



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

July 30, 2002

Motion 11489

Proposed No. 2002-0223.2

Sponsors Phillips

1 A MOTION of the county council approving the
2 purchase contracts for the county's Sewer Revenue
3 Bonds, Series 2002A, in the aggregate principal
4 amount of \$100,000,000, and Sewer Revenue
5 Refunding Bonds, Series 2002B, in the aggregate
6 principal amount of \$346,130,000 and establishing
7 certain terms of such bonds and a plan of refunding;
8 all in accordance with Ordinance 14406.

9
10
11 WHEREAS, the county council by Ordinance 14406 passed on July 8, 2002 (the
12 "Bond Ordinance"), authorized the issuance and sale of not to exceed \$550,000,000
13 principal amount of sewer revenue bonds of the county to refund certain outstanding
14 sewer revenue bonds (the "Refunding Bonds") and not to exceed \$175,000,000 principal
15 amount of sewer revenue bonds of the county to finance the construction of
16 improvements to the county's sewer system (the "Project Bonds" and, together with the
17 Refunding Bonds, the "Bonds"); and

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

21 WHEREAS, the Finance Manager has determined that a series of Refunding
22 Bonds in the aggregate principal amount of \$346,130,000 and a series of Project Bonds in
23 the aggregate principal amount of \$100,000,000 be sold by negotiated sale as provided
24 herein; and

25 WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement
26 dated July 18, 2002, has been prepared for the sale of such series of the Bonds, and the
27 Finance Manager has negotiated the sale of the series of Project Bonds to Morgan Stanley
28 & Co. Incorporated, Salomon Smith Barney Inc. and Siebert Brandford Shank & Co.,
29 LLC and the sale of the series of Refunding Bonds to Morgan Stanley & Co.
30 Incorporated, UBS PaineWebber, Inc., Salomon Smith Barney Inc., Lehman Brothers
31 Inc. and Siebert Brandford Shank & Co., LLC (together with the purchasers of the
32 Project Bonds, the "Underwriters"); and

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

36 WHEREAS, in accordance with the Bond Ordinance, the council wishes to
37 authorize and approve the final plan of refunding certain outstanding sewer revenue
38 bonds of the county from proceeds of the series of Refunding 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
41 in this motion have the meanings set forth in the Bond Ordinance.

42 B. Approval of Bond Purchase Contracts and Authorization of Bonds. The
43 issuance of the series of Project Bonds, designated as the King County, Washington,
44 Sewer Revenue Bonds, Series 2002A, in the aggregate principal amount of \$100,000,000
45 (the "Series A Bonds") and the terms and conditions thereof as set forth in the Bond
46 Purchase Contract attached hereto as Attachment A (the "Series A Purchase Contract") is
47 hereby ratified and confirmed, and the Series A Purchase Contract is hereby approved.
48 The Series A Bonds shall bear interest at the rates set forth in the Series A Purchase
49 Contract and shall conform in all other respects to the terms and conditions specified in
50 the Series A Purchase Contract and Bond Ordinance. The Series A Bonds shall be
51 subject to optional and mandatory redemption as set forth in the Series A Purchase
52 Contract.

53 The issuance of the series of Refunding Bonds, designated as the King County,
54 Washington, Sewer Revenue Refunding Bonds, Series 2002B, in the aggregate principal
55 amount of \$346,130,000 (the "Series B Bonds") and the terms and conditions thereof as
56 set forth in the Bond Purchase Contract attached hereto as Attachment B (the "Series B
57 Purchase Contract") is hereby ratified and confirmed, and the Series B Purchase Contract
58 is hereby approved. The Series B Bonds shall bear interest at the rates set forth in the
59 Series B Purchase Contract and shall conform in all other respects to the terms and
60 conditions specified in the Series B Purchase Contract and Bond Ordinance. The
61 Series B Bonds shall be subject to optional and mandatory redemption as set forth in the
62 Series B Purchase Contract.

63 C. Refunding and Redemption of Refunded Bonds.

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

69 Refunded Series X Bonds

70	Maturity	Principal	Interest	Call Date
71	<u>(January 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>(at 102%)</u>
72				
73				
74	1/1/2003	\$2,500,000	4.800%	
75	1/1/2004	2,615,000	4.900	1/1/2003
76	1/1/2005	955,000	5.000	1/1/2003
77	1/1/2006	5,470,000	5.100	1/1/2003
78	1/1/2007	8,465,000	5.200	1/1/2003
79	1/1/2008	9,005,000	5.300	1/1/2003
80	1/1/2009	9,605,000	5.375	1/1/2003
81	1/1/2010	10,255,000	5.400	1/1/2003
82	1/1/2011	10,960,000	5.400	1/1/2003
83	1/1/2012	13,780,000	5.400	1/1/2003
84	1/1/2013	9,820,000	5.400	1/1/2003
85	1/1/2014	17,255,000	5.400	1/1/2003

Motion 11489

86	1/1/2015	5,080,000	5.400	1/1/2003
87	1/1/2016	23,850,000	5.500	1/1/2003
88				
89		<u>Refunded Series Y Bonds</u>		
90	Maturity	Principal	Interest	Call Date
91	<u>(January 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>(at 102%)</u>
92	1/1/2003	\$4,110,000	5.200%	
93	1/1/2004	4,380,000	5.250	1/1/2003
94	1/1/2005	4,690,000	5.400	1/1/2003
95	1/1/2006	1,970,000	5.400	1/1/2003
96	1/1/2007	2,070,000	5.500	1/1/2003
97	1/1/2008	2,180,000	5.600	1/1/2003
98	1/1/2009	2,305,000	5.600	1/1/2003
99	1/1/2010	11,820,000	5.700	1/1/2003
100	1/1/2011	12,385,000	5.700	1/1/2003
101	1/1/2012	10,905,000	5.700	1/1/2003
102	1/1/2013	16,245,000	5.700	1/1/2003
103	1/1/2014	8,020,000	5.700	1/1/2003
104	1/1/2015	21,560,000	5.700	1/1/2003
105	1/1/2016	4,515,000	5.700	1/1/2003
106				

	<u>Refunded Series Z Bonds</u>			
	<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Call Date</u>
	<u>(January 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>(at 102%)</u>
107				
110	1/1/2003	\$2,750,000	4.800%	
111	1/1/2004	2,920,000	4.900	1/1/2003
112	1/1/2005	3,975,000	5.000	1/1/2003
113	1/1/2006	4,195,000	5.000	1/1/2003
114	1/1/2007	8,710,000	5.125	1/1/2003
115	1/1/2008	9,095,000	5.250	1/1/2003
116	1/1/2009	9,510,000	5.300	1/1/2003
117	1/1/2010	280,000	5.300	1/1/2003
118	1/1/2011	275,000	5.300	1/1/2003
119	1/1/2012	285,000	5.400	1/1/2003
120	1/1/2013	270,000	5.400	1/1/2003
121	1/1/2014	280,000	5.400	1/1/2003
122	1/1/2015	300,000	5.400	1/1/2003
123	1/1/2016	2,915,000	5.450	1/1/2003
124	1/1/2017	3,095,000	5.450	1/1/2003
125	1/1/2018	3,290,000	5.450	1/1/2003
126	1/1/2019	3,490,000	5.450	1/1/2003
127	1/1/2020	3,700,000	5.450	1/1/2003
128	1/1/2021	3,935,000	5.450	1/1/2003
129	1/1/2022	4,165,000	5.450	1/1/2003

152 Any beginning cash balance and the Acquired Obligations shall be irrevocably
153 deposited with the Escrow Agent in an amount sufficient to defease the Refunded Bonds
154 in accordance with this Section C. Any amounts described above that are not provided
155 for in full by such beginning cash balance and the purchase and deposit with the Escrow
156 Agent of the Acquired Obligations described in this section shall be provided for by the
157 irrevocable deposit of the necessary amount out of the proceeds of sale of the Series B
158 Bonds or any other money of the county legally available therefor. The proceeds of the
159 Series B Bonds remaining in the Refunding Account after acquisition of the Acquired
160 Obligations and provision for the necessary beginning cash balance shall be utilized to
161 pay expenses of the acquisition and safekeeping of the Acquired Obligations and the
162 costs of issuing the Series B Bonds. The county may, from time to time, transfer, or
163 cause to be transferred, from the Refunding Account any money not thereafter required
164 for the purposes set forth in subparagraphs (a) and (b) above, subject to verification in
165 writing by an independent certified public accountant that such transfer will not result in
166 inadequate funds being available to make the required payments therefrom. The county
167 reserves the right to substitute other securities for the Acquired Obligations in the event it
168 may do so pursuant to Section 148 of the Code and applicable regulations thereunder,
169 upon compliance with the conditions set forth in the Escrow Agreement.

170 The selection of U.S. Bank, N.A., as Escrow Agent is hereby ratified and
171 confirmed.

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

175 The county hereby irrevocably defeases and calls for redemption on January 1,
176 2003, the Refunded Bonds in accordance with the provisions of the resolutions
177 authorizing the redemption and retirement of the Refunded Bonds prior to their fixed
178 maturities.

179 Said defeasance and call for redemption of the Refunded Bonds shall be
180 irrevocable after the final establishment of the Refunding Account and delivery of the
181 Acquired Obligations and the requisite cash deposit, if any, to the Escrow Agent, except
182 as provided herein relating to the substitution of securities. The Finance Manager is
183 authorized and requested to provide whatever assistance is necessary to accomplish such
184 defeasance.

185 The Escrow Agent is hereby authorized and directed to notify the fiscal agency of
186 the State of Washington to give notice of the redemption of the Refunded Bonds in
187 accordance with the applicable provisions of the resolutions authorizing their issuance.
188 The Finance Manager is authorized and requested to provide whatever assistance is
189 necessary to accomplish such redemption and the giving of notice therefor. The costs of
190 publication of such notice shall be an expense of the county.

191 The Escrow Agent is hereby authorized and directed to pay to the fiscal agency or
192 agencies of the State of Washington sums sufficient to make, when due, the payments
193 specified in subparagraphs (a) and (b) above. All such sums shall be paid from the
194 money and Acquired Obligations deposited with said Escrow Agent pursuant to this
195 section, and the income therefrom and proceeds thereof. All such sums so paid shall be
196 credited to the Refunding Account. All money and Acquired Obligations deposited with
197 said Escrow Agent and any income therefrom shall be held, invested and applied in

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

200 3. Findings of Saving and Defeasance. This council hereby finds and
201 determines that the issuance and sale of the Series B Bonds at this time will effect a
202 savings to the county and ratepayers of the System. In making such finding and
203 determination, the council has given consideration to the interest on and the fixed
204 maturities of the Series B Bonds and the Refunded Bonds, the costs of issuance of the
205 Series B Bonds and the known earned income from the investment of the proceeds of sale
206 of the Series B Bonds pending redemption and payment of the Refunded Bonds.

207 This council hereby further finds and determines that the Acquired Obligations to
208 be deposited with the Escrow Agent and the income therefrom, together with any
209 necessary beginning cash balance, are sufficient to defease and redeem the above-
210 referenced Refunded Bonds and will discharge and satisfy the obligations of the county
211 with respect to such Refunded Bonds under the resolutions authorizing their issuance and
212 the pledges of the county therein. Immediately upon the delivery of such Acquired
213 Obligations to the Escrow Agent and the deposit of any necessary beginning cash
214 balance, such Refunded Bonds shall be deemed not to be outstanding under their
215 respective authorizing resolutions and shall cease to be entitled to any lien, benefit or
216 security under such resolutions except the right to receive payment from the Acquired
217 Obligations and beginning cash balance so set aside and pledged.

218 D. Application of Series A Bond Proceeds. In accordance with Section 13.A
219 of the Bond Ordinance, there is hereby established a special subaccount within the
220 Construction Account to be designated as the Series 2002A Construction Subaccount (the

221 “2002A Construction Subaccount”). Proceeds of the Series A Bonds (exclusive of an
222 amount to be deposited into the Reserve Account pursuant to Section E of this Motion,
223 and accrued interest, if any, which shall be deposited into the Debt Service Account in
224 the Bond Fund) shall be deposited in the 2002A Construction Subaccount and applied to
225 pay costs of improvements to the System, in accordance with Section 13.A of the Bond
226 Ordinance, and costs of issuance of the Series A Bonds.

227 E. Reserve Account. In accordance with Section 9.C of the Bond Ordinance,
228 \$5,077,287.01 of the proceeds of the Series A Bonds and \$183,038.75 of the proceeds of
229 the Series B Bonds shall be deposited in the Reserve Account to satisfy the reserve
230 requirement with respect to the Bonds.

231 F. Undertaking to Provide Ongoing Disclosure.

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

235 2. Financial Statements/Operating Data. The county agrees to
236 provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as
237 designated by the Commission in accordance with the Rule, the following annual
238 financial information and operating data for the prior fiscal year (commencing in 2003
239 for the fiscal year ended December 31, 2002):

240 (a) Annual financial statements prepared in accordance with
241 the Budget Accounting and Reporting System prescribed by the Washington State
242 Auditor pursuant to RCW 43.09.200 (or any successor statute) and generally of the type

243 included in the official statement for the Bonds under the heading “Appendix C: Audited
244 2001 Financial Statements of the Water Quality Enterprise”;

245 (b) Amount of outstanding Parity Bonds; and

246 (c) Information regarding customers, revenues and expenses of
247 the sewer system generally in the form set forth in the Official Statement for the Bonds in
248 the table labeled “Summary of Historical Sewer System Customers, Revenues and
249 Expenses.”

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

252 Such annual information and operating data described above shall be provided on
253 or before seven months after the end of the county’s fiscal year. The county’s fiscal year
254 currently ends on December 31. The county may adjust such fiscal year by providing
255 written notice of the change of fiscal year to each then existing NRMSIR and the SID, if
256 any. In lieu of providing such annual financial information and operating data, the
257 county may cross-reference to other documents provided to the NRMSIR, the SID or to
258 the Commission and, if such document is a final official statement within the meaning of
259 the Rule, available from the MSRB.

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

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

- 269 (a) Principal and interest payment delinquencies;
- 270 (b) Non-payment related defaults;
- 271 (c) Unscheduled draws on debt service reserves reflecting
272 financial difficulties;
- 273 (d) Unscheduled draws on credit enhancements reflecting
274 financial difficulties;
- 275 (e) Substitution of credit or liquidity providers, or their failure
276 to perform;
- 277 (f) Adverse tax opinions or events affecting the tax-exempt
278 status of the Bonds;
- 279 (g) Modifications to rights of Bond holders;
- 280 (h) Optional, contingent or unscheduled calls of any Bonds
281 other than scheduled sinking fund redemptions for which notice is
282 given pursuant to Exchange Act Release 34-23856;
- 283 (i) Defeasances;
- 284 (j) Release, substitution or sale of property securing repayment
285 of the Bonds; and
- 286 (k) Rating changes.

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

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

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

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

306 In the event of any amendment or waiver of a provision of this Section F, the
307 county shall describe such amendment in the next annual report, and shall include, as
308 applicable, a narrative explanation of the reason for the amendment or waiver and its
309 impact on the type (or in the case of a change of accounting principles, on the

310 presentation) of financial information or operating data being presented by the county. In
311 addition, if the amendment relates to the accounting principles to be followed in
312 preparing financial statements, (i) notice of such change shall be given in the same
313 manner as for a material event under subsection 3, and (ii) the annual report for the year
314 in which the change is made should present a comparison (in narrative form and also, if
315 feasible, in quantitative form) between the financial statements as prepared on the basis
316 of the new accounting principles and those prepared on the basis of the former accounting
317 principles.

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

326 G. Provisions Relating to Bond Insurance. In accordance with the Purchase
327 Contracts, the council hereby approves the commitment of Financial Security Assurance
328 Inc. (the "Insurer") to provide insurance policies issued by the Insurer guaranteeing the
329 scheduled payment of principal of and interest on the Bonds when due (the "Insurance
330 Policies"). The council further authorizes and directs all proper officers, agents,
331 attorneys and employees of the county to execute a commitment letter with the Insurer
332 and to cooperate with the Insurer in preparing such additional agreements, certificates,

333 and other documentation on behalf of the county as shall be necessary or advisable in
334 providing for the Insurance Policies.

335 So long as either of the Insurance Policies shall be in full force and effect, the
336 county agrees to comply with the following provisions:

337 1. The Insurer shall be deemed to be the sole holder of the Bonds
338 insured by it for the purpose of exercising any voting right or privilege or giving any
339 consent or direction or taking any other action that the holders of the Bonds insured by it
340 are entitled to take pursuant to the Bond Ordinance and this motion (together, the "Bond
341 Legislation"). The maturity of Bonds insured by the Insurer shall not be accelerated
342 without the consent of the Insurer.

343 2. No waiver, modification, amendment or supplement to the Bond
344 Legislation other than those made or adopted for the purpose of issuing Future Parity
345 Bonds may become effective except upon obtaining the prior written consent of the
346 Insurer.

347 3. Copies of any modification or amendment to the Bond Legislation
348 shall be sent to Standard & Poor's Credit Markets Services and Moody's Investors
349 Service, Inc. at least 10 days prior to the effective date thereof.

350 4. Amounts paid by the Insurer under the Insurance Policies shall not
351 be deemed paid for purposes of the Bond Legislation and shall remain outstanding and
352 continue to be due and owing until paid by the Issuer in accordance with the Bond
353 Legislation. The Insurer shall, to the extent it makes any payment of principal of or
354 interest on the Bonds, become subrogated to the rights of the recipients of such payments
355 in accordance with the terms of the Insurance Policies. The Bond Legislation shall not be

356 discharged unless all amounts due or to become due to the Insurer have been paid in full
357 or duly provided for.

358 5. Claims Upon the Insurance Policies and Payments by and to the
359 Insurer:

360 If, on any scheduled interest payment date or principal payment date ("Payment
361 Date") there is not on deposit with the Bond Registrar, after making all transfers and
362 deposits required under the Bond Legislation, money sufficient to pay the principal of
363 and interest on the Bonds due on such Payment Date, the Bond Registrar shall make a
364 claim under the applicable Insurance Policy and give notice to the Insurer and to its
365 designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the
366 amount of such deficiency, and the allocation of such deficiency between the amount
367 required to pay interest on the Bonds and the amount required to pay principal of the
368 Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon,
369 New York City time, on such Business Day by filling in the form of Notice of Claim and
370 Certificate delivered with the Insurance Policies.

371 In the event the claim to be made is for a mandatory sinking fund redemption
372 installment, upon receipt of the money due, the Bond Registrar shall authenticate and
373 deliver to affected Bondholders who surrender their Bonds a new Bond or Bonds in an
374 aggregate principal amount equal to the unredeemed portion of the Bond surrendered.
375 The Bond Registrar shall designate any portion of payment of principal on Bonds paid by
376 the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other
377 advancement of maturity, on its books as a reduction in the principal amount of Bonds
378 registered to the then current Bondholder, whether DTC or its nominee or otherwise, and

379 shall issue a replacement Bond to the Insurer, registered in the name of Financial Security
380 Assurance Inc., in a principal amount equal to the amount of principal so paid (without
381 regard to authorized denominations); provided that the Bond Registrar's failure to so
382 designate any payment or issue any replacement Bond shall have no effect on the amount
383 of principal or interest payable by the Issuer on any Bond or the subrogation rights of the
384 Insurer.

385 The Bond Registrar shall keep a complete and accurate record of all funds
386 deposited by the Insurer into the Policy Payments Account and the allocation of such
387 funds to payment of interest on and principal paid in respect of any Bond. The Insurer
388 shall have the right to inspect such records at reasonable times upon reasonable notice to
389 the Bond Registrar.

390 Upon payment of a claim under the Insurance Policies the Bond Registrar shall
391 establish a separate special purpose trust account for the benefit of Bondholders referred
392 to herein as the "Policy Payments Account" and over which the Bond Registrar shall have
393 exclusive control and sole right of withdrawal. The Bond Registrar shall receive any
394 amount paid under the Insurance Policies in trust on behalf of Bondholders and shall
395 deposit any such amount in the Policy Payments Account and distribute such amount
396 only for purposes of making the payments for which a claim was made. Such amounts
397 shall be disbursed by the Bond Registrar to Bondholders in the same manner as principal
398 and interest payments are to be made with respect to the Bonds under the provisions of
399 the Bond Legislation regarding payment of Bonds. It shall not be necessary for such
400 payments to be made by checks or wire transfers separate from the check or wire transfer
401 used to pay debt service with other funds available to make such payments.

402 Funds held in the Policy Payments Account shall not be invested by the Bond
403 Registrar and may not be applied to satisfy any costs, expenses or liabilities of the Bond
404 Registrar.

405 Any funds remaining in the Policy Payments Account following a Payment Date
406 shall promptly be remitted to the Insurer.

407 6. The Insurer shall be provided with all reports,
408 notices and correspondence to be delivered under the terms of the Bond
409 Legislation.

410 7. The notice address of the Insurer is: Financial Security Assurance
411 Inc., 350 Park Avenue, New York, New York 10022-6022, Attention: Managing
412 Director -- Surveillance; Re: Policy No. _____ Telephone: (212) 826-0100;
413 Telecopier: (212) 339-3529. In each case in which notice or other communication refers
414 to an event of default, then a copy of such notice or other communication shall also be
415 sent to the attention of General Counsel and shall be marked to indicate "URGENT
416 MATERIAL ENCLOSED."

417 8. The Insurer shall be deemed to be a third party beneficiary to the
418 Bond Legislation.

419 So long as the Insurer is not in default under the Insurance Policies, the provisions
420 of this Section G shall govern, notwithstanding anything to the contrary set forth in the
421 Bond Legislation.

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

424 and delivery of the Bonds and for the proper use and application of the proceeds of such
425 sale.

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

Motion 11489

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

430

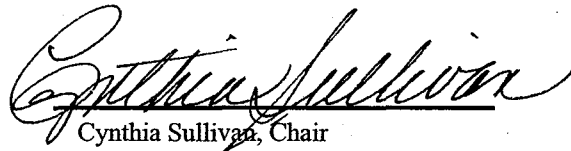
Motion 11489 was introduced on 5/28/2002 and passed by the Metropolitan King County Council on 7/29/2002, by the following vote:

Yes: 10 - Ms. Sullivan, Ms. Edmonds, Ms. Lambert, Mr. Phillips, Mr. Pelz,
Mr. Constantine, Mr. Pullen, Mr. Gossett, Ms. Hague and Ms. Patterson

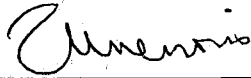
No: 0

Excused: 3 - Mr. von Reichbauer, Mr. McKenna and Mr. Irons

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON


Cynthia Sullivan, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments A. Bond Purchase Contract Series 2002A, B. Bond Purchase Contract Series 2002B

\$100,000,000

KING COUNTY, WASHINGTON
SEWER REVENUE BONDS, SERIES 2002A

BOND PURCHASE CONTRACT

July 29, 2002

King County, Washington

Ladies and Gentlemen:

Morgan Stanley & Co. Incorporated, Salomon Smith Barney Inc., and Siebert Brandford Shank & Co., LLC (collectively, the "Underwriters"), offer to enter into this bond purchase contract (together with the Exhibits, the "Contract") with King County, Washington (the "County"), regarding the County's \$100,000,000 aggregate principal amount of Sewer Revenue Bonds, Series 2002A (the "Series 2002A Bonds"), which upon acceptance of this offer by the County will be binding upon the County and the Underwriters. This offer is made subject to receipt by the Underwriters of the documents described herein and to the County's acceptance by executing this Contract and delivering it to the Underwriters at or prior to 11:00 p.m. Pacific Time, on the date hereof. If not so accepted, this offer will be subject to withdrawal by the Underwriters upon notice delivered to the County at any time prior to acceptance hereof by the County. Upon acceptance of this offer in accordance with the terms hereof, this Contract will constitute a binding agreement between the County and the Underwriters.

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

The County and the Underwriters hereby agree as follows:

1. PURCHASE AND SALE

Upon the terms and conditions and upon the basis of the representations, warranties and covenants herein set forth, the Underwriters hereby agree to purchase from the County, and the County hereby agrees to execute, sell and deliver to the Underwriters, all (but not less than all) of the Series 2002A Bonds.

The Series 2002A Bonds will be dated the date of their initial delivery to the Underwriters, and are anticipated to be delivered to the Underwriters on August 14, 2002. The Series 2002A Bonds shall be fully registered as to both principal and interest, shall bear interest at the rates per annum calculated in such manner, payable as to principal and interest, and shall have such terms relating to redemption and other such provisions and terms as set forth in the official statement dated July 29, 2002 (the "Official Statement"), in the Bond Ordinance, and attached hereto as Exhibit A.

The purchase price for the Series 2002A Bonds shall be \$97,928,865.30 (representing the par amount of the Series 2002A Bonds plus original issue premium of \$436,374.90, less original issue discount of \$2,090,341.30, and less an underwriting discount of \$417,168.30) (the "Series 2002A Purchase Price").

2. CLOSING

Subject to the terms and conditions hereof, the delivery of the Series 2002A Bonds and payment of the Series 2002A Purchase Price (the "Series 2002A Closing") shall take place at the King County Office of Finance no later than 10:00 a.m., Pacific Time, on August 14, 2002, or on such other day or such other place as shall be agreed to by the Underwriters and the County. At the Series 2002A Closing:

(a) the County shall deliver to the Underwriters (i) the Series 2002A Bonds as provided in clause (c) of this section and (ii) the other instruments and documents required to be delivered to the Underwriters at the Series 2002A Closing pursuant to section 5(f) hereof;

(b) the Series 2002A Purchase Price shall be paid to the County in federal funds (by wire transfer or by any combination of one or more wires as may be agreeable to the County and the Underwriters); and

(c) the Series 2002A Bonds initially shall be held in fully registered form by The Depository Trust Company ("DTC") acting as depository pursuant to the terms and conditions set forth in the County's Blanket Issuer Letter of Representations with DTC. The Series 2002A Bonds shall be issued in denominations equal to the aggregate principal amount of each maturity and initially shall be registered in the name of Cede & Co., as the nominee of DTC. The Series 2002A Bonds shall be delivered to DTC, at least one full business day before the Series 2002A Closing for purposes of inspection, unless an alternate arrangement (e.g., FAST closing) is made between the parties. The Series 2002A Bonds delivered hereunder shall bear proper CUSIP numbers to be obtained by the Underwriters (provided, however, that neither the printing of a wrong CUSIP number on any Series 2002A Bond nor the failure to print the CUSIP number thereon shall constitute cause to refuse delivery of any Series 2002A Bond).

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

At or prior to the time of the execution of this Contract, the County shall deliver to the Underwriters (a) a copy of Ordinance No. 14406 passed on July 1, 2002, and an authorizing Motion of the King County Council (collectively, the "Bond Ordinance"), authorizing the issuance and sale of the Series 2002A Bonds, certified by the Clerk of the County Council to have been duly adopted by the County and to be in full force and effect as of the date hereof, and (b) two copies of the preliminary official statement of the County dated July 18, 2002 (the "Preliminary Official Statement"), relating to the Series 2002A Bonds which the County has "deemed final" except as to certain specified items and which, together with the cover page thereof and all appendices, exhibits, reports and statements included therein or attached thereto and such amendments or supplements thereto which shall have been approved by the

Underwriters as of the date hereof, is hereinafter referred to as the "Official Statement," executed by the Designated County Representative.

As soon as possible, but in any event no more than seven business days after the time of the County's acceptance hereof, it shall deliver to the Underwriters as many copies of the Official Statement as required to permit the Underwriters to comply with the requirements of the Municipal Securities Rulemaking Board ("MSRB") Rule G-32 and Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), including but not limited to the requirement that three copies of the Official Statement be delivered by the Underwriters to a nationally recognized municipal securities information repository ("NRMSIR"). The County hereby ratifies, approves and confirms the distribution and use of the Preliminary Official Statement by the Underwriters and authorizes the Underwriters to use and distribute the Official Statement in connection with the public offering and sale of the Series 2002A Bonds.

If, between the date of this Contract and the earlier to occur of (i) 60 days after the date of the Series 2002A Closing and (ii) 25 days after the "end of the underwriting period," as the term is used in paragraph (e)(2) of Rule 15c2-13, any event shall occur or any preexisting fact shall become known by the County that might or would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County shall promptly notify the Underwriters, and if, in the reasonable opinion of the Underwriters, such event requires preparation and distribution of a supplement or amendment to the Official Statement, the County will, at its expense, supplement or amend the Official Statement in a form and in a manner approved by the Underwriters, which approval shall not be unreasonably withheld. The end of the underwriting period shall be the date of the Series 2002A Closing unless the County is informed otherwise in writing by the Underwriters. If the Official Statement is supplemented or amended pursuant to this subsection, as of the date of each supplement or amendment thereto, to the best of the County's knowledge after due review and investigation, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit or fail to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4. REPRESENTATIONS AND WARRANTIES OF THE COUNTY

The County hereby represents and warrants to the Underwriters, and (as appropriate) covenants to the Underwriters, as follows:

(a) The County is a duly created and existing political subdivision of the State of Washington and has all requisite legal right, power and authority (i) to enter into this Contract; (ii) to pass the Bond Ordinance; (iii) to execute, issue and deliver the Series 2002A Bonds as provided herein and to perform its obligations with respect thereto; (iv) to execute, deliver and perform this Contract; (v) to execute and deliver the Official Statement; (vi) and to consummate the transactions to which it is or is to be a party as contemplated by each of these documents. The execution, delivery and performance of this Contract and the Series 2002A Bonds and the passage of the Bond Ordinance and the issuance of the Series 2002A Bonds thereunder, the execution and delivery by the County and the use by the Underwriters of the Official Statement

and the consummation by the County of the transactions to which it is or is to be a party as contemplated hereby and by the Bond Ordinance and the Official Statement have been duly authorized by all necessary action on the part of the County.

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

(c) This Contract, the Official Statement, and the Series 2002A Bonds (when delivered and paid for at the Series 2002A Closing) have been or at the Series 2002A Closing shall be duly authorized, approved, executed, delivered and (in the case of the Series 2002A Bonds) registered and issued. This Contract constitutes, and the Series 2002A Bonds, when registered, issued, executed and delivered, will constitute, legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, except to the extent that enforceability is subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights. The performance by the County of its obligations contained in this Contract, the Official Statement and the Series 2002A Bonds and the consummation by it of all other transactions contemplated by each of those documents to have been performed or consummated at or prior to the Series 2002A Closing have been duly authorized and approved by the County, as the case may be. The Bond Ordinance has been duly and lawfully passed by the County, is in full force and effect and is valid and binding upon the County and enforceable in accordance with its terms, except to the extent that enforceability is subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights. When delivered and paid for at the Series 2002A Closing, the Series 2002A Bonds shall be entitled to the benefits and the security, and shall be subject only to the terms and conditions, set forth in the Bond Ordinance and described in the Official Statement. The issuance of the Series 2002A Bonds is permitted by, and the Series 2002A Bonds when issued will be issued in compliance with, the provisions of the Bond Ordinance.

(d) To the best of the knowledge of the County's Finance Manager or another authorized representative of the County acceptable to the Underwriters, after due inquiry, the County is not in material breach of, or in material default under, any indenture, bank loan or credit agreement, bond or note, nor is the County in default under any statute, ordinance, resolution or (in any material respect) any other agreement or instrument, regulation, order, decree, license, permit, judgment, ruling or law or constitutional provision to which the County is a party, which breach or default would adversely affect the validity or enforceability of the Series 2002A Bonds.

(e) The passage of the Bond Ordinance, the execution, delivery and performance of this Contract, the issuance and sale of the Series 2002A Bonds and the consummation of the transactions contemplated hereby and by these documents will not in any material respect conflict with or constitute on the part of the County a material breach of or material default under any agreement, indenture, bond, note, statute, ordinance, resolution or other instrument to which the County is a party or to which it is bound or subject, and which

breach or default would adversely affect the validity or enforceability of the Series 2002A Bonds.

(f) Except as described in the Official Statement, no litigation or other action, suit, proceeding, inquiry or investigation before or by any court or agency or other administrative body (either of the State of Washington or the United States Government) is pending or, to the knowledge of the County, threatened, that in any way restrains or enjoins, or threatens or seeks to restrain or enjoin, the issuance, sale or delivery of the Series 2002A Bonds or in any way contests, questions or affects (i) the validity or enforceability of any provision of the Series 2002A Bonds, the Bond Ordinance or this Contract; (ii) the County's pledge under the Bond Ordinance of Revenues of the System, money from investments credited to the Revenue Fund, income from the Revenue Fund, and proceeds of the sale of the Series 2002A Bonds to the extent that they are held in funds established by the Bond Ordinance; (iii) the accuracy, completeness or fairness of the Official Statement; or (iv) the legal existence of the County, the title of its elected officers to their respective offices, or the County's legal ability to perform its obligations hereunder or with respect to the Series 2002A Bonds, or to consummate any of the transactions to which it is or is to be a party as contemplated hereby or by the Bond Ordinance or this Contract; to the best knowledge of the County's Finance Manager, after due inquiry, there is no other event or circumstance, that would have a material adverse effect on the power or ability of the County to perform its obligations hereunder or with respect to the Series 2002A Bonds or to consummate the transactions to which it is or is to be a party as contemplated by the Bond Ordinance or this Contract.

(g) The Official Statement as of the date of this Contract is true and complete in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the information contained therein not misleading. However, no warranty is given with respect to information under the captions entitled "THE BONDS – Book-Entry Transfer System," "LEGAL AND TAX INFORMATION – Tax Exemption for the Bonds" and the information concerning DTC in "Appendix E – Book-Entry Transfer System."

(h) Except for the Series 2002B Bonds, the County does not intend to issue or incur, and the County is not aware of any plans to issue or incur, prior to the issuance of the Series 2002A Bonds, notes or other obligations for borrowed money the repayment of which is backed by a pledge of the Revenues of the System; or any material liabilities, direct or contingent, that will have a material adverse effect on the Sewer System's financial condition, nor does the County expect there to be any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the Sewer System.

(i) Except as described in the Official Statement, all approvals, consents and other actions by, and all filings or registrations with or notices to, any governmental or administrative authority or agency having jurisdiction in the matter required to be obtained by the County as a condition precedent to the performance by the County of its obligations hereunder, or under the Series 2002A Bonds and the Bond Ordinance, have been obtained and are in full force and effect (except no representation is made as to compliance with Blue Sky laws).

(j) Any certificates signed by any authorized representative or other authorized officer or representative of the County and delivered to the Underwriters shall be deemed a representation and warranty by the County to the Underwriters as to the statements made therein with the same effect as if such representation and warranty were set forth herein.

(k) The County will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the County in cooperation with the Underwriters as may be requested (i) to qualify the Series 2002A Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Underwriters and (ii) to determine the eligibility of the Series 2002A Bonds for investment under the laws of such states and other jurisdictions, and use its best efforts to continue such qualifications in effect so long as required for the distribution of the Series 2002A Bonds, provided, however, that the County shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction. The County consents to the use of the Bond Ordinance, this Contract and the Official Statement by the Underwriters in obtaining such qualifications.

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

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

5. CONDITIONS TO THE OBLIGATIONS OF THE UNDERWRITERS

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

(a) The Series 2002A 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 Series 2002A Closing, (i) this Contract and the Bond Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented; (ii) this Contract shall be in full force and effect; (iii) the County shall perform or have performed all of its respective obligations required under or specified in this Contract and the Bond Ordinance to be performed at or prior to the Series 2002A Closing; and (iv) all actions by or on behalf of the County or otherwise necessary to execute, authenticate, issue, deliver and sell the Series 2002A 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 Series 2002A Closing, the Official Statement shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. However, no warranty or representation need be made with respect to the information contained under the captions entitled "THE BONDS – Book-Entry Transfer System," "LEGAL AND TAX INFORMATION – Tax Exemption for the Bonds" and the information concerning DTC in "Appendix E – Book-Entry Transfer System."

(d) Subsequent to the respective dates as of which information is given in the Official Statement, and prior to the time of the Series 2002A Closing, no material adverse change, or any development involving a prospective material adverse change, in the condition of the County, financial or otherwise, shall have taken place (other than as referred to in or contemplated by the Official Statement), and if prior to the Series 2002A Closing such an event occurs the County shall promptly notify the Underwriters, and if in the opinion of the Underwriters and its counsel such event requires a supplement or amendment to the Official Statement, the County will supplement or amend the Official Statement at its expense, in a form and in a manner approved by the Underwriters and Foster Pepper & Shefelman PLLC, counsel to the Underwriters.

(e) The representations and warranties of the County contained herein shall have been true and complete on the date made and shall be true and complete at the time of the Series 2002A Closing with the same effect as if made at such time.

(f) At or prior to the Series 2002A Closing, unless otherwise agreed by the Underwriters in writing, the Underwriters shall receive the following documents:

(i) An approving bond opinion of Preston Gates & Ellis LLP ("Bond Counsel"), dated the date of the Series 2002A Closing, in substantially the form attached to the Official Statement as Appendix B.

(ii) A supplemental opinion of Bond Counsel dated the date of the Series 2002A 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 and to enter into this Contract; to issue, sell and deliver the Series 2002A Bonds; to perform its obligations under the Bond Ordinance and this Contract and to carry out the transactions contemplated thereby; (B) the County has duly adopted the Bond Ordinance and has duly approved, authorized and executed this Contract, 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 Series 2002A 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 Series 2002A Bonds, subject to the provisions of the Bond Ordinance; (E) the County has duly authorized an appropriate representative 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, however, that no opinion is to be provided with respect to compliance with any blue sky laws; (G) the Series 2002A 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"); and (H) the statements contained in the Official Statement under the captions "THE BONDS" (except under the caption "Book-Entry Transfer System"), "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "INITIATIVE AND REFERENDUM" and "LEGAL AND TAX INFORMATION" (except under the caption "Litigation"), insofar as such statements contained under such captions purport to summarize certain provisions of the Series 2002A Bonds, the Bond Ordinance and this Contract are true and correct and that based solely upon their participation as Bond Counsel in certain conferences with representatives of the County, the Underwriters, the financial advisor to the County and Underwriters' counsel during which conferences the contents of 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 DTC, the book-entry transfer system and Appendix E to the Official Statement 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 Series 2002A Closing (except as aforesaid) as of the date of the Series 2002A 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 Series 2002A Closing, to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading. Such supplemental opinion may be subject to laws relating to bankruptcy, insolvency, reorganization or moratorium by other similar laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with principles of equity.

(iii) An opinion, dated the date of the Series 2002A Closing and addressed to the Underwriters, of Foster Pepper & Shefelman PLLC ("Underwriters' Counsel") to the effect that (A) the Series 2002A Bonds constitute exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and Section 304(a)(4)(A) of the Trust Indenture Act of 1939, as amended, and it is not necessary, in connection with the offering and sale of the Series 2002A Bonds, to register any securities under the Securities Act or to qualify

the Bond Ordinance under the Trust Indenture Act; (B) the County's undertaking to provide certain continuing disclosure information pursuant to paragraph (b)(5) of Rule 15c-12, provides a suitable basis for the Underwriters to reasonably determine, pursuant to paragraph b(5)(i) of the Rule, that the County has undertaken in a written agreement or contract for the benefit of the holders of the Bonds, to provide the annual financial information and notices required by the Rule; and (C) based upon their examination of information made available to them in the course of their participation in the preparation of the Official Statement as Underwriters' Counsel and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel have no reason to believe that the Official Statement as of the Series 2002A Closing contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial, economic 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" and the information concerning DTC in "Appendix E – Book-Entry Transfer System," as to which such counsel need not express any view) and with respect to such other matters as the Underwriters may require. In rendering the opinion provided above, Underwriters' Counsel may rely upon the unqualified approving opinion of Bond Counsel, to the extent that such opinion addresses the validity of the Series 2002A Bonds, the Bond Ordinance and the governmental status of the County.

(iv) An opinion of a County Prosecuting Attorney, dated the date of the Series 2002A Closing and addressed to the Underwriters, based on such inquiry and investigation as he or she has deemed sufficient, to the effect that except as disclosed in the Official Statement, (A) there is no litigation pending or threatened affecting the issuance and delivery of the Series 2002A Bonds, the collection of the revenues pledged to pay the principal thereof and interest thereon, or in any manner questioning or contesting the proceedings and authority under which the Series 2002A Bonds are issued, the validity of the Series 2002A Bonds, the corporate existence or boundaries of the County, or the title of the present officers to their respective offices, which litigation would prevent the payment by the County of the principal of or interest on the Series 2002A Bonds, when due; (B) the statements contained in the Official Statement under the caption "LEGAL AND TAX INFORMATION-Litigation," insofar as such statements purport to summarize litigation affecting the County and certain contracts and agreements, present a fair and accurate summary of such litigation or contracts and agreements as applicable, and are true and correct; (C) to the best of such counsel's knowledge, after due inquiry, neither the execution nor delivery by the County of this Contract nor the Series 2002A 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 (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, which conflict or breach would have a material effect on King County's authority to provide for the timely payment of the principal of and interest on the Bonds; and (D) no authority or proceedings for the issuance of the Series 2002A Bonds have been repealed, revoked or rescinded.

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

(vi) The County shall have furnished evidence satisfactory to the Underwriters that the Series 2002A Bonds have been rated "Aaa" by Moody's Investors Service, Inc., and "AAA" by Standard & Poor's Ratings Services.

(vii) A certificate or certificates of the County executed by the Designated County Representative or other authorized officer or representative of the County, dated the date of the Series 2002A 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 Series 2002A Closing with the same effect as if made at the time of the Series 2002A 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 Series 2002A Closing, was and is true and complete in all material respects and does not contain an untrue statement of a material fact or omit or fail to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no representation or warranty need be made with respect to the information contained under the captions entitled "THE BONDS – Book-Entry Transfer System," "LEGAL AND TAX INFORMATION –Tax Exemption for the Bonds" and the information concerning DTC in "Appendix E – Book-Entry Transfer System," (C) that the County is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations for borrowed money of the County payable from and secured by a lien on a pledge of the Revenues of the System; (D) that all payments into all funds or accounts created and established for the payment and security of all outstanding obligations for borrowed money payable from and secured by a lien on and pledge of the Revenues of the System have been made in full and that the amounts on deposit in such funds or accounts are the amounts then required to be deposited therein; (E) nothing has come to his or her attention to lead him or her to believe that the financial information and statistical data in the Official Statement contains any untrue statement of a material fact or omits or fails to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (however, no warranty or representation need be made with respect to the information contained under the captions entitled "THE BONDS – Book-Entry Transfer System," "LEGAL AND TAX INFORMATION –Tax Exemption for the Bonds" and the information concerning DTC in "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 and the Bond Ordinance on its part to be performed or satisfied at or prior to the delivery of the Series 2002A Bonds.

(viii) A tax exemption and non-arbitrage certificate dated the date of the Series 2002A Closing signed by the Designated County Representative setting forth facts, estimates and circumstances (including covenants of the County) in existence on the date of the Series 2002A Closing, sufficient to support the conclusion that (A) it is not expected that the proceeds of the Series 2002A Bonds will be used in a manner that would cause the Series 2002A

Bonds to be "arbitrage bonds" within the meaning of the Internal Revenue Code of the 1986, as amended, and stating that to the best of his or her knowledge and belief, there are not other facts, estimates or circumstances that would adversely affect such expectations.

(ix) Such additional legal opinions, certificates, instruments and other documents as the Underwriters may reasonably request to evidence the accuracy, as of the date hereof and as of the Series 2002A Closing, of the County's representations and warranties contained herein and in the Official Statement and contained in any of the certificates or other documents referred to in this Contract, as the same may be supplemented or amended, and the due performance and satisfaction by the County at or prior to the Series 2002A Closing of all agreements then to be performed and all conditions then to be satisfied by the County.

(x) Evidence of issuance of the Municipal Bond Insurance Policy by Financial Security Assurance Inc., insuring payment of the principal of and interest on the Series 2002A Bonds.

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

6. TERMINATION OF CONTRACT

The Underwriters shall have the right in their sole discretion to cancel the Underwriters' obligations hereunder to purchase the Series 2002A 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 Series 2002A Closing if, at any time hereafter and prior to the Series 2002A Closing:

(a) The marketability of the Series 2002A Bonds or the market price thereof, in the opinion of the Representative, has been materially adversely affected by (i) an amendment to the Constitution of the United States of America or by any legislation which shall have been introduced in or enacted by the Congress of the United States; (ii) legislation pending in the Congress of the United States; or (iii) legislation (including any amendment thereto, whether or not in formal bill form) recommended to the Congress of the United States or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives; or (iv) legislation (including any amendment thereto, whether or not in formal bill form) proposed that may have an effective date prior to the Series 2002A Closing for consideration by either such Committee or by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States; or (v) legislation favorably presented for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration; (vi) a decision by a court of the United States or the Tax Court of the United States; or (vii) a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or

other governmental agency, with respect to federal taxation of revenues or other income of the general character expected to be derived by the County or upon interest received on securities of the general character of the Series 2002A Bonds or which would change, directly or indirectly, the federal income tax consequences resulting from ownership of or receipt of interest on securities of the general character of the Series 2002A Bonds in the hands of the owners thereof.

(b) Any legislation, ordinance, rule or regulation shall be introduced in or be enacted by any governmental body, department or agency in the State of Washington, or a decision by a court within Washington shall be rendered, which in the Underwriters' opinion, materially adversely affects the marketability of the Series 2002A Bonds or the ability of the Underwriters to enforce contracts for sale of the Series 2002A Bonds.

(c) In the Underwriters' opinion, any act or event shall exist or may exist that requires or has required an amendment or supplement to the Official Statement, or the subject matter of any amendment or supplement to the Official Statement materially and adversely affects (i) the market price or marketability of the Series 2002A Bonds or (ii) the ability of the Underwriters to enforce contracts for sale of the Series 2002A Bonds.

(d) The New York Stock Exchange or other national securities exchange, the Municipal Securities Rulemaking Board (the "MSRB"), the National Association of Securities Dealers, Inc. (the "NASD"), or any governmental authority or agency shall impose, as to the Series 2002A Bonds or obligations of the general character of the Series 2002A Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the offering, sale and distribution, or extension of credit in connection with the purchase of the Series 2002A Bonds.

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

(f) Any amendment to the Constitution of the United States of America, any legislation enacted by the United States of America, any decision of any court of the United States of America, or any order, ruling, regulation or official statement issued or made by or on behalf of the Securities and Exchange Commission, or of any other governmental agency having jurisdiction over the subject matter, having the effect that obligations of the general character of the Series 2002A Bonds, or the Series 2002A Bonds, are not exempt from the registration requirements of the Securities Act, or that the Bond Ordinance is not exempt from qualification under the Trust Indenture Act.

(g) Any rating of the Series 2002A Bonds or any other sewer revenue obligations of the County shall have been downgraded or withdrawn by a national rating service, which event, in the Underwriters' opinion, materially adversely affects the market price of the Series 2002A Bonds, or any proceeding shall be pending or threatened by the Securities and Exchange Commission or the Attorney General of the State of Washington against the County relating to the Series 2002A Bonds.

(h) There shall have occurred any outbreak or escalation of hostilities or any national or international calamity or crisis including financial crisis, the effect of which on the

financial markets of the United States being such, as in the reasonable judgment of the Underwriters, would make it impracticable for the Underwriters to market the Series 2002A Bonds or to enforce contracts for the sale of the Series 2002A Bonds.

7. EFFECT OF TERMINATION

If the sale to the Underwriters of the Series 2002A Bonds, as herein contemplated, is not carried out by the Underwriters for any reason permitted hereunder or if such sale is not carried out because the County shall be unable to comply with any of the terms hereof, the County shall not be under any obligation or liability under this Contract (except to the extent provided in section 8 hereof), and the Underwriters shall be under no obligation or liability to the County.

8. PAYMENT OF COSTS

(a) Whether or not the Series 2002A Bonds are issued as contemplated by this Contract, the Underwriters shall be under no obligation to pay, and the County hereby agrees to pay, any expenses incident to the performance of the County's obligations hereunder, including but not limited to (i) the costs of the preparation and printing of the Series 2002A 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 Bond Counsel; (iii) the fees and disbursements of other counsel to the County; (iv) the fees of agencies rating the Series 2002A Bonds; (v) the fees of the fiscal agency and bond registrar; (vi) the fees and disbursement of accountants, consultants and advisors to the County, including, without limitation and the fees of the financial advisors to the County; and (vii) any other expenses and costs, including costs and expenses of credit enhancement, if any, of the County incident to the performance of its obligations in connection with the authorization, issuance and sale of the Series 2002A Bonds to the Underwriters.

(b) The Underwriters shall pay (i) any fees assessed upon the Underwriters with respect to the Series 2002A Bonds by the MSRB, the NASD or any NRMSIR; (ii) all advertising expenses in connection with any public offering of the Series 2002A Bonds; (iii) the costs of qualifying the Series 2002A Bonds under the Blue Sky or other securities laws of such jurisdictions as the Underwriters may determine and the costs of the preparation and printing of Blue Sky memoranda; and (iv) all other costs and expenses incurred by them in connection with any public offering and distribution of the Series 2002A Bonds, including the fees and disbursements of Underwriters' Counsel, including expenses in connection with preparation of the Official Statement.

9. INDEMNIFICATION

To the extent permitted by law, the County shall indemnify and hold harmless the Underwriters, each of their partners, officers and employees and each person who controls any of the Underwriters within the meaning of Section 15 of the Securities Act of 1933, as amended (such Act being herein called the "1933 Act" and any such person being herein sometimes called an "Indemnified Party"), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Party may become subject under any statute or at law or in equity or otherwise, and shall reimburse any such Indemnified Party for any legal or other

expenses incurred by it in connection with investigating any claims against it and defending any actions, but only to the extent that such losses, claims, damages, liabilities or actions arise out of or are based upon (i) determination that the Series 2002A Bonds, or the obligation of the County should have been registered under the 1933 Act or the Bond Ordinance should have been qualified under the Trust Indenture Act of 1939, as amended, or (ii) any untrue statement of a material fact contained in the Official Statement and any supplement thereto, or the omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The indemnity as described in this section is limited to such losses or damages as are directly the result of the acts or omissions of the County and, should any Indemnified Party make a claim for indemnity under this Contract, the County shall have the right to (i) retain counsel to defend any such action and (ii) control and direct any defense of such claims in such action. This indemnity shall not be construed as a limitation on any other liability which the County may otherwise have to any Indemnified Party, provided that in no event shall the County be obligated for double indemnification.

10. NOTICES

Any notice or other communication to be given to the County under this Contract may be given by delivering the same in writing to the County, Office of the Finance Manager, 500 Fourth Avenue, Seattle, Washington, 98101, and any such notice or other communication to be given to the Underwriters may be given by delivering the same in writing to Morgan Stanley & Co. Incorporated, 121 Southwest Salmon Street, Suite 1100, Portland, Oregon 97204, Attention: Beth deHamel.

11. GENERAL

This Contract is made solely for the benefit of the County and the Underwriters (including any successor of any Underwriter), and no other party or person shall acquire or have any right hereunder or by virtue hereof. All representations and agreements in this Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of an Underwriters and shall survive the delivery of the Series 2002A Bonds and any termination of this Contract.

12. WAIVERS

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

13. EFFECTIVENESS OF CONTRACT

This Contract shall become effective upon the execution hereof by the Designated County Representative and the execution of the acceptance hereof by the Underwriters and shall be valid and enforceable as of the time of such execution and acceptance.

14. GOVERNING LAW

This Contract shall be construed in accordance with and governed by the laws of the State of Washington. Venue for any action under this Contract shall be in the Superior Court of the State of Washington for King County.

15. COUNTERPARTS

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

Respectfully submitted,

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

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

Accepted July 29, 2002

KING COUNTY, WASHINGTON

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

EXHIBIT A

**King County, Washington
Sewer Revenue Bonds, Series 2002A**

Type	Maturity Date	Principal Amount	Interest Rate	Yield
Serial	1/1/2017	\$ 930,000	5.500%	4.470%
Serial	1/1/2018	980,000	5.500	4.560
Serial	1/1/2019	1,005,000	5.500	4.660
Serial	1/1/2020	1,035,000	5.500	4.760
Serial	1/1/2021	1,090,000	5.500	4.860
**	**	**	**	**
Term	1/1/2028	9,895,000	5.000	5.130
**	**	**	**	**
Term	1/1/2032	20,835,000	5.250	5.170
**	**	**	**	**
Term	1/1/2035	64,230,000	5.000	5.190

The 2002A Bonds will be dated and bear interest from August 14, 2002, calculated on the basis of a 360-day year consisting of twelve 30-day months, payable semiannually on each January 1 and July 1, commencing January 1, 2003, to their stated dates of maturity or prior redemption. 2002A Bonds maturing in the years 2017 through 2021, inclusive, and in the years 2028, 2032 and 2035, are subject to optional redemption on or after January 1, 2012, at par plus accrued interest.

The 2002A Bonds maturing on January 1 in the years 2028, 2032 and 2035, are Term Bonds and, if not previously redeemed as described above, are subject to mandatory sinking fund redemption at par plus accrued interest on January 1 in the years and amounts as follows:

<u>2028 Term Bonds</u>		<u>2032 Term Bonds</u>		<u>2035 Term Bonds</u>	
<u>Years</u>	<u>Amounts</u>	<u>Years</u>	<u>Amounts</u>	<u>Years</u>	<u>Amounts</u>
2022	\$1,500,000	2029	\$1,370,000	2033	\$18,750,000
2023	1,550,000	2030	1,390,000	2034	25,825,000
2024	1,595,000	2031	8,810,000	2035	19,655,000
2025	1,275,000	2032	9,265,000		
2026	1,305,000				
2027	1,325,000				
2028	1,345,000				

\$346,130,000

KING COUNTY, WASHINGTON
SEWER REVENUE REFUNDING BONDS, SERIES 2002B

BOND PURCHASE CONTRACT

July 29, 2002

King County, Washington

Ladies and Gentlemen:

Morgan Stanley & Co. Incorporated, Lehman Brothers Inc., UBS PaineWebber Inc., Salomon Smith Barney Inc., and Siebert Brandford Shank & Co., LLC (collectively, the "Underwriters"), offer to enter into this bond purchase contract (together with the Exhibits, the "Contract") with King County, Washington (the "County"), regarding the County's \$346,130,000 aggregate principal amount of Sewer Revenue Refunding Bonds, Series 2002B (the "Series 2002B Bonds"), which upon acceptance of this offer by the County will be binding upon the County and the Underwriters. This offer is made subject to receipt by the Underwriters of the documents described herein and to the County's acceptance by executing this Contract and delivering it to the Underwriters at or prior to 11:00 p.m. Pacific Time, on the date hereof. If not so accepted, this offer will be subject to withdrawal by the Underwriters upon notice delivered to the County at any time prior to acceptance hereof by the County. Upon acceptance of this offer in accordance with the terms hereof, this Contract will constitute a binding agreement between the County and the Underwriters.

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

The County and the Underwriters hereby agree as follows:

1. PURCHASE AND SALE

Upon the terms and conditions and upon the basis of the representations, warranties and covenants herein set forth, the Underwriters hereby agree to purchase from the County, and the County hereby agrees to execute, sell and deliver to the Underwriters, all (but not less than all) of the Series 2002B Bonds.

The Series 2002B Bonds will be dated the date of their initial delivery to the Underwriters, and are anticipated to be delivered to the Underwriters on October 3, 2002. The Series 2002B Bonds shall be fully registered as to both principal and interest, shall bear interest at the rates per annum calculated in such manner, payable as to principal and interest, and shall have such terms relating to redemption and other such provisions and terms as set forth in the

official statement dated July 29, 2002 (the "Official Statement"), in the Bond Ordinance, and attached hereto as Exhibit A.

The purchase price for the Series 2002B Bonds shall be \$365,745,806.50 (representing the par amount of the Series 2002B Bonds plus original issue premium of \$21,990,470.15, less original issue discount of \$998,652.25, and less an underwriting discount of \$1,376,011.40) (the "Series 2002B Purchase Price").

2. CLOSING

Subject to the terms and conditions hereof, the delivery of the Series 2002B Bonds and payment of the Series 2002B Purchase Price (the "Series 2002B Closing") shall take place at the King County Office of Finance no later than 10:00 a.m., Pacific Time, on October 3, 2002, or on such other day or such other place as shall be agreed to by the Underwriters and the County. At the Series 2002B Closing:

(a) the County shall deliver to the Underwriters (i) the Series 2002B Bonds as provided in clause (c) of this section and (ii) the other instruments and documents required to be delivered to the Underwriters at the Series 2002B Closing pursuant to section 5(f) hereof;

(b) the Series 2002B Purchase Price shall be paid to the County in federal funds (by wire transfer or by any combination of one or more wires as may be agreeable to the County and the Underwriters); and

(c) the Series 2002B Bonds initially shall be held in fully registered form by The Depository Trust Company ("DTC") acting as depository pursuant to the terms and conditions set forth in the County's Blanket Issuer Letter of Representations with DTC. The Series 2002B Bonds shall be issued in denominations equal to the aggregate principal amount of each maturity and initially shall be registered in the name of Cede & Co., as the nominee of DTC. The Series 2002B Bonds shall be delivered to DTC, at least one full business day before the Series 2002B Closing for purposes of inspection, unless an alternate arrangement (e.g., FAST closing) is made between the parties. The Series 2002B Bonds delivered hereunder shall bear proper CUSIP numbers to be obtained by the Underwriters (provided, however, that neither the printing of a wrong CUSIP number on any Series 2002B Bond nor the failure to print the CUSIP number thereon shall constitute cause to refuse delivery of any Series 2002B Bond).

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

At or prior to the time of the execution of this Contract, the County shall deliver to the Underwriters (a) a copy of Ordinance No. 14406 passed on July 1, 2002, and an authorizing Motion of the King County Council (collectively, the "Bond Ordinance"), authorizing the issuance and sale of the Series 2002B Bonds, certified by the Clerk of the County Council to have been duly adopted by the County and to be in full force and effect as of the date hereof, and (b) two copies of the preliminary official statement of the County dated July 18, 2002 (the "Preliminary Official Statement"), relating to the Series 2002B Bonds which the County has "deemed final" except as to certain specified items and which, together with the cover page thereof and all appendices, exhibits, reports and statements included therein or attached thereto

and such amendments or supplements thereto which shall have been approved by the Underwriters as of the date hereof, is hereinafter referred to as the "Official Statement," executed by the Designated County Representative.

As soon as possible, but in any event no more than seven business days after the time of the County's acceptance hereof, it shall deliver to the Underwriters as many copies of the Official Statement as required to permit the Underwriters to comply with the requirements of the Municipal Securities Rulemaking Board ("MSRB") Rule G-32 and Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), including but not limited to the requirement that three copies of the Official Statement be delivered by the Underwriters to a nationally recognized municipal securities information repository ("NRMSIR"). The County hereby ratifies, approves and confirms the distribution and use of the Preliminary Official Statement by the Underwriters and authorizes the Underwriters to use and distribute the Official Statement in connection with the public offering and sale of the Series 2002B Bonds.

If, between the date of this Contract and the earlier to occur of (i) 60 days after the date of the Series 2002B Closing and (ii) 25 days after the "end of the underwriting period," as the term is used in paragraph (e)(2) of Rule 15c2-13, any event shall occur or any preexisting fact shall become known by the County that might or would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County shall promptly notify the Underwriters, and if, in the reasonable opinion of the Underwriters, such event requires preparation and distribution of a supplement or amendment to the Official Statement, the County will, at its expense, supplement or amend the Official Statement in a form and in a manner approved by the Underwriters, which approval shall not be unreasonably withheld. The end of the underwriting period shall be the date of the Series 2002B Closing unless the County is informed otherwise in writing by the Underwriters. If the Official Statement is supplemented or amended pursuant to this subsection, as of the date of each supplement or amendment thereto, to the best of the County's knowledge after due review and investigation, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit or fail to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4. REPRESENTATIONS AND WARRANTIES OF THE COUNTY

The County hereby represents and warrants to the Underwriters, and (as appropriate) covenants to the Underwriters, as follows:

(a) The County is a duly created and existing political subdivision of the State of Washington and has all requisite legal right, power and authority (i) to enter into this Contract; (ii) to pass the Bond Ordinance; (iii) to execute, issue and deliver the Series 2002B Bonds as provided herein and to perform its obligations with respect thereto; (iv) to execute, deliver and perform this Contract; (v) to execute and deliver the Official Statement; (vi) and to consummate the transactions to which it is or is to be a party as contemplated by each of these documents. The execution, delivery and performance of this Contract and the Series 2002B Bonds and the passage of the Bond Ordinance and the issuance of the Series 2002B Bonds thereunder, the

execution and delivery by the County and the use by the Underwriters of the Official Statement and the consummation by the County of the transactions to which it is or is to be a party as contemplated hereby and by the Bond Ordinance and the Official Statement have been duly authorized by all necessary action on the part of the County.

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

(c) This Contract, the Official Statement, and the Series 2002B Bonds (when delivered and paid for at the Series 2002B Closing) have been or at the Series 2002B Closing shall be duly authorized, approved, executed, delivered and (in the case of the Series 2002B Bonds) registered and issued. This Contract constitutes, and the Series 2002B Bonds, when registered, issued, executed and delivered, will constitute, legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, except to the extent that enforceability is subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights. The performance by the County of its obligations contained in this Contract, the Official Statement and the Series 2002B Bonds and the consummation by it of all other transactions contemplated by each of those documents to have been performed or consummated at or prior to the Series 2002B Closing have been duly authorized and approved by the County, as the case may be. The Bond Ordinance has been duly and lawfully passed by the County, is in full force and effect and is valid and binding upon the County and enforceable in accordance with its terms, except to the extent that enforceability is subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights. When delivered and paid for at the Series 2002B Closing, the Series 2002B Bonds shall be entitled to the benefits and the security, and shall be subject only to the terms and conditions, set forth in the Bond Ordinance and described in the Official Statement. The issuance of the Series 2002B Bonds is permitted by, and the Series 2002B Bonds when issued will be issued in compliance with, the provisions of the Bond Ordinance.

(d) To the best of the knowledge of the County's Finance Manager or another authorized representative of the County acceptable to the Underwriters, after due inquiry, the County is not in material breach of, or in material default under, any indenture, bank loan or credit agreement, bond or note, nor is the County in default under any statute, ordinance, resolution or (in any material respect) any other agreement or instrument, regulation, order, decree, license, permit, judgment, ruling or law or constitutional provision to which the County is a party, which breach or default would adversely affect the validity or enforceability of the Series 2002B Bonds.

(e) The passage of the Bond Ordinance, the execution, delivery and performance of this Contract, the issuance and sale of the Series 2002B Bonds and the consummation of the transactions contemplated hereby and by these documents will not in any material respect conflict with or constitute on the part of the County a material breach of or material default under any agreement, indenture, bond, note, statute, ordinance, resolution or other instrument to which the County is a party or to which it is bound or subject, and which

breach or default would adversely affect the validity or enforceability of the Series 2002B Bonds.

(f) Except as described in the Official Statement, no litigation or other action, suit, proceeding, inquiry or investigation before or by any court or agency or other administrative body (either of the State of Washington or the United States Government) is pending or, to the knowledge of the County, threatened, that in any way restrains or enjoins, or threatens or seeks to restrain or enjoin, the issuance, sale or delivery of the Series 2002B Bonds or in any way contests, questions or affects (i) the validity or enforceability of any provision of the Series 2002B Bonds, the Bond Ordinance or this Contract; (ii) the County's pledge under the Bond Ordinance of Revenues of the System, money from investments credited to the Revenue Fund, income from the Revenue Fund, and proceeds of the sale of the Series 2002B Bonds to the extent that they are held in funds established by the Bond Ordinance; (iii) the accuracy, completeness or fairness of the Official Statement; or (iv) the legal existence of the County, the title of its elected officers to their respective offices, or the County's legal ability to perform its obligations hereunder or with respect to the Series 2002B Bonds, or to consummate any of the transactions to which it is or is to be a party as contemplated hereby or by the Bond Ordinance or this Contract; to the best knowledge of the County's Finance Manager, after due inquiry, there is no other event or circumstance, that would have a material adverse effect on the power or ability of the County to perform its obligations hereunder or with respect to the Series 2002B Bonds or to consummate the transactions to which it is or is to be a party as contemplated by the Bond Ordinance or this Contract.

(g) The Official Statement as of the date of this Contract is true and complete in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the information contained therein not misleading. However, no warranty is given with respect to information under the captions entitled "THE BONDS – Book-Entry Transfer System," "LEGAL AND TAX INFORMATION – Tax Exemption for the Bonds" and the information concerning DTC in "Appendix E – Book-Entry Transfer System."

(h) Except for the Series 2002A Bonds, the County does not intend to issue or incur, and the County is not aware of any plans to issue or incur, prior to the issuance of the Series 2002B Bonds, notes or other obligations for borrowed money the repayment of which is backed by a pledge of the Revenues of the System, or any material liabilities, direct or contingent, that will have a material adverse effect on the Sewer System's financial condition, nor does the County expect there to be any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the Sewer System.

(i) Except as described in the Official Statement, all approvals, consents and other actions by, and all filings or registrations with or notices to, any governmental or administrative authority or agency having jurisdiction in the matter required to be obtained by the County as a condition precedent to the performance by the County of its obligations hereunder, or under the Series 2002B Bonds and the Bond Ordinance, have been obtained and are in full force and effect (except no representation is made as to compliance with Blue Sky laws).

(j) Any certificates signed by any authorized representative or other authorized officer or representative of the County and delivered to the Underwriters shall be deemed a representation and warranty by the County to the Underwriters as to the statements made therein with the same effect as if such representation and warranty were set forth herein.

(k) The County will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the County in cooperation with the Underwriters as may be requested (i) to qualify the Series 2002B Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Underwriters and (ii) to determine the eligibility of the Series 2002B Bonds for investment under the laws of such states and other jurisdictions, and use its best efforts to continue such qualifications in effect so long as required for the distribution of the Series 2002B Bonds, provided, however, that the County shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction. The County consents to the use of the Bond Ordinance, this Contract and the Official Statement by the Underwriters in obtaining such qualifications.

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

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

5. CONDITIONS TO THE OBLIGATIONS OF THE UNDERWRITERS

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

(a) The Series 2002B 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 Series 2002B Closing, (i) this Contract and the Bond Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented; (ii) this Contract shall be in full force and effect; (iii) the County shall perform or have performed all of its respective obligations required under or specified in this Contract and the Bond Ordinance to be performed at or prior to the Series 2002B Closing; and (iv) all actions by or on behalf of the County or otherwise necessary to execute, authenticate, issue, deliver and sell the Series 2002B 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 Series 2002B Closing, the Official Statement shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. However, no warranty or representation need be made with respect to the information contained under the captions entitled "THE BONDS – Book-Entry Transfer System," "LEGAL AND TAX INFORMATION – Tax Exemption for the Bonds" and the information concerning DTC in "Appendix E – Book-Entry Transfer System."

(d) Subsequent to the respective dates as of which information is given in the Official Statement, and prior to the time of the Series 2002B Closing, no material adverse change, or any development involving a prospective material adverse change, in the condition of the County, financial or otherwise, shall have taken place (other than as referred to in or contemplated by the Official Statement), and if prior to the Series 2002B Closing such an event occurs the County shall promptly notify the Underwriters, and if in the opinion of the Underwriters and its counsel such event requires a supplement or amendment to the Official Statement, the County will supplement or amend the Official Statement at its expense, in a form and in a manner approved by the Underwriters and Foster Pepper & Shefelman PLLC, counsel to the Underwriters.

(e) The representations and warranties of the County contained herein shall have been true and complete on the date made and shall be true and complete at the time of the Series 2002B Closing with the same effect as if made at such time.

(f) At or prior to the Series 2002B Closing, unless otherwise agreed by the Underwriters in writing, the Underwriters shall receive the following documents:

(i) An approving bond opinion of Preston Gates & Ellis LLP ("Bond Counsel"), dated the date of the Series 2002B Closing, in substantially the form attached to the Official Statement as Appendix B.

(ii) A supplemental opinion of Bond Counsel dated the date of the Series 2002B 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 and to enter into this Contract; to issue, sell and deliver the Series 2002B Bonds; to perform its obligations under the Bond Ordinance and this Contract and to carry out the transactions contemplated thereby; (B) the County has duly adopted the Bond Ordinance and has duly approved, authorized and executed this Contract, 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 Series 2002B 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 Series 2002B Bonds, subject to the provisions of the Bond Ordinance; (E) the County has duly authorized an appropriate representative 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, however, that no opinion is to be provided with respect to compliance with any blue sky laws; (G) the Series 2002B 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"); and (H) the statements contained in the Official Statement under the captions "THE BONDS" (except under the caption "Book-Entry Transfer System"), "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "INITIATIVE AND REFERENDUM" and "LEGAL AND TAX INFORMATION" (except under the caption "Litigation"), insofar as such statements contained under such captions purport to summarize certain provisions of the Series 2002B Bonds, the Bond Ordinance and this Contract are true and correct and that based solely upon their participation as Bond Counsel in certain conferences with representatives of the County, the Underwriters, the financial advisor to the County and Underwriters' counsel during which conferences the contents of 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 DTC, the book-entry transfer system and Appendix E to the Official Statement 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 Series 2002B Closing (except as aforesaid) as of the date of the Series 2002B 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 Series 2002B Closing, to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading. Such supplemental opinion may be subject to laws relating to bankruptcy, insolvency, reorganization or moratorium by other similar laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with principles of equity.

(iii) An opinion of Bond Counsel dated the date of the Series 2002B Closing and addressed to the County and Financial Security Assurance Inc., to the effect that, upon the issuance of the 2002B Bonds, the Refunded Bonds are defeased and no longer deemed to be outstanding under the ordinance pursuant to which they were issued;

(iv) An opinion, dated the date of the Series 2002B Closing and addressed to the Underwriters, of Foster Pepper & Shefelman PLLC ("Underwriters' Counsel")

to the effect that (A) the Series 2002B Bonds constitute exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and Section 304(a)(4)(A) of the Trust Indenture Act of 1939, as amended, and it is not necessary, in connection with the offering and sale of the Series 2002B Bonds, to register any securities under the Securities Act or to qualify the Bond Ordinance under the Trust Indenture Act; (B) the County's undertaking to provide certain continuing disclosure information pursuant to paragraph (b)(5) of Rule 15c-12, provides a suitable basis for the Underwriters to reasonably determine, pursuant to paragraph b(5)(i) of the Rule, that the County has undertaken in a written agreement or contract for the benefit of the holders of the Bonds, to provide the annual financial information and notices required by the Rule; and (C) based upon their examination of information made available to them in the course of their participation in the preparation of the Official Statement as Underwriters' Counsel and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel have no reason to believe that the Official Statement as of the Series 2002B Closing contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial, economic 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" and the information concerning DTC in "Appendix E – Book-Entry Transfer System," as to which such counsel need not express any view) and with respect to such other matters as the Underwriters may require. In rendering the opinion provided above, Underwriters' Counsel may rely upon the unqualified approving opinion of Bond Counsel, to the extent that such opinion addresses the validity of the Series 2002B Bonds, the Bond Ordinance and the governmental status of the County.

(v) An opinion of a County Prosecuting Attorney, dated the date of the Series 2002B Closing and addressed to the Underwriters, based on such inquiry and investigation as he or she has deemed sufficient, to the effect that except as disclosed in the Official Statement, (A) there is no litigation pending or threatened affecting the issuance and delivery of the Series 2002B Bonds, the collection of the revenues pledged to pay the principal thereof and interest thereon, or in any manner questioning or contesting the proceedings and authority under which the Series 2002B Bonds are issued, the validity of the Series 2002B Bonds, the corporate existence or boundaries of the County, or the title of the present officers to their respective offices, which litigation would prevent the payment by the County of the principal of or interest on the Series 2002B Bonds, when due; (B) the statements contained in the Official Statement under the caption "LEGAL AND TAX INFORMATION-Litigation," insofar as such statements purport to summarize litigation affecting the County and certain contracts and agreements, present a fair and accurate summary of such litigation or contracts and agreements as applicable, and are true and correct; (C) to the best of such counsel's knowledge, after due inquiry, neither the execution nor delivery by the County of this Contract nor the Series 2002B 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 (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, which conflict or breach would have a

material effect on the County's authority to provide for the timely payment of the principal of and interest on the Series 2002B Bonds; and (D) no authority or proceedings for the issuance of the Series 2002B Bonds have been repealed, revoked or rescinded.

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

(vii) The County shall have furnished evidence satisfactory to the Underwriters that the Series 2002B Bonds have been rated "Aaa" by Moody's Investors Service, Inc., and "AAA" by Standard & Poor's Ratings Services.

(viii) A certificate or certificates of the County executed by the Designated County Representative or other authorized officer or representative of the County, dated the date of the Series 2002B 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 Series 2002B Closing with the same effect as if made at the time of the Series 2002B 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 Series 2002B Closing, was and is true and complete in all material respects and does not contain an untrue statement of a material fact or omit or fail to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no representation or warranty need be made with respect to the information contained under the captions entitled "THE BONDS – Book-Entry Transfer System," "LEGAL AND TAX INFORMATION –Tax Exemption for the Bonds" and the information concerning DTC in "Appendix E – Book-Entry Transfer System," (C) that the County is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations for borrowed money of the County payable from and secured by a lien on a pledge of the Revenues of the System; (D) that all payments into all funds or accounts created and established for the payment and security of all outstanding obligations for borrowed money payable from and secured by a lien on and pledge of the Revenues of the System have been made in full and that the amounts on deposit in such funds or accounts are the amounts then required to be deposited therein; (E) nothing has come to his or her attention to lead him or her to believe that the financial information and statistical data in the Official Statement contains any untrue statement of a material fact or omits or fails to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (however, no warranty or representation need be made with respect to the information contained under the captions entitled "THE BONDS – Book-Entry Transfer System," "LEGAL AND TAX INFORMATION –Tax Exemption for the Bonds" and the information concerning DTC in "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 and the Bond Ordinance on its part to be performed or satisfied at or prior to the delivery of the Series 2002B Bonds.

(ix) A tax exemption and non-arbitrage certificate signed by the Designated County Representative setting forth facts, estimates and circumstances (including covenants of the County) in existence on the date of the Series 2002B Closing, sufficient to support the conclusion that (A) it is not expected that the proceeds of the Series 2002B Bonds will be used in a manner that would cause the Series 2002B Bonds to be "arbitrage bonds" within the meaning of the Internal Revenue Code of the 1986, as amended, and stating that to the best of his or her knowledge and belief, there are not other facts, estimates or circumstances that would adversely affect such expectations.

(x) Such additional legal opinions, certificates, instruments and other documents as the Underwriters may reasonably request to evidence the accuracy, as of the date hereof and as of the Series 2002B Closing, of the County's representations and warranties contained herein and in the Official Statement and contained in any of the certificates or other documents referred to in this Contract, as the same may be supplemented or amended, and the due performance and satisfaction by the County at or prior to the Series 2002B Closing of all agreements then to be performed and all conditions then to be satisfied by the County.

(xi) Evidence of issuance of the Municipal Bond Insurance Policy by Financial Security Assurance Inc., insuring payment of the principal of and interest on the Series 2002B Bonds.

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

6. TERMINATION OF CONTRACT

The Underwriters shall have the right in their sole discretion to cancel the Underwriters' obligations hereunder to purchase the Series 2002B 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 Series 2002B Closing if, at any time hereafter and prior to the Series 2002B Closing:

(a) The marketability of the Series 2002B Bonds or the market price thereof, in the opinion of the Representative, has been materially adversely affected by (i) an amendment to the Constitution of the United States of America or by any legislation which shall have been introduced in or enacted by the Congress of the United States; (ii) legislation pending in the Congress of the United States; or (iii) legislation (including any amendment thereto, whether or not in formal bill form) recommended to the Congress of the United States or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives; or (iv) legislation (including any amendment thereto, whether or not in formal bill form) proposed that may have an effective date prior to the Series 2002B Closing for consideration by either such Committee or by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee, or by the staff of the Joint Committee on

Taxation of the Congress of the United States; or (v) legislation favorably presented for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration; (vi) a decision by a court of the United States or the Tax Court of the United States; or (vii) a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency, with respect to federal taxation of revenues or other income of the general character expected to be derived by the County or upon interest received on securities of the general character of the Series 2002B Bonds or which would change, directly or indirectly, the federal income tax consequences resulting from ownership of or receipt of interest on securities of the general character of the Series 2002B Bonds in the hands of the owners thereof.

(b) Any legislation, ordinance, rule or regulation shall be introduced in or be enacted by any governmental body, department or agency in the State of Washington, or a decision by a court within Washington shall be rendered, which in the Underwriters' opinion, materially adversely affects the marketability of the Series 2002B Bonds or the ability of the Underwriters to enforce contracts for sale of the Series 2002B Bonds.

(c) In the Underwriters' opinion, any act or event shall exist or may exist that requires or has required an amendment or supplement to the Official Statement, or the subject matter of any amendment or supplement to the Official Statement materially and adversely affects (i) the market price or marketability of the Series 2002B Bonds or (ii) the ability of the Underwriters to enforce contracts for sale of the Series 2002B Bonds.

(d) The New York Stock Exchange or other national securities exchange, the Municipal Securities Rulemaking Board (the "MSRB"), the National Association of Securities Dealers, Inc. (the "NASD"), or any governmental authority or agency shall impose, as to the Series 2002B Bonds or obligations of the general character of the Series 2002B Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the offering, sale and distribution, or extension of credit in connection with the purchase of the Series 2002B Bonds.

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

(f) Any amendment to the Constitution of the United States of America, any legislation enacted by the United States of America, any decision of any court of the United States of America, or any order, ruling, regulation or official statement issued or made by or on behalf of the Securities and Exchange Commission, or of any other governmental agency having jurisdiction over the subject matter, having the effect that obligations of the general character of the Series 2002B Bonds, or the Series 2002B Bonds, are not exempt from the registration requirements of the Securities Act, or that the Bond Ordinance is not exempt from qualification under the Trust Indenture Act.

(g) Any rating of the Series 2002B Bonds or any other sewer revenue obligations of the County shall have been downgraded or withdrawn by a national rating service, which event, in the Underwriters' opinion, materially adversely affects the market price of the Series 2002B Bonds, or any proceeding shall be pending or threatened by the Securities and

Exchange Commission or the Attorney General of the State of Washington against the County relating to the Series 2002B Bonds.

(h) There shall have occurred any outbreak or escalation of hostilities or any national or international calamity or crisis including financial crisis, the effect of which on the financial markets of the United States being such, as in the reasonable judgment of the Underwriters, would make it impracticable for the Underwriters to market the Series 2002B Bonds or to enforce contracts for the sale of the Series 2002B Bonds.

7. EFFECT OF TERMINATION

If the sale to the Underwriters of the Series 2002B Bonds, as herein contemplated, is not carried out by the Underwriters for any reason permitted hereunder or if such sale is not carried out because the County shall be unable to comply with any of the terms hereof, the County shall not be under any obligation or liability under this Contract (except to the extent provided in section 8 hereof), and the Underwriters shall be under no obligation or liability to the County.

8. PAYMENT OF COSTS

(a) Whether or not the Series 2002B Bonds are issued as contemplated by this Contract, the Underwriters shall be under no obligation to pay, and the County hereby agrees to pay, any expenses incident to the performance of the County's obligations hereunder, including but not limited to (i) the costs of the preparation and printing of the Series 2002B 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 Bond Counsel; (iii) the fees and disbursements of other counsel to the County; (iv) the fees of agencies rating the Series 2002B Bonds; (v) the fees of the fiscal agency and bond registrar; (vi) the fees and disbursement of accountants, consultants and advisors to the County, including, without limitation and the fees of the financial advisors to the County; and (vii) any other expenses and costs, including costs and expenses of credit enhancement, if any, of the County incident to the performance of its obligations in connection with the authorization, issuance and sale of the Series 2002B Bonds to the Underwriters.

(b) The Underwriters shall pay (i) any fees assessed upon the Underwriters with respect to the Series 2002B Bonds by the MSRB, the NASD or any NRMSIR; (ii) all advertising expenses in connection with any public offering of the Series 2002B Bonds; (iii) the costs of qualifying the Series 2002B Bonds under the Blue Sky or other securities laws of such jurisdictions as the Underwriters may determine and the costs of the preparation and printing of Blue Sky memoranda; and (iv) all other costs and expenses incurred by them in connection with any public offering and distribution of the Series 2002B Bonds, including the fees and disbursements of Underwriters' Counsel, including expenses in connection with preparation of the Official Statement.

9. INDEMNIFICATION

To the extent permitted by law, the County shall indemnify and hold harmless the Underwriters, each of their partners, officers and employees and each person who controls any of the Underwriters within the meaning of Section 15 of the Securities Act of 1933, as amended

(such Act being herein called the "1933 Act" and any such person being herein sometimes called an "Indemnified Party"), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Party may become subject under any statute or at law or in equity or otherwise, and shall reimburse any such Indemnified Party for any legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions, but only to the extent that such losses, claims, damages, liabilities or actions arise out of or are based upon (i) determination that the Series 2002B Bonds, or the obligation of the County should have been registered under the 1933 Act or the Bond Ordinance should have been qualified under the Trust Indenture Act of 1939, as amended, or (ii) any untrue statement of a material fact contained in the Official Statement and any supplement thereto, or the omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The indemnity as described in this section is limited to such losses or damages as are directly the result of the acts or omissions of the County and, should any Indemnified Party make a claim for indemnity under this Contract, the County shall have the right to (i) retain counsel to defend any such action and (ii) control and direct any defense of such claims in such action. This indemnity shall not be construed as a limitation on any other liability which the County may otherwise have to any Indemnified Party, provided that in no event shall the County be obligated for double indemnification.

10. NOTICES

Any notice or other communication to be given to the County under this Contract may be given by delivering the same in writing to the County, Office of the Finance Manager, 500 Fourth Avenue, Seattle, Washington, 98101, and any such notice or other communication to be given to the Underwriters may be given by delivering the same in writing to Morgan Stanley & Co. Incorporated, 121 Southwest Salmon Street, Suite 1100, Portland, Oregon 97204, Attention: Beth deHamel.

11. GENERAL

This Contract is made solely for the benefit of the County and the Underwriters (including any successor of any Underwriter), and no other party or person shall acquire or have any right hereunder or by virtue hereof. All representations and agreements in this Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of an Underwriters and shall survive the delivery of the Series 2002B Bonds and any termination of this Contract.

12. WAIVERS

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

13. EFFECTIVENESS OF CONTRACT

This Contract shall become effective upon the execution hereof by the Designated County Representative and the execution of the acceptance hereof by the Underwriters and shall be valid and enforceable as of the time of such execution and acceptance.

14. GOVERNING LAW

This Contract shall be construed in accordance with and governed by the laws of the State of Washington. Venue for any action under this Contract shall be in the Superior Court of the State of Washington for King County.

15. COUNTERPARTS

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

Respectfully submitted,

MORGAN STANLEY & CO. INCORPORATED
LEHMAN BROTHERS INC.
UBS PAINWEBBER INC.
SALOMON SMITH BARNEY INC.
SIEBERT BRANDFORD SHANK & CO., LLC

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

Accepted July 29, 2002

KING COUNTY, WASHINGTON

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

EXHIBIT A

**King County, Washington
Sewer Revenue Refunding Bonds, Series 2002B**

Type	Maturity Date	Principal Amount	Interest Rate	Yield
Serial	1/1/2003	\$ 2,625,000	3.000%	1.580%
Serial	1/1/2004	10,250,000	5.000	1.920
Serial	1/1/2005	9,965,000	5.000	2.410
Serial	1/1/2006	11,980,000	5.000	2.800
Serial	1/1/2007	19,595,000	5.000	3.120
Serial	1/1/2008	20,610,000	5.250	3.420
Serial	1/1/2009	21,755,000	5.250	3.650
Serial	1/1/2010	22,680,000	5.250	3.860
Serial	1/1/2011	23,895,000	5.250	3.980
Serial	1/1/2012	25,185,000	4.000	4.080
Serial	1/1/2013	26,180,000	5.500	4.190
Serial	1/1/2014	25,370,000	5.500	4.290
Serial	1/1/2015	26,745,000	5.500	4.370
Serial	1/1/2016	31,035,000	5.500	4.450
Serial	1/1/2017	2,830,000	5.500	4.540
Serial	1/1/2018	3,010,000	5.500	4.630
Serial	1/1/2019	3,200,000	5.500	4.730
Serial	1/1/2020	3,395,000	5.500	4.830
Serial	1/1/2021	3,615,000	5.500	4.930
**	**	**	**	**
Term	1/1/2024	11,000,000	5.125	5.220
**	**	**	**	**
Term	1/1/2027	14,270,000	5.500	5.100
**	**	**	**	**
Term	1/1/2033	26,940,000	5.125	5.300

The 2002B Bonds will be dated and bear interest from October 3, 2002, calculated on the basis of a 360-day year consisting of twelve 30-day months, payable semiannually on each January 1 and July 1, commencing January 1, 2003, to their stated dates of maturity or prior redemption. 2002B Bonds maturing in the years 2013 through 2021, inclusive, and in the years 2024, 2027 and 2033, are subject to optional redemption on or after January 1, 2012, at par plus accrued interest.

The 2002B Bonds maturing on January 1 in the years 2024, 2027 and 2033, are Term Bonds and, if not previously redeemed as described above, are subject to mandatory sinking fund redemption at par plus accrued interest on January 1 in the years and amounts as follows:

<u>2024 Term Bonds</u>		<u>2027 Term Bonds</u>		<u>2033 Term Bonds</u>	
<u>Years</u>	<u>Amounts</u>	<u>Years</u>	<u>Amounts</u>	<u>Years</u>	<u>Amounts</u>
2022	\$3,455,000	2025	\$4,465,000	2028	\$5,350,000
2023	3,660,000	2026	4,760,000	2029	5,665,000
2024	3,885,000	2027	5,045,000	2030	6,010,000
				2031	4,395,000
				2032	1,235,000
				2033	4,285,000