

**CAMANO HILLS WATER COMPANY WATER SYSTEM EXTENSION AGREEMENT
ISLAND COUNTY FIRE DISTRICT NO. 1**

**WATER SYSTEM EXTENSION AGREEMENT
APPLICANT REQUESTS PURVEYOR TO CONSTRUCT EXTENSION**

THIS AGREEMENT is made and entered into this 15th day of March, 2009, by and between the Camano Hills Water Company, a Washington corporation, also referred to in this Agreement as the "Purveyor" and Island County Fire District No. 1 (also referred to in this Agreement as the "Applicant").

I. DEFINITIONS

"Purveyor" means Camano Hills Water Company, and its authorized representatives.

"Engineer" means the engineer or engineering firm and that firm's representatives, that may be retained and assigned by the Purveyor to act as the professional engineer licensed in the State of Washington for the work to be performed under this Agreement.

"System Operator" means the certified operator or contract operator firm and that firm's representatives licensed by WA Department of Health that may be retained by the Purveyor to operate the public water system and perform other work under this Agreement.

"Applicant" means the owner or owners of property to be benefitted by the proposed extension, including the Applicant's agents. The Applicant may be the owner of property to be subdivided into parcels, or the owner of a single parcel that will become a Customer of the Purveyor.

"Customer" means the owner of a parcel of land identified by Island County Auditor tax parcel number to which water service is provided.

"Contractor" means the person or firms employed by the Purveyor to do any part of the work, all of whom shall be considered agents of the Purveyor.

"Work" means the labor, materials, superintendence, equipment, transportation, supplies and other facilities necessary or convenient to the completion of the proposed extension described in the application contained herein.

"Extension Plans" means drawings, including reproductions thereof, of the work to be done as an extension to the Purveyor's system.

"Specifications" means the Purveyor's Standard Specification for Water Main Installation with accompanying Standard Plans approved by the WA Department of Health as part of Water System Plan approval or subsequently through a Project Report prepared and submitted to the WA Department of Health.

"Otherwise specified", or "As specified" means the directions contained in the Plans, special specifications, if any, and otherwise as given by the Purveyor incident to the performance of the work other than in these General Provisions.

"Water main extension", "extension improvements", "extension", or "improvement" means the water system improvements referenced in this Agreement, including the Required Fire Flow.

"Service Policies" means the rules and conditions for providing water service approved by the WA Utilities and Transportation Commission ("WA UTC") and WA Department of Health ("WA DOH"). The Service Policies may be found in the Purveyor's current Water System Plan approved by the WA DOH.

"Rates and Charges" means the Purveyor's rates and charges approved by the WA UTC.

"Construction Professionals" means the Applicant's Construction Contractor, Architect, Construction Manager and other consultants and professionals providing labor, equipment or materials to the Property and Project, whether pursuant to a direct contract with Applicant or a subcontract with the Construction Contractor or Architect.

"Required Fire Flow" means water flow of 750 gpm for 60 minutes at 20 psi.

"Required Fire Flow Date" means no later than June 1, 2009.

"Domestic Water Supply" means the water provided to the site for domestic consumption.

"Project" means a fire station to be constructed on the Property by Applicant.

"Property" means the real property owned by Applicant which is located at West Camano Drive and Vista Drive.

II. RECITALS

WHEREAS, the Purveyor owns and maintains a public water system for the supply of water for domestic consumption and fire protection within a service area approved by Island County;

WHEREAS, the Applicant requests the extension of the existing water distribution system to serve one or more parcels of property within the service area or outside of the existing service area as shown in the accompanying drawing marked Exhibit "B";

WHEREAS, the estimated cost of the water main extension and associated improvements is greater than the estimated customer(s) revenue for six (6) years;

WHEREAS, the Purveyor is willing to provide the Applicant with water service from its public water system as set forth below;

WHEREAS, the Applicant is constructing the Project on the Property;

WHEREAS, the Applicant is scheduled to commence construction of the Project by June 1, 2009;

WHEREAS, Island County requires that the District have the "Required Fire Flow" prior to the start of building framing;

WHEREAS, the Project is within the designated service area of Camano Hills Water Company and is entitled to supply water to the Project unless it is unable to supply the required water in a timely and reasonable manner;

WHEREAS, Camano Hills Water Company has issued a memorandum to the Applicant dated April 3, 2007, a copy of which is attached hereto as Exhibit "A" (the "Water Service Memorandum"), describing two options to provide domestic water, including the Required Fire Flow, to the Project;

WHEREAS, the Applicant is willing to accept Option 2 as described in the Water Service Memorandum dated April 3, 2007 (Exhibit "A"); and

WHEREAS, Camano Hills Water Company is ready, willing and able to proceed with supplying the Required Fire Flow and Domestic Water Supply by June 1st under the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and the mutual benefits to be derived hereby, the Purveyor and the Applicant covenant and agree as follows:

III. AGREEMENT

1. The Purveyor shall be responsible for the construction of the water main extension, preparation of Extension Plans and related work, including, but not limited to, surveying of easements and County right-of-ways, environmental assessments and permitting related to the water main extension (the "Services").

1.1 The Services shall include providing to the East line of the Property, adjacent the entrance driveway, which runs along West Camano Drive, the Required Fire Flow by June 1, 2009 (hereinafter referred to as "Phase I") and a complete and operational permanent Required Fire Flow and Domestic Water Supply by October 1, 2009 (hereinafter referred to as "Phase II").

1.2 The Services shall be in accordance with this Agreement, the Purveyor's Specifications, applicable requirements of other governmental agencies and good engineering practice.

1.3 The "Services" exclude the onsite work referenced in paragraph 12.1.

2. The Purveyor shall be responsible for the preparation of plans for all additional major facilities or modifications to existing facilities described in Exhibit "C" related to and necessary for the proposed water main extension, including, but not limited to, pressure reducing valve stations, pump stations, wells and water storage reservoirs. The Purveyor shall be responsible for surveying, environmental assessments and permitting related to this work.

3. The Purveyor will submit to all regulatory agencies with oversight of the public water system any necessary project report and/or amendment to plans, such as the six-year Water System Plan required and approved by the WA DOH.

4. The Applicant shall pay One Hundred Eighty Thousand Dollars (\$180,000.00) (the "Fee") for the Services, subject to the terms of a reimbursement agreement between the Applicant and Purveyor.

4.1 The Fee is all inclusive of all costs necessary to provide the Services, including but not limited to, the following:

- a. Two Equivalent Residential Units ("ERUs") for the Project;
- b. Utility and connection fees;
- c. Vault, meter(s) and gate valves;
- d. Easement, surveys and permitting costs;
- e. Costs associated with the installation of the water service lines to the West side of West Camano Drive on the applicant's property adjacent to the driveway, and required pump house upgrades; (provided that Applicant shall be responsible for costs associated with the installation of onsite service water line from the West side of West Camano Drive to the point of the meter on Applicant's property as set forth in Section 12.1);
- f. 8" ductile iron pipe extension from Camano Hills Water;
- g. 6" ductile iron extension and upgrades to the pump house of Sunny Hill Water;
- h. Engineering costs and contingencies; and
- i. Sales tax.

4.2 Any temporary fire control appurtenances / hydrants / fittings shall meet the contemporary design standard of the A.W.W.A., and be compatible with the fire district's use. "Four (4) inch size Quick Connect (STORZ type) permanent fittings shall be installed upon any and all new fire hydrants that are included in this water line extension project." (per WAC 246-293-650).

5. The Fee includes all costs for the Purveyor's preparation of plans for the water main extension, additional facilities or modifications to existing facilities necessary to allow the system extension, and for the preparation of reports and submittals for these facilities to all regulatory agencies with oversight of the public water system.

6. The Applicant hereby applies for a reimbursement agreement with the Purveyor in the form attached hereto as Exhibit "D." Purveyor agrees that the Applicant is entitled to late comers' fees for all customers connecting to the service north of the proposed Ridgeview PRD as shown on Exhibit "B" and south of the point where Applicant connects to the water main extension, subject to the terms of the Water Main Extension Reimbursement Agreement.

7. Customers connecting to the water main extension shall comply with the Purveyor's service policies and tariff/rules and regulations approved by the WA DOH and WA UTC. Each Customer shall pay the water system facilities charge and connection fee stipulated in the tariff in effect at the time of application for service.

8. Upon execution of this Agreement, Applicant shall pay a deposit of Twenty Thousand Dollars (\$20,000) to be applied to the Purveyor's costs incurred relating to this Agreement including, but not limited to, extension agreement setup, design of facilities by the Purveyor's Engineer, Extension Plan preparation, mobilization and all other Purveyor administrative, engineering and

legal fees and costs. Applicant shall pay the remainder of the Fee, i.e., One Hundred Sixty Thousand Dollars (\$160,000), on a percentage complete basis through monthly progress invoices according to the schedule of values that has been agreed to by both parties for this purpose which is attached hereto as Exhibit "G."

8.1 Payment of undisputed amounts, less Five Percent (5%) retainage, shall be made within twenty (20) days after receipt of a monthly progress invoice. If Applicant disagrees with Purveyor's stated percentage of completed work identified in a monthly progress payment request, Applicant shall pay the undisputed portion and shall provide an explanation for withholding the disputed portion of the monthly progress payment. Purveyor shall be obligated to continue with the work, notwithstanding a dispute over the completion percentage of the Services.

8.1.1 In the event of a dispute over the percentage of work completed, Purveyor may request a decision as to the amount in dispute. Such dispute shall be resolved by an impartial construction consultant agreed to by both parties. The parties agree that Designs Northwest, Stanwood, Washington may be used for such purposes. *THE FEE OF THE CONSULTANT SHALL BE SHARED EQUALLY BY BOTH PARTIES.*

8.1.2 The parties shall not have ex parte communications regarding the dispute with the consultant except as requested by the consultant. The consultant shall inspect the work that is the subject of the disputed progress payment, review any materials that the parties may submit and hear from both parties in an informal hearing. The consultant shall issue a decision no later than twenty (20) days after being retained, and the parties agree to be bound by the decision. The consultant's decision shall be limited to determining the percentage of work complete as of the date of the disputed progress payment request; in no event, however, will the consultant's decision exceed the percentage requested by the Purveyor in such progress payment request.

8.2 Half of the retainage will be issued within thirty (30) days after completion of Phase II and the balance of the retainage will be issued within thirty (30) days after transfer of ownership of the onsite improvements referenced in paragraphs 12.1 and 12.2.

9. [Reserved].

10. The Fee includes any Purveyor administration and overhead charges allowed in current tariff/rules and regulations approved by the WA UTC.

11. [Reserved].

12. All easements required on the Applicant's property shall be obtained by the Applicant without cost to the Purveyor and shall provide for a permanent easement and construction easement as shown on the Extension Plans. All easements required to bring the water main extension to the Applicant's property shall be obtained by the Purveyor without additional costs to the Applicant.

12.1 **Onsite Work.** Following the completion of the Off-Site Services, the Applicant's Construction Contractor will construct the onsite system to include the distribution line, meter setters, hydrants and fire department connection and backflow assembly.

12.2 Upon completion of the onsite work described in 12.1, the Applicant's Construction Contractor will promptly test and purify the onsite water system in accordance with Purveyor's standard procedures to ensure compliance with Purveyor's standards and applicable state and county regulations. Purveyor will assist Applicant's Construction Contractor as reasonably necessary to ensure the testing and purification are properly performed. In addition, upon completion of all other service lines on the Property, Applicant shall provide to Purveyor the following: (a) Inspection report by the Applicant's engineer of the water main and appurtenances; (b) as built drawings signed and sealed by the easement Applicant's engineer, which shall show the easement to be granted to Purveyor to enable access to the onsite water system; and (c) satisfactory test report provided by the Applicant's WA DOH certified backflow assembly tester of all backflow prevention assemblies installed on the Property.

12.3 Immediately upon satisfactory completion of the tasks in Section 12.2, the parties shall cooperate to execute all necessary documents, including but not limited to, easements and bills of sale, and to record such documents as necessary so that the Purveyor assumes ownership and responsibility for maintenance, testing and repair and/or replacement of the onsite water system to the point of the meter; provided, however, Applicant shall warrant in writing that Applicant shall correct any defects in labor and materials which may arise in the onsite water system for a period of one (1) year from the Applicant's acceptance of the Project. Prior to the end of such one (1) year period, Purveyor may clean, and/or perform a pressure and leakage test to confirm that such improvements are free from defects in labor and materials. The Applicant agrees to provide a 15' wide easement over the as-built location of the waterline to the Purveyor for the purpose of performing such Services on the onsite water system.

12.4 If Applicant desires to use the Domestic Water Supply during construction of the Project, then Applicant shall be responsible for all costs associated with providing such service, including without limitation, the cost of service installation, backflow prevention assembly installation, temporary meter installation, and the cutting and abandonment of the construction service once permanent service is available.

13. Applicant agrees to provide Purveyor with current information regarding the construction schedule for the Project as such information becomes available to Applicant and to have its Construction Contractor work with Purveyor to coordinate the Services and construction of the Project. Applicant also agrees to provide Purveyor with copies of all contracts for which damages may be claimed under Section 14 of this Agreement.

14. Subject to the terms of this Agreement, the extension improvements and Services necessary to provide Domestic Water Supply and Required Fire Flow to the Property will be completed and accepted not later than October 1, 2009.

14.1 The Purveyor understands that based on the Applicant's present construction timeline, it is critical for the Required Fire Flow to be completed no later than June 1, 2009 and for the permanent Fire Flow and Domestic Water Supply to be completed no later than October 1, 2009. The Purveyor represents and warrants that it is qualified and capable of completing the Services by the dates as set forth in Section 14, subject to extension to the extent that Purveyor's delay in completing Purveyor's work is due to (i) an event of "Force Majeure", in accordance with Section 16 of this Agreement, (ii) unforeseen physical conditions

during construction, despite the exercise of reasonable diligence, or (iii) Applicant's non-cooperation or failure to comply with its obligations under this Agreement. A schedule is hereby attached as Exhibit "F" (the "Schedule") showing the anticipated progress of the Services.

14.2 **Remedies; Damages.** The Purveyor understands that the Applicant will be conducting a public bid process for construction of the new fire station and will be entering into a construction contract requiring the contractor to commence onsite improvements by June 1, 2009. The Purveyor further understands that in the event the Purveyor fails to timely complete the Services, the Applicant is subject to suffering significant damages, including but not limited to, damages due to construction delays, extended general conditions and contractor overhead and profit; remobilization expenses; overtime; higher material and labor costs, etc. Therefore, the Purveyor agrees that (i) if it materially falls behind the Schedule and is unable to adequately assure the Applicant that it is capable of completing the Services as required hereunder or (ii) fails to timely complete either Phase I or Phase II of the Services by the applicable deadlines, subject to extension as provided in Section 14.1, the Applicant shall be entitled, in its sole discretion, to an election of the following remedies:

14.2.1 Terminate this Agreement and have the Services completed by another contractor. In such event, the Applicant shall be obligated to pay the Purveyor the Fee, less the amount paid to the contractor selected to complete the Services and any delay damages paid by the Applicant to its Construction Professionals for delays. Provided, however, that the remedy in this Section shall not be available to the Applicant if Phase I of the Services is completed before the start of building framing.

14.2.2 Provided that the 8" extension from Camano Hills is completed, approved and in service to provide 500 gpm flow by June 1, 2009 but the additional 250 gpm is not available at such time, Purveyor will install before the start of building framing, at its own expense, temporary onsite fire flow through (1) a storage tank to make up the additional 250 gpm, or (2) by installation of a temporary water line from the Sunny Hill Reservoir and installation of a fire hydrant located on the East side of West Camano Drive opposite the Applicant's driveway in order to temporarily meet the Required Fire Flow. This supplemental water flow shall be in place no later than the start of building framing. Purveyor guarantees that the permanent Domestic Water Supply and Required Fire Flow shall be complete and in operation by no later than October 1, 2009.

14.2.2.1 The authorization described in the foregoing paragraph to locate temporary improvements on the Property will only be issued by the Applicant if all of the following conditions are met: (i) the temporary improvements can be located on the Property in such a way that construction will not be materially affected and (ii) this solution satisfies the applicable governmental agencies such that the start of building framing can commence.

14.2.2.2 Any temporary fire control appurtenances / hydrants / fittings shall meet the contemporary design standard of the A.W.W.A., and be compatible with the fire district's use." "Four (4) inch size Quick Connect (STORZ type) permanent fittings shall be installed upon any and all new fire hydrants that are included in this water line extension project." (per WAC 246-293-650).

14.3 Applicant shall be entitled to damages equal to the damages that Applicant is required to pay to the Construction Professionals as a result of such delays, plus reimbursement of the Applicant's attorneys' fees, expert/consultant fees and costs in evaluating, defending and/or resolving such delay claims. Such damages may include, but are not necessarily limited to, such items as remobilization, additional time, delay costs, increased labor and material expenses, overtime, acceleration charges, change orders and related damages. The term "required to pay" as used in this paragraph refers to (i) the amount that Applicant is adjudged to be liable for following an arbitration or trial, (ii) such amounts as may be agreed to in a change order, or (iii) the amount that Applicant pays to the Construction Professionals in settlement of a claim or threatened claim resulting from Purveyor's failure to meet the deadlines herein.

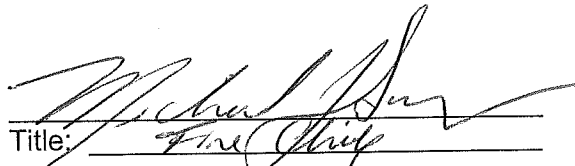
15. The Applicant's rights and responsibilities arising out of this Agreement are not assignable unless Purveyor consent is obtained, which consent may not be unreasonably withheld by the Purveyor, prior to any proposed assignment. Written documents as required by the Purveyor of any Purveyor approved assignment shall be filed with the Purveyor by the Applicant at the time of any assignment.

16. **Force Majeure.** If either party hereto shall be delayed or hindered in or prevented from the performance of any obligation required hereunder by reason of strikes, lock-outs, labor troubles, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, military or usurped power, sabotage, unusually severe weather, fire or other casualty or other reason (but excluding inadequacy of insurance proceeds, financial inability or the lack of suitable financing) of a like nature beyond the reasonable control of the party delayed in performing its obligations under this Agreement ("Force Majeure"), the time for performance of such obligation shall be extended for the period of the delay.

17. **Dispute Resolution.** Venue for any disputes under this Agreement shall lie exclusively in Island County Superior Court. The prevailing party in any action shall be entitled to an award of its attorneys' fees and costs.

ACCEPTANCE OF THIS APPLICATION BY THE PURVEYOR CONSTITUTES A CONTRACT WITH THE APPLICANT, THE TERMS OF WHICH ARE EACH PARAGRAPH OF THIS AGREEMENT, THE PURVEYOR'S STANDARD SPECIFICATIONS FOR WATER MAIN CONSTRUCTION AND STANDARD PLANS, THE EXTENSION IMPROVEMENT PLANS AND DESIGN APPROVED BY THE PURVEYOR AND ALL OTHER APPLICABLE PURVEYOR REGULATIONS AND WASHINGTON LAW.

ISLAND COUNTY FIRE DISTRICT NO. 1


Title: Fire Chief

STATE OF WASHINGTON)
) ss.
COUNTY OF ISLAND)

On this day personally appeared before me Michael Ganz, to me known to be the Fire Chief of Island County Fire District No. 1 and on oath verified that he was authorized to execute this document on behalf of the Applicant for the uses and purposes therein mentioned.

Given under my hand and official seal this 10 day of March, 2009.



Linda A Layton
NOTARY PUBLIC in and for the State of Washington, residing at IS. Co
My appointment expires on 10-9-12.

10 THE FOREGOING APPLICATION of Island County Fire District No. 1 accepted this day of March, 2009 by the Camano Hills Water Company.

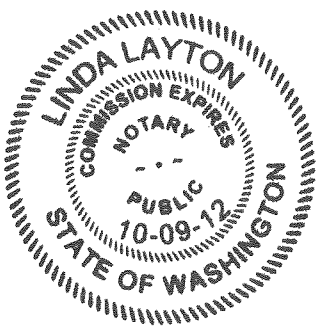
CAMANO HILLS WATER COMPANY

Jeff Holbeck
Jeff Holbeck, President

STATE OF WASHINGTON)
) ss.
COUNTY OF ISLAND)

On this day personally appeared before me Jeff Holbeck, to me known to be the President of Camano Hills Water Company and on oath verified that he was authorized to execute this document on behalf of the Applicant for the uses and purposes therein mentioned.

Given under my hand and official seal this 10 day of March, 2009.



Linda A Layton
NOTARY PUBLIC in and for the State of Washington, residing at IS. Co
My appointment expires on 10-9-12

EXHIBIT "A"
MEMORANDUM

*GEORGE BRATTON, P.E.
Civil Engineer.
1252 S. Farragut Drive
Coupeville, WA 98239
Tel. (360) 678-4552
FAX (360) 678-5374*

MEMORANDUM

April 3, 2007

TO: Laurel Holbeck

FROM: George Bratton

COPY TO: Kim Williams, Designs Northwest Architects
P.O. Box 1270, Stanwood, WA 98292

Chief Mike Grant, Camano Fire & Rescue
525 E. North Camano Dr., Camano Island, WA 98282

SUBJECT: CAMANO HILLS WATER Co. SUPPLY FOR
CAMANO FIRE & RESCUE

This memo is written to provide the information requested in the e-mail dated March 16th to you from Kim Williams of Designs Northwest Architects.

Parcel R23235-353-1090 is in the County approved service area of the Camano Hills Water Company. This parcel may not be supplied with water service from another public water system unless the Water Company agrees to a change in service area boundary or the Water Company is not able to supply water in a timely and reasonable manner. For this area, the Water System Plan assumes the supply of water for single-family residential customers only.

The following two options were considered for supply 750 gpm fire flow.

Option 1 – Entire Supply from Camano Hills PRD

The 132,100 gallon reservoir will supply the requested 45,000 gallons of fire storage volume (750 gpm for 60 minutes).

The proposed 8-inch water main extension on West Camano Drive to Parcel R23235-353-1090 has capacity to supply a fire flow of 500 gpm with the present booster pumps at the Camano Hills PRD pump station.

For providing commercial fire flow, the 6-inch water main located to and within the Cascade Estates PRD (2,275 feet) will need to be replaced with 8-inch. The design of the pumped high elevation service area is controlled by maintaining greater than 20 psi pressure during fire flow conditions to the highest customer in the Cascade Estates PRD. The preliminary hydraulic analysis of the system (copy attached) shows that 750 gpm may be provided by the existing booster pumps. If not, the pump station may need to be upgraded by the addition of two pumps or by changing the existing pumps.

The service location for Parcel R23235-353-1090 will be upstream of the planned West Camano Drive PRV Station. Since this is the lowest point in the high elevation service area, the pressure will be very high. Domestic service could be provided from the Sunny Hill service area, with fire hydrants and a fire sprinkler system connection supplied from the West Camano Drive main.

The following is a summary of the pressures available from West Camano Drive with the existing booster pumps and the 6-inch mains with Cascade Estates PRD replaced:

Assumed Fire flow	750	gpm
Static pressure	154	psi
Residual (flow) pressure	77	psi
Residual pressure at highest point	29	psi

The static pressure varies through the operating range of the hydropneumatic tank. The above static pressure is the booster pump "on" setting.

The cost of replacing 2,275 feet of 6-inch with 8-inch AWWA C900 PVC, assuming \$70 per foot, is \$159,250.

Option 2 – Partial Supply from Sunny Hill PRD

There is the option of supplying 500 gpm from the Camano Hills PRD reservoir and pump station and 250 gpm from the Sunny Hill PRD reservoir and pump station.

The following is a summary of the pressures available for the above option:

Assumed Fire flow	750	gpm
Static pressure	154	psi
Residual (flow) pressure	106	psi
Residual pressure at highest point	30	psi

The static pressure varies through the operating range of the hydropneumatic tank. The above static pressure is the booster pump "on" setting.

The reservoir volume of 15,000 gallons (250 gpm for 60 minutes) would need to be supplemented by source production (water right allows 100 gpm withdrawal).

The installation of a transfer pump is required for the West Camano Drive extension to the North Point development. The design would need to be modified for one or more additional pumps to provide fire flow. The cost of the installation would be shared between the North Point Development and Camano Fire and Rescue. Since the design has not been started, the cost to Camano Fire and Rescue is uncertain. As an approximation, a new pump house at the reservoir site with three booster pumps and no hydropneumatic tanks would be in the range of \$60,000. Camano Fire and Rescue share would be at least 50 percent of this cost.

Please call me if you have any questions.

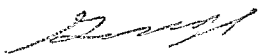
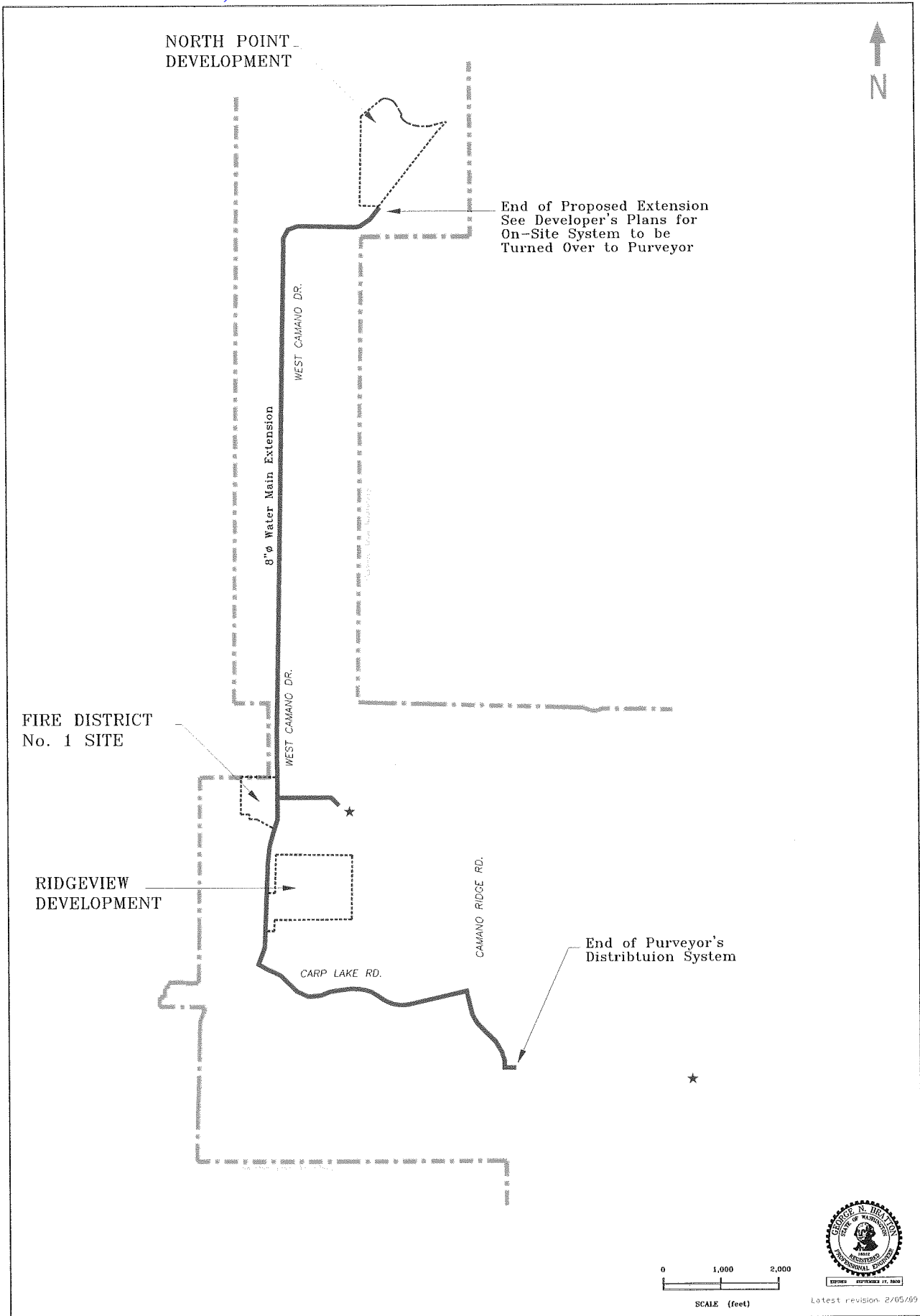


EXHIBIT "B"

DEPICTION OF WATER SYSTEM EXTENSION

See Attached



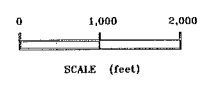
FIRE DISTRICT
No. 1 SITE

RIDGEVIEW
DEVELOPMENT

NORTH POINT
DEVELOPMENT

End of Proposed Extension
See Developer's Plans for
On-Site System to be
Turned Over to Purveyor

End of Purveyor's
Distribtuion System

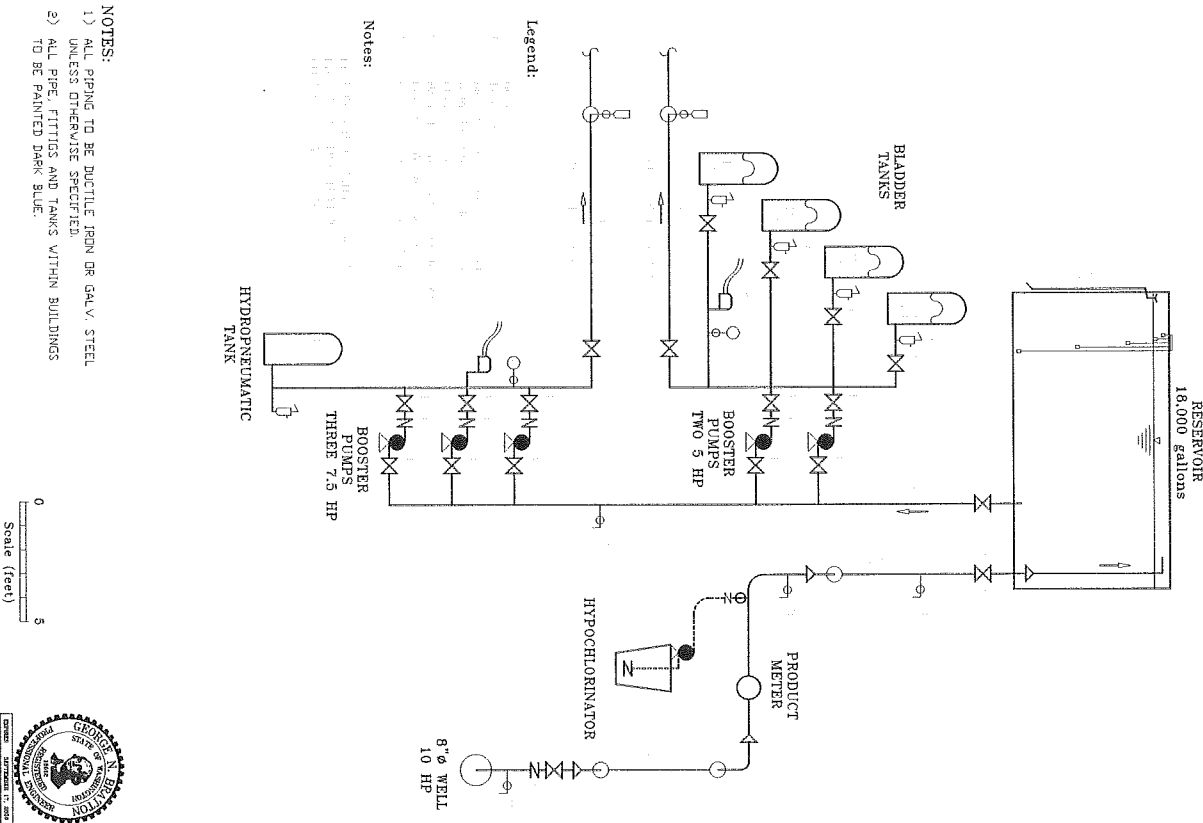
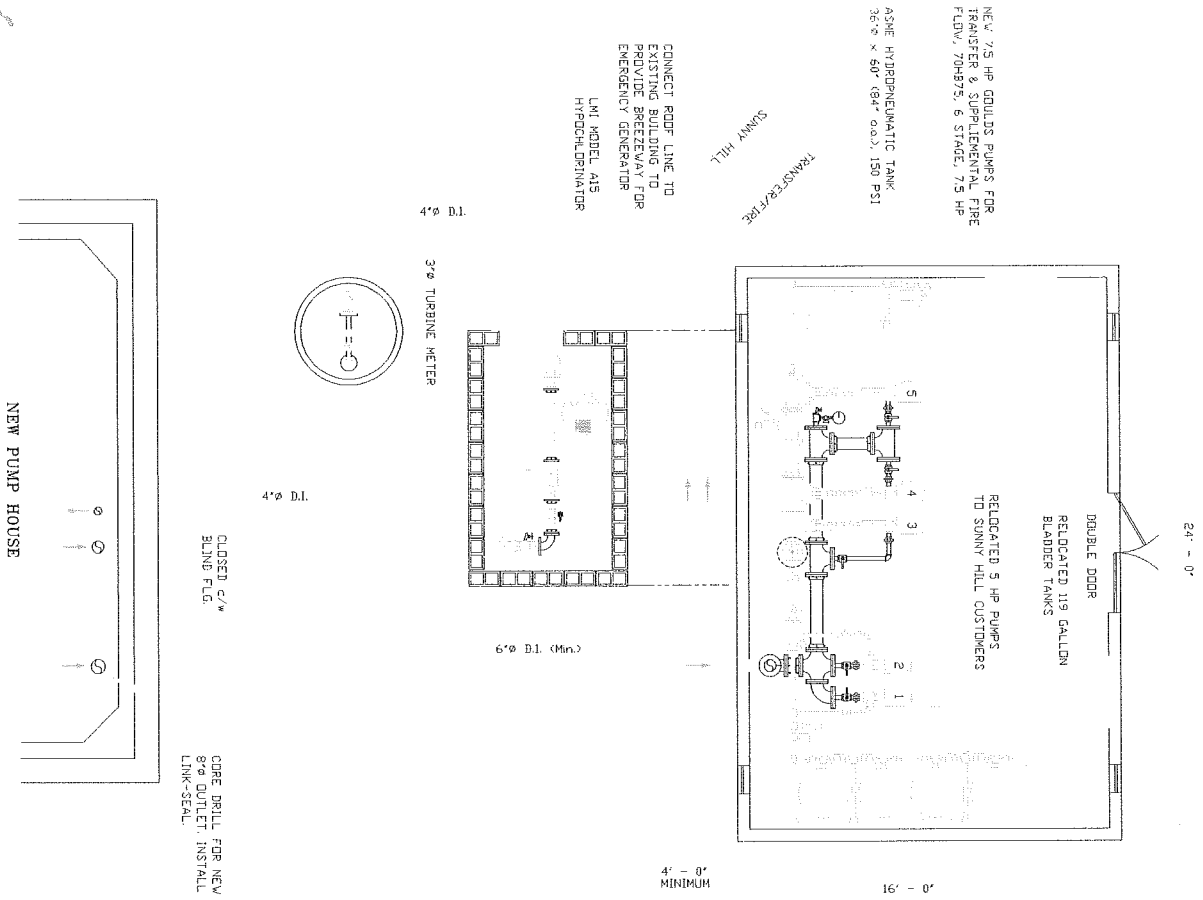


Latest revision: 2/05/09

<p>Sheet 1 of 1</p>	<p>CAMANO HILLS WATER CO., INC. P. O. Box 2703 Stanwood, Washington 98292</p>	<p>WATER DISTRIBUTION SYSTEM 8-INCH WATER MAIN EXTENSION TO THE NORTH POINT DEVELOPMENT Developments Supplied by Extension</p>	<p>GEORGE BRATTON, CIVIL ENGINEER 1252 S. Farragut Drive Coupeville, Washington 98239 Job 547 January 2007</p>
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EXHIBIT "C"

**ADDITIONAL MAJOR FACILITIES OR MODIFICATIONS TO EXISTING FACILITIES
NECESSARY FOR PROPOSED WATER MAIN EXTENSION**



- NOTES:**
- 1) ALL PIPING TO BE DUCTILE IRON OR GALV. STEEL UNLESS OTHERWISE SPECIFIED.
 - 2) ALL PIPE, FITTINGS AND TANKS WITHIN BUILDINGS TO BE PAINTED DARK BLUE.

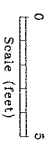


EXHIBIT "D"

**WATER MAIN EXTENSION
REIMBURSEMENT AGREEMENT**

THIS AGREEMENT is made and entered into this 10 day of March, 2009, by and between the Camano Hills Water Company, a Washington corporation, also referred to in this Agreement as the "Purveyor" and Island County Fire District No. 1, also referred to in this Agreement as the "Applicant."

I. DEFINITIONS

"Purveyor" means Camano Hills Water Company, and its authorized representatives.

"Applicant" means the owner or owners of property to be benefitted by the proposed extension, including the Applicant's agents. The Applicant may be the owner of property to be subdivided into parcels, or the owner of a single parcel that will become a Customer of the Purveyor.

"Customer" means the owner of a parcel of land identified by Island County Auditor tax parcel number to which water service is provided.

"Reimbursement Charge" means the pro rata share of the cost of construction and contract administration costs for a water main extension of the Customers that connect to the water main extension.

II. RECITALS

WHEREAS, the Purveyor owns and maintains a public water system for the supply of water for domestic consumption and fire protection within a service area approved by Island County;

WHEREAS, the Applicant entered into a Water System Extension Agreement dated the 10 day of March, 2009 ("Water System Extension Agreement") with Purveyor for the construction and installation of water main extension(s) described on Exhibit "A";

WHEREAS, the water main extension(s) to serve the Applicant's real property may after completion also benefit Customers obtaining service from the water main extension;

WHEREAS, the Applicant is entitled to reimbursement from future Customers who subsequently are served from the Applicant's water main extension(s) for the cost of such facilities in excess of Applicant's fair pro rata share thereof, which costs have been determined as set forth below; and

WHEREAS, the Purveyor is authorized by the WA UTC to enter into reimbursement agreements with parties constructing extensions to the water system for reimbursement to such parties from an Reimbursement Charge added to the Water System Facilities Charges received by the Purveyor from other property owners who subsequently connect to or use such facilities and who did not contribute to the original cost of such facilities.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and the mutual benefits to be derived hereby, the Purveyor and the Applicant covenant and agree as follows:

III. AGREEMENT

1. The Purveyor's Engineer shall determine the real property benefitting from the water main extension, which have not contributed to the original cost of installation. These properties are described in Exhibit "B" of the Water System Extension Agreement.
2. The Purveyor agrees to reimburse the Applicant in the manner and on the terms and conditions set forth hereafter.
3. [Reserved].
4. The Reimbursement Charge to the Applicant shall be Two Thousand Dollars (\$2,000.00) per equivalent single-family residential unit ("ERU") actually supplied through service connections made to the water main extension.
5. In no event shall the total of the Reimbursement Charges payable to Applicant exceed the amount paid by the Applicant under the Water System Extension Agreement. The amount paid by the Applicant under the Water System Extension Agreement shall be considered to be the Fee (as defined in the Water System Extension Agreement, less the cost of two (2) ERUs at Six Thousand Five Hundred Dollars (\$6,500) per ERU.
6. This contract shall extend for a period not to exceed ten (10) years from the date of this Agreement's execution by the parties and recording with the Office of the Island County Auditor.
7. Reimbursement under this contract shall not be applicable to any additional main extensions added to the terminus of the Applicant's water main extension. Reimbursement shall be applicable only to new service connections intersecting the subject main between its start point and its terminus. In no case shall the terms of this Agreement be applicable to the Purveyor or any of its projects to improve the overall public water system. In any case, only the owners of the parcels described in Exhibit "B", their heirs, successors or assigns are liable for charges pursuant to the terms of this Agreement.
8. The funds collected by the Purveyor pursuant to this contract, less the Purveyor's reasonable cost of collection, shall be disbursed to the Applicant, its heirs, successors or assigns, at such address as provided by the Applicant, or as may be changed by the Applicant upon written notice to the Purveyor. The Applicant may assign or convey its rights to collection of said funds to other parties upon written notice to the Purveyor. The Purveyor shall be provided with a signed copy of such assignment by the Applicant.
9. In the event that the Purveyor, after collecting said reimbursement fee(s), and after due and diligent efforts to deliver said fund(s) to the Applicant, its heirs, successors or assigns, for a period not to exceed one (1) year in duration, finds that it is unable to deliver said funds to the Applicant, its heirs, successors or assigns, the rights of the Applicant to collect said funds shall be forfeited, and shall terminate ninety (90) days after publication in a local newspaper of record for two (2) consecutive issues of said paper of a Public Notice advising that the funds are

available and will be forfeited upon a date specified if not claimed.

10. All amounts received by the Purveyor pursuant to this Agreement, less reasonable costs of collection, shall be paid (mailed) to the Applicant, its heirs, successors or assigns within sixty (60) working days after receipt thereof by the Purveyor.


11. At the end of the ten (10) year period, this Agreement shall automatically terminate and be null and void. Any funds or charges collected by the Purveyor over and above the amount due to Applicant or any such funds collected by the Purveyor after said ten (10) year period expires shall belong to the Purveyor.

12. [Reserved].

13. In the event that any part of this Agreement shall be found invalid or inapplicable by a court of competent jurisdiction, such finding shall in no way affect any other parts or remainder thereof.

ACCEPTANCE OF THIS APPLICATION BY THE PURVEYOR CONSTITUTES A CONTRACT WITH THE APPLICANT, THE TERMS OF WHICH ARE EACH PARAGRAPH OF THIS AGREEMENT, THE PURVEYOR'S STANDARD SPECIFICATIONS FOR WATER MAIN CONSTRUCTION AND STANDARD PLANS, THE EXTENSION IMPROVEMENT PLANS AND DESIGN APPROVED BY THE PURVEYOR AND ALL OTHER APPLICABLE PURVEYOR REGULATIONS AND WASHINGTON LAW.

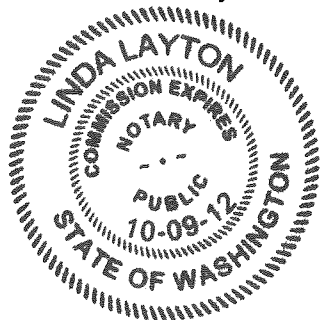
ISLAND COUNTY FIRE DISTRICT NO. 1



Title: Fire Chief

STATE OF WASHINGTON)
) ss.
COUNTY OF ISLAND)

On this day personally appeared before me Michael Bane, to me known to be the Fire Chief of Island County Fire District No. 1 and on oath verified that he was authorized to execute this document on behalf of the Applicant for the uses and purposes therein mentioned.


Given under my hand and official seal this 10 day of March, 2009.




NOTARY PUBLIC in and for the State of Washington, residing at K.C.O.
My appointment expires on 10-9-12.

THE FOREGOING APPLICATION of Island County Fire District No. 1 accepted this
10 day of March, 2009 by the Camano Hills Water Company.

CAMANO HILLS WATER COMPANY



Jeff Holbeck, President

EXHIBIT "E"

EASEMENT

Description of Easement to be provided by Applicant's Surveyor upon completion of Onsite Work

EXHIBIT "F"

CONSTRUCTION SCHEDULE

Purveyor shall initiate mobilization immediately. Construction shall commence by April 1, 2009, and shall proceed in April and May 2009. The Services shall be completed by June 1, 2009.

EXHIBIT "G"

SCHEDULE OF VALUES

	Anticipated Date of Pmt	Amount	Retainage
Fee		\$ 180,000.00	
Deposit	Mar-09	\$ (20,000.00)	
April Progress Payment (assuming 50% completion)	20-May-09	\$ (76,000.00)	\$ (4,000.00)
May Progress Report (assuming 100% completion)	20-Jun-09	\$ (76,000.00)	\$ (4,000.00)
50% Retainage Pmt	1-Jul-09	\$ (4,000.00)	
50% Retainage Pmt	1-Nov-09	\$ (4,000.00)	
Total of Pmts		\$(180,000.00)	