

WATER SYSTEM EXTENSION AGREEMENT

THIS WATER SYSTEM EXTENSION AGREEMENT ("Agreement") is entered into this 19 day of August, 2019, by and between **Rainier View Water Co., Inc.**, a corporation organized under the laws of the State of Washington, hereinafter referred to as the "Owner," and **Wolf River, LLC**, a Washington limited liability company, hereinafter referred to as "Developer." Owner and Developer may be referred to herein individually as a "Party" or collectively as "Parties."

RECITALS

1. Developer is developing a residential plat and is seeking five hundred thirty-five (535) equivalent residential units (ERUs). Of these, two hundred thirty-four (234) ERUs can be served from the Blue Horizon Water System which is being conveyed by an affiliate of Developer to Owner under an agreement of even date herewith.
2. Developer's property is located in Pierce County, Washington and is known as the Daybreak Preliminary Plat with a site address of 19902 Orting-Kapowsin Hwy East, Graham Washington 98338 (the "Project").
3. Owner is willing to provide water service to the Project on the terms and conditions set forth in this Agreement and in accordance with its tariff as filed with the Washington Utilities and Transportation Commission ("Commission").

NOW, THEREFORE, in consideration of the mutual promises and benefits to be derived, it is agreed as follows:

AGREEMENT

1. Developer shall install a water distribution main and related operating equipment and appurtenances described in Paragraph 2, below, ("System Extension") to Owner's Conditions and Standards and in accordance with the design standards for the Project as

submitted to the Washington State Department of Health ("DOH"). The Project will be developed at the location described below (referred to herein as the "Property"):

Plat of Daybreak, Washington.

Site address: 19902 Orting-Kapowsin Hwy East, Graham, WA 98338

The foregoing Property shall be developed as follows:

A residential plat with 535 Domestic ERUs and 15 irrigation ERUs.

The number of ERUs may vary upon final plat approval by Pierce County.

2. Developer agrees that as material consideration for this Agreement, it shall develop a System Extension to serve the Project which shall include, but is not limited to, the following:

(a) A water storage tank with a minimum capacity of 185,000 gallons;

(b) A well that is rated at a QI of 250 gallons per minute.

(c) A booster pump station that will be wired for connection to and designed to be compatible with Owner's existing SCADA system;

(d) Piping and related appurtenances and other system design features to produce a minimum fire flow of 750 gallons per minute for one hour at twenty pounds per square inch;

(e) A generator of sufficient size to run the Project in times of power outages;

(f) Mains, connections, hydrants and appurtenances per Project design and as needed to connect to Owner's existing system sufficient to meet the standards set forth above and Owner's standards; and

(g) A well and reservoir site free and clear of all liens and encumbrances, except for the lien of any acquisition, development, construction or other loan which shall be subordinate to the well and reservoir site easement described in the following paragraph and be released in its entirety from Tract T before Tract T is conveyed to Owner.

(h) An eight inch (8") ductile iron main between the starting point located in proximity to Lot 56 of the Deer Run Mobile Home Park to an end point on the Daybreak distribution system located in proximity to Lot 131 of the Daybreak Plat, the exact location to be agreed between Owner and Developer but as generally illustrated on Exhibit G which is by this reference incorporated herein.

(i) The Parties understand that the well and reservoir site well (identified as Tract T on the preliminary Plat) be conveyed when Phase 2 of the Plat of Daybreak is platted. In the interim, Developer shall grant Owner an easement across Phase 2 in the form attached hereto as Exhibit A.

(j) In addition to the foregoing, Developer shall construct an eight inch (8") ductile iron main from the termination of Owner's existing system at 110th to the Plat of Daybreak, a distance estimated to be eight thousand five hundred feet (8,500') (the "Main Extension"). The System Extension and Main Extension are illustrated on Exhibit B which by this reference is incorporated herein.

3. It is estimated that Developer will be spending between Eight Hundred Fifty Thousand dollars (\$850,000.00) and One Million Twenty Thousand dollars (\$1,020,000.00) on the Main Extension. Owner will accept the Main Extension on the conditions as set forth in this Agreement and as consideration therefor will provide a credit against the developer contingency charge in Schedule 16 of its tariff equal to the number of residential building lots allowed on final plat approval for the Project multiplied by the per residential ERU in Schedule 16 of the tariff. In no case shall Developer be entitled to any sort of cash payment from Owner. By way of example, and not of limitation, if Developer's expenditures on the System Extension are less than \$828,715, which is the maximum size of the credit (535 residential ERUs x \$1,549 per residential ERU), Developer shall not be entitled to any of the difference, whether in cash or in the form of offsets against other items. Nor is the credit, or any part of it, transferable to another development or another developer other than a developer for the Plat of Daybreak.

4. Developer shall reimburse Owner its attorney's fee for the development of this Agreement and submission to the Commission in the amount of ten thousand dollars (\$10,000.00), which sum shall be due five (5) business days after the execution of this Agreement.

5. In addition to the foregoing, Developer will pay to Owner the federal income tax on contributions in aid of construction associated with the System Extension, calculated by the Developer based upon the cost of the facilities that are transferred to Rainier View.

Those costs are estimated to be One Million Five Hundred Eighty-Eight Thousand Eight Hundred Forty Dollars (\$1,588,840.00) for the Main Extension portion of the System Extension and Three Million Ninety-Two Thousand Five Hundred Sixty-Seven and 00/100 Dollars (\$3,092,567) for the distribution facilities portion of the System Extension. The effective tax rate is 26.5823%. The final cost (the "Value") of the System Extension shall be agreed by Developer and Owner upon completion of the System Extension. Developer shall pay to Owner 26.5823% of the Value (the "CIAC Tax"). The CIAC Tax is due and payable within five (5) days of the date the System Extension is found by Owner's engineer to be ready for delivery to Owner.

6. Developer shall provide a construction performance and maintenance bond which holds Owner harmless from the negligence of Developer, its agents, liens, third-party liability, and defective materials or equipment, a copy of said bond is attached hereto as Exhibit "C" and by this reference incorporated herein.

7. Developer shall procure insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Developer, its agents, representatives, employees or subcontractors. The insurance required shall include the specific coverages and be written for not less than the limits of liability and coverages listed below or required by law, whichever is greater.

Workers Compensation, etc., shall have the following minimum limits:

A.	State	Statutory
B.	Applicable Federal (e.g., longshoremens')	Statutory
C.	Employer's Liability	\$1,000,000

Comprehensive General Liability shall have the following minimum limits:

A.	Bodily injury (including completed operations and products liability):	
	\$1,000,000	Each Person
	\$1,000,000	Each Accident

Property Damage:

\$1,000,000 Each Occurrence
or a combined single limit of \$1,000,000

B. Property Damage liability insurance will provide explosion, collapse and underground coverages where applicable.

C. Personal injury, with employment exclusion deleted
\$1,000,000 Annual Aggregate

Comprehensive Automobile Liability shall have the following minimum limits:

Bodily Injury:

\$1,000,000 Each Person
\$1,000,000 Each Occurrence

Property Damage:

\$1,000,000 Each Occurrence
or combined single limit of \$1,000,000

The comprehensive general liability insurance will include completed operations insurance. All of the policies of insurance so required to be purchased and maintained (or the certificates) for the coverage afforded will not be canceled, materially changed or renewal refused until at least forty-five (45) days' prior written notice has been given to Owner by certified mail. All such insurance shall remain in effect until completion of the System Extension and the delivery of all documents required under Paragraph 12 and the System Extension passing inspection by Owner's Engineer and the payment by the Developer of all sums owed by Developer under this Agreement for the Project and at all times thereafter when Developer may be correcting, removing or replacing defective work. In addition, Developer shall maintain such completed operations insurance for at least one (1) year after Date of Acceptance, as defined hereinafter, and furnish Owner with evidence of continuation of such insurance. The original policy or a signed certificate of insurance shall be filed with the Owner.

8. Insurance Coverage Certificates. Prior to the commencement of work, the Developer shall furnish to the Owner acceptable proof of insurance on a form acceptable to the Owner. All insurance certificates must have the project title and address. All insurance certificates shall specifically require forty-five (45) days' prior notice to the Owner of cancellation or any material change. Owner shall be named as an additional insured on all certificates of insurance.

9. All work by Developer shall be subject to passing inspection by Owner's Engineer. Developer shall pay for the cost of inspection within ten (10) days from the date of inspection.

10. Owner acknowledges and agrees that Blue Horizon Water Company has agreed to assign and convey Water Permit No. G2-30621 (234 ERUs) to Owner in connection with Owner's purchase of the Blue Horizon Water Company assets. Owner agrees that, once conveyed to Owner, the water rights represented by Water Permit No. G2-30621 (234 ERUs) will be used to supply service to the Daybreak Plat. This obligation shall survive any termination of this Agreement.

11. Developer shall pay for any improvements to Owner's system required by the Owner's Comprehensive Plan as reasonably determined by Owner's Engineer to serve the Property or required by a governmental agency for Owner to serve the System Extension.

12. Developer shall install water services as contemplated by the System Extension at Developer's expense. Services shall be installed up through the saddle and service line by the Date of Acceptance, as defined below, and Developer shall provide to Owner the meter setters and meter boxes and U branches as required for double services for each service or double service as appropriate.

13. Developer shall furnish all necessary conveyances in form to be approved by the Owner. At a minimum these will include a Bill of Sale (Exhibit D), easements for the facilities constructed under the System Extension with access and egress therefor

(Exhibit E or on face of Plat) and a statutory warranty deed for the parcel with the well and storage tank (Exhibit F). Developer is responsible for all transaction taxes (e.g. retail sales tax and real estate excise tax) that may apply and recording fees.

14. From the Date of Acceptance of the System Extension, Owner shall, subject to approval by the Commission, maintain and operate the System Extension. Owner has no duty to accept the System Extension, or any portion thereof, if the System Extension does not pass inspection by Owner's Engineer because the System Extension does not conform strictly to Owner's Conditions and Standards and the Project design standards (other than fire flow as set out in Paragraph 2, above). As used in this Agreement, Date of Acceptance is the date that the last of the following events occurs: (1) payment by Developer of all sums owed by Developer under this Agreement as set out herein; (2) delivery of all documents required under Paragraph 13, above; or (3) the System Extension passing inspection by Owner's Engineer.

15. Nothing in this Agreement entitles Developer or Developer's successors or assigns to connect to Owner's water system, including System Extension, except in accordance with the terms, conditions and charges in Owner's tariff filed with the Commission.

16. Owner does not warrant delivery of any specific quantity or quality of water, and Owner's Standards and Conditions are designed to produce only the minimum state standards in effect at the time of this Agreement. Such standards may not be sufficient for large lots, agricultural use or highly landscaped lots. Developer is relying on Developer's own judgment and the advice of its expert consultants, if any, to determine the adequacy of the System Extension to meet Developer's needs and those of Developer's assigns and successors in interest.

17. Developer shall design all irrigation and landscaping for open space or areas not part of a lot on which a single family residence will be constructed that may be part of the plat served by the System Extension to serve conservation goals. Design criteria shall be to use no more than eight hundred (800) gallons per irrigation ERU per day during peak season of May through September. The design criteria shall also be a usage

criterion. The calculation of the eight hundred (800) gallon per ERU per day usage limitation shall be made on a monthly basis. Under this method of calculation, water that is not used in a month may not be saved or "banked" for use in a later month in the irrigation season. In addition, Developer agrees to adopt a "best practices" approach to the use of irrigation service. This best practices approach includes, but is not limited to, the following: (a) irrigation of grass areas at a rate of no more than one (1) inch per week; (b) sizing irrigation sprinklers and installing irrigation sprinklers to provide as near a uniform coverage of grass-landscaped areas as feasible; (c) not using watering practices that involve a "sponge" approach where water is applied in one area with the thought that it will eventually provide coverage of other areas through the water traveling over, through or under the ground; (d) not irrigating when the temperature is forecasted to exceed ninety (90) degrees Fahrenheit; and (e) installing rain sensors at each irrigation location so that irrigation does not occur during or shortly after rainfall. Developer warrants that it will use its best efforts to meet these conservation goals. Notwithstanding anything to the contrary contained herein, all irrigation use is subject to the terms of Owner's tariff, including, but not limited to Owner's ability to limit or stop irrigation for periods of time.

18. At a minimum, at each irrigation connection Developer must provide, at Developer's sole expense, back flow prevention devices. Developer covenants and agrees that it shall be responsible for maintaining, or causing tenants to maintain if back flow exclusively serves tenants, the back flow prevention devices in working order. The back flow prevention devices shall be inspected and tested at Customer's expense by Washington Certified Back Flow Assembly Tester as required under WAC 246-290-490. The Developer may contract for the back flow certification with any Washington Certified Back Flow Assembly Tester. A copy of satisfactory certification will be provided to Owner prior to the date of providing service under this Agreement and on an ongoing basis as testing certifications are required by state law and regulation (currently on an annual basis). The back flow prevention devices shall be accessible to the Owner and its employees at all times.

19. Developer understands and agrees that Owner is not acting as an insurer of Developer or of the Property or property of others on the Property. Owner shall not be

liable for any loss of life, personal injury or loss or damage to the Property of Developer and its successors and assigns and each of their employees, agents, guests or invitees whether or not caused by failure of the System Extension and Developer shall hold Owner and Owner's directors, officers, employees and agents harmless from any such claim. Owner makes no warranties or representations as to performance of the System Extension. Nor shall Owner be liable under any theory in law or equity to Developer or Developer's employees, agents, guests or invitees for any consequential, incidental, punitive or other loss or damage beyond direct damages caused by Owner or Owner's agents or employees gross negligence, breach of contract, or intentional misconduct or a violation of Chapter 19.122 RCW by the Owner.

20. Developer hereby agrees to purchase insurance in such amount as Developer deems adequate, to protect against loss, which insurance Developer agrees shall be Developer's sole source of recovery for failure of the System Extension, except for Owner's gross negligence, breach of contract, or intentional misconduct or Owner's violation of Chapter 19.122 RCW. Said insurance policy shall include a waiver of subrogation as applied to Owner, its directors, officers, employees and agents. This obligation shall survive the transfer of the System Extension to Owner.

21. This Agreement may be terminated by Owner, at Owner's discretion, upon thirty (30) calendar days' written notice to Developer, if: (1) Developer fails to pay any amounts due under paragraphs 4 and 5 of this Agreement when due or (2) the System Extension is not completed or does not pass inspection by Owner's engineer by December 31, 2026. TIME IS OF THE ESSENCE IN THIS AGREEMENT.

If this Agreement is terminated under this provision, Owner shall have no obligation to provide service to Developer or Developer's successors or assigns, and Developer shall forfeit any rights in the System Extension.

22. The Parties recognize that there is another development that may need the Main Extension prior to the Developer constructing the Main Extension. If that other developer builds a main extension similar to that contemplated by the Agreement, the Parties agree

that they will negotiate an amendment to this Agreement to delete the Developer's responsibility to construct the Main Extension. In place of the responsibility, Developer will then be responsible to pay a late-comer's fee. The late-comer's fee will be equal to one-half of the construction costs of the other developer's construction costs for the main extension as certified by the other developer plus an administrative fee of five hundred dollars (\$500.00) payable to Owner.

23. Miscellaneous.

a. Jurisdiction. This Agreement is made with reference to and is intended to be construed in accordance with the laws of the State of Washington. The Parties agree that the venue for any suit brought hereunder shall be laid exclusively in Pierce County, Washington.

b. Successors in Interest. This Agreement shall be binding upon and inure to the benefit of the successors, heirs, assigns and personal representatives of the Parties; provided, that, to be a valid assignment by Developer, Developer's assignee first must agree in writing to be bound by all terms and conditions of this Agreement and such agreement must be developed in advance to Owner. Without such agreement to be bound, any attempted assignment by Developer shall be void ab initio.

c. Execution of Counterpart. This Agreement and the Exhibits hereto shall be executed separately or independently in any number of counterparts, each and all of which together shall be deemed to have been executed simultaneously and for all purposes be one agreement.

d. Construction. This Agreement shall not be construed more favorably to one Party over another, notwithstanding the fact that one Party, or its attorney, may have been more responsible for the preparation of the document.

e. Attorney's Fees. In the event that any Party hereto retains an attorney to enforce any of the provisions hereof, then the substantially prevailing Party shall be entitled to

reasonable attorney's fees incurred in both trial and appellate courts, or fees incurred without suit and all court and accounting costs.

f. Survival. All of the obligations (except to the extent performed), warranties and representations in this Agreement shall survive the closing and transfer of the System Extension to Owner.

g. Amendment. No modification, amendment, addition to, or termination of this Agreement nor waiver of any of its provisions shall be valid or enforceable unless in writing and signed by all Parties, and further, no modification or amendments of specifications or approval of "approved equal" materials shall be valid or enforceable unless approved in writing by Owner's Engineer.

h. Waiver. No failure on the part of either Party to exercise, and no delay in exercising, any rights hereunder shall operate as a waiver thereof; nor shall any waiver or acceptance of a partial, single or delayed performance of any term or condition of this Agreement operate as a continuing waiver or a waiver of any subsequent breach thereof.

i. Notices. Any notice provided for in this Agreement shall be deemed given if it is in writing and is personally delivered or sent by certified mail, postage prepaid, return receipt requested, and delivered or addressed as set forth below, or to such other address as the Parties may hereafter designate by notice given in the same manner.

To Owner: RAINIER VIEW WATER COMPANY, INC.
 P.O. BOX 44427
 TACOMA, WA 98444

To Developer: WOLF RIVER, LLC
 P.O. Box 1870
 Orting, WA 98360

With a copy to:

Ms. Jacqueline McMahon
1103 Shaw Road East
Puyallup, WA

j. Effective Date. For purposes of transfer of the System Extension, and Owner's obligations herein, the effective date of this Agreement shall be thirty (30) days after this Agreement is filed with the Commission, unless suspended by the Commission in which case the effective date of this Agreement is when this Agreement is approved by the Commission.

24. The Owner's acceptance of the System Extension is subject to approval by the Commission which requires this Agreement to have been filed with it at least thirty (30) days prior to transfer of the System Extension (effective date of Agreement). Developer understands that any work done on System Extension prior to Commission approval is done at its sole risk and Owner has no duty to accept said work. Developer further understands Commission approval is not automatic and Owner has not guaranteed or warranted such approval.

25. Other than for breach and termination under Paragraph 21, if Owner finds Developer to be in breach of any term of this Agreement, Owner shall provide Developer with notice of breach, setting out the nature of the breach. Developer shall cure said breach within thirty (30) days of receipt of notice, which receipt is deemed to occur three (3) business days after deposit of said notice in the U.S. mail, postage prepaid. If Developer fails to cure said breach within said thirty (30) days after receipt of notice, Owner, at its sole discretion, may terminate this Agreement at any time after the period for cure has passed unless Developer has effected the appropriate cure prior to receipt of notice of termination from Owner. Upon termination, Owner shall have no further obligation of any nature to Developer or Developer's successors-in-interest. Wolf River LLC ("Wolf River") shall have the opportunity to cure any default of any successor in interest to Wolf River in the Project which may result in termination of this Agreement by the Owner. Owner shall be deemed to have notified Wolf River of such defaults if notice is given to Jacqueline McMahon in the manner described in Section 23 (i). Wolf River

shall have thirty (30) days to cure such default. Wolf River's sole remedy for Owner's failure to deliver the notice required under Section 23 (i) is the right to require Owner to deliver that notice and provide Wolf River an opportunity to cure the default within 30 days.

26. To the extent allowed by law, the Developer shall hold Owner and its officers, agents, and employees harmless from all suits, claims or liabilities of any nature, including attorney's fees, costs, and expenses for or on account of injuries or damages sustained by any persons or property resulting from negligent or willful activities or omissions of the Developer, its agents, employees, or on account of any unpaid wages or other remuneration for services or for failure to comply with Chapter 19.122 RCW ("dig-up laws") or any violation of county franchise requirements; and if judgment be rendered or settlement made requiring payment of damages by Owner, which damages are based in whole or in part on the negligent or willful activities or omissions of the Developer, its agents or employees, or on account of any unpaid wages or other remuneration for services or for a violation of Chapter 19.122 RCW or county franchise requirements, the Developer shall pay the same.

27. Any and all sums not paid when due under this Agreement shall earn interest at the rate of eighteen percent (18%) per annum prorated from the date due to date of payment.

28. The Agreement is conditioned upon and subject to approval by the DOH to allow Owner to modify its service area boundaries to include the Project. Owner does not warrant or guarantee such approval by the DOH. Should such approval not be granted, this Agreement shall be null and void with neither Party having a claim against the other Party.

29. By signing this Agreement, Developer warrants that it is a Limited Liability Company in good standing in the State of Washington, that the person signing on Developer's behalf is authorized to do so and such signature shall bind Developer and

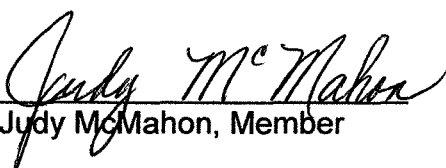
that execution of this Agreement shall not put Developer in breach of any other agreement, including, but not limited to, financing or security arrangements.

30. OWNER HEREBY DISCLAIMS ALL EXPRESS AND IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR INTENDED PURPOSE, COURSE OF TRADE, AND COURSE OF DEALING.

EXECUTED by the Parties the date first above written.

Developer:

WOLF RIVER, LLC


By: 
Judy McMahon, Member

Address: P.O. Box 1870 Orting, WA 98360

With a copy to:
Ms. Jacqueline McMahon
1103 Shaw Road East
Puyallup, WA 98372

Owner:

RAINIER VIEW WATER COMPANY,
INC.

By: 
Bob Blackman, Operations
Manager

Address: PO Box 44427
Tacoma, WA 98448