INTERLOCAL CONTRACT

Amended and Restated

October 26, 2011

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CASCADE WATER ALLIANCE
INTERLOCAL CONTRACT

Recitals

WHEREAS, the Cascade Water Alliance, an intergovernmental organization created by Interlocal Contract effective April 1, 1999 (as amended July 2000 and November 2002) to further the interests of its Members with respect to water supply and to work cooperatively with other water supply entities in the region; and

WHEREAS, Members of the Cascade Water Alliance have determined to amend the Cascade Water Alliance's Interlocal Contract to better facilitate the purpose of the Cascade Water Alliance;

NOW, THEREFORE, it is agreed as follows:

ARTICLE 1. Agreement

The Cascade Interlocal Contract, effective April 1, 1999, and entered into under authority of the Interlocal Cooperation Act, Chapter 39.34 RCW is amended and re-stated as provided herein.

ARTICLE 2. Definitions

"Asset Transfer Agreement" means an agreement between Cascade and a Member by which the Member transfers title to Water Supply Assets to Cascade, with or without monetary consideration, to be operated and maintained as part of the Cascade Water System.

"Authorized Issuer" means either: (a) Cascade (or a successor entity); or (b) a Member or other entity authorized to issue Bonds for the benefit of Cascade approved by Resolution of the Board.

"Board" means the Board of Directors of Cascade.

"Bonds" means short-term or long-term bonds, notes, warrants, certificates of indebtedness, or other obligations issued by, or on behalf of Cascade.

"ByLaws" means the ByLaws of Cascade, as adopted and amended by the Board.

"Cascade" means Cascade Water Alliance.

"Cascade ERUs" ("CERUs") means equivalent residential units, calculated according to the Regional Capital Facilities Charge Methodology.

"Cascade Source Exchange Program" means a program adopted by Resolution of the Board for the replacement of all or a portion of a public water systems existing water supply to benefit stream flow and fish without serving growth or increasing that system's water supply. A program utilizing Lake Tapps Water Supply shall include the terms and conditions for source exchange contained in the Lake Tapps' Water Right Report of Examination.

"Cascade Source Exchange Program Agreement" means an agreement between Cascade and a Member or another public water supplier to implement the Cascade Source Exchange Program.

"Cascade Supply Date" means the date for the Founding Members and each new Member, established by Resolution of the Board, upon which Cascade undertakes a Supply Commitment.

"Contract" means this Cascade Water Alliance Interlocal Contract.

"Demand Share" means either a Member's current share of water provided through the Supply System, or estimated share of water to be provided through the Supply System,

whether Full Supply or Interruptible Supply, expressed in millions of gallons per day. Demand Share is calculated according to the Rate Calculation Methodology.

"Dual Majority Vote" means Board approval of a proposal on the basis of a simple majority of all Members, allowing one vote per Member, together with a simple majority of all Members on the basis of each Member's Weighted Vote. A "simple majority" means a majority of all Members of Cascade, not just the Members present and voting.

"65% Dual Majority Vote" means Board approval of a proposal on the basis of a 65% supermajority of all Members, allowing one vote per Member, together with 65% supermajority of all Members on the basis of each Member's Weighted Vote. A "supermajority" means 65% of all Members of Cascade, not just the Members present and voting.

"Founding Member" means the City of Bellevue, Covington Water District, the City of Issaquah, the City of Kirkland, the City of Redmond, Sammamish Plateau Water and Sewer District, Skyway Water and Sewer District, and the City of Tukwila.

"Gross Cascade Revenue" means all of the earnings and revenues received by Cascade from any source whatsoever including but not limited to: (a) Member Charges; (b) revenues from the sale, lease or furnishing of other commodities, services, properties or facilities; (c) the receipt of earnings from the investment of money in any maintenance fund or similar fund; (d) and withdrawals from any rate reserve or rate stabilization fund or account.

However, Gross Cascade Revenue shall not include: (a) principal proceeds of Bonds or any other borrowings, or earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund obligations relating to the Water Supply System

(until commingled with other earnings and revenues included in Gross Cascade Revenue) or held in a special account for the purpose of paying a rebate to the United States Government under the Code; (b) taxes and other income and revenue which may not legally be pledged for revenue bond debt service; (c) improvement district assessments; (d) federal or state grants allocated to capital projects; (e) payments under Bond Insurance or other credit enhancement policy or device; (f) insurance or condemnation proceeds used for the replacement of capital projects or equipment; (g) earnings in any construction fund or bond redemption fund; (h) deposits to any rate reserve or rate stabilization fund or account; or (i) any revenues generated by any Independent Supply except those amounts that are payable to Cascade pursuant to this Contract or another interlocal agreement.

"Independent Supply" or **"Independent Supplies"** means a Member's Water Supply Assets that are not part of the Supply System.

"Member" or **"Members"** means one or more member agencies of Cascade.

"Member Charges" means all payments that Cascade Members are required by this Contract to make to Cascade, including but not limited to all Rates and Charges, RCFCs, dues, assessments and other payments from Members.

"Net Cascade Revenue" means Gross Cascade Revenue less Operations and Maintenance Costs.

"Non-Member" means any person or agency that is not a party to this Contract.

"Operations and Maintenance Costs" or **"O&M Costs"** means all expenses incurred by Cascade to operate and maintain the Supply System in good repair, working order and condition, including without limitation, payments made to any other public or private

entity for water or other utility service. Except as approved by the Board, Operations and Maintenance Costs shall not include any depreciation, capital additions or capital replacements to the Supply System.

"Rates and Charges" means the rates and charges (not including RCFCs) chargeable to each Member using the Rate Calculation Methodology plus any late payment or other charge that may be due.

"Rate Calculation Methodology" means the method of setting Rates and Charges adopted by the Board in accordance with Section 7.5

"Regional Capital Facilities Charges" ("RCFCs") means the charges to each Member for new CERUs connected to that Member's water distribution system.

"Regional Capital Facilities Charge Methodology" ("RCFC Methodology") means the method of determining the RCFCs adopted by the Board in accordance with Section 5.5.

"Satellite Systems" means water supply facilities identified as such by the Board, including but not limited to facilities that serve a portion of a Member's customers but that are not part of the Member's main water system.

"Seattle Contract Purveyor" or **"Seattle Contract Purveyors"** means a Member that is or was a party to The City of Seattle Water Purveyor Contracts, Version A or Version B, dated November 1981 (as amended) executed prior to July 1, 1998.

"Supply Commitment" means the obligation undertaken by Cascade, established by Resolution of the Board to supply water to a Member. With respect to Members, that

obligation shall be characterized as **"Full Supply Commitment,"** or an **"Interruptible Supply Commitment"** defined as follows:

"Full Supply Commitment" for any or all of a Member's water needs means that those needs, as projected in the Member's lawfully adopted water supply plan, shall be met from the Supply System, net of independent supply and subject to the other limitations established in this agreement, on an equal parity with all other Full Supply Commitments, and with a guaranteed priority no lower than for any other Supply Commitment made by Cascade; provided that no Member is guaranteed any given amount of supply or capacity.

"Interruptible Supply Commitment" means a supply of all or part of a Member's water needs from the Supply System on an as-available basis on a lower priority than any Full Supply Commitment.

The Supply Commitment for a Member shall be defined by this Interlocal Contract, the terms and conditions of membership, and the Supply Commitment resolution.

"Supply System" means the Water Supply Assets owned or controlled by Cascade.

"Water Supply Assets" means tangible and intangible assets usable in connection with the provision of water supply, including without limitation, real property, physical facilities (e.g., dams, wells, treatment plants, pump stations, reservoirs, and transmission lines), water rights, capacity and/or contractual rights in facilities or resources owned by other entities, and investments in conservation programs and facilities.

"Watershed Management Plan" means a plan adopted by Cascade for purposes of regional water supply, water transmission, water quality or protection, or any other water-related purpose, including but not limited to the plans identified in RCW 39.34.190(3).

"Water Supply Plan" means the Cascade Regional Water Supply Plan (which may include the Cascade Watershed Management Plan) adopted by the Board as provided in Section 8.1 and 8.2.

"Weighted Vote" means a vote in which each Member's vote is counted according to the Member's Demand Share, but no Member shall have a Weighted Vote of less than one.

ARTICLE 3. Formation of Entity; Purpose and Powers

Section 3.1 Formation. The Cascade Water Alliance was created on April 1, 1999 as a public body and an instrumentality of its Members, which exercises essential governmental functions on its Members' behalf as authorized by the Interlocal Cooperation Act (RCW 39.34). Cascade is incorporated under RCW 39.34.040(3) as a public nonprofit corporation in the manner set forth in RCW 24.03 or 24.06 and it may, with Board approval, be incorporated as a partnership in the manner set forth in RCW 25.04, or the Board may organize the form of Cascade in any other manner permitted by law. In addition to its status under any other applicable law, Cascade shall constitute a "watershed management partnership" as provided in Chapter 39.34 RCW. The Board may approve the filing of Articles of Incorporation or similar documents in connection with incorporating Cascade or organizing it in some other manner.

Section 3.2 Membership. Subject to restrictions on future Cascade water rights, or to limitations upon water's place of use imposed by contract or permit, any municipal water utility serving within the Central Puget Sound Region may be admitted to Cascade. The decision to admit new Members rests with the sole discretion of the Board, which shall

determine whether to extend a membership offer taking into consideration the audit findings, Cascade water resources, and any other factors the Board deems advisable.

When a municipality applies for membership, Cascade shall conduct a water supply audit according to the methodology and within the period determined by the Board. Audit results shall be provided to the Board and to the applicant.

If a membership offer is extended, it shall address the nature of the Water Supply Assets being transferred or retained and the "value" of those assets in terms of the calculation of an applicant's Demand Share, RCFCs and other matters relating to the rights and obligations of the applicant and Cascade, which must be recorded in the form that the Board determines and which will constitute, along with this Contract, the conditions under which an applicant becomes a Member of Cascade. An applicant for membership shall be admitted by adoption of a Resolution of the Board accepting the application for membership and incorporating the terms and conditions of membership.

Each membership application must be accompanied by a nonrefundable application fee based on the cost of the audit and other costs related to the admission of a new Member or a request for new supply. The Board shall set the application fee for each applicant based on the estimated cost of processing the application, including the cost of the audit.

As a condition of membership, each new Member admitted to Cascade shall, in addition to any other applicable fees, rates, charges or assessments, pay to Cascade the membership fee, as established by the Board.

If an applicant's planning process or plans are materially out of compliance with the requirements of the Growth Management Act, the Board may condition an offer of membership upon the applicant's compliance with that act.

Section 3.3 Conversion to Municipal Corporation Status. In accordance with Section 10.4, Cascade may be converted into a separate municipal corporation if, and as permitted by law. Upon the creation of such a separate municipal corporation, all Cascade rights and obligations and all Member rights an obligations under this Contract shall transfer to that new municipal corporation.

Section 3.4 Purposes. Cascade's purposes include only those related to water resources, and do not include the provision of other general services to the public, and are to:

a. provide a safe, reliable and high quality drinking water supply to meet the current and projected demands of Cascade Members serving the Central Puget Sound Region, and for non-Members as determined by Cascade, and to carry out this task in a coordinated, cost-effective, and environmentally sensitive manner;

b. develop, contract for, manage, acquire, own, maintain and operate Water Supply Assets, including without limitation, surface water supplies, groundwater supplies, reclaimed water supplies, and other water supply resources as determined by the Board;

c. contract with Seattle to transfer to Cascade and to modify Seattle's rights and duties with respect to Seattle Contract Purveyors;

d. contract for, or assume certain contractual rights and duties related to the Tacoma Second Supply Pipeline project;

e. purchase and provide water supply, transmission services, treatment facilities and other related services;

f. provide conservation programs to promote the wise and efficient use of resources;

g. carry out emergency water supply and shortage management programs for its Members when demands exceed available supply;

h. coordinate and plan cooperatively with other regional or local water utilities and other entities to maximize supply availability and to minimize system costs;

i. develop a Water Supply Plan addressing the needs of its Members and develop a Watershed Management Plan serving the needs of its Members and Cascade itself and develop a regional water supply plan with other water providers as Cascade may find convenient or necessary to meet regional, state and federal planning requirements, and to take a leadership role in developing and coordinating those supply plans;

j. share costs and risks among Members commensurate with benefits received; and

k. carry out, or to further other water supply purposes that the Members determine, consistent with the provisions of this Contract.

Section 3.5 Powers. To further its purposes, Cascade has the full power and authority to exercise all powers authorized or permitted under RCW 39.34 and any other laws that are now, or in the future may be, applicable or available to Cascade and to engage in all activities incidental or conducive to the attainment of the purposes set forth in Section 3.4 of this Contract, including but not limited to the authority to:

a. acquire, construct, receive, own, manage, lease and sell real property, personal property, intangible property and other Water Supply Assets;

b. operate and maintain facilities;

c. enter into contracts;

d. hire and fire personnel;

e. sue and be sued;

f. exercise the power or eminent domain (through its Members at their individual discretion, unless and until Cascade has that power under applicable law);

g. impose, alter, regulate, control and collect rates, charges, and assessments,

h. purchase and sell water and services within and outside the geographical boundaries of its Members;

i. borrow money (through its Members or other entities at their individual discretion or as authorized by Chapter 39.34 RCW now or in the future), or enter into other financing arrangements;

j. lend money or provide services or facilities to any Member, other governmental water utilities, or governmental service providers;

k. invest its funds;

l. establish policies, guidelines, or regulations to carry out its powers and responsibilities;

m. purchase insurance, including participation in pooled insurance and self-insurance programs, and indemnify its Members, officers and employees in accordance with law;

n. exercise all other powers within the authority of, and that may be exercised individually by all of its Members with respect to water supply, conservation, reuse, treatment and transmission, or any of the other purposes set forth in Section 3.4;

o. exercise all other powers within the authority of, and that may be exercised individually by all its Members with respect to watershed planning and management; and

p. exercise all other corporate powers that Cascade may exercise under the law relating to its formation and that are not inconsistent with this Interlocal Contract or with Chapter 39.34 RCW or other applicable law.

ARTICLE 4. Organization Structure; Board

Section 4.1 Composition, ByLaws and Meetings. Cascade is governed by a Board of Directors consisting of one individual representative appointed by Resolution of the Member's legislative authority. Members may similarly appoint Alternate Board Members. Each Board Member and each Alternate Board Member must be an elected official of the Member.

The Board shall adopt ByLaws consistent with this Interlocal Contract that specify, among other matters, the month of Cascade's Annual Meeting, Board powers and duties and those of the Executive Committee, Standing Committees, Officers and employees.

The Board shall meet as required by the ByLaws, but not less than quarterly.

Section 4.2 Powers of the Board. The Board has the power to take all actions on Cascade's behalf in accordance with voting provisions set forth in Section 4.3. The Board may delegate to the Executive Committee or to specific Cascade Officers or employees any action that does not require Board approval under this Contract.

Section 4.3 Voting. All Board actions must be approved by Dual Majority Vote of all Members, except where this Contract requires either a 65% Dual Majority Vote, as provided in Sections 5.2, 5.5, 7.1, 7.3, 8.3, 10.3, 10.4, and Article 11; or ratification by the Members' legislative authority, as provided in Section 10.4 and Article 11. The Board may act by voice votes, as set forth in the ByLaws. Any Member may require a recorded tabulation of votes either before or immediately after a voice vote is taken. Although voting is, in part, based on Weighted Vote, the Members expressly agree that there is only one class of voting membership, and voting occurs within that single class.

Any Member that has been declared to be in default of its obligations under this Interlocal Contract by the Board shall lose its right to vote until the Board has declared the default to be cured.

Section 4.4 Officers and Committees. Cascade Officers shall include a Chair, a Vice Chair, a Secretary and a Treasurer. The Chair serves as the chair of the Board (and may

be known as the "President", if the ByLaws so designate) and performs those duties set forth in the ByLaws.

The Vice Chair shall perform the duties of the Chair in the Chair's absence and shall perform other duties as set forth in the ByLaws. The Secretary shall be responsible for Cascade records and performs other duties as set forth in the ByLaws. The Treasurer shall be responsible for Cascade accounts and financial records and performs other duties as set forth in the ByLaws.

Consistent with the provisions of this Contract, the Board may, in the ByLaws, establish additional Officers and set forth their duties.

The Board may create and appoint Members to Standing Committees and special committees as it deems appropriate. Committee Members need not be elected officials or employees of Members, but Standing Committee Chairs must be Board Members or Alternate Board Members.

Section 4.5 Executive Committee. The Chair, Vice Chair, Secretary, Treasurer and chairpersons of Standing Committees together constitute Cascade's Executive Committee. The Chair (or acting Chair) shall vote on matters before the Executive Committee only if necessary to break a tie. The Executive Committee's duties and responsibilities are set forth in the ByLaws. The Executive Committee shall not have the power to:

a. approve any contract for a term longer than three years;

b. approve any contract involving expenditure by, or revenue to Cascade in excess of such amounts and under such circumstances as set forth in the ByLaws;

c. retain or dismiss the chief executive officer or determine the chief executive officer's compensation; or

d. take any actions expressly reserved to the Board by this Contract or the ByLaws.

The Executive Committee shall have the authority, if necessary, to avoid default on any Bond, to withdraw from any capital reserve fund or rate stabilization fund, an amount equal to the amount necessary to avoid a default and to authorize payment of that amount to avoid default.

Section 4.6 Staff, Consultants and Contractors. Cascade staff shall consist of a chief executive officer and other positions established by the Board. The Board shall appoint, designate the title of, and establish the compensation range of the chief executive officer. The Board shall hire or retain legal counsel and independent accountants and auditors for Cascade. The authority to hire other consultants may be delegated to the Executive Committee. The chief executive officer appoints persons to fill other staff positions, and those appointments may be subject to ratification by the Board or the Executive Committee if the ByLaws so provide. The Board may also provide that administrative, professional or technical services be performed by contract.

Section 4.7 Budget; Dues; Financial Management. The Board must approve an annual budget determining Cascade's revenues and expenditures no later than sixty (60) days before the beginning of the fiscal year in which that budget will be in effect. The budget will be developed and approved according to a schedule established by the ByLaws. The budget must identify the levels of Member Charges on which revenue projections are based. The Board may amend the budget.

Each Member must pay annual dues to defray part or all of Cascade's administrative costs based on the number of CERUs served by its water system, regardless of water usage or capacity, and regardless of whether those units are served by the Supply System or by Independent Supply. Total administrative dues collected from all Members may not exceed 9% of Cascade's annual revenue requirement. This limit may be amended in the budget by a 65% Dual Majority Vote of the Board. The Board may establish minimum annual dues per Member and may provide that less than all of a Member's CERUs be taken into account in establishing dues.

All Cascade books and records shall be open to inspection by the Washington State Auditor.

ARTICLE 5. Asset Development and Supply Commitment

Section 5.1 Property Acquisition, Ownership and Disposition. Cascade may construct, purchase, rent, lease, manage, contract for, or otherwise acquire and dispose of Water Supply Assets and other assets. Cascade may control and manage both the assets it owns and the assets that are owned by Members that have transferred control and management of those assets to Cascade. This Contract does not vest in Cascade any authority with respect to Members' other facilities or assets, such as Water Supply Assets retained by Members as Independent Supply.

Subject to Cascade's agreement, a Member may transfer to Cascade its title to, or operational control and management of Water Supply Assets. Water Supply Assets may also be fully retained by Members as Independent Supply, subject to the provisions of Article 6. At the discretion of the Board, Cascade may accept title to, or operational control and

management of Water Supply Assets offered by Members or accept supply assets that constitute all or part of a Member's Satellite System(s). The Board may accept supply assets subject to the terms and conditions arranged between Cascade and the Member, based on the result of the audit process and mutual needs.

Cascade may enter into Asset Transfer Agreements which shall provide for the terms and conditions of: (a) Cascade's operation of the transferred Water Supply Asset with respect to the Member transferring the asset; (b) Cascade's operation, maintenance and replacement of the Water Supply Asset as part of the Supply System; (c) return or disposition of the Water Supply Asset if Cascade terminates its existence or the Member withdraws; (d) continuation of service (if appropriate) to Members or former Members by the Member receiving the Water Supply Asset at reasonable rates and charges or payment to Cascade of the cost of replacing the Water Supply Asset; and (e) such other conditions as the Board and the Member agree upon.

Members shall not be deemed to hold legal ownership rights in any Water Supply Assets owned by Cascade whether those Water Supply Assets have been developed by, purchased by, or transferred to Cascade, and regardless of the accounting treatment of RCFC payments and other payments made to Cascade.

Section 5.2 Supply Commitment

Section 5.2.1 Commitment to Members. Beginning on the Cascade Supply Date, Cascade shall provide a Fully Supply Commitment to each Founding Member. Thereafter, Cascade shall provide a Full Supply Commitment to meet all current and future water supply needs of a Member that joins with Water Supply Assets sufficient to provide for

its needs during the following fifteen (15) years (whether or not those Water Supply Assets are transferred to Cascade or retained as Independent Supply) commencing on the Member's Cascade Supply Date. When a supply contract is negotiated with Seattle, any Member that is a Seattle Contract Purveyor shall relinquish its rights under its Seattle Water Purveyor Contract to Cascade and execute such documents as may be necessary to transfer those rights to Cascade. Cascade shall accept those rights and a corresponding obligation to provide a Fully Supply Commitment (net of Independent Supply). The approval of a contract with the City of Seattle providing for the initial acquisition of rights to substantial Water Supply Assets, and any material amendment to that contract, shall be effective upon a 65% Dual Majority Vote.

Any Full Supply Commitment shall be subject to water shortages, to Cascade's ability to implement the Water Supply Plan, and to the portion of the Member's needs that can be served by the audited capacity of its Independent Supply. If the needed supply is not available, the shortage shall be shared by all the Members in accordance with Cascade's shortage management plan, except as otherwise provided in Section 5.5. Cascade is not obligated to provide water supply to service area expansions in or outside the urban growth boundary, unless Cascade agrees to such expanded service area. However, Cascade shall be obligated to provide water supply to the entire service area of each Member (as that service area is defined in terms under which the Member was admitted), whether or not some of that service area is within the Member's current jurisdictional boundaries and/or within the current urban growth boundary. Cascade is not obligated to provide increased water supply to any

Member if it is determined that the Member's planning process or plans are materially out of compliance with the requirements of the Growth Management Act.

A Member that joins with Water Supply Assets insufficient to provide for its needs for fifteen (15) years receives the Fully Supply it desires only if, when, and to the extent it is available within reliability standards determined by Cascade's system reliability methodology. If sufficient Full Supply is not available within reliability standards determined by Cascade's system reliability methodology, the Member receives partial Full or Interruptible Supply, and Full Supply must be provided within fifteen (15) years. Cascade shall then undertake to include in Cascade's Water Supply Plan, and to acquire the facilities or other assets necessary in the Board's determination to provide for that deficit. If Cascade fails to develop sufficient assets to timely provide the increased Full Supply, the commitment becomes a Full Supply Commitment at the end of that fifteen-(15) year period, and any shortage shall be shared by all Members in accordance with Cascade's shortage management plan.

If multiple Members request new Full Supply, requests must be honored in the order received (i.e., in the order in which application is made accompanied by the application fee). With respect to new Members, requests for Full Supply "vest" no earlier than the date that membership is effective. In cases of conflict or ambiguity, the Board may determine the order of requests.

Section 5.2.2 Additional Rules for Members Retaining Independent Supply. Whenever Cascade has a Supply Commitment to a Member that retains Independent Supply, Cascade shall provide Full Supply for all of that Member's water supply needs minus

the amount of water that an audit determines may be provided by that Member's Independent Supply. Members are not required to share shortages resulting from the loss or all or part of Independent Supply, although Cascade may make Interruptible Supply available to a Member that loses Independent Supply at prices that are consistent with the price of Interruptible Supply being made available to others at that time. Cascade may at any time and at its cost and expense carry out audits of a Member's Independent Supply.

A Member requesting an additional Full Supply Commitment due to loss of Independent Supply shall make that request by Resolution of the requesting Member's legislative authority. When and as determined by the Board, the Member shall pay an amount equal to the RCFCs allocable to the number of CERUs that can be served by the replacement supply provided or to be provided by Cascade. Cascade shall then include the supply in its Water Supply Plan, and provide the supply when it becomes available, but in any event within fifteen (15) years. If, within fifteen (15) years the supply is not available, Cascade's commitment becomes a Full Supply Commitment and any shortage with respect to that supply must be shared by all the Members in accordance with the Shortage Management Plan, except as otherwise provided in Section 7.3.

Section 5.2.3 Additional Rules for Source Exchange. The Board may, at its sole discretion, authorize a Cascade Source Exchange Program Agreement with a Member or Non-Member. The terms and conditions of a Cascade Source Exchange Program Agreement shall be developed from a source exchange proposal submitted to the Board. The agreement shall identify: (a) the water right (instantaneous and annual) to be augmented or replaced; (b) the Water Supply Assets to be utilized; (c) mechanisms and arrangements for delivery of

regional water; (d) characteristics of supply obligation (for example, peak and average quantities, seasonal or annual delivery duration, interruptibility and shortage management); (e) reporting requirements; (f) changes in operation needed to benefit stream flow and fish; (g) rates and charges; and (h) such other conditions as the Board and the Member or public water supplier agree upon. The agreement may or may not provide for adjustments to a Member's RCFC payments or credits and whether or not the source exchange is a loss of a Member's Independent Supply that would be subject to the provisions of Section 5.2.2.

Section 5.3 Financing of Assets. The acquisition of new capital facilities and other Water Supply Assets may be financed using RCFCs, transfers or Water Supply Assets, Rates and Charges, the issuance of revenue Bonds and such other sources as the Board may deem appropriate.

Section 5.3.1 Issuance of Bonds. An Authorized Issuer may issue Bonds payable from and secured solely by all or a portion of Net Cascade Revenue, evidencing indebtedness up to an amount approved by Resolution for the Board in order to provide financing or refinancing to acquire, construct, receive, own, manage, lease or sell real property, personal property, intangible property and other Water Supply Assets, to establish debt service reserves, to provide for capitalized interest and to pay the costs of issuance of, and other costs related to the issuance of the Bonds. Such Bonds shall be payable solely from all or a portion of the Net Cascade Revenue or (if the Authorized Issuer is other than Cascade) from payments to be made by Cascade out of all or a portion of Net Cascade Revenue, and such Bonds shall not pledge the full faith and credit or taxing power or, except as expressly provided by contract, the revenue, assets or funds of any Member.

Members serving as Authorized Issuers may conduct the financing through "separate systems" permitted by their applicable bond resolutions, or in some other appropriate manner, and Cascade may compensate those Members for all costs associated with the financing. Bond-related documents of Authorized Issuers other than Cascade must expressly permit the Bonds to be refunded or prepaid without penalty prior to their stated maturity, on and after such dates as are approved by the Authorized Issuer and the Board, to allow for a transfer of the obligation to Cascade or to Cascade's successor entity, including without limitation a joint operating agency or similar entity, as may be permitted by law.

Section 5.3.2 Pledge of Revenues. For as long as any Bonds payable from Net Cascade Revenue (or any portion thereof) are outstanding, Cascade irrevocably pledges to establish, maintain and collect all Member Charges in amounts sufficient to pay when due the principal of and interest on the Bonds (and, if the Authorized Issuer is other than Cascade, in addition to the foregoing pledge, to pledge to make timely payments to that Authorized Issuer for the payment of principal of and interest on the Bonds), together with amounts sufficient to satisfy all debt service reserve requirements, debt service coverage requirements, and other covenants with respect to the Bonds.

Each Member hereby irrevocably covenants that it shall establish, maintain and collect rates, fees or other charges for water and other services, facilities and commodities related to the water supply it receives from Cascade and/or its water utility at levels adequate to provide revenues sufficient to enable the Member to: (a) make the payment required to be made under this Contract; and (b) pay or provide for payment of all other charges and obligations payable from or constituting a charge or lien upon such revenues. Each Member hereby

acknowledges that this covenant and its covenant in Section 7.9 of this Contract may be relied upon by Bond owners, consistent with this Contract.

Each Member shall pay the Member Charges imposed on it whether or not the Water Supply Assets to be financed through the issuance of Bonds are completed, operable or operating, and notwithstanding the suspension, interruption, interference, reduction or curtailment in the operation of any Water Supply Assets for any reason whatsoever, in whole or in part. Member Charges shall not be subject to any reduction, whether by offset or otherwise, and shall not be conditioned upon the performance or nonperformance of any Member, or of any entity under this or any other agreement or instrument. However, credits against future RCFCs and Rates and Charges described in Sections 5.5 and 7.5, respectively, for development or addition of excess capacity that is either transferred to Cascade or retained as Independent Supply, shall not be considered "offsets" or "reductions" for the purposes of this Section.

If, in connection with the issuance of obligations, any Member establishes a new lien position on revenues relating to its water utility, that Member shall covenant in the relevant documents that the amounts to be paid to Cascade as Member Charges shall be treated either: (a) as part of that Member's internal operation and maintenance costs payable prior to debt service on those obligations; and/or (b) for any portion of those Member Charges that is allocable to capital costs, as a contract resource obligation payable prior to debt service on those obligations. If any Member has existing outstanding revenue obligations relating to its water utility, it shall include substantially similar "springing covenants" in the documents relating to any new parity obligations.

Section 5.3.3 Continuing Disclosure. To meet the requirements of United States Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) (the "Rule") as applicable to a participating underwriter for any Bonds and any obligation of each Member as an "Obligated Person" under the Rule, Cascade and each Member agree to make an appropriate written undertaking, respectively, for the benefit of holders of the Bonds consistent with the requirements of the Rule.

Section 5.3.4 Preservation of Tax Exemption for Interest on the Bonds. Each Member covenants that it will take all actions necessary to prevent interest on tax-exempt Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of tax-exempt Bonds or other funds treated as proceeds of those Bonds at any time during the term of those Bonds that will cause interest on those Bonds to be included in gross income for federal income tax purposes.

Section 5.3.5 Additional Certificates. Each Member further agrees to provide such certificates or verifications as are reasonably requested by an Authorized Issuer in connection with the issuance of Bonds under this Section.

Section 5.4 Supply Expansions and System Extensions. Cascade must provide for Supply System expansions and extensions to meet the needs of additional water customers of Members, subject to consistency with applicable growth management plans and comprehensive plans, Cascade's water supply plan, orderly asset development, reasonable cost and financing capacity. The Board shall establish a water supply development process, including criteria governing the evaluation of new projects, and that process must promote

equality of costs and services (other than direct local services), regardless of geographic location. The results of the water supply planning process must be reflected in Cascade's Water Supply Plan. The Board shall have the authority to undertake new projects identified in Cascade's Water Supply Plan for the expansion of Water Supply Assets and regional transmission system extensions to meet Members' projected needs. To reduce costs, Cascade may, to the extent that the Board deems advisable, enter into agreements with Members to wheel water through their existing systems. When facilities are constructed that are used partially by Cascade for wheeling water and partially by Members or other entities for their purposes, the Board may determine an appropriate Cascade contribution to the cost of those facilities. Existing arrangements among Members (and between Members and Non-Members), in place when a Member joins Cascade, remain unaffected except as otherwise agreed between Cascade and the other entities concerned.

Section 5.5 Regional Capital Facilities Charges. To allocate growth costs to those Members that require capacity increases, each Member shall pay to Cascade an RCFC for each new CERU connected to its water distribution system. Growth in water usage by existing CERUs is not subject to RCFCs unless that growth constitutes a CERU increase as provided in the RCFC Methodology. Members with a supply deficit must pay an RCFC commensurate with that deficit. To the extent that a Member transfers to Cascade or retains as Independent Supply water supply in excess of its needs, it receives a corresponding credit against future RCRCs.

Subject to the provisions of Section 5.2.2, a Founding Member pays no RCFCs with respect to the number of CERUs served as of January 31, 2003, or other such later date as determined by Resolution of the Board.

A new Member with adequate supply shall commence paying RCFCs fifteen (15) years prior to the date that its Water Supply Assets are projected to be insufficient to provide for its needs as determined by the Board (taking into consideration the results of the Water Supply Audit).

A Member that joins with Water Supply Assets that are projected to be insufficient to provide for its needs for fifteen (15) years shall immediately pay RCFCs for the number of CERUs representing the deficit as determined by the Board.

RCFCs shall be calculated according to the RCFC Methodology, which shall define the analytical steps required to calculate the RCFCs according to the greater of: (a) the incremental difference between the average unit cost of expanding the system (i.e., the marginal cost of new capacity) and the average unit cost of the existing system; or (b) the average unit cost of past construction of the existing system plus then-planned Supply System improvements. The methodology shall provide for an annual escalator, recalculation and update not less frequently than every fifth year, and a methodology for determining CERUs. The RCFCs shall be imposed on the Member for each new CERU of that Member in accordance with the terms of this Contract. Amendments to the RCFC Methodology shall require a 65% Dual Majority Vote.

If a Founding Member owns Water Supply Assets or transfers Water Supply Assets to Cascade under Section 5.1, to the extent the audited capacity of those assets (including Seattle

Contract Purveyor rights) exceeds the Member's needs, that Member shall receive a credit against future RCFCs. If a Member seeks to transfer assets substantially in excess of its foreseeable needs, Cascade may negotiate appropriate compensation arrangements for the transfer.

Members that develop new Independent Supply that is approved by the Board in accordance with Article 6, similarly receive a credit effective when the Independent Supply is placed in service as determined by the Board.

A Member that accepts ownership of a Satellite System that Cascade agrees to serve shall pay an RCFC for the amount of supply needed to serve that system in excess of its rated capacity.

Members that experience a net reduction in the number of CERUs served shall receive a CERU-for-CERU credit against future RCFCs.

RCFC credits may not be transferred among Members without Board approval.

Members shall not be required to pass RCFCs to their customers as capital facilities charges, but may provide for the payment of RCFCs in whatever manner they deem appropriate.

For Members joining with an unmet net supply need, Cascade may, under circumstances determined by the Board, require the prepayment of RCFCs allocable to the full amount of the requested supply, i.e., when funds are needed to begin the construction of facilities immediately.

Section 5.6 Transfer Upon Mergers, Consolidations and Assumptions. If: (a) two or more Members merge or consolidate; (b) a Member or a Non-Member assumes

jurisdiction of part or all of a Member; or (c) a Member assumes jurisdiction of part or all of a Non-Member, the jurisdictions' water supply rights from and obligations to Cascade must be transferred or assumed under applicable law and consistent with the requirements of this Contract and the obligations of Cascade.

ARTICLE 6. New Independent Supply

Members may not bring new Water Supply Assets on-line as Independent Supply without Board approval. That approval may be granted or denied following an evaluation process, based on whether the Board determines that development of the proposed Independent Supply will benefit or be adverse to the interests of the Members as a whole. Recognizing that in certain circumstances the acquisition of additional Independent Supply might benefit (or cause no material harm to) the Members, new supplies under one (1) MGD may be approved by the Board regardless of the provisions of the Water Supply Plan and without a formal evaluation process. New supplies in amounts greater than one (1) MGD must be described in and be consistent with the Water Supply Plan.

Members that have invested in the development of new Independent Supply assets may offer to sell their interest in such assets to Cascade. Cascade may, in its sole discretion and subject to mutually agreeable terms and conditions, purchase the Member's interest in such Independent Supply asset by reimbursing or otherwise compensating the Member for its investment in the project to the extent that investment has been capitalized. Once Cascade has purchased a Member's interest in a project, the project will be considered a Water Supply Asset of Cascade and be incorporated into the Water Supply Plan.

ARTICLE 7. Asset Management

Section 7.1 Supply System Management. Cascade is responsible for managing, on behalf of all Members, the Supply System. Cascade is not responsible for managing Independent Supply unless it has expressly agreed to do so. Supply System management responsibilities shall be governed by Cascade's system management plan adopted by the Board. Cascade's system management plan concerns, without limitation, matters such as daily system operations and maintenance, interface with other supply providers, contractual obligations, water quality, billing, management and administration. Cascade may delegate and/or contract out its Supply System responsibilities.

Cascade must manage the Supply System in compliance with applicable laws, regulations and Cascade's minimum service standards. Adoption and amendments to the minimum service standards shall require a 65% Dual Majority Vote.

Section 7.2 Conservation. Cascade shall develop and carry out, and Members must participate in, water conservation programs that are uniform among Members. The Board shall develop and implement a Cascade conservation management plan that provides a mandatory base conservation program that functions to reduce both average and peak demands and may establish a charge or assessment to fund development and implementation of the program. Members may implement additional conservation programs. The Board may adopt wholesale charges in addition to normal Demand Share charges to encourage resource conservation. The Board may also provide or contribute to additional local conservation programs that are not offered to all Members, and these local programs may be locally funded or funded by Cascade. Members that fail to comply with base programs as set forth in

Cascade's conservation management plan may be required to assume a disproportionate reduction in water supply or to pay penalty charges, or both.

Section 7.3 Shortages and Emergency.

Section 7.3.1 Shortages. Members must respond to water shortages in a collective, shared fashion under a Cascade shortage management plan adopted by the Board. Resources must be shared in a manner that reduces the risk of severe shortages to each Member. Cascade's shortage management plan may include without limitation, a definition and classification of shortages, a shortage contingency plan including mandatory programmatic actions among all Members in the event of shortages, allocation of authority for determining and responding to shortages, and a communications and outreach program for the public. Members shall not be required to implement Cascade's shortage management plan in areas not served by the Supply System.

In the event of shortages, Cascade shall reduce or halt Interruptible Supply before invoking the Shortage Management Plan with respect to all Members with a Full Supply Commitment. However, the Board may, by 65% Dual Majority Vote, continue service in the amounts it deems appropriate to one or more Members receiving Interruptible Supply.

The Board may require that Members failing to comply with mandatory shortage management programs implemented under Cascade's shortage management plan assume a disproportionate reduction in supply or pay penalty charges, or both.

In the event of a Cascade-wide water shortage, Members with Independent Supply may, without penalty, decline to participate in the shortage management program for that shortage by foregoing all supply from Cascade for the duration of the emergency or shortage.

To avoid shortages resulting from emergencies or the inability to develop sufficient supplies, the Board may, by 65% Dual Majority Vote, establish moratoria on connections or additional commitments for future water services by the Members. A moratorium may be discontinued by a Dual Majority Vote of the Board.

Section 7.3.2. Emergency. The Board shall include in Cascade's shortage management plan policies and procedures for addressing short-term disruptions of water supply, transmission or water quality, and it may delegate to the General Manager authority to address such disruptions according to such policies and procedures.

Section 7.4 Water Quality. Cascade shall be responsible for water quality that meets or exceeds all federal or state requirements at the point of delivery from Cascade to the Member, consistent with applicable laws and regulations. Cascade assumes source water quality responsibility and liability with respect to Water Supply Assets under its ownership or control (including water wheeled to a Member through another Member's facilities). Cascade is also responsible for preparing and carrying out water quality activities compatible with the water quality requirements of regional water suppliers integrated with Cascade's system (e.g., Tacoma, Everett and Seattle).

Cascade may, in its sole discretion, determine and adjust the appropriate method and level of treatment of water that it supplies, so long as that water meets applicable state and federal requirements. If water that it supplies meets those requirements, Cascade shall not be obligated to adjust the method or level of treatment so that the water can be more readily blended with a Member's Independent Supply or more readily transmitted through a Member's internal system. Each Member shall remain responsible for water quality within its

respective distribution system, assuming that adequate water supply quality is provided by Cascade at the point of delivery from Cascade.

Each Member shall be responsible for all costs related to making water supplied by Cascade compatible with that Member's internal system, including but not limited to, costs of additional treatment.

Section 7.5 Water Supply Rates and Charges. The Board shall set Rates and Charges according to a Rate Calculation Methodology adopted from time to time by the Board. The Rate Calculation Methodology for Members' Supply Commitment shall provide for the definition and calculation of Demand Shares and for a uniform pricing structure with a commodity charge and fixed charges allocated by Demand Share.

Cascade may sell water to a Non-Member under terms and conditions established by the Board. The terms and conditions shall not be more favorable than the terms and conditions under which water is sold to Members. Revenue received from the sale of water to Non-Members shall be used to offset or reduce Rates and Charges to Members to the extent practicable, except that such revenue need not be treated as reducing or offsetting those amounts that are necessary for the payment of debt service on Bonds and for the provision of reserve and coverage requirements for the Bonds.

A Member shall be assigned a Demand Share based on the Board's best estimate of capacity to be used by that Member. Initially, the Board may base its estimate on a Seattle Contract Purveyor's use of water from Seattle. For a Member that joins without a supply history as a Seattle Contract Purveyor, or for a Member that has received only part of its water from Seattle, the Demand Share shall be established based on an audit of that Member's past

three (3) years of water use. After three (3) years as a Member, the baseline demand and capacity obligation for that Member shall be fixed based on actual experience as a Member. Specific Demand Shares may be set by the Board to account for circumstances, such as (by way of example and not by limitation) costs of extending the Supply System to a Member, or when Independent Supplies affect regional demand patterns. When water supply from Cascade is wheeled through a Member to another Member, Cascade may presume that the first Member receiving the water is the "User" for calculation of Demand Shares unless the Members concerned instruct Cascade to use a different allocation. Rate credits for Water Supply Asset transfers are not deducted in the calculation of Demand Shares but are applied to reduce what a Member would otherwise pay.

The Board must set Member Charges at levels it determines to be sufficient, together with other available revenue sources, to provide adequately for Operation and Maintenance Costs, Bond debt service, coverage and other covenants, replacement and renewal of facilities, reserves and other costs that the Board deems appropriate. The Board may provide that a Member's failure to participate in the planning process may result in penalty charges.

A Member that has transferred Water Supply Assets shall receive a credit, determined when those assets are audited and transferred, based on the useful life of those facilities and on the Member's use of the water produced by those assets or an amount of water equivalent to the amount of supply from them.

The Board may implement wholesale charges (additional to Demand Share-based charges and variable commodity charges) to reduce extreme peak use (e.g., "peaking-off of the pipe").

Water Rates and Charges must be the same for all Members receiving the same class of service (subject to credits, surcharges and penalty charges).

Section 7.6 New Water Surcharge.

A new water surcharge of $0.75 per 100 cubic feet (ccf) shall be imposed, effective on the Cascade Supply Date, and continue through December 31, 2011. It shall be applicable to all water purchased by Members over and above each Member's Old Water Allowance in the Seattle Purveyor Contract, if applicable, or to all water purchased by non-Seattle Purveyor Members. New water surcharge revenues shall be used to offset or reduce Rates and Charges to Members to the extent practicable, except that such revenue need not be treated as reducing or offsetting those amounts that are necessary for payment of debt service on Bonds and for the provision of reserve and coverage requirements for the Bonds.

Section 7.7 Franchises and Easements. Except to the extent otherwise required by state law, each Member shall provide franchises and rights of way on, under or across that Member's streets or other property, to Cascade and to other Members for Water Supply Assets, without charging any fees, rent or charges other than the customary and usual right-of-way permit and inspection fees.

Section 7.8 Sales of Water to Non-Members. Unless approved by the Board, a Member shall not sell water, including source exchange water, supplied by Cascade, nor shall a Member sell Independent Supply offset by water supplied by Cascade to a Non-Member. Notwithstanding the foregoing, any Member may sell water supplied by Cascade to a Non-Member to the extent required by a contract in effect as of the date the Member joins Cascade.

Section 7.9 Payment Procedures; Default; Step-Up Provisions.

Section 7.9.1 Invoice and Payment.

(a) Cascade shall provide each Member with periodic invoices showing the Member Charges payable by that Member for the billing period and the due date. Invoices shall be provided monthly or on other such periodic schedule as determined by the Board, but no more frequently than monthly nor less frequently than once every six months. The Board will determine a due date for all invoices.

(b) Payment of any and all invoices shall be due and payable on or before the due date, and shall be made by wire transfer or such other means as are agreed to by Cascade and the Member. If a treasurer, trustee, fiscal agent or escrow agent is appointed in connection with the issuance of Bonds, Cascade may require, and specify on the invoice, that certain amounts be provided directly to that person or entity, and the Member shall pay those amounts in the manner and to the person so specified.

(c) If full payment of any invoice is not received on or before the due date, such payment shall be considered past due and a late payment charge shall accrue for each day that the invoice remains unpaid. The late payment charge shall equal the product of the unpaid amount and an interest rate established by the Board. Late payment charges shall continue to accumulate until the unpaid amount of the invoice and all late payment charges are paid in full. Further, if an invoice or any portion thereof remains unpaid for more than sixty (60) days after the due date, Cascade may pursue any legally available remedy at law or equity for the unpaid amount, including without limitation, specific performance and collection of the late payment charge. Cascade's right to enforce payments in this regard may be assigned to a

treasurer, trustee, credit enhancement provider or other entity. Furthermore, upon written notice, Cascade may reduce or suspend delivery of water until the invoice and late payment charges are paid.

(d) If any Member disputes all or any portion of an invoice, it shall notify Cascade immediately upon receipt. If Cascade does not concur, the Member shall remit payment of the invoice in full, accompanied by written notice to Cascade indicating the portions of the invoice that the Member disputes and the reasons for the dispute. The Member and Cascade shall make a good faith effort to resolve such dispute. If the Member fails to remit payment of the invoice in full pending resolution of the dispute, the prevailing party in an action relating to the collection of that invoice shall be entitled to reasonable attorney fees and costs.

Section 7.9.2 Default and Step-Up.

(a) If any Member fails to make any payment in full for more than fifty (50) days past the due date, Cascade shall make written demand upon that Member to make payment in full within ten (10) days of the date that the written demand is sent by Cascade. If the failure to pay is not cured within the ten (10) day period, the Member shall be deemed to be in default.

(b) Upon an event of default as described in subsection 7.9.2(a), the other Members shall pay Cascade (in addition to Member Charges otherwise due) the defaulting Member's Member Charges in proportion to each remaining Members' Demand Share in accordance with a schedule established by Resolution of the Board.

(c) The payment of a proportionate share of the existing defaulted Member's Member Charges by Members shall not relieve the defaulting Member of its liability for those

payments. Cascade shall have a right of recovery from the defaulting Member on behalf of each Member. Cascade may commence such suits, actions or proceedings at law or in equity, including but not limited to suits for specific performance, as may be necessary or appropriate to enforce the obligations of this Contract against any defaulting Member. Cascade's right to enforce payments in this regard may be assigned to a treasurer, trustee, credit enhancement provider or other entity. Amounts recovered by Cascade as payment of amounts due shall be passed through to each Member in proportion to the share that each assumed, in cash or in credit against future Member Charges as the Board shall determine.

(d) The prevailing party in any such suit, action or proceeding, shall be entitled to recover its reasonable attorney fees and costs against the defaulting Member.

ARTICLE 8. Planning

Section 8.1 Water Supply Plan. Cascade must plan for its Members' water supply needs. That planning shall be to be compatible with the equivalent planning responsibilities of other wholesale water providers and with state, county and city planning responsibilities under the Growth Management Act. The Board must adopt, and may from time to time amend, a Water Supply Plan that must be based on no less than a twenty- (20) year planning horizon. Cascade shall coordinate its planning effort with local and regional utilities and other appropriate agencies and work to encourage cooperative region-wide planning and coordination.

Each Member shall actively participate in Cascade's water supply planning and shall provide to Cascade accurate data regarding its facilities and operations together with good-faith estimates of future needs and a description of any involvement in the development of

new Independent Supplies. Each Member's water comprehensive or system plan shall be consistent with any plans adopted by Cascade, and shall be consistent with applicable requirements of the Growth Management Act and comprehensive plans.

Section 8.2 Watershed Management Plan. Cascade may adopt Watershed Management Plans, as appropriate, for the watersheds within its service area provided that a Watershed Management Plan may take the place of, or may be incorporated into a Cascade Water Supply Plan. In fulfilling its responsibilities for watershed management, Cascade may enter into interlocal agreements with Non-Member municipalities to engage in watershed management, including development of Watershed Management Plans and the implementation and financing of such plans.

Section 8.3 System Reliability Methodology. Cascade shall develop and adopt a system reliability methodology for planning, operation and management purposes. Adoption and amendments to the system reliability methodology shall require a 65% Dual Majority Vote.

ARTICLE 9. Filings

This Contract must be filed with the King County Office of Records and Elections or with any other applicable county auditor, in accordance with RCW 39.34.040, and must be submitted for review by the Washington State Department of Health and the Washington State Department of Ecology, in accordance with RCW 39.34.050.

ARTICLE 10. Duration and Dissolution; Withdrawal

Section 10.1 Duration. Except as provided in Section 10.3, Cascade shall remain in existence for the longer of the following: (a) the period it holds any assets; (b) the period during which Bonds are outstanding; or (c) the period it continues to include Members.

Section 10.2 Withdrawals. A Member may notify Cascade of its intent to withdraw by delivery to Cascade of a Resolution of its legislative authority expressing such intent. Upon receipt of such Resolution, the Member shall lose its right to vote and the Board shall determine (a) the withdrawing Member's allocable share of the cost of the then-existing obligations of Cascade; and (b) the withdrawing Member's obligations to Cascade. "Then-existing obligations of Cascade" means obligations or costs incurred by Cascade as of the date the Member's withdrawal notice is received, including but not limited to Bond obligations, contract obligations and cash financed capital projects; provided that a withdrawing Member's allocable share shall in no event include an obligation for future expenses for which Cascade has not incurred a legal obligation; and provided further, that to the extent the Member's obligation (with respect to such costs) is re-paid over time, the Member shall be entitled to a credit for supply abandoned by the Member and is otherwise used by Cascade. A "withdrawing Member's obligation to Cascade" includes but is not limited to, the Member's share of fixed operating costs, any other expenses contained in Cascade's adopted budget for that year, and any assessments or other similar charges lawfully imposed by Cascade. For purposes of the preceding sentence, "fixed operating costs" shall be determined in the year of withdrawal, and the Member's obligation with respect to such costs shall be limited only to that amount required to pay for supply abandoned by the Member and not otherwise used by Cascade.

The allocable share of cost or obligations shall be determined by the Board, taking into consideration as deemed applicable by the Board: (a) the ratio of the Member's Demand Share to total Member demand; (b) the ratio of the Member's contribution to Cascade revenue to total Cascade revenue including RCRCs; (c) the cost or a portion of the cost of capital projects or facilities specially benefiting the Member; and (d) and any other factor the Board deems appropriate to consider. The Member's withdrawal shall be effective on payment of such allocable share or provision for arrangements to pay such allocable share that are satisfactory to the Board. Until the effective date of withdrawal, the Member shall continue to comply with all applicable provisions of this Interlocal Contract.

Upon withdrawal, except as provided in an Asset Transfer Agreement, the withdrawing Member shall have no right to, or interest in any Water Supply Assets owned by Cascade. The withdrawing Member shall be deemed to have abandoned any and all rights to service, to the use of Cascade Water Supply Assets or other rights with respect to Cascade (except as otherwise expressly provided in this Contract).

Notwithstanding the provisions of this Section 10.2, Cascade will, upon the withdrawal of a Member that has transferred operational control and management of (but not title to) an Independent Supply Asset to Cascade under Section 5.1, return operational control of such asset to the withdrawing Member. Return of operational control and management will be subject to: (a) continued use by Cascade, to the extent and for such time as the Board deems such use necessary for Cascade to continue providing service to its Members; and (b) payment or provision for payment of any Cascade costs, including but not limited, to those associated with the withdrawing Member's Independent Supply Asset.

The Board may establish additional generally applicable conditions and requirements for withdrawal.

Section 10.3 Dissolution. Cascade may be dissolved by a 65% Dual Majority Vote. Upon dissolution, except as provided in an Asset Transfer Agreement, Cascade's assets initially shall be held by its then current Members as tenants in common. Each Member's ownership interest must be based on that Member's Demand Share as of the time of the dissolution. Cascade's liabilities (including Bonds and other contractual obligations) initially shall be distributed based on Members Demand Shares as of the time of the dissolution. Assets and liabilities must be distributed in accordance with agreement or contract, under a voluntary mediation process, or by a court of law. A court may appoint an arbitrator or special master. Distribution shall be based on the best interests of efficient and economic water supply in the entire area served by the Members, subject to a rebuttable presumption that Water Supply Assets will be returned to the Member that originally transferred them to Cascade. That presumption may be overcome by a showing that another asset distribution is in the best interests of efficient and economic water supply. The proceeds of any sale of assets must be distributed among the then current Members based on the Demand Shares at the time of dissolution.

Section 10.4 Successor Entity. Notwithstanding the provisions of Section 10.3, upon a 65% Dual Majority Vote (ratified within one hundred and twenty (120) days by 65%), as measured by Dual Majority Vote of the Members' legislative authorities, all assets, liabilities, and obligations of Cascade may be transferred to any successor entity (including without limitation, a joint operating agency or other municipal corporation, as permitted under

state law), and all obligations of Members and parties contracting with Cascade become obligations to the successor entity.

ARTICLE 11. Amendments.

Amendments to this Contract shall be effective upon approval by 65% Dual Majority Vote (ratified within one hundred and twenty (120) days by 65%), as measured by Dual Majority Vote of the Members' legislative authorities.

ARTICLE 12. Applicable Law and Venue.

This Contract is governed by the laws of the state of Washington. The venue for any legal action arising from a dispute under this Contract is the Superior Court for King County.

ARTICLE 13. No Third Party Beneficiaries.

There are no third-party beneficiaries to this Contract except for the rights of Bond owners as provided in Section 5.3.2, no person or entity other than an agency signatory to this Contract shall have any rights hereunder or any authority to enforce its provisions, and any such rights or enforcement must be consistent with and subject to the terms of this Contract.

ARTICLE 14. Severability.

If any provision of this Contract or its application is held by a court of competent jurisdiction to be illegal, invalid, or void, the validity of the remaining provisions of this Contract or its application to other entities or circumstances shall not be affected. The remaining provisions continue in full force and effect, and the parties' rights and obligations must be construed and enforced as if the Contract did not contain the particular invalid provision. But if the invalid provision or its application is found by a court of competent jurisdiction to be substantive and to render performance of the remaining provisions

unworkable and infeasible, is found to seriously affect the consideration, and is inseparably connected to the remainder of the contract, the entire Contract is deemed void.

ARTICLE 15. Entire Agreement.

This Contract constitutes the entire and exclusive agreement between the parties relating to the specific matters covered in this Contract. All prior or contemporaneous verbal or written agreements, understandings, representations or practices relative to the foregoing are superseded, revoked and rendered ineffective for any purpose. This Contract may be altered, amended or revoked only as set forth in Article 11. No verbal agreement or implied covenant may be held to vary the terms of this Contract, any statute, law, or custom to the contrary notwithstanding.

Cascade Water Alliance

By: _____

Title: Chair Date: 10/31/11

Attest: _____

Title: Chief Executive Order Date: 11/1/11

Authorized by: Resolution No. 2011-17

Date: October 26, 2011

Cascade Water Alliance

ARTICLE 16. Execution.

This Contract may be executed in one or more counterparts.

Signatory Agency

By: Brian Ninjake

Title: Deputy City Mgr Date: 12/12/11

Attest: Lori McLuist

Title: Contract Admin Date: 12/12/11

Authorized by (Resolution or Ordinance): # 8335

Date: 12/05/11

City of Bellevue

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ARTICLE 16. Execution.

This Contract may be executed in one or more counterparts.

Signatory Agency

By: Ava Frisinger

Title: Mayor Date: 1/18/12

Attest: Christine Mary

Title: City Clerk Date: 1/21/12

Authorized by (Resolution or Ordinance): _____

Date: _____

City of Issaquah

ARTICLE 16. Execution.

This Contract may be executed in one or more counterparts.

Signatory Agency

By: Marilynne Beard

Title: Assistant City Manager Date: 11/22/11

Attest: Kathy Anderson

Title: City Clerk Date: 11/22/11

Authorized by (Resolution or Ordinance): Resolution R4901

Date: 11/15/11

City of Kirkland

ARTICLE 16. Execution.

This Contract may be executed in one or more counterparts.

Signatory Agency

By: John Marchione

Title: City Mayor Date: 12/12/11

Attest: Michelle M. McGehee

Title: City Clerk Date: 12/12/11

Authorized by (Resolution or Ordinance): _____

Date: _____

City of Redmond

ARTICLE 16. Execution.

This Contract may be executed in one or more counterparts.

Signatory Agency

By: Mary Shuster

Title: President Date: 12.21.11

Attest: [illegible]

Title: General Manager Date: 12/21/11

Authorized by (Resolution or Ordinance): Unanimous Vote by the Board of Commissioners

Date: 12/19/11

Sammamish Plateau Water & Sewer District

ARTICLE 16. Execution.

This Contract may be executed in one or more counterparts.

Signatory Agency

By: _____

Title: Commissioner Date: 12-27-11

Attest: Cheryl Scheuerman

Title: General Manager Date: 12/27/11

Authorized by (Resolution or Ordinance): Resolution 11-09-480

Date: 12/27/11

Skyway W&S District

RECEIVED
DEC 2 0 2011
CASCADE WATER ALLIANCE

ARTICLE 16. Execution.

This Contract may be executed in one or more counterparts.

Signatory Agency

By: Joe Haggerton

Title: Mayor Date: December 12, 2011

Attest: Melissa Hart

Title: Deputy City Clerk Date: December 12, 2011

Authorized by (Resolution or Ordinance): Approved by Council

Date: November 28, 2011 and December 5, 2011

City of Tukwila

2nd of 2 ORIGINALS

ARTICLE 16. Execution.

This Contract may be executed in one or more counterparts.

Signatory Agency

By: _____

Title: _____ Date: _____

Attest: _____

Title: _____ Date: _____

Authorized by (Resolution or Ordinance): _____

Date: _____

Covington Water District