if such sale is not carried out because the County shall be unable to comply with any of the terms hereof, the County shall not be under any obligation or liability under this Contract (except to the extent provided in paragraph 8), and the Underwriters shall be under no obligation or liability to the County.

8. Payment of Costs.

(a) Whether or not the Bonds are issued as contemplated by this Contract, the Underwriters shall be under no obligation to pay, and the County hereby agrees to pay, any expenses incident to the performance of the County's obligations hereunder, including but not

limited to (i) the costs of the preparation and printing of the Bonds and the Bond Ordinance, preparation, printing and distribution of the Official Statement, and preparation of all other documents prepared by the County, Bond Counsel or other counsel to the County; (ii) the fees and disbursements of Bond Counsel; (iii) the fees and disbursements of other counsel to the County; (iv) the fees of agencies rating the Bonds; (v) the fees of the Bond Registrar; (vi) the fees and disbursement of accountants, consultants and advisors to the County, including the fees of the financial advisor to the County and fees of the Escrow Agent; and (vii) any other costs and expenses, including costs and expenses of credit enhancement for the Bonds and any costs and expenses of the County incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriters.

(b) The Underwriters shall pay (i) any fees assessed upon the Underwriters with respect to the Bonds by the MSRB, the NASD or any NRMSIR; (ii) all advertising expenses in connection with any public offering of the Bonds; (iii) the costs of qualifying the Bonds under the Blue Sky or other securities laws of such jurisdictions as the Underwriters may determine and the costs of the preparation and printing of Blue Sky memoranda; and (iv) all other costs and expenses incurred by them in connection with any public offering and distribution of the Bonds, including the fees and disbursements of Foster Pepper PLLC, counsel to the Underwriters.

9. Indemnification. To the extent permitted by law, the County shall indemnify and hold harmless the Underwriters, each of their partners, officers and employees and each person who controls any of the Underwriters within the meaning of Section 15 of the Securities Act (each, an "Indemnified Party"), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Party may become subject under any statute or at law or in equity or otherwise, and shall reimburse any such Indemnified Party for any legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions, but only to the extent that such losses, claims, damages, liabilities or actions arise out of or are based upon (i) determination that the Bonds should have been registered under the Securities Act or the Bond Ordinance should have been qualified under the Trust Indenture Act, or (ii) any untrue statement of a material fact contained in the Official Statement and any supplement thereto, or the omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The indemnity as described in this paragraph is limited to such losses or damages as are directly the result of the acts or omissions of the County and, should any Indemnified Party make a claim for indemnity under this Contract, the County shall have the right to (i) retain counsel to defend any such action and (ii) control and direct any defense of such claims in such action. This indemnity shall not be construed as a limitation on any other liability which the County may otherwise have to any Indemnified Party, provided that in no event shall the County be obligated for double indemnification.

10. Notices. Any notice or other communication to be given to the County under this Contract may be given by delivering the same in writing to the County, Office of the Director of the Finance and Business Operations Division, 500 Fourth Avenue, Sixth Floor, Seattle, Washington, 98104, and any such notice or other communication to be given to the Underwriters may be given by delivering the same in writing to Lehman Brothers Inc., 701 Fifth Avenue, Suite 7101, Seattle, WA 98104, Attention: Richard King.

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11. General. This Contract is made solely for the benefit of the County and the Underwriters (including any successor of any Underwriter), and no other party or person shall acquire or have any right hereunder or by virtue hereof. All representations and agreements in this Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of an Underwriter and shall survive the delivery of the Bonds and any termination of this Contract.

12. Waivers. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the County hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriters may be waived by them at their discretion.

13. Effectiveness of Contract. This Contract shall become effective upon the execution hereof by each of the Representative and an authorized representative or officer of the County and shall be valid and enforceable as of such time.

14. Governing Law. This Contract shall be construed in accordance with and governed by the laws of the State of Washington. Venue for any action under this Contract shall be in the Superior Court of the State of Washington for King County or in the United States District Court for the Western District of Washington, Seattle, Washington.

[Signature page follows]

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15. Counterparts. This Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Very truly yours,

LEHMAN BROTHERS INC.,
A.G. EDWARDS & SONS, INC.,
GOLDMAN, SACHS & CO. and
SIEBERT BRANDFORD SHANK & CO.,
L.L.C., as Underwriters

By LEHMAN BROTHERS INC.
as Representative

By: _____
Authorized Representative

Accepted on: May 1, 2006

KING COUNTY, WASHINGTON

By: _____
Authorized Representative

EXHIBIT A

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES AND REDEMPTION PROVISIONS

<u>Maturity Dates</u> <u>(January 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2017	\$ 5,345,000	5.00%
2018	5,625,000	5.00
2019	5,935,000	5.00
2020	6,290,000	5.00
2021	6,590,000	5.00
2022	6,965,000	5.00
2023	7,335,000	5.00
2024	3,475,000	5.00
2025	3,675,000	5.00
2026	3,895,000	5.00
2027	4,125,000	5.00
2028	4,365,000	5.00
2029	4,620,000	5.00
2030	4,890,000	5.00
2036	50,940,000	5.00

Optional Redemption. The County reserves the right to redeem the Bonds maturing on and after January 1, 2017, in whole or in part at any time on or after January 1, 2016, at par plus accrued interest, if any, to the date of redemption.

Mandatory Redemption. The Bonds maturing in the year 2036 are Term Bonds and, if not previously redeemed as described above, are subject to mandatory sinking fund redemption at par plus accrued interest on January 1 in the years and amounts as follows:

<u>Years</u>	<u>Amounts</u>
2033	\$10,940,000
2034	10,000,000
2035	15,000,000
2036 (maturity)	15,000,000