

MANAGEMENT CONTRACT
(FOR MAINTENANCE AND OPERATIONS)
FOR ILIAD WATER SERVICES, INC.

THIS AGREEMENT, made this day recited below by and between the undersigned "Management Agency" and the undersigned "Water System".

RECITALS

WHEREAS, the undersigned water company owns the water systems described here in and is desirous of having the undersigned Management Agency (MA) provide limited services concerning the maintenance of the water system. The undersigned MA is desirous of providing the services described herein on the terms and conditions hereinafter set forth.

NOW THEREFORE, it is mutually agreed:

1. The water systems are as follows: Alderlake water system in Pierce County, Cascade water system in Snohomish County and Western Stavis water system in Kitsap County. The legal descriptions are attached and shown on Exhibit "A".

The system is (inside) the MA's DOH approved service area and is identified in the MA Plan and on file with Pierce County, Snohomish County and Kitsap County.

2. SYSTEM ID The water systems DOH numbers are:
Alderlake Water System #26995H
Cascade Crest Water System #31203Y
Western Stavis Water System #01668H

3. MA SERVICES The MA will provide service as follows:

Protection of the public health by supervising and conducting all water system operations consistent with State and Federal law, and professional public water system operations standards.

The water system owner shall allow the MA to have total operational control of the water system.

The MA will provide 24-hour call out service for water outage or repairs. This service shall be billed on a time and material basis. All repairs shall be supervised by the MA and must meet public safety standards.

a) General Services The MA shall become acquainted with the Water System including physical facilities including transmission lines, valves, pumps, storage facilities, source(s), controls, treatment equipment and monitoring equipment, etc. and including the operations and maintenance requirements.

The "Operations and Maintenance" schedule for the system is set forth on Exhibit B which includes routine and follow up samples (unless collected by the Lab under separate contract), interpretation of sample results, meter readings if applicable.

Implement of preventative maintenance programs; inspect the water system components for malfunction and perform needed repairs; inspect backflow prevention devices and test the same where applicable.

Analyze laboratory tests; determine sites and causes of malfunctions together with consultants as may be required; adjust various treatment process or other water system components accordingly; keep proper records; and determine remedial action in emergencies.

The MA is authorized to work in conjunction with the project engineer, water testing lab, county or State engineer in the event a condition is located beyond the scope of the MA's expertise.

The water company will provide a complete set of "as built" drawings and specifications of the system which has "been approved by DOH".

b) Administration The following administrative services shall be performed by MA;

() Monthly Billings. (Others:

(x) Reports required by governmental bodies,

(x) Public Notification Requirements,

(x) Service connections / disconnections as set forth in tariff or Water Service Agreement,

(x) Order materials and parts for the operation and maintenance of the water system "as required".

c) Planning and Technical Assistance to the extent of the MA's ability and within the licensing authority the MA will provide Planning and Technical Assistance;

(x) Developing and implementing a cross-connection control program,

(x) Developing and implementing a coliform monitoring program,

(x) Designing annual maintenance strategies,

(x) Developing capital improvement programs,

(x) Responding to informational requests from water system customers,

() Responding to press,

(x) Keeping and maintaining "as built" of the system as required by new construction or other modification to the existing system,

(x) Prepare water system's plan as required including coordination with engineer.

(x) Revise WFI as required and submit to DOH,

() Other Per Exhibit B

4. MA CHARGES

a) Service Charges The undersigned Water Company shall pay the MA for the above repair and maintenance services on a time and materials and administrative overhead basis as set forth on the attached MA's rate schedule. ATTACHMENT "C".

b) Connection Charges N/A

No customer shall be connected to the system without first executing a "Water Service Agreement" of the Water Company. The MA shall refer all prospective customers to the Water Company or obtain a signed Water Service Agreement before service is connected.

c) Administrative Fees The administrative costs are as follows:

i) emergency phone # \$N/A per month

ii) secretarial, accounting, letters \$N/A per month

iii) OTHER – SEE ATTACHED SCHEDULE

d) Reserve Account The monthly maintenance charges shall include a reserve for replacements and emergencies. The reserve account shall be accumulated until it satisfies the financial viability requirements for the system in accordance with DOH policies.

In the event that the MA is performing billing services a reserve account shall be established which shall be property of the Water Company. A special reserve account shall be established in an interest bearing account.

If the Water Company is performing billing services a special reserve shall be established and maintained and provided for above.

5. TERMS AND CONDITIONS

The MA agrees to comply with the terms of this Agreement however subject to the terms hereinafter provided for.

a) The MA is not the owner of the system;

b) The MA is not responsible for the failure of the source or its water quality becomes contaminated.

c) The water company grants the MA a license to enter the premises where the system is located to perform the duties listed above;

d) The water company shall make payments on a timely basis to the MA for invoice describing the services. Any unpaid balance shall bear interest at 1-1/2%

per month plus all collection charges and fees including attorney fees which have been incurred.

e) The MA is not a guarantor and is not responsible for conditions beyond its reasonable control. The MA is not responsible for Acts of God or catastrophe losses. MA's responsibility is limited to reasonable maintenance procedures standard in the industry. Both parties understand and agree that conditions can arise or water quality will change without notice of either party and can be only corrected after testing and locating the cause and in such cases the MA is not responsible for the delays in curing the problem.

6. HOLD HARMLESS AND INDEMNIFICATION

The Water Company agrees to assume all of the risks and conditions associated with the system, its installation and design and to pay for all of the costs associated with keeping and maintaining the system in compliance with DOH regulations. The Water Company agrees to hold harmless if any and all costs, penalties whether or not imposed upon the water company and/or the MA or its agents, subcontractors and employees, claims, actions, damages, judgments or any other loss, cost or expenses including the attorney fees and costs incurred by the MA. The Water Company agrees to secure the performance of this hold harmless by providing a security agreement in favor of the MA, which shall be attached hereto as an addendum to this agreement.

Any disputes between the MA and Water Company shall be Arbitrated by () American Arbitration Association local office in Washington, () pursuant to RCW 7.04 Arbitration. The attorney fees and costs of the Arbitration shall be an expense of the Water Company.

7. AMENDMENTS This Agreement may be amended in writing signed by both parties.

8. DURATION This Agreement may be terminated by providing a 30-day written notice to either party. Notice of such termination shall be forwarded to DOH at the District Office.

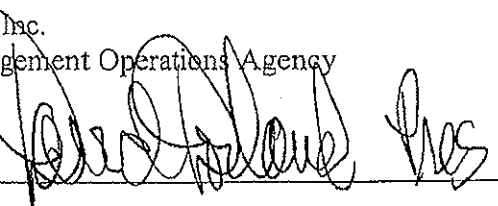
9. INTEGRATION This Agreement constitutes the entire agreement between the parties, there are no other oral or written agreements or representatives other than contained herein.

This contract is binding on the heirs, successors and assigns of the parties.

Dated this 14th day of January, 2009.

Iliad, Inc.
Management Operations Agency

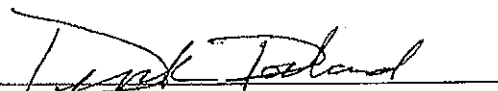
By):



A handwritten signature in black ink, appearing to read 'Derek Dorland', is written over a horizontal line.

Iliad Water Services, Inc.

By):



A handwritten signature in black ink, appearing to read 'Derek Dorland', is written over a horizontal line.

Derek Dorland, President

Exhibit A

LEGAL DESCRIPTION

ALDER LAKE WATER SYSTEM

The East 140 feet of the NE quarter of the SE quarter of the NW quarter Section 23, Township 15N, Range 4 E, of the Pierce County Recording No. 8502140314, and Large Lot Division being a portion of the NE quarter of Section 23, Township 15N, Range 4E, W.M.

CASCADE CREST WATER SYSTEM

The S $\frac{1}{2}$ of the S $\frac{1}{2}$ of the SW quarter of the NE quarter, and the W $\frac{1}{2}$ of the SE quarter, all in Section 36, Township 31N, Range 4E, W.M. EXCEPT the S 40 feet there of all situate in Snohomish County, Washington.

WESTERN STAVIS II/III WATER SYSTEM

Tracts 1 through 10 and 12 through 17 of survey recorded in Book 23 of Surveys at Pages 51 A and B under Auditors File No. 8507120086 and being a portion of the NE quarter of Section 36, Township 25N, Range 2E, W.M., Kitsap County, Washington.

Tracts 1 through 10 of Survey filed in Book 24 of Surveys at Page 15, under Auditors File No. 8601140090, and being the NE quarter of the SE quarter; the SE of the SW quarter; and the SW quarter of the SW quarter all in section 25, Township 15N, Range 2W W.M., Kitsap County, Washington.

Exhibit B

OPERATIONS / MAINTENANCE / REPAIR

The Operations and Maintenance Schedule will follow the guidelines of the Department of Health approved water plan and will include the following services:

OPERATIONS:

The typical routine operation and maintenance activities are preformed at least **monthly**.

Each coliform monitoring sample is taken, per attached coliform monitoring and sampling plan.

All request for location will be performed within the 48-hour requirement.

The water system's well pump station, booster pump station and water storage tank are checked for proper operation and performed **monthly**.

The well pump station is checked **monthly** for operating pressure, read meter to check gallons per minute operation, and automatic / manual and off positions on well pump controls. Once per **year** well static water level is checked.

Booster pump station is checked **monthly** as to normal operating pressure, checking normal pressure switch setting, checking air recharge for pressure tanks, operation of flow valves, checking of automatic manual control for booster pump operation, checking booster pumps for bearing wear or leakage.

Water storage tank: Water tank storage level is recorded; control flows in tank are checked for operation, vents overflow and drain line checked as for damage to screens. Tank hatch is checked as to seal and access and tank is inspected as to leaks **monthly**.

Drain and clean storage tank once per **year**.

The water system is checked for any damages, leaks or other general problems concerning preventative maintenance **monthly**.

Each blow-off is opened and flushed each **month**. All isolation valves are checked for operation on a **yearly** basis.

The master water meter at the pump stations are read and recorded **monthly**. All customer service meters are read spring and summer, if applicable.

All mechanical equipment is checked for preventative maintenance **monthly**.

All routine operational data and activities are recorded on work orders by the serviceman **monthly**. All work orders are billed out to the water company and recorded in the water system service manual.

The attached table represents the duties and monthly check list by the water company for its maintenance men and operators.

Duties and Check List Required For Water System Operators

New construction, line extension, service connection and water line repairs.

1. Place barricades, signs, and traffic cones around work sites to protect operators and public.
2. Excavate trenches and install shoring.
3. Lay, connect, test and disinfect water mains.
4. Tap into water mains.
5. Read and update water distribution system maps and "as built" plans.
6. Keep records and prepare reports.
7. Requests for supplies and equipment.
8. Conduct safety inspections and follow safety rules for water works facilities.

Routine service and maintenance.

1. Flush and clean water mains.
2. Operate and maintain well pumps and hydropneumatic pressure tanks.
3. Observe pump motors to deduct unusual noises, vibrations, or excessive heat.
4. Adjust and clean pump seals and packing glands and also clean mechanical seals.
5. Repair and overhaul pumps, motors, chlorinators, and control valves.
6. Keep records and prepare reports.
7. Requests for supplies and equipment.
8. Start up or shut down pumps as necessary to regulate system flows and pressures.
9. Troubleshoot minor electrical and mechanical equipment problems and correct.
10. Detect hazardous atmospheres and correct before entry.
11. Conduct safety inspections, follow safety rules for waterworks facilities, and also develop and conduct tailgate safety meetings.

Routine, water testing and sampling.

1. Flush and clean water mains.
2. Collect and transport water samples.
3. Clean and disinfect storage tanks and reservoirs.
4. Protect water mains and storage facilities from corrosion effects.
5. Keep records and prepare reports.
6. Request for supplies and equipment.
7. Troubleshoot to locate the causes of water quality complaints.
8. Discuss with the public their concerns regarding the quality of the water they receive.

PREVENTATIVE MAINTENANCE

Preventative maintenance shall be carried out by the operator and purveyor to reduce disabling equipment failures. Major items of equipment shall be maintained as set out below.

MARBELLO WATER COMPANY, INC. PREVENTATIVE MAINTENANCE SCHEDULE

<u>Item</u>	<u>Frequency</u>	<u>Maintenance</u>
Valves and Check Valves	Each Year	Lubricate, open & close several times
Pump Bearings	Each Year	Lubricate per manufacturer's recommendation
Pump Impellers	Every Two Years	Open and inspect for damage or wear, replace as required
Pressure Tank Exterior	Periodically	Inspect exterior for rust or other deterioration. Lubricate pressure release valve with penetrating oil
Pressure Tank Interior	Every Five Years	Open and inspect pressure tank interior for rust or other deterioration
Pressure Switches	Every Six Months	Open, clean and lubricate
Valve Packing	Every Four	Provide new packing and lubricate per Manufacturer
Service Connection	Each Year	Open, inspect for leaks and condition. Repair as required.

Submersible Pump	Every Five Years	Remove and service pump per Manufacturer's recommendation. Check and replace electrical cables if wear is apparent.
Electrical	Every Year	Open, inspect and clean with an electrical contact cleaning solvent
Standby Generators	Every Year	Clean and lubricate per manufacturer's data

MAINTENANCE / REPAIR

The Service Company will perform all emergency repairs.

The water system's well pump station, booster pump station and water storage tank are checked as to operation and performance. The water system is checked for any damages, leaks or other general problems concerning preventative maintenance.

Each blow-off is opened and flushed each **month**.

The master water meter at the pump station is read and recorded **monthly**.

All mechanical equipment is checked for preventative maintenance.

The Service Company will keep all records.

If repairs are planned such as for a line extension or where service will be temporarily terminated the service company will give a 48 hour written notice to the customer with the date and time of the repair or interruption.

CROSS CONNECTION CONTROLS:

The operator shall insure that neither they nor the customers allow the water system to be cross connected to any source of contaminated water. The operator shall insure that customers do not attach suction pumps to water service connections and that no other sources of water are interconnected with the Marbello Water Company, Inc., except those which may be approved by the Department.

The Service Company will make a report to the company if any changes are made within the service area which might require a Cross Connection Control. If these are required the customer and regulatory agency is notified.

RECORD / REPORTS

The maintenance serviceman / operators, maintenance companies and suppliers will provide a work order or invoice for all activities and operational data performed on the water system.

These reports are recorded either at the office of the water company or maintenance company. The companies are responsible for the scheduling, reporting, billing and administrating the present and future work on the water system.

All reports are recorded and kept for future reference in three separate manuals.

1. Service manual covers all service, maintenance, repair, testing, complaints, line extension, and emergencies.
2. Water quality manual covers all water testing results and retest schedule.
3. Maintenance and operations manual covers all equipment specifications and replacements, also all asbuilts.

SAFETY:

Safety is a very important water company operator responsibility. The Service Company and their operators have the responsibility to be sure that the facilities are a safe place to work and that everyone follows safe procedures.

The Service Company and operators will follow the safety guidelines of W.I.S.A. and O.S.H.A.

Attachment "C"

Service Charges

All maintenance, operation and repair services will be charged on a time and material basis portal to portal.

The current rate charges are as follows:

1. Serviceman/Truck and Equipment \$ 75.00 per hour
2. Serviceman/Truck, Equipment and One (1) Laborer \$120.00 per hour
3. All material will be billed at cost with a 35% mark-up.
4. All laboratory charges will follow the guideline of Lauck's Testing Laboratories, Inc. with a 15% mark-up.
5. Administrative services and planning technical services will be charged at a hourly rate of \$75.00.
6. Major water system improvements will be bid to the owner.

The rates are subject to change with written approval from the water company.