



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

April 1, 2003

Motion 11682

Proposed No. 2002-0224.2

Sponsors Phillips

1 A MOTION of the county council approving a
2 purchase contract for the county's Sewer Revenue
3 Refunding Bonds, Series 2003A, in the aggregate
4 principal amount of \$96,470,000, and establishing
5 certain terms of such bonds and a plan of refunding;
6 all in accordance with Ordinance 14406.

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WHEREAS, the county council by Ordinance 14406 passed on July 8, 2002 (the "Bond Ordinance"), authorized the issuance and sale of not to exceed \$550,000,000 principal amount of sewer revenue bonds of the county to refund certain outstanding sewer revenue bonds (the "Refunding Bonds") and not to exceed \$175,000,000 principal amount of sewer revenue bonds of the county to finance the construction of improvements to the county's sewer system (the "Project Bonds"); and

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WHEREAS, the Bond Ordinance provided that such bonds be sold in one or more series as determined by the county's manager of finance and business operations (the "Finance Manager") in consultation with the county's financial advisors; and

18 WHEREAS, under the authority of the Bond Ordinance, the county issued its
19 Sewer Revenue Bonds, Series 2002A, in the aggregate principal amount of \$100,000,000
20 under date of August 14, 2002, and its Sewer Revenue Refunding Bonds, Series 2002B,
21 in the aggregate principal amount of \$346,130,000 under date of October 3, 2002; and

22 WHEREAS, the Finance Manager has determined that another series of refunding
23 bonds in the aggregate principal amount of \$96,470,000 (the "Bonds") be sold by
24 negotiated sale as provided herein; and

25 WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement
26 dated March 13, 2003, has been prepared for the sale of the Bonds, and the Finance
27 Manager has negotiated the sale of the Bonds to Morgan Stanley & Co. Incorporated,
28 Salomon Smith Barney Inc. and Siebert Brandford Shank & Co., LLC (collectively, the
29 "Underwriters"); and

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

33 WHEREAS, in accordance with the Bond Ordinance, the council wishes to
34 authorize and approve the final plan of refunding certain outstanding sewer revenue
35 bonds of the county from proceeds of the 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
38 in 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

41 Refunding Bonds, Series 2003A, in the aggregate principal amount of \$96,470,000, 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 Guaranty Insurance Company (the "Insurer") to provide a
50 municipal bond insurance policy guaranteeing the scheduled payment of principal of and
51 interest on the Bonds (the "Bond Insurance Policy") and a surety bond to provide for the
52 reserve requirement with respect to the Bonds (the "Surety Bond"). The county agrees to
53 the conditions for obtaining the Surety Bond, including the payment of the premium
54 therefor and the other requirements set forth in the Debt Service Reserve Fund Policy
55 Agreement. The Debt Service Reserve Fund Policy Agreement is hereby approved and
56 the Finance Manager is hereby authorized to sign the Debt Service Reserve Fund Policy
57 Agreement on behalf of the county. The council further authorizes and directs all proper
58 officers, agents, attorneys and employees of the county to cooperate with the Insurer in
59 preparing such additional agreements, certificates, and other documentation on behalf of
60 the county as shall be necessary or advisable in providing for the Bond Insurance Policy
61 and the Surety Bond.

62 C. Refunding and Redemption of Refunded Bonds.

63 1. Plan of Refunding. In accordance with Section 24 of the Bond
64 Ordinance, the Finance Manager has determined, in consultation with the county's
65 financial advisors, that proceeds of the Bonds shall be used to refund the following 1995
66 Bonds (the "Refunded Bonds") pursuant to the plan of refunding set forth below and
67 ratified and confirmed hereby:

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KING COUNTY LIMITED TAX GENERAL OBLIGATION BONDS

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(PAYABLE FROM SEWER REVENUES), 1995

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<u>Maturity</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Call</u> <u>Date</u>	<u>Redemption</u> <u>Price</u>
2006	\$340,000	5.500%	01/01/2005	102%
2007	355,000	5.500	01/01/2005	102
2008	375,000	5.625	01/01/2005	102
2009	395,000	6.700	01/01/2005	102
2010	420,000	5.750	01/01/2005	102
2011	450,000	5.800	01/01/2005	102
2012	470,000	5.875	01/01/2005	102
2013	500,000	5.875	01/01/2005	102
2014	1,985,000	5.875	01/01/2005	102
2015	2,110,000	5.875	01/01/2005	102
2023	20,120,000	6.000	01/01/2005	102
2027	15,345,000	6.000	01/01/2005	102
2033	31,325,000	6.125	01/01/2005	102

2035 13,270,000 6.250 01/01/2005 102

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As provided in Section 13 of the Bond Ordinance, the King County Series 2003A Sewer Revenue Bonds Refunding Account (the "Refunding Account") shall be established and maintained with the Escrow Agent (as identified below). Proceeds of the Bonds (exclusive of accrued interest, if any, which shall be deposited into the Debt Service Account in the Bond Fund) shall be deposited in the Refunding Account and used, together with other funds of the county, if necessary, to purchase certain "Government Obligations" as such obligations are defined in Chapter 39.53 RCW as now or hereafter amended (which obligations so purchased, are herein called "Acquired Obligations"), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance, will provide for the payment of:

(a) the interest on the Refunded Bonds due and payable on and prior to January 1, 2005; and

(b) the redemption price (102% of the principal amount) payable on January 1, 2005, of the Refunded Bonds.

Any beginning cash balance and the Acquired Obligations shall be irrevocably deposited with the Escrow Agent in an amount sufficient to defease the Refunded Bonds in accordance with this Section C. Any amounts described above that are not provided for in full by such beginning cash balance and the purchase and deposit with the Escrow Agent of the Acquired Obligations described in this section shall be provided for by the irrevocable deposit of the necessary amount out of the proceeds of sale of the Bonds or

94 any other money of the county legally available therefor. The proceeds of the Bonds
95 remaining in the Refunding Account after acquisition of the Acquired Obligations and
96 provision for the necessary beginning cash balance shall be utilized to pay expenses of
97 the acquisition and safekeeping of the Acquired Obligations and the costs of issuing the
98 Bonds. The county may, from time to time, transfer, or cause to be transferred, from the
99 Refunding Account any money not thereafter required for the purposes set forth in
100 subparagraphs (a) and (b) above, subject to verification in writing by an independent
101 certified public accountant that such transfer will not result in inadequate funds being
102 available to make the required payments therefrom. The county reserves the right to
103 substitute other securities for the Acquired Obligations in the event it may do so pursuant
104 to Section 148 of the Code and applicable regulations thereunder, upon compliance with
105 the conditions set forth in the Escrow Agreement.

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

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

111 The county hereby irrevocably defeases and calls for redemption on January 1,
112 2005, the Refunded Bonds in accordance with the provisions of the ordinance authorizing
113 the redemption and retirement of the Refunded Bonds prior to their fixed maturities.

114 Said defeasance and call for redemption of the Refunded Bonds shall be
115 irrevocable after the final establishment of the Refunding Account and delivery of the
116 Acquired Obligations and the requisite cash deposit, if any, to the Escrow Agent, except

117 as provided herein relating to the substitution of securities. The Finance Manager is
118 authorized and requested to provide whatever assistance is necessary to accomplish such
119 defeasance.

120 The Escrow Agent is hereby authorized and directed to notify the fiscal agency of
121 the State of Washington to give notice of the redemption of the Refunded Bonds in
122 accordance with the applicable provisions of the ordinance authorizing their issuance.
123 The Finance Manager is authorized and requested to provide whatever assistance is
124 necessary to accomplish such redemption and the giving of notice therefor. The costs of
125 publication of such notice shall be an expense of the county.

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

135 3. Findings of Saving and Defeasance. This council hereby finds and
136 determines that the issuance and sale of the Bonds at this time will effect a savings to the
137 county and ratepayers of the System. In making such finding and determination, the
138 council has given consideration to the interest on and the fixed maturities of the Bonds
139 and the Refunded Bonds, the costs of issuance of the Bonds and the known earned

140 income from the investment of the proceeds of sale of the Bonds pending redemption and
141 payment of the Refunded Bonds.

142 This council hereby further finds and determines that the Acquired Obligations to
143 be deposited with the Escrow Agent and the income therefrom, together with any
144 necessary beginning cash balance, are sufficient to defease and redeem the above-
145 referenced Refunded Bonds and will discharge and satisfy the obligations of the county
146 with respect to such Refunded Bonds under the ordinance authorizing their issuance and
147 the pledges of the county therein. Immediately upon the delivery of such Acquired
148 Obligations to the Escrow Agent and the deposit of any necessary beginning cash
149 balance, such Refunded Bonds shall be deemed not to be outstanding under the
150 authorizing ordinance and shall cease to be entitled to any lien, benefit or security under
151 such ordinance except the right to receive payment from the Acquired Obligations and
152 beginning cash balance so set aside and pledged.

153 D. Reserve Account. In accordance with Section 9.C of the Bond Ordinance,
154 and as provided in Section B above, proceeds of the Bonds shall be used to purchase
155 Qualified Insurance in an amount sufficient to satisfy the reserve requirement with
156 respect to the Bonds.

157 E. Undertaking to Provide Ongoing Disclosure.

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

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

163 designated by the Commission in accordance with the Rule, the following annual
164 financial information and operating data for the prior fiscal year (commencing in 2004
165 for the fiscal year ended December 31, 2003):

166 (a) Annual financial statements, which may or may not be
167 audited, showing year-end fund balance for the County's Water Quality Enterprise fund
168 prepared in accordance with the Budget Accounting and Reporting System prescribed by
169 the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and
170 generally of the type attached to the official statement as Appendix C;

171 (b) Amount of outstanding Parity Bonds; and

172 (c) Information regarding customers, revenues and expenses of
173 the sewer system generally in the form set forth in the Official Statement for the Bonds in
174 the table labeled "Summary of Historical Sewer System Customers, Revenues and
175 Expenses."

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

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

186 If not provided as part of the annual financial information discussed above, the
187 county shall provide the county's audited annual financial statement prepared in
188 accordance with the Budget Accounting and Reporting System prescribed by the
189 Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when
190 and if available to each then existing NRMSIR and the SID, if any.

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

- 195 (a) Principal and interest payment delinquencies;
- 196 (b) Non-payment related defaults;
- 197 (c) Unscheduled draws on debt service reserves reflecting
198 financial difficulties;
- 199 (d) Unscheduled draws on credit enhancements reflecting
200 financial difficulties;
- 201 (e) Substitution of credit or liquidity providers, or their failure
202 to perform;
- 203 (f) Adverse tax opinions or events affecting the tax-exempt
204 status of the Bonds;
- 205 (g) Modifications to rights of Bond holders;
- 206 (h) Optional, contingent or unscheduled calls of any Bonds
207 other than scheduled sinking fund redemptions for which notice is
208 given pursuant to Exchange Act Release 34-23856;

- 209 (i) Defeasances;
- 210 (j) Release, substitution or sale of property securing repayment
- 211 of the Bonds; and
- 212 (k) Rating changes.

213 Solely for purposes of disclosure, and not intending to modify this undertaking,

214 the county advises with reference to item (j) above that property secures payment of the

215 Bonds.

216 4. Notification Upon Failure to Provide Financial Data. The county

217 agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the

218 MSRB and to the SID, if any, notice of its failure to provide the annual financial

219 information described in subsection 2 above on or prior to the date set forth in

220 subsection 2 above.

221 5. Termination/Modification. The county's obligations to provide

222 annual financial information and notices of material events shall terminate upon the legal

223 defeasance, prior redemption or payment in full of all of the Bonds. This section, or any

224 provision hereof, shall be null and void if the county (i) obtains an opinion of nationally

225 recognized bond counsel to the effect that those portions of the Rule which require this

226 section, or any such provision, are invalid, have been repealed retroactively or otherwise

227 do not apply to the Bonds; and (ii) notifies each then existing NRMSIR and the SID, if

228 any, of such opinion and the cancellation of this section.

229 Notwithstanding any other provision of this motion, the county may amend this

230 Section E, and any provision of this Section E may be waived, with an approving opinion

231 of nationally recognized bond counsel and in accordance with the Rule.

232 In the event of any amendment or waiver of a provision of this Section E, the
233 county shall describe such amendment in the next annual report, and shall include, as
234 applicable, a narrative explanation of the reason for the amendment or waiver and its
235 impact on the type (or in the case of a change of accounting principles, on the
236 presentation) of financial information or operating data being presented by the county. In
237 addition, if the amendment relates to the accounting principles to be followed in
238 preparing financial statements, (i) notice of such change shall be given in the same
239 manner as for a material event under subsection 3, and (ii) the annual report for the year
240 in which the change is made should present a comparison (in narrative form and also, if
241 feasible, in quantitative form) between the financial statements as prepared on the basis
242 of the new accounting principles and those prepared on the basis of the former accounting
243 principles.

244 6. Bond Owner's Remedies under this Section. The right of any
245 Bond Owner or Beneficial Owner of Bonds to enforce the provisions of this section shall
246 be limited to a right to obtain specific enforcement of the county's obligations hereunder,
247 and any failure by the county to comply with the provisions of this undertaking shall not
248 be an event of default with respect to the Bonds hereunder. For purposes of this section,
249 "Beneficial Owner" means any person who has the power, directly or indirectly, to vote
250 or consent with respect to, or to dispose of ownership of, any Bonds, including persons
251 holding Bonds through nominees or depositories.

252 F. Further Authority. The county officials, their agents, and representatives
253 are hereby authorized and directed to do everything necessary for the prompt issuance

254 and delivery of the Bonds and for the proper use and application of the proceeds of such
255 sale.

256 G. Severability. If any provision in this motion is declared by any court of
257 competent jurisdiction to be contrary to law, then such provision shall be null and void
258 and shall be deemed separable from the remaining provisions of this motion and shall in
259 no way affect the validity of the other provisions of this motion or of the Bonds.

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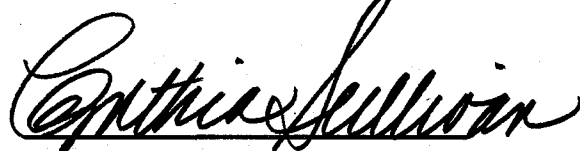
Motion 11682 was introduced on 5/28/2002 and passed by the Metropolitan King County Council on 3/31/2003, by the following vote:

Yes: 10 - Ms. Sullivan, Mr. von Reichbauer, Mr. Phillips, Mr. McKenna, Mr. Constantine, Mr. Pullen, Mr. Gossett, Ms. Hague, Mr. Irons and Ms. Patterson

No: 0

Excused: 3 - Ms. Edmonds, Ms. Lambert and Mr. Pelz

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Cynthia Sullivan, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments Appendix A Bond Purchase Contract

\$96,470,000

KING COUNTY, WASHINGTON
SEWER REVENUE REFUNDING BONDS, SERIES 2003A

BOND PURCHASE CONTRACT

March 31, 2003

King County, Washington

Ladies and Gentlemen:

Morgan Stanley & Co. Incorporated, Salomon Smith Barney Inc., and Siebert Brandford Shank & Co., LLC (collectively, the "Underwriters"), offer to enter into this bond purchase contract (together with the Exhibits, the "Contract") with King County, Washington (the "County"), regarding the County's \$96,470,000 aggregate principal amount of Sewer Revenue Refunding Bonds, Series 2003A (the "Series 2003A 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 Underwriters of the documents described herein and to the County's acceptance by executing this Contract and delivering it to the Underwriters 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 Underwriters 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 (as hereafter defined), unless otherwise defined herein.

The County and the Underwriters hereby agree as follows:

1. PURCHASE AND SALE

Upon the terms and conditions and upon the basis of the representations, warranties and covenants herein set forth, 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 Series 2003A Bonds.

The Series 2003A Bonds will be dated the date of their initial delivery to the Underwriters, and are anticipated to be delivered to the Underwriters on April 24, 2003. The Series 2003A Bonds shall be fully registered as to both principal and interest, shall bear interest at the rates per annum calculated in such manner, payable as to principal and interest, and shall have such terms relating to redemption and other such provisions and terms as set forth in the official statement dated March 31, 2003 (the "Official Statement"), in the Bond Ordinance, and attached hereto as Exhibit A.

The purchase price for the Series 2003A Bonds shall be \$98,501,184.48 (representing the par amount of the Series 2003A Bonds plus net original issue premium of \$2,453,261, and less an underwriting discount of \$422,076.52) (the "Purchase Price").

2. CLOSING

Subject to the terms and conditions hereof, the delivery of the Series 2003A 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 April 24, 2003, or on such other day or such other place as shall be agreed to by the Underwriters and the County. At the Closing:

(a) the County shall deliver to the Underwriters (i) the Series 2003A Bonds as provided in clause (c) of this section and (ii) the other instruments and documents required to be delivered to the Underwriters at the Closing pursuant to section 5(f) hereof;

(b) the Purchase Price shall be paid to the County in federal funds (by wire transfer or by any combination of one or more wires as may be agreeable to the County and the Underwriters); and

(c) the Series 2003A 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 Series 2003A 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 Series 2003A Bonds shall be delivered to DTC, at least one full business day before the Closing for purposes of inspection, unless an alternate arrangement (e.g., FAST closing) is made between the parties. The Series 2003A Bonds delivered hereunder shall bear proper CUSIP numbers to be obtained by the Underwriters (provided, however, that neither the printing of a wrong CUSIP number on any Series 2003A Bond nor the failure to print the CUSIP number thereon shall constitute cause to refuse delivery of any Series 2003A Bond).

3. DELIVERIES TO BE MADE UPON ACCEPTANCE; DELIVERY OF OFFICIAL STATEMENT

At or prior to the time of the execution of this Contract, the County shall deliver to the Underwriters (a) a copy of Ordinance No. 14406 passed on July 8, 2002, and an authorizing Motion of the King County Council adopted March 31, 2003 (collectively, the "Bond Ordinance"), authorizing the issuance and sale of the Series 2003A Bonds, certified by the Clerk of the County Council to have been duly adopted by the County and to be in full force and effect as of the date hereof, and (b) two copies of the preliminary official statement of the County dated March 13, 2003 (the "Preliminary Official Statement"), relating to the Series 2003A Bonds which the County has "deemed final" except as to certain specified items and which, together with the cover page thereof and all appendices, exhibits, reports and statements included therein or attached thereto and such amendments or supplements thereto which shall have been approved by the Underwriters as of the date hereof, is hereinafter referred to as the "Official Statement," executed by the Designated County Representative.

As soon as possible, but in any event no more than seven business days after the time of the County's acceptance hereof, it shall deliver to the Underwriters as many copies of the Official Statement as required to permit the Underwriters to comply with the requirements of the Municipal Securities Rulemaking Board ("MSRB") Rule G-32 and Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), including but not limited to the requirement that three copies of the Official Statement be delivered by the Underwriters to a nationally recognized municipal securities information repository ("NRMSIR"). The County hereby ratifies, approves and confirms the distribution and use of the Preliminary Official Statement by the Underwriters and authorizes the Underwriters to use and distribute the Official Statement in connection with the public offering and sale of the Series 2003A Bonds.

If, between the date of this Contract and the earlier to occur of (i) 60 days after the date of the Closing and (ii) 25 days after the "end of the underwriting period," as the term is used in paragraph (e)(2) of Rule 15c2-13, 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 Underwriters, and if, in the reasonable opinion of the Underwriters, 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 Underwriters, which approval shall not be unreasonably withheld. The end of the underwriting period shall be the date of the Closing unless the County is informed otherwise in writing by the Underwriters. If the Official Statement is supplemented or amended pursuant to this subsection, 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 Series 2003A Bonds as provided herein and to perform its obligations with respect thereto; (iv) to execute, deliver and perform this Contract; (v) to execute and deliver the Official Statement; (vi) and to consummate the transactions to which it is or is to be a party as contemplated by each of these documents. The execution, delivery and performance of this Contract and the Series 2003A Bonds and the passage of the Bond Ordinance and the issuance of the Series 2003A Bonds thereunder, the execution and delivery by the County and the use 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 hereby and by the Bond Ordinance and the Official Statement have been duly authorized by all necessary action on the part of the County.

(b) By the authorizing Motion with respect to the Bonds, the County entered into a written agreement or contract constituting the "Undertaking" to provide ongoing disclosure about the County for the benefit of the owners of the Bonds on or before the Closing as required by paragraph (b)(5)(i) of the SEC Rule 15c2-12(b)(5) (the "Rule"), and in the form as summarized by the Preliminary Official Statement.

(c) This Contract, the Official Statement, and the Series 2003A 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 Series 2003A Bonds) registered and issued. This Contract constitutes, and the Series 2003A 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. The performance by the County of its obligations contained in this Contract, the Official Statement and the Series 2003A Bonds and the consummation by it of all other transactions contemplated by each of those documents 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. When delivered and paid for at the Closing, the Series 2003A 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 Series 2003A Bonds is permitted by, and the Series 2003A Bonds when issued will be issued in compliance with, the provisions of the Bond Ordinance.

(d) To the best of the knowledge of the County's Finance Manager or another authorized representative of the County acceptable to the Underwriters, 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 Series 2003A Bonds.

(e) The passage of the Bond Ordinance, the execution, delivery and performance of this Contract, the issuance and sale of the Series 2003A Bonds and the consummation of the transactions contemplated hereby and by these documents 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 Series 2003A 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 Series 2003A Bonds or in any way contests, questions or affects (i) the validity or enforceability of any provision of the Series 2003A Bonds, the Bond Ordinance or this Contract; (ii) the County's pledge under the Bond Ordinance of Revenues of the System, money from investments credited to the Revenue Fund, income from the Revenue Fund, and proceeds of the sale of the Series 2003A 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 legal authority to perform its obligations hereunder or with respect to the Series 2003A Bonds, or to consummate any of the transactions to which it is or is to be a party as contemplated hereby or by the Bond Ordinance or this Contract; to the best knowledge of the County's Finance Manager, 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 Series 2003A Bonds or to consummate the transactions to which it is or is to be a party as contemplated by the Bond Ordinance or this Contract.

(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 information under the captions entitled "THE BONDS – Book-Entry Transfer System," "LEGAL AND TAX INFORMATION – Tax Exemption for the Bonds" and the information concerning DTC and the book-entry system in "Appendix G – Book-Entry Transfer 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 Series 2003A Bonds, notes or other obligations for borrowed money the repayment of which is backed by a pledge of the Revenues of the System, or any material liabilities, direct or contingent, that will have a material adverse effect on the Sewer System's financial condition, 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) 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 hereunder, or under the Series 2003A Bonds and the Bond Ordinance, have been obtained and are in full force and effect (except no representation is made as to compliance with Blue Sky laws).

(j) Any certificates signed by any authorized representative or other authorized officer or representative of the County and delivered to the Underwriters 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.

(k) 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 Underwriters as may be requested (i) to qualify the Series 2003A 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 Underwriters and (ii) to determine the eligibility of the Series 2003A 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 Series 2003A 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 the Bond Ordinance, this Contract and the Official Statement by the Underwriters in obtaining such qualifications.

(l) 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.

(m) The financial statements of the County contained in the Official Statement fairly present the financial position of the County 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 Washington State, except to the extent described therein, and there has been no material adverse change in the financial position or results of operations of the County 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 Series 2003A 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 and the Bond Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented; (ii) this Contract shall be in full force and effect; (iii) the County shall perform or have performed all of its respective obligations required under or specified in this Contract and the Bond Ordinance to be performed at or prior to the Closing; and (iv) all actions by or on behalf of the County or otherwise necessary to execute, authenticate, issue, deliver and sell the Series 2003A 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 did not contain 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. However, no warranty or representation need be made with respect to the information contained under the captions entitled "THE BONDS – Book-Entry Transfer System," "LEGAL AND TAX INFORMATION – Tax Exemption for the Bonds" and the information concerning DTC and the book-entry system in "Appendix G – Book-Entry Transfer System."

(d) Subsequent to the respective dates as of which information is given in the Official Statement, and prior to the time of 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 Underwriters, and if in the opinion of the Underwriters 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 Underwriters and Foster Pepper & Shefelman 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 Underwriters in writing, the Underwriters shall receive the following documents:

(i) An approving bond opinion of Preston Gates & Ellis LLP ("Bond Counsel"), dated the date of the Closing, in substantially the form attached to the Official Statement as Appendix B.

(ii) A supplemental opinion of Bond Counsel dated the date of the Closing and addressed to the Underwriters, to the effect that (A) the County has the legal right, power and authority (i) to adopt the Bond Ordinance and to enter into this Contract; (ii) to issue, sell and deliver the Series 2003A Bonds to the Underwriters; (iii) to perform its obligations under the Bond Ordinance and this Contract; and (iv) to carry out the transactions contemplated thereby; (B) the County has duly adopted the Bond Ordinance and has duly approved, authorized, executed and delivered this Contract, and assuming due execution and delivery of this Contract by the Underwriters, the Bond Ordinance and this Contract constitute the legal, valid and binding obligations of the County, enforceable in accordance with their terms, except to the extent that enforceability is subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors, by the application of equitable principles and by 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 Series 2003A 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 the rights of creditors, by the application of equitable principles and by 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 Revenues of the System that it

purports to create, which lien secures the payment of the principal of, premium, if any, and interest on the Series 2003A Bonds, subject to the provisions of the Bond Ordinance; (E) the County has duly authorized the Manager of 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 Series 2003A 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 Series 2003A 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 "Litigation"), insofar as such statements contained under such captions purport to summarize certain provisions of the Series 2003A Bonds, the Bond Ordinance and this Contract, 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 counsel rendering legal services in connection with such representation that caused such counsel to believe that the Official Statement as of its date (except for information concerning DTC and the book-entry transfer system in Appendix G to the Official Statement 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 date of the Closing (except as aforesaid) as of the date 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 date 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 by the exercise of judicial discretion in accordance with principles of equity.

(iii) An opinion of Bond Counsel dated the date of the Closing and addressed to the County and Bond Insurer, to the effect that, upon the issuance of the 2003A Bonds, the Refunded Bonds are defeased and no longer deemed to be outstanding under the ordinance pursuant to which they were issued.

(iv) An opinion, dated the date of the Closing and addressed to the Underwriters, of Foster Pepper & Shefelman PLLC ("Underwriters' Counsel") to the effect that (A) the Series 2003A Bonds constitute exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and Section 304(a)(4)(A) of the Trust Indenture Act of

1939, as amended, and it is not necessary, in connection with the offering and sale of the Series 2003A Bonds, to register any securities under the Securities Act or to qualify the Bond Ordinance under the Trust Indenture Act; (B) the County's undertaking to provide certain continuing disclosure information pursuant to paragraph (b)(5) of Rule 15c-12, provides a suitable basis for the Underwriters to reasonably determine, pursuant to paragraph b(5)(i) of the Rule, 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 the Rule; and (C) based upon their examination of information made available to them in the course of their participation in the preparation of the Official Statement as Underwriters' Counsel and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel have no reason to believe that the Official Statement as of the Closing contains any untrue statement of a material fact 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 under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial, economic, demographic or statistical data or projections contained in the Official Statement, or as to the information concerning DTC and the book-entry system in "Appendix G – Book-Entry Transfer System," as to all of which such counsel need not express any view) and with respect to such other matters as the Underwriters may require. In rendering the opinion provided above, Underwriters' Counsel may rely upon the unqualified approving opinion of Bond Counsel, to the extent that such opinion addresses the validity of the Series 2003A Bonds, the Bond Ordinance and the governmental status of the County.

(v) An opinion of a County Prosecuting Attorney, dated the date of the Closing 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 Series 2003A 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 Series 2003A Bonds are issued, the validity of the Series 2003A 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 Series 2003A Bonds, when due; (B) the statements contained in the Official Statement under the caption "LEGAL AND TAX INFORMATION-Litigation," insofar as such statements purport to summarize litigation affecting the County and certain contracts and agreements; present a fair and accurate summary of such litigation or contracts and agreements as applicable, and are true and correct; (C) to the best of such counsel's knowledge, after due inquiry, neither the execution nor delivery by the County of this Contract nor the Series 2003A Bonds nor the adoption 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 Series 2003A Bonds have been repealed, revoked or rescinded.

(vi) The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the County by the Designated County Representative.

(vii) The County shall have furnished evidence satisfactory to the Underwriters that the Series 2003A Bonds have been rated "Aaa" by Moody's Investors Service, Inc., and "AAA" by Standard & Poor's Ratings Services.

(viii) A certificate or certificates of the County executed by the Designated County Representative or other authorized officer or representative of the County, dated the date of the Closing, 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 date of the Closing with the same effect as if made at the time 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 date 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 captions entitled "THE BONDS – Book-Entry Transfer System," "LEGAL AND TAX INFORMATION –Tax Exemption for the Bonds" and the information concerning DTC and the book-entry system in "Appendix G – Book-Entry Transfer System," (C) that 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 Revenues of the System; (D) that all payments into all funds or accounts created and established for the payment and security of all outstanding obligations for borrowed money payable from and secured by a lien on and pledge of the Revenues of the System have been made in full and that 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 contains 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 captions entitled "THE BONDS – Book-Entry Transfer System," "LEGAL AND TAX INFORMATION –Tax Exemption for the Bonds" and the information concerning DTC and the book-entry system in "Appendix G – Book-Entry Transfer System," (F) the County has never defaulted in the payment of principal or interest on any of its obligations for borrowed money payable from Revenues 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 and the Bond Ordinance on its part to be performed or satisfied at or prior to the delivery of the Series 2003A Bonds.

(ix) A tax exemption and non-arbitrage certificate dated the date of the Closing signed by the Designated County Representative setting forth facts, estimates and circumstances (including covenants of the County) in existence on the date of the Closing, sufficient to support the conclusion that (A) it is not expected that the proceeds of the Series 2003A Bonds will be used in a manner that would cause the Series 2003A Bonds to be "arbitrage

bonds” within the meaning of the Internal Revenue Code of the 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.

(x) Such additional legal opinions, certificates, instruments and other documents as the Underwriters 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.

(xi) Evidence of issuance of a municipal bond insurance policy by Financial Guaranty Insurance Company (the “Bond Insurer”), insuring payment of the principal of and interest on the Series 2003A Bonds, together with opinions of counsel to the Bond Insurer and certificates of the Bond Insurer in form and substance satisfactory to the Underwriters, Underwriters’ Counsel and Bond Counsel.

All certificates, opinions and other documents and instruments delivered pursuant to this section 5 shall be satisfactory in form and substance to the Underwriters and to Underwriters’ Counsel provided approval of such form and substance shall not be unreasonably withheld.

6. TERMINATION OF CONTRACT

The Underwriters shall have the right in their sole discretion to cancel the Underwriters’ obligations hereunder to purchase the Series 2003A 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 Series 2003A Bonds or the market price thereof, in the opinion of the Underwriters, 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 Series 2003A 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 Series 2003A 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 Washington shall be rendered, which in the Underwriters' opinion, materially adversely affects the marketability of the Series 2003A Bonds or the ability of the Underwriters to enforce contracts for sale of the Series 2003A Bonds.

(c) In the Underwriters' 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 Series 2003A Bonds or (ii) the ability of the Underwriters to enforce contracts for sale of the Series 2003A Bonds.

(d) The New York Stock Exchange or other national securities exchange, the Municipal Securities Rulemaking Board (the "MSRB"), the National Association of Securities Dealers, Inc. (the "NASD"), or any governmental authority or agency shall impose, as to the Series 2003A Bonds or obligations of the general character of the Series 2003A 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 Series 2003A Bonds.

(e) A general banking moratorium shall have been established by the United States or New York or Washington State 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 Series 2003A Bonds, or the Series 2003A 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 Series 2003A 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 Underwriters' opinion, materially adversely affects the market price of the Series 2003A 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 Series 2003A 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 Underwriters, would make it impracticable for the Underwriters to market the Series 2003A Bonds or to enforce contracts for the sale of the Series 2003A Bonds.

7. EFFECT OF TERMINATION

If the sale to the Underwriters of the Series 2003A 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 section 8 hereof), and the Underwriters shall be under no obligation or liability to the County.

8. PAYMENT OF COSTS

(a) Whether or not the Series 2003A 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 Series 2003A Bonds and the Bond Ordinance, preparation, printing and distribution of the Official Statement, and preparation of all other documents prepared by the County or its counsel; (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 Series 2003A Bonds; (v) the fees of the fiscal agency and bond registrar; (vi) the fees and disbursement of accountants, consultants and advisors to the County, including, without limitation and the fees of the financial advisors to the County; and (vii) any other expenses and costs, including costs and expenses of credit enhancement, if any, of the County incident to the performance of its obligations in connection with the authorization, issuance and sale of the Series 2003A Bonds to the Underwriters.

(b) The Underwriters shall pay (i) any fees assessed upon the Underwriters with respect to the Series 2003A Bonds by the MSRB, the NASD or any NRMSIR; (ii) all advertising expenses in connection with any public offering of the Series 2003A Bonds; (iii) the costs of qualifying the Series 2003A 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 Series 2003A Bonds, including the fees and disbursements of Underwriters' Counsel.

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 of 1933, as amended (such Act being herein called the "1933 Act" and any such person being herein sometimes called 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 Series 2003A Bonds, or the obligation of the County should have been registered under the 1933 Act or the Bond Ordinance should have been qualified under the Trust Indenture Act of 1939, as amended, 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 section 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 Finance Manager, 500 Fourth Avenue, Seattle, Washington, 98101, and any such notice or other communication to be given to the Underwriters may be given by delivering the same in writing to Morgan Stanley & Co. Incorporated, 121 Southwest Salmon Street, Suite 1100, Portland, Oregon 97204, Attention: Beth deHamel.

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 Underwriters and shall survive the delivery of the Series 2003A 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 the Designated County Representative and the execution of the acceptance hereof by the Underwriters and shall be valid and enforceable as of the time of such execution and acceptance.

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.

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.

Respectfully submitted,

MORGAN STANLEY & CO. INCORPORATED
SALOMON SMITH BARNEY INC.
SIEBERT BRANDFORD SHANK & CO., LLC

By: _____
Beth deHamel, Executive Director
Morgan Stanley & Co. Incorporated

Accepted March 31, 2003

KING COUNTY, WASHINGTON

By: _____
Robert V. Cowan
Manager of Finance and Business Operations Division

EXHIBIT A

**King County, Washington
Sewer Revenue Refunding Bonds, Series 2003A**

Type	Maturity Date (January 1)	Principal Amount	Interest Rate	Yield
Serial	2004	\$1,850,000	2.00%	1.12%
Serial	2005	305,000	2.00	1.51
Serial	2006	650,000	2.00	1.84
Serial	2007	660,000	3.00	2.30
Serial	2008	680,000	3.00	2.66
Serial	2009	700,000	3.00	3.00
Serial	2010	720,000	3.25	3.33
Serial	2011	750,000	4.00	3.57
Serial	2012	775,000	4.00	3.71
Serial	2013	805,000	4.00	3.85
Serial	2014	2,295,000	5.50	3.95*
Serial	2015	2,430,000	5.25	4.05*
Serial	2016	1,110,000	5.25	4.15*
Serial	2017	2,620,000	5.25	4.24*
Serial	2018	2,765,000	5.25	4.30*
Serial	2019	2,915,000	5.25	4.38*
Serial	2020	3,075,000	5.25	4.46*
Serial	2021	3,245,000	5.25	4.54*
Serial	2022	3,420,000	5.25	4.62*
Serial	2023	3,610,000	5.00	4.74*
Serial	2024	3,795,000	5.00	4.81*
Serial	2025	3,990,000	5.00	4.84*
Serial	2026	4,205,000	5.00	4.86*
Serial	2027	4,430,000	5.00	4.87*
Serial	2028	4,660,000	4.75	4.88*
Term	2035	40,010,000	5.00	4.89*

* Priced to July 1, 2013 call date.

The Series 2003A Bonds will be dated and bear interest from April 24, 2003, calculated on the basis of a 360-day year consisting of twelve 30-day months payable semiannually on each January 1 and July 1, commencing July 1, 2003, to their stated dates of maturity or prior redemption. Series 2003A Bonds maturing on and after January 1, 2014 are subject to optional redemption on or after July 1, 2013, at par plus accrued interest.

The Series 2003A Bonds maturing in the year 2035 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>
2029	\$4,890,000
2030	5,140,000
2031	5,410,000
2032	5,685,000
2033	5,980,000

2034

6,295,000

2035

6,610,000