



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

November 6, 2006

Motion 12389

Proposed No. 2005-0499.2

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 \$193,435,000 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 finance and business operations (the "Finance Director") in consultation with the county's
19 financial advisors, and

20 WHEREAS, in May of this year, the county sold a first series of such bonds in the
21 aggregate principal amount of \$124,070,000, representing \$100,000,00 of Project Bonds
22 and \$24,070,000 of Refunding Bonds, and

23 WHEREAS, the Finance Director has determined that a second series of such
24 bonds in the aggregate principal amount of \$193,435,000 (the "Bonds") be sold by
25 negotiated sale, representing \$50,000,000 principal amount of Project Bonds and
26 \$143,435,000 principal amount of Refunding Bonds, and

27 WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement
28 dated October 27, 2006, has been prepared for the sale of the Bonds and the Finance
29 Director has negotiated the sale of the Bonds to Citigroup Global Markets, Inc., Merrill
30 Lynch & Co., A.G. Edwards and Siebert Brandford Shank & Co., LLC (the
31 "Underwriters"), and

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

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

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

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

42 B. Approval of Bond Purchase Contract and Authorization of Bonds. The
43 issuance of the Bonds, designated as the King County, Washington, Sewer Revenue and
44 Refunding Bonds, 2006 (Second Series), in the aggregate principal amount of
45 \$193,435,000, and the terms and conditions thereof as set forth in the Bond Purchase
46 Contract attached hereto as Attachment A (the "Purchase Contract") are hereby ratified
47 and confirmed, and the Purchase Contract is hereby approved. The Bonds shall bear
48 interest at the rates set forth in the Purchase Contract and shall conform in all other
49 respects to the terms and conditions specified in the Purchase Contract and Bond
50 Ordinance. The Bonds shall be subject to optional and mandatory redemption as set forth
51 in the Purchase Contract.

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

60 C. Application of Project Bond Proceeds. In accordance with Section 13.A of the
61 Bond Ordinance, there is hereby established a special subaccount within the Construction
62 Account to be designated as the 2006 (Second Series) Construction Subaccount (the

63 "Construction Subaccount"). Proceeds of the Project Bonds (exclusive of accrued
64 interest, if any, which shall be deposited into the Debt Service Account in the Bond
65 Fund) shall be deposited in the Construction Subaccount and applied to pay costs of
66 improvements to the System, in accordance with Section 13.A of the Bond Ordinance,
67 and costs of issuance of the Project Bonds.

68 D. Refunding and Redemption of Refunded Bonds.

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

74 Refunded 2002A Bonds

75	Maturity	Principal	Interest	Call
76	<u>(January 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Date</u>
77	2017	\$ 930,000	5.50%	01/01/2012
78	2018	980,000	5.50	01/01/2012
79	2019	1,005,000	5.50	01/01/2012
80	2020	1,035,000	5.50	01/01/2012
81	2021	1,090,000	5.50	01/01/2012

82 Refunded 1999 Bonds

83	Maturity	Principal	Interest	Call
84	<u>(January 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Date</u>
85	2026	\$ 13,565,000	5.25%	01/01/2009

86	2030	21,940,000	5.25	01/01/2009
87	2035	20,290,000	5.25	01/01/2009
88	<u>Refunded 1996C Bonds</u>			
89	Maturity	Principal	Interest	Call
90	<u>(January 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Date</u>
91	2009	\$ 2,900,000	5.25%	01/01/2007
92	2010	3,080,000	5.25	01/01/2007
93	2011	3,250,000	5.25	01/01/2007
94	2012	3,425,000	5.25	01/01/2007
95	2013	3,630,000	5.25	01/01/2007
96	2014	1,645,000	5.25	01/01/2007
97	2017	5,520,000	5.25	01/01/2007
98	2021	8,920,000	5.25	01/01/2007
99	2030	28,965,000	5.25	01/01/2007
100	2032	23,995,000	6.25	01/01/2007

101 The Refunded Series 2002A Bonds, Refunded Series 1999 Bonds and Refunded
102 Series 1996C Bonds shall be referred to collectively in this motion as the Refunded
103 Bonds. As provided in Section 14 of the Bond Ordinance, the King County 2006
104 (Second Series) Sewer Revenue Bonds Refunding Account (the "Refunding Account")
105 shall be established and maintained with the Escrow Agent (as identified below).
106 Proceeds of the Refunding Bonds (exclusive of accrued interest, if any, which shall be
107 deposited into the Debt Service Account in the Bond Fund) shall be deposited in the
108 Refunding Account and used, together with other funds of the county, if necessary, to

109 purchase certain Government Obligations (which obligations so purchased are herein
110 called "Acquired Obligations"), bearing such interest and maturing as to principal and
111 interest in such amounts and at such times that, together with any necessary beginning
112 cash balance, will provide for the payment of:

113 (a) the interest on the Refunded 2002A Bonds due and payable on and prior to
114 January 1, 2012; and

115 (b) the redemption price (100% of the principal amount) payable on January 1,
116 2012, of the Refunded 2002A Bonds.

117 (c) the interest on the Refunded 1999 Bonds due and payable on and prior to
118 January 1, 2009; and

119 (d) the redemption price (101% of the principal amount) payable on January 1,
120 2009, of the Refunded 1999 Bonds.

121 (e) the interest on the Refunded 1996C Bonds due and payable on and prior to
122 January 1, 2007; and

123 (f) the redemption price (102% of the principal amount) payable on January 1,
124 2007, of the Refunded 1996C Bonds.

125 Any beginning cash balance and the Acquired Obligations shall be irrevocably
126 deposited with the Escrow Agent in an amount sufficient to defease the Refunded Bonds
127 in accordance with the ordinances authorizing the Refunded Bonds. Any amounts
128 described above that are not provided for in full by such beginning cash balance and the
129 purchase and deposit with the Escrow Agent of the Acquired Obligations shall be
130 provided for by the irrevocable deposit of the necessary amount out of the proceeds of
131 sale of the Bonds or any other money of the county legally available therefor. The

132 proceeds of the Bonds remaining in the Refunding Account after acquisition of the
133 Acquired Obligations and provision for the necessary beginning cash balance shall be
134 utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations
135 and the costs of issuing the Bonds. The county may, from time to time, transfer, or cause
136 to be transferred, from the Refunding Account any money not thereafter required for the
137 purposes set forth in subparagraphs (a) – (f) above, subject to verification in writing by an
138 independent certified public accountant that such transfer will not result in inadequate
139 funds being available to make the required payments therefrom. The county reserves the
140 right to substitute other securities for the Acquired Obligations in the event it may do so
141 pursuant to Section 148 of the Code and applicable regulations thereunder, upon
142 compliance with the conditions set forth in the Escrow Agreement.

143 The selection of U.S. Bank National Association as Escrow Agent is hereby
144 ratified and confirmed.

145 2. Redemption of Refunded Bonds. The county hereby irrevocably sets aside
146 sufficient funds through the purchase of the Acquired Obligations and an initial cash
147 deposit to make the payments specified in subparagraphs (a) – (f) above.

148 The county hereby irrevocably defeases and calls for redemption on January 1,
149 2007, the Refunded 1996C Bonds, on January 1, 2009, the Refunded 1999 Bonds, and on
150 January 1, 2012, the Refunded 2002A Bonds in accordance with the provisions of the
151 ordinances authorizing the redemption and retirement of the Refunded Bonds prior to
152 their fixed maturities.

153 Said defeasance and call for redemption of the Refunded Bonds shall be
154 irrevocable after the final establishment of the Refunding Account and delivery of the

155 Acquired Obligations and the requisite cash deposit, if any, to the Escrow Agent, except
156 as provided herein relating to the substitution of securities. The Finance Director is
157 authorized and requested to provide whatever assistance is necessary to accomplish such
158 defeasance and redemption.

159 The Escrow Agent is hereby authorized and directed to notify the fiscal agency of
160 the State of Washington to give notice of the redemption of the Refunded Bonds in
161 accordance with the applicable provisions of the ordinances authorizing their issuance.
162 The Finance Director is authorized and requested to provide whatever assistance is
163 necessary to accomplish such redemption and the giving of notice therefor. The costs of
164 publication of such notice shall be an expense of the county.

165 The Escrow Agent is hereby authorized and directed to pay to the fiscal agency or
166 agencies of the State of Washington sums sufficient to make, when due, the payments
167 specified in subparagraphs (a) – (f) above. All such sums shall be paid from the money
168 and the Acquired Obligations deposited with the Escrow Agent pursuant to this motion,
169 and the income therefrom and proceeds thereof. All such sums so paid shall be credited
170 to the Refunding Account. All money and Acquired Obligations deposited with the
171 Escrow Agent and any income therefrom shall be held, invested and applied in
172 accordance with the provisions of the Bond Ordinance and with the laws of the State of
173 Washington for the benefit of the county and the owners of the Refunded Bonds.

174 3. Findings of Saving and Defeasance. This council hereby finds and
175 determines that the issuance and sale of the Refunding Bonds at this time will effect a
176 savings to the county and ratepayers of the System. In making such finding and
177 determination, the council has given consideration to the interest on and the fixed

178 maturities of the Refunding Bonds and the Refunded Bonds, the costs of issuance of the
179 Refunding Bonds and the known earned income from the investment of the proceeds of
180 sale of the Refunding Bonds pending redemption and payment of the Refunded Bonds.

181 This council hereby further finds and determines that the Acquired Obligations to
182 be deposited with the Escrow Agent and the income therefrom, together with any
183 necessary beginning cash balance, are sufficient to defease and redeem the Refunded
184 Bonds and will discharge and satisfy the obligations of the county with respect to the
185 Refunded Bonds under the ordinances authorizing their issuance and the pledges of the
186 county therein. Immediately upon the delivery of such Acquired Obligations to the
187 Escrow Agent and the deposit of any necessary beginning cash balance, the Refunded
188 Bonds shall be deemed not to be outstanding under their respective authorizing
189 ordinances and shall cease to be entitled to any lien, benefit or security under such
190 ordinances except the right to receive payment from the Acquired Obligations and
191 beginning cash balance so set aside and pledged.

192 E. Reserve Requirement. In accordance with Section 9.C of the Bond Ordinance,
193 proceeds of the Bonds shall be used to purchase Qualified Insurance in the form of a
194 surety bond (the "Surety Bond") from FSA in an amount sufficient to satisfy the Reserve
195 Requirement with respect to the Bonds. The County agrees to the conditions for
196 obtaining the Surety Bond, including the payment of the premium therefor and the other
197 requirements to be set forth in an agreement to be approved and executed by the Finance
198 Director on behalf of the county. The council further authorizes and directs all proper
199 officers, agents, attorneys and employees of the county to cooperate with the Insurer in

200 preparing such additional agreements, certificates, and other documentation on behalf of
201 the county as shall be necessary or advisable in providing for the Surety Bond.

202 F. Undertaking to Provide Ongoing Disclosure.

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

206 2. Financial Statements/Operating Data. The county agrees to provide or cause
207 to be provided to each NRMSIR and to the SID, if any, in each case as designated by the
208 Commission in accordance with the Rule, the following annual financial information and
209 operating data for the prior fiscal year (commencing in 2007 for the fiscal year ended
210 December 31, 2006):

211 (a) Annual financial statements showing year-end fund balance for the
212 County's Water Quality Enterprise fund prepared in accordance with the Budget
213 Accounting and Reporting System prescribed by the Washington State Auditor pursuant
214 to RCW 43.09.200 (or any successor statute) and generally of the type included in the
215 official statement for the Bonds under the heading "Appendix C: Excerpts from the
216 County's 2005 Comprehensive Annual Financial Report";

217 (b) Amount of outstanding Parity Bonds; and

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

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

223 Such annual information and operating data described above shall be provided on
224 or before seven months after the end of the county's fiscal year. The county's fiscal year
225 currently ends on December 31. The county may adjust such fiscal year by providing
226 written notice of the change of fiscal year to each then existing NRMSIR and the SID, if
227 any. In lieu of providing such annual financial information and operating data, the
228 county may cross-reference to other documents provided to the NRMSIR, the SID or to
229 the Commission and, if such document is a final official statement within the meaning of
230 the Rule, available from the MSRB.

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

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

- 239 (a) Principal and interest payment delinquencies;
- 240 (b) Non-payment related defaults;
- 241 (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- 242 (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- 243 (e) Substitution of credit or liquidity providers, or their failure to perform;
- 244 (f) Adverse tax opinions or events affecting the tax-exempt status of the
- 245 Bonds;

246 (g) Modifications to rights of Bond holders;

247 (h) Optional, contingent or unscheduled calls of any Bonds other than
248 scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act
249 Release 34-23856;

250 (i) Defeasances;

251 (j) Release, substitution or sale of property securing repayment of the Bonds;

252 and

253 (k) Rating changes.

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

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

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

268 6. Termination/Modification. The county's obligations to provide annual
269 financial information and notices of material events shall terminate upon the legal
270 defeasance, prior redemption or payment in full of all of the Bonds. This section, or any
271 provision hereof, shall be null and void if the county (i) obtains an opinion of nationally
272 recognized bond counsel to the effect that those portions of the Rule that require this
273 section, or any such provision, are invalid, have been repealed retroactively or otherwise
274 do not apply to the Bonds; and (ii) notifies each then existing NRMSIR and the SID, if
275 any, of such opinion and the cancellation of this section.

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

279 In the event of any amendment or waiver of a provision of this Section F, the
280 county shall describe such amendment in the next annual report, and shall include, as
281 applicable, a narrative explanation of the reason for the amendment or waiver and its
282 impact on the type (or in the case of a change of accounting principles, on the
283 presentation) of financial information or operating data being presented by the county. In
284 addition, if the amendment relates to the accounting principles to be followed in
285 preparing financial statements, (i) notice of such change shall be given in the same
286 manner as for a material event under subsection 3, and (ii) the annual report for the year
287 in which the change is made should present a comparison (in narrative form and also, if
288 feasible, in quantitative form) between the financial statements as prepared on the basis
289 of the new accounting principles and those prepared on the basis of the former accounting
290 principles.

291 7. Bond Owner's Remedies Under This Section. The right of any Bond owner
292 or Beneficial Owner of Bonds to enforce the provisions of this section shall be limited to
293 a right to obtain specific enforcement of the county's obligations hereunder, and any
294 failure by the county to comply with the provisions of this undertaking shall not be an
295 event of default with respect to the Bonds hereunder. For purposes of this section,
296 "Beneficial Owner" means any person who has the power, directly or indirectly, to vote
297 or consent with respect to, or to dispose of ownership of, any Bonds, including persons
298 holding Bonds through nominees or depositories.

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

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

Motion 12389

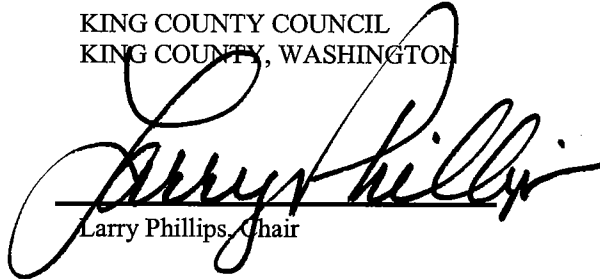
305 and shall be deemed separable from the remaining provisions of this motion and shall in
306 no way affect the validity of the other provisions of this motion or of the Bonds.

307

Motion 12389 was introduced on 11/21/2005 and passed by the Metropolitan King County Council on 11/6/2006, by the following vote:

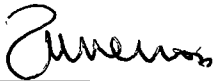
Yes: 9 - Mr. Phillips, Mr. von Reichbauer, Ms. Lambert, Mr. Dunn, Mr. Ferguson, Mr. Gossett, Ms. Hague, Mr. Constantine and Ms. Patterson
No: 0
Excused: 0

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Larry Phillips, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments A. Bond Purchase Contract--Dated November 6, 2006

\$193,435,000
KING COUNTY, WASHINGTON
SEWER REVENUE AND REFUNDING BONDS, 2006 (SECOND SERIES)

BOND PURCHASE CONTRACT

November 6, 2006

King County, Washington

Ladies and Gentlemen:

Citigroup Global Markets, Inc. (the "Representative"), acting on behalf of itself, A.G. Edwards & Sons, Inc., Merrill Lynch & 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 \$193,435,000 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").

2. The purchase price for the Bonds shall be \$203,220,109.91 (representing the aggregate principal amount of the Bonds plus an original issue premium of \$10,549,143.65 less an underwriting discount of \$764,033.74) (the "Purchase Price").

3. 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 8:30 a.m., Pacific Time, on November 30, 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).

4. 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 a Motion of the County Council adopted this date (the "Bond Sale Motion") and (b) two copies of the Preliminary Official Statement of the County dated October 27, 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 and the Bond Sale Motion, 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.

5. 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.

6. 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

