



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

November 14, 2001

Motion 11330

Proposed No. 2001-0449.2

Sponsors McKenna and Phillips

1 A MOTION approving a purchase contract for the county's Sewer
2 Revenue and Refunding Bonds, 2001, in the aggregate principal
3 amount of \$270,060,000; fixing the interest rates and other terms of
4 such bonds; all in accordance with Ordinance 14225.

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8 WHEREAS, the county council by Ordinance 14225 passed October 29, 2001
9 (the "Bond Ordinance"), authorized the issuance and sale of the county's sewer revenue
10 bonds in the aggregate principal amount of not to exceed \$150,000,000 to finance
11 improvements to the sewer system of the county (the "Project Bonds"); and

12 WHEREAS, the Bond Ordinance also authorized the issuance and sale of not to
13 exceed \$400,000,000 of the county's sewer revenue bonds (the "Refunding Bonds") to
14 refund certain outstanding sewer revenue obligations of the county; and

15 WHEREAS, the Bond Ordinance provided that such bonds be sold as determined
16 by the finance director in consultation with the county's financial advisor; and

17 WHEREAS, the finance director has determined that the Project Bonds in the
18 amount of \$75,000,000 and the Refunding Bonds in the amount of \$195,060,000 be
19 combined and sold by negotiated sale as a single series (the "Bonds"), as provided herein;
20 provided, however, that the portion of the Refunding Bonds allocated to prepayment of
21 the 1990 SRF Loan may be reallocated to Project Bonds, as provided herein; and

22 WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement
23 dated November 2, 2001 has been prepared for the sale of the Bonds, the finance director
24 has negotiated the sale of the Bonds to Lehman Brothers Inc., as lead underwriter and
25 representative of the underwriting syndicate for the Bonds, including Morgan Stanley
26 Incorporated, Siebert Brandford Shank & Co. LLC and UBS PaineWebber Inc. (the
27 "Underwriters"); and

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

31 WHEREAS, in accordance with the Bond Ordinance, the council wishes to
32 authorize and approve the final plan of refunding certain outstanding sewer revenue
33 obligations of the county from proceeds of the Refunding Bonds and from certain funds
34 available for such purpose in the Bond Fund, as set forth herein.

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

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

38 B. Approval of Bond Purchase Contract and Authorization of Bonds. The
39 issuance of the Bonds, designated as the county's Sewer Revenue and Refunding Bonds,

40 2001, in the aggregate principal amount of \$270,060,000, and the terms and conditions
41 thereof set forth in the Bond Purchase Contract, attached hereto as Attachment A
42 (the "Purchase Contract") are hereby ratified and confirmed, and the Purchase Contract is
43 hereby approved. The Bonds shall bear interest at the rates set forth in the Purchase
44 Contract and shall conform in all other respects to the terms and conditions specified in
45 the Purchase Contract and Bond Ordinance.

46 The Bonds shall be subject to optional and mandatory redemption as set forth in
47 the Purchase Contract.

48 C. Undertaking to Provide Ongoing Disclosure.

49 1. Contract/Undertaking. This Section C constitutes the county's
50 written undertaking for the benefit of the owners and Beneficial Owners of the Bonds as
51 required by Section (b)(5) of Securities and Exchange Commission Rule 15c2-12 under
52 the Securities Exchange Act of 1934, as the same may be amended from time to time (the
53 "Rule").

54 2. Financial Statements/Operating Data. The county agrees to
55 provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as
56 designated by the Commission in accordance with the Rule, the following annual
57 financial information and operating data for the prior fiscal year (commencing in 2002
58 for the fiscal year ended December 31, 2001):

59 (a) Annual financial statements, which statements may or may
60 not be audited, showing year-end fund balance for the country's
61 water quality enterprise fund prepared in accordance with the
62 Budget Accounting and Reporting System ("BARS") prescribed

63 by the Washington State Auditor pursuant to RCW 43.09.200 (or
64 any successor statutes) and generally of the type included in the
65 official statement for the Bonds under the heading "Appendix C:
66 Audited 2000 Financial Statements of the Water Quality
67 Enterprise";

68 (b) Amount of outstanding Parity Bonds; and

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

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

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

83 If not provided as part of the annual financial information discussed above, the
84 county shall provide the county's audited annual financial statement prepared in

85 accordance with BARS when and if available to each then existing NRMSIR and the
86 SID, if any.

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

- 91 (a) Principal and interest payment delinquencies;
- 92 (b) Non-payment related defaults;
- 93 (c) Unscheduled draws on debt service reserves reflecting
94 financial difficulties;
- 95 (d) Unscheduled draws on credit enhancements reflecting
96 financial difficulties;
- 97 (e) Substitution of credit or liquidity providers, or their failure
98 to perform;
- 99 (f) Adverse tax opinions or events affecting the tax-exempt
100 status of the Bonds;
- 101 (g) Modifications to rights of Bond holders;
- 102 (h) Optional, contingent or unscheduled calls of any Bonds
103 other than scheduled sinking fund redemptions for which notice is
104 given pursuant to Exchange Act Release 34-23856;
- 105 (i) Defeasances;
- 106 (j) Release, substitution or sale of property securing repayment
107 of the Bonds; and

108 (k) Rating changes.

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

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

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

125 Notwithstanding any other provision of this motion, the county may amend this
126 Section C, and any provision of this Section C may be waived, with an approving opinion
127 of nationally recognized bond counsel and in accordance with the Rule.

128 In the event of any amendment or waiver of a provision of this Section C, the
129 county shall describe such amendment in the next annual report, and shall include, as
130 applicable, a narrative explanation of the reason for the amendment or waiver and its

131 impact on the type (or in the case of a change of accounting principles, on the
132 presentation) of financial information or operating data being presented by the county. In
133 addition, if the amendment relates to the accounting principles to be followed in
134 preparing financial statements, (i) notice of such change shall be given in the same
135 manner as for a material event under subsection 3, and (ii) the annual report for the year
136 in which the change is made should present a comparison (in narrative form and also, if
137 feasible, in quantitative form) between the financial statements as prepared on the basis
138 of the new accounting principles and those prepared on the basis of the former accounting
139 principles.

140 6. Bond Owner's Remedies Under This Section. The right of any
141 Bond Owner or Beneficial Owner of Bonds to enforce the provisions of this section shall
142 be limited to a right to obtain specific enforcement of the county's obligations hereunder,
143 and any failure by the county to comply with the provisions of this undertaking shall not
144 be an event of default with respect to the Bonds hereunder. For purposes of this section,
145 "Beneficial Owner" means any person who has the power, directly or indirectly, to vote
146 or consent with respect to, or to dispose of ownership of, any Bonds, including persons
147 holding Bonds through nominees or depositories.

148 D. Refunding and Redemption of Refunded Bonds.

149 1. Plan of Refunding. In accordance with Section 15 of the Bond
150 Ordinance, the finance director has determined, in consultation with the county's
151 financial advisors, that proceeds of the Refunding Bonds together with other funds
152 available for such purpose in the Bond Fund shall be used to refund the following sewer

153 revenue bonds of the county pursuant to the plan of refunding set forth below and ratified
154 and confirmed hereby:

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Refunded Series E Bonds

Maturity <u>(January 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	Call <u>Date</u>	Redemption <u>Price</u>
2004	\$7,890,000	3.80%	1/1/2002	100%

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Refunded Series F Bonds

Maturity <u>(January 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	Call <u>Date</u>	Redemption <u>Price</u>
2004	\$8,214,000	3.80%	1/1/2002	100%

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Refunded Series G Bonds

Maturity <u>(January 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	Call <u>Date</u>	Redemption <u>Price</u>
2004	\$7,735,000	3.625%	1/1/2002	100%

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Refunded Series H Bonds

Maturity	Principal	Interest	Call	Redemption
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<u>(January 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Date</u>	<u>Price</u>
2002	\$325,000	3.70%	1/1/2002	100%
2004	\$4,500,000	3.80	1/1/2002	100%

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Refunded Series I Bonds

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Call</u>	<u>Redemption</u>
<u>(January 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Date</u>	<u>Price</u>
2002	\$45,000	4.40%	1/1/2002	100%
2003	\$95,000	4.40	1/1/2002	100%
2004	\$120,000	4.40	1/1/2002	100%
2005	\$535,000	4.40	1/1/2002	100%
2006	\$11,245,000	4.50	1/1/2002	100%

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Refunded Series J Bonds

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Call</u>	<u>Redemption</u>
<u>(January 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Date</u>	<u>Price</u>
2006	\$2,340,000	5.70%	1/1/2002	100%

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Refunded Series V Bonds

Maturity <u>(January 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	Call <u>Date</u>	Redemption <u>Price</u>
2032	\$119,580,000	6.20%	1/1/2002	102%

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169 As provided in the Bond Ordinance, proceeds of the Refunding Bonds shall be
 170 deposited in the Refunding Account and used, together with other funds of the county, to
 171 purchase certain "Government Obligations" as such obligations are defined in
 172 Chapter 39.53 RCW as now or hereafter amended (which obligations so purchased, are
 173 herein called "Acquired Obligations"), bearing such interest and maturing as to principal
 174 and interest in such amounts and at such times which, together with any necessary
 175 beginning cash balance, will provide for the payment of:

176 (a) the interest on the Refunded Series E, Series F, Series G,
 177 Series H, Series I, Series J and Series V Bonds due and payable on
 178 January 1, 2002;

179 (b) the redemption price (100% of the principal amount)
 180 payable on January 1, 2002, of the Refunded Series E, Series F,
 181 Series G, Series H, Series I and Series J Bonds; and

182 (c) the redemption price (102% of the principal amount) payable
 183 on January 1, 2002, of the Refunded Series V Bonds.

184 Any beginning cash balance and the Acquired Obligations shall be irrevocably
 185 deposited with the Escrow Agent in an amount sufficient to defease the Refunded

186 Series E Bonds, the Refunded Series F Bonds, the Refunded Series G Bonds, the
187 Refunded Series H Bonds, the Refunded Series I Bonds, the Refunded Series J Bonds and
188 the Refunded Series V Bonds (collectively, the “Refunded Bonds”) in accordance with
189 this Section D. Any amounts described above that are not provided for in full by such
190 beginning cash balance and the purchase and deposit with the Escrow Agent of the
191 Acquired Obligations described in this section shall be provided for by the irrevocable
192 deposit of the necessary amount out of the proceeds of sale of the Bonds or any other
193 money of the county legally available therefor. The proceeds of the Bonds remaining in
194 the Refunding Account after acquisition of the Acquired Obligations and provision for
195 the necessary beginning cash balance shall be utilized to pay expenses of the acquisition
196 and safekeeping of the Acquired Obligations and the costs of issuing the Bonds. The
197 county may, from time to time, transfer, or cause to be transferred, from the Refunding
198 Account any money not thereafter required for the purposes set forth in subparagraphs (a)
199 through (c) above, subject to verification in writing by an independent certified public
200 accountant that such transfer will not result in inadequate funds being available to make
201 the required payments therefrom. The county reserves the right to substitute other
202 securities for the Acquired Obligations in the event it may do so pursuant to Section 148
203 of the Code and applicable regulations thereunder.

204 The selection of U.S. Bank Trust, N.A., as Escrow Agent is hereby ratified and
205 confirmed.

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

209 The county hereby irrevocably defeases and calls for redemption on January 1,
210 2002, the Refunded Bonds in accordance with the provisions of the resolutions
211 authorizing the redemption and retirement of the Refunded Bonds prior to their fixed
212 maturities.

213 Said defeasance and call for redemption of the Refunded Bonds shall be
214 irrevocable after the final establishment of the escrow account and delivery of the
215 Acquired Obligations and the requisite cash deposit, if any, to the Escrow Agent, except
216 as provided herein relating to the substitution of securities. The finance director is
217 authorized and requested to provide whatever assistance is necessary to accomplish such
218 defeasance.

219 The Escrow Agent is hereby authorized and directed to notify the fiscal agency of
220 the State of Washington to give notice of the redemption of the Refunded Bonds in
221 accordance with the applicable provisions of the resolutions authorizing their issuance.
222 The finance director is authorized and requested to provide whatever assistance is
223 necessary to accomplish such redemption and the giving of notice therefor. The costs of
224 publication of such notice shall be an expense of the county.

225 The Escrow Agent is hereby authorized and directed to pay to the fiscal agency or
226 agencies of the State of Washington sums sufficient to make, when due, the payments
227 specified in subparagraphs (a) through (c) above. All such sums shall be paid from the
228 money and Acquired Obligations deposited with said Escrow Agent pursuant to this
229 section, and the income therefrom and proceeds thereof. All such sums so paid shall be
230 credited to the Refunding Account. All money and Acquired Obligations deposited with
231 said Escrow Agent and any income therefrom shall be held, invested and applied in

232 accordance with the provisions of the Bond Ordinance and with the laws of the State of
233 Washington for the benefit of the county and the owners of the Refunded Bonds.

234 3. Findings of Defeasance. The council hereby finds that the
235 issuance and sale of the Refunding Bonds at this time will effect a savings to the county
236 and ratepayers of the System. In making such finding and determination, the council has
237 given consideration to the interest on and the fixed maturities of the Refunding Bonds
238 and the Refunded Bonds, the costs of issuance of the Refunding Bonds and the known
239 earned income from the investment of the proceeds of the sale of the Refunding Bonds
240 pending redemption and payment of the Refunded Bonds. This council also hereby finds
241 and determines that the Acquired Obligations to be deposited with the Escrow Agent and
242 the income therefrom, together with any necessary beginning cash balance, are sufficient
243 to defease and redeem the above-referenced Refunded Bonds and will discharge and
244 satisfy the obligations of the county with respect to such Refunded Bonds under the
245 ordinances authorizing their issuance and the pledges of the county therein. Immediately
246 upon the delivery of such Acquired Obligations to the Escrow Agent and the deposit of
247 any necessary beginning cash balance, such Refunded Bonds shall be deemed not to be
248 outstanding under their respective authorizing resolutions and ordinances and shall cease
249 to be entitled to any lien, benefit or security under such resolutions and ordinances except
250 the right to receive payment from the Acquired Obligations and beginning cash balance
251 so set aside and pledged.

252 E. 1990 SRF Loan. The county expects to use the proceeds of approximately
253 \$45,395,000 principal amount of the Refunding Bonds to prepay the entire outstanding
254 principal balance of the 1990 SRF Loan on February 1, 2002. If, prior to February 1,

255 2002, the State of Washington Department of Ecology agrees to terms of the 1990 SRF
256 Loan that are more favorable to the county, the county may choose not to apply such
257 Bond proceeds to prepayment of the 1990 SRF Loan. Instead, in accordance with federal
258 tax regulations regarding the allocation of the proceeds of tax exempt bonds, the finance
259 director may reallocate such Bond proceeds to pay costs of acquiring, constructing and
260 equipping improvements, additions or betterments to the System and deposit such funds
261 in the 2001 Construction Subaccount, in which case such Bonds shall be treated in all
262 respects as "Project Bonds" under the Bond Ordinance.

263 F. Municipal Bond Insurance. In accordance with the terms of the Purchase
264 Contract, the council hereby approves the commitment of Financial Guaranty Insurance
265 Corporation (the "Insurer") to provide a bond insurance policy guaranteeing the payment
266 when due of principal of and interest on certain of the Bonds (the "Bond Insurance
267 Policy"). The finance director shall execute the Insurer's commitment to provide the
268 Bond Insurance Policy. The council further authorizes and directs the finance director
269 and all other proper officers, agents, attorneys and employees of the county to cooperate
270 with the Insurer in preparing such additional agreements, certificates, and other
271 documentation on behalf of the county as shall be necessary or advisable in providing for
272 the Bond Insurance Policy.

273 G. Reserve Account. In accordance with Section 14.B of the Bond
274 Ordinance, \$7,496,832.51 of the proceeds of the Bonds shall be deposited in the Reserve
275 Account to satisfy the reserve requirement with respect to the Bonds.

276 H. Further Authority. The county officials, their agents, and representatives
277 are hereby authorized and directed to do everything necessary for the prompt issuance

278 and delivery of the Bonds and for the proper use and application of the proceeds of such
279 sale.

280 I. Severability. If any provision in this motion is declared by any court of
281 competent jurisdiction to be contrary to law, then such provision shall be null and void
282 and shall be deemed separable from the remaining provisions of this motion and shall in
283 no way affect the validity of the other provisions of this motion or of the Bonds.

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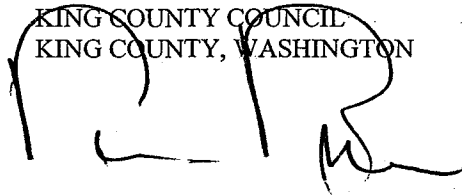
Motion 11330 was introduced on 9/10/01 and passed as amended by the Metropolitan King County Council on 11/13/01, by the following vote:

Yes: 12 - Mr. von Reichbauer, Ms. Miller, Ms. Fimia, Mr. Phillips, Mr. Pelz, Mr. McKenna, Ms. Sullivan, Mr. Nickels, Mr. Pullen, Mr. Gossett, Ms. Hague and Mr. Thomas

No: 0

Excused: 1 - Mr. Irons

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Pete von Reichbauer, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments A. Bond Purchase Contract

ATTACHMENT A.

\$270,060,000
KING COUNTY, WASHINGTON
Sewer Revenue and Refunding Bonds, 2001

BOND PURCHASE CONTRACT

November 13, 2001

King County, Washington

Ladies and Gentlemen:

Lehman Brothers Inc. (the "Representative"), acting on behalf of itself, Morgan Stanley, UBS PaineWebber Inc. and Siebert Brandford Shank & Co., LLC, as underwriters (collectively, referred to herein as the "Underwriters"), hereby offers to enter into this bond purchase contract (the "Contract") with King County, Washington (the "County"), 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 referred to in paragraph 5(f) hereof and to the County's acceptance by executing this Contract and delivering it to the Representative at or prior to 11 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 set forth in the Official Statement and in the Bond Ordinance (defined below), unless otherwise defined herein.

The County and the Representative hereby agree as follows:

1. Purchase and Sale of Bonds. Subject to the terms and conditions and in reliance upon the representations, warranties and covenants hereinafter set forth, the Underwriters hereby agree to purchase from the County, and the County hereby agrees to sell to the Underwriters, all (but not less than all) of the \$270,060,000 aggregate principal amount of the County's Sewer Revenue and Refunding Bonds, 2001 (the "Bonds"), at the Closing (as hereafter defined). The purchase price for the Bonds shall be \$272,976,506.23 (the "Purchase Price"), representing the par amount of the Bonds plus a net original issue premium of \$3,644,858.05 and less an underwriting discount of \$728,351.82. The Bonds shall be dated the date of Closing and shall be fully registered as to both principal and interest. The Bonds 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 Bond Ordinance, the Official Statement (as hereafter defined) and in Exhibit A to this Contract.

2. 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 Representative (a) a copy of Ordinance No. 14225 and a motion of the County Council adopted on the date hereof approving this Contract and the final terms and conditions of the Bonds (collectively, the "Bond Ordinance"), authorizing the issuance and sale of the Bonds, certified by the Clerk of the County Council to have been duly passed by the County and to be in full force and effect as of the date hereof; and (b) an electronic copy of the County's Preliminary Official Statement, dated November 2, 2001, relating to the Bonds, which the County has "deemed final" except as to those items allowed to be omitted under subsection (b) of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"); 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 have been approved by the Representative as of the date hereof, as hereinafter referred to as the "Official Statement" executed by the Finance Director.

As soon as possible, but in any event no more than seven business days after the time of the County's acceptance hereof and in sufficient time to accommodate any order requesting payment from a customer, it shall deliver to the Representative as many copies of the Official Statement (in the form of the Preliminary Official Statement, with such changes thereto as have been approved by the Representative) 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, 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"). In no event shall the County deliver to the Representative fewer than four copies of the Official Statement. The County hereby ratifies, approves and confirms the distribution and use of the Official Statement by the Representative in connection with the public offering and sale of the Bonds (and of the Preliminary Official Statement prior to the availability of the Official Statement).

If, between the date of this Contract and 25 days after the "end of the underwriting period," as the term is used 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 date of Closing unless the County is informed otherwise in writing by the Representative. 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.

3. Closing. Subject to the terms and conditions hereof, the delivery of the Bonds and payment of the Purchase Price (the "Closing") shall take place at approximately 8:00 a.m. and in no event later than 10:00 a.m., Pacific Time, on November 28, 2001, or on such other day as shall be agreed to by the Representative and the County, which date shall be referred to herein as the "Closing Date," at the King County Department of Finance. At the Closing:

(a) The County shall deliver to The Depository Trust Company ("DTC") (or to the Bond Registrar on behalf of DTC), or to the Representative, as applicable (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) 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 Representative).

(c) The Bonds initially shall be held in fully immobilized form by DTC acting as depository pursuant to the terms and conditions set forth in the County's Blanket 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 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 Bonds delivered hereunder shall bear proper CUSIP numbers to be obtained by the Representative (provided, however, that neither the printing of a wrong CUSIP number on any Bond nor the failure to print the CUSIP number thereon shall constitute cause to refuse delivery of any Bond).

4. Representations and Warranties of the County. The County hereby represents and warrants to the Representative, and (as appropriate) covenants to the Representative, 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 acquire, construct, operate, maintain, improve, extend and finance the Sewer System; (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, by and between the County and U.S. Bank Trust National Association, as Escrow Agent (the "Escrow Agreement"); (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 hereby and by the Bond Ordinance, the Bonds, the Escrow Agreement, this Contract, and the Official Statement. The execution, delivery and performance of this Contract, the Escrow Agreement and the Bonds, and the adoption of the Bond Ordinance and the issuance of the Bonds thereunder, the execution and delivery by the County and the use by the Representative 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, the Bonds, this Contract, the Escrow Agreement and the Official Statement have been duly authorized by all necessary action on the part of the County.

(b) This Contract, the Escrow Agreement, the Official Statement and the Bonds (when delivered and paid for at the Closing) have been or at 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. The performance by the County of its obligations contained in this Contract, the Escrow Agreement, the Bond Ordinance, the Bonds and the Official Statement 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 adopted by the County, is in full force and effect and is valid and binding upon the County and enforceable in accordance with its terms. 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.

(c) To the best of its knowledge, 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, nor has any event occurred and not been cured which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default.

(d) The adoption of the Bond Ordinance, the execution, delivery and performance of this Contract, the Escrow Agreement, the issuance and sale of the Bonds and the consummation of the transactions contemplated hereby and by the Bonds, the Bond Ordinance, this Contract, 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.

(e) 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 the Bonds, the Bond Ordinance, the Escrow Agreement or this Contract; (ii) the County's pledge under the Bond Ordinance of (A) the Revenue of the System, (B) the

money and investments credited to the County's Revenue Fund (and to the extent required, funds on deposit in any reserve created in the Revenue Fund) and (C) the Bond Fund, and proceeds of the sale of the 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 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 the Bond Ordinance, the Escrow Agreement or this Contract; to the best knowledge of the County, 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 the Bond Ordinance, the Escrow Agreement or this Contract.

(f) Other than as described in the Official Statement (i) there is no indebtedness with a lien and charge on Revenue of the System prior to that of the Bonds; (ii) the County has not entered into any contract or arrangement of any kind that might give rise to any indebtedness with a lien and charge on Revenue of the System prior to that of the Bonds; and (iii) there is no existing, pending, threatened or anticipated event or circumstance that might give rise to any indebtedness with a lien and charge on Revenue of the System prior to that of the Bonds.

(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 (except that no representation or warranty is given regarding the information set forth in the Official Statement under the captions "THE BONDS-Book-Entry Transfer System," "LEGAL AND TAX INFORMATION" (except for the subcaptions entitled "Litigation" and "Ongoing Disclosure Undertaking"), "APPENDIX B-FORM OF BOND COUNSEL OPINION," "APPENDIX E-BOOK-ENTRY TRANSFER SYSTEM" and "APPENDIX F-SPECIMEN FORM OF BOND INSURANCE POLICY").

(h) Between the date of this Contract and the Closing, the County will not, without the prior written consent of the Representative, issue any bonds, notes or other obligations for borrowed money the repayment of which may be made out of Revenue of the System or is backed by a pledge of or lien on Revenue of the System, and the County will not incur any material liabilities, direct or contingent, that will have a material adverse effect on the financial condition of the Sewer System, except as disclosed in the Official Statement, 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) The County has never failed to comply with any continuing disclosure undertaking made with respect to 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

hereunder, or under the Escrow Agreement, the 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).

(k) Any certificates signed by any authorized member, officer or representative 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 the Bond Ordinance, this Contract, 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 and other financial information contained in the Official Statement fairly present the financial position of the County and 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, 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 or the Sewer System from those set forth in the Official Statement.

(n) The County will apply the proceeds of the Bonds in accordance with the Bond Ordinance and the Escrow Agreement as contemplated by the Official Statement.

(o) The County has performed all actions necessary to be performed in order to enable the County to issue and deliver the Bonds and to carry out the other obligations of the County set forth in this Contract and the Escrow Agreement.

5. Conditions to Obligations of 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 Escrow Agreement and the Bond Ordinance 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 Escrow Agreement and the Bond Ordinance 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 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 (except that no representation or warranty is given regarding the information set forth in the Official Statement under the captions "THE BONDS-Book-Entry Transfer System," "LEGAL AND TAX INFORMATION" (except for the subcaption entitled "Litigation" and "Ongoing Disclosure Undertaking"), "APPENDIX B-FORM OF BOND COUNSEL OPINION," "APPENDIX E-BOOK-ENTRY TRANSFER SYSTEM" and "APPENDIX F-SPECIMEN OF BOND INSURANCE POLICY").

(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 and the County Sewer System, financial or otherwise, shall have taken place (other than as referred to in or contemplated by the Official Statement), and if prior to the Closing such an event occurs the County shall promptly notify the Representative, and if in the opinion of the Representative and its counsel such event requires a supplement or amendment to the Official Statement, the County will supplement or amend the Official Statement at its expense, in a form and in a manner approved by the Representative and Foster Pepper & 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 Representative in writing, the Representative shall receive the following documents:

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

(ii) An opinion of Preston Gates & Ellis LLP, bond counsel to the County, 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 to adopt the Bond Ordinance, to enter into this Contract and the Escrow Agreement, to issue, sell and deliver the Bonds, to perform its obligations under the Bond Ordinance, the Escrow Agreement and this Contract, and to carry out the transactions contemplated thereby; (B) the County has duly adopted the Bond Ordinance, has duly approved, authorized and executed this Contract and the Escrow Agreement, and, assuming due execution and delivery of those documents, they 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 laws affecting creditors' rights, except that no opinion need be expressed with respect to any provisions of this Contract providing for indemnification; (C) the Bonds have been duly authorized, executed and delivered, constitute legal, valid and binding obligations of the County in accordance with their terms, except to the extent that enforceability is subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights 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 which it purports to create and secures and/or supports the payment of the principal of, redemption premium, if any, on and interest on the Bonds, subject to the provisions of the Bond Ordinance; (E) the County has duly authorized the Finance Director to approve and execute the Official Statement; (F) no consent or approval of, or registration or filing with, any commission, board, authority, reimbursement body or instrumentality of the State of Washington is or was required in connection with any of the actions of the County described in the preceding clauses hereof, 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, that no opinion is to be provided with respect to compliance with any blue sky laws; (G) the Bonds 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"); (H) as a consequence of the irrevocable deposit of the Government Obligations (as defined in the Escrow Agreement) and the beginning cash balance specified by the Escrow Agreement in trust with the Escrow Agent pursuant to the Escrow Agreement, the Refunded Bonds are no longer to be considered outstanding under the respective ordinances pursuant to which they were issued; and (I) the statements contained in the Official Statement under the captions "THE BONDS," "USE OF PROCEEDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "INITIATIVE AND REFERENDUM," "LEGAL AND TAX INFORMATION (except under the caption "Litigation")," and "APPENDIX A-SUMMARY OF BOND ORDINANCE" insofar as such statements contained under such captions purport to summarize certain provisions of the Bonds and the Bond Ordinance 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 advisors to the County and Underwriters' counsel during which conferences the contents of such 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 which caused such counsel to believe that the Official Statement as of its date (except for information concerning "THE BONDS-Book-Entry Transfer

System,” “APPENDIX E-BOOK-ENTRY TRANSFER SYSTEM” and “APPENDIX F-SPECIMEN OF BOND INSURANCE POLICY” and any references to such information set forth therein in the Official Statement, and other 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 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, dated the Closing Date and addressed to the Underwriters, of Foster Pepper & Shefelman LLP, counsel for the Underwriters, to the effect that (A) the offer and sale of the Bonds are exempt from the registration requirements of the Securities Act; (B) the Bond Ordinance is exempt from qualification under the Trust Indenture Act; (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 counsel for the Underwriters, acknowledging that they were not engaged to undertake an examination of information of such scope as may be necessary to qualify for a “due diligence” defense to federal or state securities laws (and their conclusions may be so qualified), 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, no information came to the attention of the attorneys in their firm serving as Underwriters’ counsel in connection with the issuance of the Bonds that caused such attorneys to believe that the Official Statement as of its date and the Closing Date contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial, economic or statistical data contained in the Official Statement, or as to the information set forth in the Official Statement under the captions “THE BONDS-Book-Entry Transfer System,” “LEGAL AND TAX INFORMATION,” “APPENDIX E-BOOK-ENTRY TRANSFER SYSTEM” and “APPENDIX F-FORM OF BOND INSURANCE POLICY”), and with respect to such other matters as the Representative may require; and (D) the County’s Undertaking to the Underwriters regarding continuing disclosure, which is contained in the Bond Ordinance, provides a suitable basis for the Underwriters to reasonably determine, pursuant to paragraph (b)(5)(i) of the Securities and Exchange Commission’s Rule 15c2-12(b)(5) (the “Continuing Disclosure 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 Continuing Disclosure Rule. In rendering the opinion, Underwriters’ counsel may rely upon the unqualified approving opinion of Preston Gates & Ellis LLP, to the extent that such opinion addresses the validity of the Bonds, the Bond Ordinance and the governmental status of the County, and may assume that the County’s undertaking to provide continuing disclosure is a legal, valid and binding obligation

of the County enforceable in accordance with its terms, and that that the Underwriters have a reasonable basis for relying on the County's assurances contained in such undertaking.

(iv) 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) to the best of his or her knowledge, after due inquiry, the County is not in breach of or in default under any applicable constitutional provision, or any other law or administrative rule or regulation of the State of Washington or the United States or applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, ordinance, agreement or other instrument known to such counsel, to which the County and any of its property or assets relating to the Sewer System is otherwise subject; (B) there is no litigation pending or threatened affecting the issuance and delivery of the Bonds, the collection of the sewer revenues pledged to pay the principal thereof and interest thereon, or in any manner questioning or contesting the proceedings and authority under which the Bonds are issued, the validity of the Bonds, the corporate existence or boundaries of the County, or the title of the present officers to their respective offices, which litigation would prevent the payment by the County of the principal of or interest on the Bonds, when due; (C) 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; (D) to the best of such counsel's knowledge, after due inquiry, neither the execution nor delivery by the County of this Contract, the Escrow Agreement, nor the 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 law in force on the date of such opinion, or any regulation, writ, injunction or decree of any court or government instrumentality; or (ii) a material breach under the terms or provisions of any permit, license, resolution, ordinance, agreement or other instrument to which the County is a party or by which the County is bound; (E) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (F) that the County Council has the sole authority to fix the rates and charges of the Sewer System and that there is no agency, state or federal, with jurisdiction to fix the rates and charges of the Sewer System.

(v) Two (2) copies of a transcript of all proceedings relating to the authorization and issuance of the Bonds, certified by the Clerk of the County Council, including without limitation a copy of the Bond Ordinance, certified by the Clerk of the County Council being in full force and effect, with only such changes and amendments as may have been agreed to by the Representative. Lehman: The transcripts shall be in CD-ROM form, one delivered to the Representative's Seattle office and the other to the Representative's New York office, attention: Carmine Padovano, Lehman Brothers, 399 Park Avenue, Sixth Floor, New York, NY 10022, (212) 526-3358. In addition, a copy of the transcript in CD-ROM form shall be delivered to counsel to the Underwriters and to Morgan Stanley, UBS PaineWebber Inc. and Siebert Brandford Shank & Co., LLC.

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

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

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

(ix) The County shall have furnished evidence satisfactory to the Representative that without regard to credit enhancement the Bonds have been rated A-1 (Aaa for those Bonds that are insured) by Moody's Investors Service, Inc. and AA- by Standard & Poor's (AAA for those Bonds that are insured).

(x) A certificate or certificates of the County executed by an authorized officer or officers of the County, relying on the opinion of Bond Counsel when applicable, 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 "THE BONDS-Book-Entry Transfer System", "LEGAL AND TAX INFORMATION" (except under the subcaption "Litigation" and "Ongoing Disclosure Undertaking"), "APPENDIX E-BOOK-ENTRY TRANSFER SYSTEM" and "APPENDIX F-FORM OF BOND INSURANCE POLICY;" (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 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 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 contain any untrue statement of a material fact or omits or fails to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (however, no warranty or representation need be made with respect to the information contained under the captions entitled "THE BONDS - Book-Entry Transfer System," "LEGAL AND TAX INFORMATION" (except under the subcaption "Litigation" and "Ongoing Disclosure Undertaking") and "APPENDIX E - 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, the Escrow Agreement and the Bond Ordinance on its part to be performed or satisfied at or prior to the delivery of the Bonds.

(xi) A copy of a Municipal Bond New Issue Insurance Policy (the "Bond Insurance Policy") with respect to the Bonds (except the 2002 maturity) from Financial Guaranty Insurance Company (the "Bond Insurer") and an opinion of general counsel to the Bond Insurer that the Bond Insurance Policy are valid and binding upon the Bond Insurer and enforceable in accordance with their terms, subject to applicable laws affecting creditors' rights generally.

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

(xiii) Such additional legal opinions, certificates, instruments and other documents as the Representative may reasonably request to evidence the accuracy, as of the date hereof and as of the Closing Date, 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 Date of all agreements then to be performed and all conditions then to be satisfied by the County.

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

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

(a) The marketability of the Bonds or the market price thereof, in the reasonable opinion of the Representative, has been materially adversely affected by (i) an amendment to the Constitution of the United States of America or by any legislation which shall have been introduced in or enacted by the Congress of the United States; (ii) legislation pending in the Congress of the United States; or (iii) legislation (including any amendment thereto, whether or not in formal bill form) recommended to the Congress of the United States or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal

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

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

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

(d) The New York Stock Exchange or other national securities exchange, the 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 Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the offering, sale and distribution, or extension of credit in connection with the purchase of the Bonds or such obligations by, or the charge to the net capital requirements of, the Underwriters.

(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 Bonds, or the Bonds, are not exempt from the registration requirements of the Securities Act, or that the Bond Ordinance is not exempt from qualification under the Trust Indenture Act.

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

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

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

8. Payment of Costs.

(a) Whether or not the Bonds are issued as contemplated by this Contract, the Underwriters shall be under no obligation to pay, and the County hereby agrees to pay, any expenses incident to the performance of the County's obligations hereunder, including but not limited to (i) the costs of the preparation and printing of the Bonds and the Bond Ordinance, 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 Preston Gates & Ellis LLP, Bond Counsel to the County; (iii) the fees and disbursements of other counsel to the County; (iv) the fees of agencies rating the 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, the fees of the financial advisors to the County and fees of the Escrow Agent; and (vii) any other expenses and costs, including premiums for insurance, if any, of the County incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriters.

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

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

10. Notices. Any notice or other communication to be given to the County under this Contract may be given by delivering the same in writing to the County, Office of the Director of Finance, 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 Lehman Brothers Inc., 701 Fifth Avenue, Suite 7101, Seattle, WA 98104-7016, Attention: Richard King.

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

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

13. Effectiveness of Contract. This Contract shall become effective upon the ratification and approval by the County Council and execution hereof by an authorized officer of the County and the execution of the acceptance hereof by the Representative and shall be valid and enforceable as of the time of such ratification, 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 or in the United States District Court for Western District of Washington, Seattle, Washington.

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

Very truly yours,

LEHMAN BROTHERS INC.,
MORGAN STANLEY,
UBS PAINWEBBER INC., and
SIEBERT BRANDFORD SHANK & CO.,
LLC, as Underwriters

By LEHMAN BROTHERS INC.
as Representative

By: _____
Authorized Representative

Accepted on: November 13, 2001

KING COUNTY, WASHINGTON

By: _____
Authorized Representative

BOND PRICING

**King County, Washington
Sewer Revenue and Refunding Bonds, 2001**

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Call Date	Call Price	Premium (-Discount)	Takedown
Uninsured Serial Bond:									
	01/01/2002	3,770,000	3.000%	2.000%	100.089	-	-	3,355.30	2.500
Serial Bonds:									
	01/01/2003	8,210,000	5.000%	2.160%	103.045	-	-	249,994.50	2.500
	01/01/2004	8,600,000	5.000%	2.540%	104.978	-	-	428,108.00	2.500
	01/01/2005	7,880,000	5.000%	2.890%	106.195	-	-	488,166.00	2.500
	01/01/2006	8,590,000	5.000%	3.130%	107.126	-	-	612,123.40	2.500
	01/01/2007	3,085,000	3.500%	3.370%	100.601	-	-	18,540.85	2.500
	01/01/2008	3,195,000	5.000%	3.590%	107.650	-	-	244,417.50	2.500
	01/01/2009	3,355,000	5.250%	3.750%	109.261	-	-	310,706.55	2.500
	01/01/2010	3,530,000	5.500%	3.860%	111.301	-	-	398,925.30	2.500
	01/01/2011	3,725,000	5.250%	3.960%	109.765	-	-	363,746.25	2.500
	01/01/2012	3,915,000	5.250%	4.100%	109.422	-	-	368,871.30	2.500
	01/01/2013	4,125,000	5.250%	4.220%	108.389	C 01/01/2012	100.000	346,046.25	2.500
	01/01/2014	4,340,000	5.250%	4.320%	107.538	C 01/01/2012	100.000	327,149.20	2.500
	01/01/2015	4,570,000	5.250%	4.410%	106.778	C 01/01/2012	100.000	309,754.60	2.500
	01/01/2016	4,805,000	5.250%	4.490%	106.108	C 01/01/2012	100.000	293,489.40	2.500
	01/01/2017	7,485,000	5.250%	4.580%	105.361	C 01/01/2012	100.000	401,270.85	2.500
	01/01/2018	7,870,000	5.250%	4.670%	104.620	C 01/01/2012	100.000	363,594.00	2.500
	01/01/2019	8,280,000	5.250%	4.740%	104.048	C 01/01/2012	100.000	335,174.40	2.500
	01/01/2020	8,710,000	5.125%	4.860%	102.089	C 01/01/2012	100.000	181,951.90	2.500
	01/01/2021	9,145,000	5.000%	4.970%	100.231	C 01/01/2012	100.000	21,124.95	2.500
	01/01/2022	9,605,000	5.000%	5.000%	100.000	-	-	-	2.500
	01/01/2023	10,080,000	5.000%	5.020%	99.736	-	-	(26,611.20)	2.500
		133,100,000						6,036,544.00	
Term Bonds due January 1, 2031:									
	01/01/2024	10,580,000	5.000%	5.110%	98.338	-	-	(175,839.60)	2.500
	01/01/2025	11,095,000	5.000%	5.110%	98.338	-	-	(184,398.90)	2.500
	01/01/2026	11,635,000	5.000%	5.110%	98.338	-	-	(193,373.70)	2.500
	01/01/2027	12,225,000	5.000%	5.110%	98.338	-	-	(203,179.50)	2.500
	01/01/2028	12,820,000	5.000%	5.110%	98.338	-	-	(213,068.40)	2.500
	01/01/2029	13,460,000	5.000%	5.110%	98.338	-	-	(223,705.20)	2.500
	01/01/2030	14,110,000	5.000%	5.110%	98.338	-	-	(234,508.20)	2.500
	01/01/2031	14,810,000	5.000%	5.110%	98.338	-	-	(246,142.20)	2.500
		100,735,000						(1,674,215.70)	
Term Bonds due January 1, 2035:									
	01/01/2032	15,545,000	5.000%	5.140%	97.779	-	-	(345,254.45)	2.500
	01/01/2033	5,365,000	5.000%	5.140%	97.779	-	-	(119,156.65)	2.500
	01/01/2034	5,630,000	5.000%	5.140%	97.779	-	-	(125,042.30)	2.500
	01/01/2035	5,915,000	5.000%	5.140%	97.779	-	-	(131,372.15)	2.500
		32,455,000						(720,825.55)	
		270,060,000						3,644,858.05	

Dated Date	11/28/2001	
Delivery Date	11/28/2001	
First Coupon	01/01/2002	
Par Amount	270,060,000.00	
Premium	3,644,858.05	
Production	273,704,858.05	101.349648%
Underwriter's Discount	(728,351.82)	(0.269700)
Purchase Price	272,976,506.23	101.079948%
Accrued Interest	-	
Net Proceeds	272,976,506.23	

EXHIBIT A-2
REDEMPTION PROVISIONS

Optional Redemption. The Bonds maturing on and after January 1, 2013, may be redeemed in whole or in part at any time at the option of the County on or after January 1, 2012 at a price of par plus accrued interest to the date of redemption.

If less than all of the Bonds subject to optional redemption are called for redemption, the County may choose the maturities to be redeemed. If less than all of a maturity is called for redemption, the Bonds to be redeemed will be chosen by lot by the Bond Registrar. So long as the Bonds are registered in the name of Cede & Co. or its registered assign, the Bonds to be redeemed will be chosen by lot by DTC.

Mandatory Redemption. If not previously redeemed as described above, the Term Bonds will be called for redemption (in such manner as DTC will determine) at a price of par, plus accrued interest on the date of redemption, on January 1 in the years and amounts as shown on the Bond Pricing Schedule.