

ALDERWOOD-CLEARVIEW WATER SUPPLY CONTRACT

This Water Supply Contract (the "Contract") is made and entered into by and between Alderwood Water and Wastewater District, a municipal corporation of the State of Washington ("Alderwood"), and the Clearview Water Supply Agency, an administrative entity created pursuant to Chapter 39.34 RCW ("Clearview"), all of whom taken together shall be referred to as "the Parties."

RECITALS

A. WHEREAS, Alderwood, Silver Lake Water District ("Silver Lake"), and Cross Valley Water District ("Cross Valley") formed an interlocal organization known as the Clearview Group to construct facilities and infrastructure for the purpose of providing water to the residents in the respective districts (the "Clearview Project"); and

B. WHEREAS, after the new facilities for the Clearview Project were constructed, Alderwood, Silver Lake, and Cross Valley formed a new administrative interlocal organization known as the Clearview Water Supply Agency; and

C. WHEREAS, Clearview is responsible for overseeing management and operation of the Clearview Project, which consists of a water pump station, approximately eight miles of water transmission line, a river crossing, and a reservoir; and

D. WHEREAS, Alderwood has entered into a water supply contract with the City of Everett in which it has agreed to purchase water for its own use and for the use of Clearview and its members; and

E. WHEREAS, Alderwood desires to supply water to Clearview pursuant to the terms described below; and

AGREEMENT

NOW, THEREFORE, for the mutual benefits to be derived, the parties agree as follows:

1. WATER SUPPLY

1.1 Sale of Water to Clearview. Alderwood agrees to provide and sell to Clearview, for use by Cross Valley, a maximum of 18 million gallons of water per day ("MGD"). Alderwood agrees to provide and sell to Clearview, for use by Silver Lake, a maximum of 12 MGD. Alderwood agrees to provide and sell to Clearview, for use by Alderwood, a maximum of 18.5 MGD.

1.2 Point of Delivery. Alderwood shall deliver water to Clearview at agreed connection points. The present agreed connection point is the connection of the Clearview pipeline with the City of Everett's pipeline number 5.

1.3 Quantity of Water. Alderwood shall provide to Clearview water in an amount not to exceed 48.5 MGD, as noted in section 1.1. All water shall be metered at the master meter provided by Clearview and now owned and maintained by the City of Everett located at the Clearview pump station site.

1.4 Quality of Water. Alderwood agrees that all water delivered to Clearview shall be of the same standard and quality as normally delivered to Alderwood's wholesale customers. Alderwood shall be responsible for meeting state and federal standards for drinking water at the connection points. All water supplied by Alderwood to Clearview shall become the property of Clearview. Alderwood shall have no liability for degradation of water quality and resulting damages that occur beyond that point.

1.5 Rates and Charges. Clearview shall pay to Alderwood the same rates and charges for water delivered that Alderwood pays to the City of Everett pursuant to paragraph 5 of the Alderwood/City of Everett water supply contract, attached as Exhibit A.

1.6 Payment. On a monthly basis, Alderwood shall bill Clearview for water delivered through the pipeline master meters. The bills shall be payable within thirty (30) days after the issuance date of the invoice. Delinquent bills shall accrue interest at the rate of twelve percent (12%) per annum for any delinquency greater than sixty (60) days after the issuance date of the invoice.

1.7 Resale or Distribution of Water. After water has passed the point of delivery and has entered the Clearview system, said water becomes the property of Clearview and under its exclusive authority, subject only to the following express limitations.

A. Clearview shall distribute water received from Alderwood in a manner consistent with Alderwood's water contract with the City of Everett.

B. Clearview shall not serve water received from Alderwood, pursuant to the terms of this Agreement, in areas outside the areas limited by the terms of Alderwood's agreement with the City of Everett.

1.8 Continuity of Service.

A. To the extent feasible, Alderwood shall continuously maintain service to Clearview. In the event of a general emergency or water shortage affecting Alderwood's water supply system requiring restrictions on the delivery of water, general restrictions may be placed upon deliveries to Alderwood's water customers, including

Clearview. In the event of localized emergency problems, temporary service interruptions may result. In the event of restrictions, water supplied through the Clearview master meter shall be proportionally reduced on a pro-rata basis using the three prior monthly average flows metered at all three master meters that Alderwood has with the city of Everett. In the event that restrictions are placed on deliveries made by Alderwood pursuant to this section, Clearview may obtain water from alternative sources for the duration of the restriction period.

B. Alderwood shall provide oral notice to all members of the Clearview technical committee, and may temporarily interrupt or reduce deliveries of water, if Alderwood determines that such interruption or reduction is necessary or reasonable in case of system emergencies. Except in cases of emergency, and in order that Clearview's operations will not be unreasonably interfered with, Alderwood shall give five (5) days notice of any other interruption or reduction in services, the reason therefore, and the probable duration thereof.

1.9 Water Management. Clearview shall prepare a water management and conservation plan, which shall be approved by Alderwood. Approval by Alderwood shall not be unreasonably withheld. The plan shall address efficient management of the water supplied to Clearview by Alderwood and shall include at a minimum the average and peak day flows for Clearview and for the water supplied by Clearview to each of its member districts. Clearview shall provide annually a report to Alderwood providing prior years water efficiency and conservation results. The report shall be submitted to Alderwood by the end of January of each year.

2. MISCELLANEOUS

2.1 Term of Contract. The term of this Contract shall be from the date of its mutual acceptance by the parties through December 31, 2054. The parties may renew this Contract by mutual written agreement upon such terms and conditions as the parties may later agree.

2.2 Force Majeure and Changes in Law. None of the Parties shall be considered to be in default in respect to any obligations in this Contract if they are prevented from fulfilling such obligations due to conditions beyond their reasonable control, or due to changes in state or federal law. If a party is unable to perform in whole or in part because of such condition or change in the law, the party shall diligently and promptly take reasonable steps to allow it to perform.

2.3 Indemnification. Each party shall defend, hold harmless, and indemnify the others from any and all claims, demands, suits, and judgments arising out of its conduct. If, and to the extent, two or more parties are liable to a third party claimant, each party shall be responsible to the extent of its fault, and shall defend, hold harmless, and indemnify the others for its fault.

2.4 Consequential Damages. Notwithstanding any other provision of this Contract, no party shall be liable to the other for indirect, incidental, special, exemplary, or consequential damages, including but not limited to damages for lost revenues or benefits, even if a party has been advised of the possibility or existence of such damages.

2.5 Waivers. Any waiver at any time by a party of its right with respect to a default under this Contract, or with respect to any other matter arising in connection therewith, shall not be deemed a waiver with respect to any subsequent default or matter. Any party may waive any notice or agree to accept a shorter notice than specified in this Contract. Such waiver of notice or acceptance of shorter notice by a party at any time regarding a notice shall not be considered a waiver with respect to any subsequent notice required under this Contract.

2.6 Interpretation and Invalid Provision. The headings used herein are for convenience of reference only and shall not affect the meaning or interpretation of this Contract. The invalidity or unenforceability of any provision of this Contract shall not affect the other provisions hereof; and this Contract shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

2.7 Assignment and Subcontracts; Binding Agreement. No party may assign this Contract, or assign or subcontract all or any part of such party's rights or obligations under this Contract, without the prior written consent of the other parties, which consent shall not be unreasonably withheld. Without in any way limiting the foregoing, this Contract shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

2.8 Dispute Resolution. Any dispute under or in connection with this Contract may, upon the mutual agreement of the parties, be submitted for resolution by mediation. Disputes not resolved in such manner shall be resolved in Superior Court for Snohomish County, Washington.

2.9 Construction. No provision of this Contract shall be construed in favor of or against any of the parties by reason of the extent to which any such party or its counsel participated in the drafting or by reason of the extent to which such provision or any other provision or provisions of this Contract is or are inconsistent with any prior draft.

2.10 Entire Agreement. This Contract, together with all attachments, sets forth the entire agreement of the Parties. No change, amendment, or modification of any provision of this Contract shall be valid unless set forth in a written amendment to this Contract signed by all parties.

2.11 Notice. Formal notice and official communications between the parties regarding this Contract shall be sent by first class mail as follows:

To Alderwood:
General Manager

To Clearview:

Alderwood Water and
Wastewater District
3626 156th Street SW
Lynnwood, WA 98037

Technical Committee
c/o Alderwood Water and
Wastewater District
3626 156th SW
Lynnwood, WA 98037

ADOPTED in open public meeting of the Board of Commissioners of the undersigned on the dates indicated below.

ALDERWOOD WATER AND WASTEWATER DISTRICT

Phillip B. Fay
President

March 21, 2005
Date

Dana J. Cross
Secretary

CLEARVIEW WATER SUPPLY AGENCY

Dana J. Cross
President

March 9, 2005
Date

[Signature]
Secretary