



ILIAD, INC.

ILIAD INC. CONTRACT AGREEMENT

This agreement made and entered into by:

OWNER: ILIAD WATER SERVICE CONTRACTOR: ILIAD, INC.

P o Box 20429 P.O.
Seattle, WA 98102
Phone (206) 786-0645

Box 20098
Seattle, WA 98102
Phone: (206) 282-4200
Fax: (206) 764-3848

OWNER, for the full, complete and faithful performance of this CONTRACT, agrees to pay the CONTRACTOR the following CONTRACT PRICE:

A TOTAL LUMP SUM: \$152,826.00 (One Hundred Fifty Two Thousand, Eight Hundred Twenty Six and no/100), plus any applicable taxes.

In consideration thereof, the CONTRACTOR hereby agrees as follows: To perform work as outlined in EXHIBIT A hereto attached as scope of work.

To be bound by all laws, government regulations, and orders, and all provisions on any way applicable to this CONTRACT, and also by the CONDITIONS which are hereby referred to and made a part of this CONTRACT.

To provide ALL SUPERVISION, LABOR AND EQUIPMENT necessary for the COMPLETE and TIMELY installation of the Alderlake Water System improvements, all per plan and specifications as prepared by Skillings Connolly, Engineers, dated 2/15/2011.

* Exception:
As defined here in EXHIBIT A

The below listed CONTRACT DOCUMENTS supersede and take precedence over all provisions of, and any inconsistencies in CONTRACTOR'S proposal.

EXHIBIT A

EXHIBIT B

SUBMITTALS: The contractor shall deliver submittals and shop drawing to the OWNER for approval before starting the project.

CHANGE ORDERS: For extra work above and beyond the scope of contract an extended work shall be filled out and signed by the CONTRACTOR and OWNER upon order of work. All extra work will be approved in writing prior to performing the work.

PAYMENTS AND PROGRESS PAYMENTS: The OWNER agrees to dispense funds for full payment as outlined in EXHIBIT B hereto attached..

WORKMANSHIP AND GUARANTY: Contractor agrees to perform the work in a "workmanship like manner". Contractor shall maintain and pay for State Industrial for all workmen on the job. Liability insurance shall be in place before commencement of work.

Iliaid, Inc. agrees to guarantee the work for one (1) year from the date of commencement.

CLAIMS AND DISPUTES: This agreement shall be deemed to be an integrated agreement superseding all prior oral or written agreements between the parties relative to the subject matter hereof. If any part of this Agreement shall be found or held to be invalid, such finding shall not affect the validity of any other hereof.

All demands, notices and notices of forfeiture, notices of default, notices to commence delivery service, and the like may be personally addressed to the respective parties at the following address:

CONTRACTOR: ILIAD, INC.
P.O. Box 20098
Seattle, WA 98102

In the event any party brings any action at law or equity with respect to any of the obligations, duties, or responsibilities under the Contract, through court action or otherwise, the prevailing party shall be entitled to recover, in addition to any other amounts or sums of money, such amounts as the court deems reasonable as attorney fees and costs of the suit.

Contract terms and agreements will be within Washington State Laws and Regulations.

In witness whereof the CONTRACTOR AND OWNER have executed this agreement, effective as dated.

OWNER: ILIAD WATER SERVICES, INC.

CONTRACTOR: ILIAD, INC.
L.I.C. NO. ILIADI*219N2


7/18/2011

Date: 7/18/2011


David Dorland, President

Date:

**EXHIBIT A
SCOPE OF WORK**

Prepared for:

**ILIAD, INC.
ALDER LAKE WATER SYSTEM
CORROSION CONTROL TREATMENT**

July 21, 2011

Water quality tests taken recently by the Alder Lake Community Water System (Client) have revealed high levels of copper, which exceeded the action level for copper under the Lead-Copper rule. Corrosion control treatment is thus required under 40 CFR Part 141.83(b). The Client wishes the Consultant to conduct a preliminary (Phase 1) investigation of the options for treatment technique, and provide an engineering report.

The report will include a recommendation of preferred method of treatment, preliminary sizing calculations, a list of required permits, and a work plan for Phases 2 & 3. The actual work for all phases will be completed in conformance with approved Engineering standards applicable to similar work by similar professionals in the project area. Consultant makes no warranty, express or implied, for work performed.

Upon concurrence of the Client and the Department of Health, Office of Drinking Water, the Consultant will proceed with Phase 2, in which the final design of the appropriate treatment facility is completed.

The following tasks describe the required Phase 1 work elements:

Phase 1: Data Collection and Engineering Report

A. Review Water Quality Data.

The Consultant will review the results of the water quality chemical analysis provided by the Client for both source water and water from the tap. The level of corrosivity and tendency for precipitation of calcium carbonate will be assessed. If the data are not sufficient to proceed with the selection of a treatment method, the Consultant will recommend that additional water quality testing be performed. Any additional tests beyond those provided to Consultant for this task will be at Client's expense, and may require additional fee.

B. Determine Treatment Technique

Using the EPA Guidance Manual, the consultant will identify and recommend a preferred treatment technique, if multiple treatment technologies are identified by the

decision matrix in the guidance manual, the Consultant will meet with Department of Health (DOH) Regional Engineer to review the data and establish consensus. Upon concurrence of the Client, the Consultant will proceed with the preparation of an engineering report based upon the recommended treatment alternative (See Sub-Task 3 below).

Note: If the determination of corrosion control treatment technique is not made with concurrence of all, it may be necessary to conduct "pilot testing". All work associated with pilot testing will be considered additional work. If pilot testing is required, a scope of work and cost estimate for pilot testing will be developed as an amendment to this scope of work.

C. Engineering Report

The Consultant will prepare a letter report with an overview of the preferred treatment technique decision, the design criteria, and preliminary sizing calculations. The report will include dosage rates, concentrations, premixing and chemical storage quantities required for design criteria. Included in the engineering report will be a list of the required permits and a planning level estimate of the cost to construct, operate and maintain the treatment facility. This report will be reviewed, and with approval by the client, submitted as a project report to the DOH. Report revisions, if required, are considered additional work and will require an amendment to Phase 1 of this scope of work.

The Consultant will prepare, as part of the engineering report, a planning level estimate of the cost to construct, operate and maintain the treatment facility. The cost will be reviewed with the Client.

Deliverables:

- Engineering Report
- Planning level estimate of probable cost to construct
- List of required permits

Phase 1 Cost: \$18,176.00

End of Phase 1 Scope of Work

Phase 2: Plans, Specifications, and Estimate

The tasks identified in the Phase 2 scope of work are for information purposes only.

A. Preparation of Plans, Specifications and Estimate

The Consultant will prepare a set of detailed design plans and specifications for the selected treatment alternative. The Consultant will also prepare a detailed estimate (PS&E) of the probable cost to construct the facilities. The plans will include the treatment system, chemical storage, emergency spill storage facilities, and associated mechanical, electrical and other ancillary facilities identified in the Engineering Report.

It is anticipated that the following plan sheets will be provided to the construction contractor:

- Cover sheet, vicinity map
- Site plan
- Mechanical
- Electrical
- Building plan
- Building sections
- Detail sheets

Upon completing the construction documents, the Consultant will prepare a bid package. The Consultant may utilize the Client's preferred bid document "boiler plate," if one exists, for the preparation of the bid advertisement, contract, bond forms, etc. The Consultant will forward the completed design, specifications and estimate of probable construction cost to the Client and to the DOH for review. All DOH review fees will be paid by the Client. The Consultant will incorporate comments of the Client and DOH, and finalizing the PS&E will constitute completion of the design phase of the project.

B. Bid, Ad and Award

Upon satisfactory completion of the predecessor work, the Consultant will assist the Client as requested in the Bid, Advertisement, and Award phase of the project. It is understood the Client does not wish to publicly advertise the project but instead, bids will be solicited from the Client's own roster of prequalified contractors. The Consultant and Client will identify a list of prequalified contractors to be invited to prepare a firm fixed bid for the project according to explicit instructions given in the bid documents. The Consultant will evaluate the prospective bidders and make a recommendation to the Client on prequalified Bidders list. Bid documents will be sent to the prequalified contractors. The Consultant will be available to respond to bidder's questions during the bidding process and to issue amendments, when necessary. The Consultant will attend the bid opening, evaluate bids, and make a recommendation to the Client on the most responsive bidder.

On an hourly basis, as additional work, the Consultant will assist the Client in negotiation of the construction contract, and consult with Client as to the demonstrated qualifications of subcontractors, suppliers, and other persons and entities proposed by the contractor for those portions of the work where such qualifications are required by the Bidding Documents.

The Bid, Ad and Award phase of the project will terminate, and all services anticipated to be performed or furnished under this phase will be considered complete upon commencement of the construction phase or upon cessation of negotiations with prospective contractors.

C. Permits

The Consultant will prepare permit applications and provide coordination between the agencies and the Client in Phase 2.

Phase 3: Construction Support

A. Construction Contract Administration

Upon successful completion of the Bidding Phase, and upon written authorization from the Client, the Consultant will provide construction contract administration throughout the construction element of the project. The administration involved will include: budget and schedule tracking, responses to Contractor's questions and requests for information (RFI), preparation of progress reports and change orders, review of equipment submittals, and record keeping and documentation to assure that the treatment facility is constructed according to the approved plans.

The Consultant will provide general administration of the construction contract, consult with Client, and act as Client's representative. All of Client's instructions to the Contractor will be issued through the Consultant, who shall have authority to act on behalf of the Client in dealings with Contractor to the extent provided in the Contract Documents except as otherwise provided in writing.

The Consultant will make visits to the site at intervals appropriate to the various stages of construction, in order to observe as an experienced and qualified design professional the progress and quality of the work. Such visits and observations by the Consultant are not intended to involve detailed inspections of the Contractor's work beyond the responsibilities specifically assigned to the Consultant. Rather they are to be limited to spot checking, selective sampling, and similar methods of general observation, together with exercise of professional judgment. Based on information obtained during such visits, the Consultant will keep the Client informed of the progress of the Work.

The purpose of the Consultant's visits to the Site is to provide the Client with a greater degree of confidence that the completed Work will conform to the Contract Documents and that the standards set forth in the Contract Documents have been implemented and preserved by Contractor. The Consultant shall not have control over the Contractor's work, nor have responsibility for the means, methods, techniques, sequences, or procedures of construction selected by Contractor. The Consultant does not guarantee satisfactory performance by the Contractor nor assumes responsibility for any failure of the Contractor to perform its work in accordance with the Contract Documents or with applicable laws and regulations. It is entirely the responsibility of the Contractor to maintain a safe workplace, to establish safety policies, and to implement injury preventive programs incident to Contractor's work.

B. Payment

From time to time during the construction phase, the Contractor may submit a request for partial payment based on progress made and/or materials delivered to the site. Such requests shall in no case be made less than 30 days after a previous request or notice to proceed. The Consultant will estimate the progress made and that portion of the amount requested that the Consultant recommends the Contractor be paid.

Such recommendations of payment will be in writing and will, to the best of Consultant's knowledge, information, and belief, be a representation to the Client that the Contractor's work has progressed to the point indicated and that the quality of work is generally in accordance with the Contract Documents. However, the Consultant's estimate of progress made shall only be for the purpose of estimating a partial progress payment due to the Contractor, and a representation by the Consultant that the conditions precedent to Contractor's being entitled to such partial payment appear to have been fulfilled.

Progress estimates made by the Consultant are not to be used as direct evidence of performance or quantities. Consultant's recommendations of payment will include final determinations of quantities and classifications of Contractor's work (subject to any subsequent adjustments allowed by the Contract Documents).

C. Project Closeout

Promptly after notice from Contractor that Contractor considers the entire Work ready for its intended use, in company with Client and Contractor, shall conduct an inspection to determine if the Work is Substantially Complete. After resolving all objections of the Client, the Consultant shall designate the Work Substantially Complete and deliver a certificate of Substantial Completion to Client and Contractor.

The Consultant will conduct a final inspection to determine if the completed Work of the Contractor is acceptable so that the Consultant may recommend, in writing, final payment to the Contractor. Accompanying the recommendation for final payment, Consultant shall also provide a notice that the Work is acceptable to the best of

Consultant's knowledge, information, and belief and based on the extent of the services provided by Consultant under this Agreement.

The Consultant shall not be responsible for the acts or omissions of any Contractor, or of any subcontractor, supplier, or of any other individual or entity performing or furnishing any of the Work. Consultant shall not be responsible for failure of any Contractor or sub-contractor to perform or furnish the Work in accordance with the Contract Documents.

The Engineer will provide project close-out. This item of work will include the finalization of all documentation and records, preparation of record drawings and submittal of final reports to the Department of Health. The Consultant will receive bonds, certificates, or other evidence of insurance not previously submitted and required by the Contract Documents, certificates of inspection, tests and approvals, shop drawings, samples and other data approved and the annotated record documents which are to be assembled by Contractor in accordance with the Contract Documents to obtain final payment.

D. Commissioning / Operation and Maintenance Manual

Upon completion of construction of the treatment facility, the Consultant will assist the Client in the startup of the new facilities. This will include the coordination of specialized equipment suppliers and contractors and the Client's staff. During the Operational phase, the Consultant, when requested by the Client, will:

- o Receive and review maintenance and operating instructions, schedules, and guarantees.
- o Provide assistance in connection with the refining and adjusting of any equipment or system.
- o Witness any required pressure tests and disinfection. Complete and submit certification of construction completion to the Department of Health.
- o Assist the Client in training the Client's staff to operate and maintain the Project.
- o Assist the Client in developing systems and procedures for operation, maintenance and record keeping for the facility.
- o In company with Client, visit the Project to observe any apparent defects in the completed work; assist Client in consultations and discussions with Contractor concerning correction of such defects; and make recommendations as to replacement or correction of defective work.
- o Provide miscellaneous services as requested by Client in connection with Project close-out.

The operational phase may commence during the construction phase and will terminate three months after the date of Substantial Completion.

The Consultant will prepare an Operations and Maintenance Manual for the treatment facility. All generated text will be supplied on Compact Disk, (soft copy) and hard copy. All equipment data sheets will be as supplied by the manufactures and will be hard-bound in three ring binders.

Proposed End of Scope of Work

Exhibit B

PAYMENT AND PROGRESS PAYMENTS

Both parties have reviewed and agreed on the approved WUTC customer payment schedule for the Alderlake Water System Improvements.

The parties have agreed that in consideration for financing for the improvements the owner will enter into a lump sum contract in the amount of \$152,826.00 with the contractor. The contractor will agree to provide the financing for the Alderlake Water System Improvements.

Upon completion of the improvements for the Alderlake Water System and final approved certification from the Engineer, the owner agrees to pay immediately to the contractor all cash assessment payments received from the Alderlake customers in the amount of \$4,586.00.

The unpaid balance of the contract will be paid to the contractor on a time basis per WUTC approved payment schedule, (monthly payments of approximately \$1,995.00 over 120 months at 8.5% interest) as collected from the water customers.

The contractor agrees to pay timely any and all unpaid claims which would provide the basis of a lien against the Alderlake project.