

King Water Company

Water System Management and Services Agreement

This Agreement is made and entered into as of August 1, 2003, by and between King Water Company (King), a Washington company and West Beach Road Association, hereinafter referred to as the "Customer". In consideration of the mutual covenants and representations contained in this Agreement, the parties hereby agree as follows:

- I. Purpose. The purpose of this Agreement is to set out the intent of King and Customer to enter into a relationship whereby King provides water system management, or other services, to Customer. A description of the Customer's water system is set out in Exhibit A.
- II. Scope of Work. The work to be performed by King Water Company under this Agreement is described in Exhibit B.
- III. Changes/Modifications to Agreement. King shall make a good faith effort to implement any changes or modifications to this Agreement that may be requested by Customer. Customer recognizes, however, that any changes or modifications to the Agreement may cause King difficulties and delays in the fulfillment of its obligations pursuant to this Agreement. King reserves the right, therefore, in its sole discretion, to refuse to incorporate such changes and modifications, or to charge Customer at the current hourly rate published for such services.
- IV . Acceptance of Work. King shall deliver certain portions of the work in accordance with the schedules attached as Exhibits, and hereby incorporated into this Agreement, or as required by Washington State Department of Health regulations.
- V. Payment. In consideration for the services and work described above Customer shall pay to King Water Company an amount in U.S. funds as set out in Exhibit C.
- VI. Termination. Effective each anniversary date, upon thirty (30) days prior written notice, either party may terminate this Agreement for any reason in its sole discretion. Upon termination, each party shall be fully and forever released and discharged from any and all obligations, covenants or liabilities of whatsoever kind or nature in law, or equity , or otherwise, arising out of, or in connection with, the Agreement, or any other agreements by and between King Water Company and Customer, except for any obligation or liability accrued before the date of termination.
- VII. Agreement Period. The term of this Agreement is for a minimum period of one (1) year, which will automatically be renewed unless terminated by either party as set out in paragraph VI above.
- VIII. Warranties and Representations. Each party hereby represents and warrants as follows:
 - Corporate Power. Each party is duly organized and validly existing under the laws of the state of its incorporation and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof.
 - Due Authorization. Such party is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder.

The representations and warranties and covenants in this Section are continuous in nature and shall be deemed to have been given by each party at execution of this Agreement and at each stage of performance hereunder .

IX. Binding Agreement. This Agreement is a legal and valid obligation binding upon it and enforceable with its terms. The execution, delivery and performance of this Agreement by such party does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

X. Compliance With Law. Each party's operations will be conducted in compliance with all applicable laws and regulations of the State of Washington.

XI. Indemnification and Limitation of Liability.

- **Indemnification by King Water Company.** King shall, at its expense and at Customer's request, defend any third-party claim or action brought against Customer, and Customer's officers (i) relating to the work performed by King pursuant to this Agreement, and (ii) to the extent it is based upon a claim that, if true, would constitute a breach of a King warranty, representation or covenant set forth in this Agreement. King shall indemnify and hold Customer harmless from any costs, damages and fees reasonably incurred by Customer, including but not limited to attorney and other professional fees, that are attributable to such Customer claims. Customer shall provide King prompt notice in writing of any such claim and provide King with reasonable information and assistance, at King's expense, to help in King's defense.
- **Indemnification by Customer.** Customer shall, at its expense and at King's request, defend any third-party claim or action brought against King, and its officers, employees, licensees, and independent contractors, (i) relating to Customer's negligent or intentional misconduct, and (ii) to the extent it is based upon a claim that, if true, would constitute a breach of a Customer warranty, representation or covenant set forth in this Agreement. Customer shall indemnify and hold King harmless from and against any costs, damages and fees reasonably incurred by King, including but not limited to attorney and other professional fees that are attributable to such Customer claims. King shall provide Customer reasonably prompt notice in writing of any such claims and provide Customer with reasonable information and assistance, at Customer's expense, to help Customer defend such claims.

XII. Applicable Law: Jurisdiction: Venue. The Agreement shall be governed and construed in accordance with the laws of the State of Washington. The parties agree that Island County in the State of Washington shall be the proper venue for any action brought under the Agreement.

XIII. Modifications. Amendments or Waivers. No modifications or amendments to the Agreement, and no waiver of any provisions hereof shall be valid unless in writing signed by duly authorized representatives of the parties.

XIV. Force Majeure. King shall not be responsible for any failure to perform due to unforeseen circumstances or due to a cause beyond King's control, including but not limited to acts of God, war, riot, embargoes, acts of civil or military authorities, fire, floods, accidents, strikes, or shortages of transportation facilities, fuel, energy, labor or materials.

XV. Independent Contractor Relationship. Nothing contained herein shall be construed to imply a joint venture, partnership, or employer and employee relationship between the parties. Neither party shall have any right, power or authority to create any obligation, express or implied, on behalf of the other except as defined in the Agreement or as mutually agreed to under the terms of the Agreement. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.

XVI. Binding Effect. Subject to the limitations herein before expressed, this Agreement will inure to the benefit of, and be binding on, the parties, their successors, administrators, heirs, and permitted assigns.

XVII. ComQliance/Govemment Approvals. King and Customer will, at its own expense, obtain and arrange for the maintenance in full force and effect of all government approvals, consents, licenses, authorizations, declarations, filings and registrations as may be necessary or advisable for the performance by such party of all of the terms and conditions of the Agreement.

XVIII. Entire Agreement: Modification: No Offer. The parties hereto agree that this Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. It shall not be modified except by a written agreement dated subsequent hereto signed on behalf of King and Customer by their duly authorized representatives. Neither this Agreement nor any written or oral statements related hereto constitute an offer, and this Agreement shall not be legally binding until executed by both parties hereto.

By: _____
Clive Defty, President
King Water Company
P.O. Box 2243
Oak Harbor, WA 98277

By: _____
James Patton
West Beach Water Association
962 North Seaciff Lane
Coupeville, WA 98239

Date

Date

Exhibit A.

**King Water Company
Water System Management and Services Agreement**

Description of System

General

a) Group	- A.
b) No. of wells	One (S O 1)
c) Well pump information	Provided
d) Reservoir size	26,000
e) Pressure tank(s)	Yes
f) Booster pump(s)	Yes
g) Main & distribution lines	See as built
h) Valves and other appurtenances necessary for the operation of the water distribution system	See as built
i) # of service connections	18
j) Other information	None

Chlorination System - No.

Filtration System - Yes, to be maintained by Customer.

**King Water Company
Water System Management and Services Agreement**

Description of Services Provided

Operations

Oversight by Certified Water Manager
Routine inspection and monitoring of water system.
Frequency of routine inspection - weekly.
Maintain pump house log documentation.
Emergency call out - available 24/7.
Regular inspection of distribution system for leaks.
Water usage monitoring - monthly usage reports.
Regularly monitoring of pumping rates and system pressures.
Test in "house for iron, manganese and chloride levels at least once per month.
Maintain system documentation, testing results, and compliance with appropriate regulations.
Communications with State and/or County Health Departments
Response to, and handling of, customer complaints.
Coordination of any specialized needs of the system, as approved by Customer, and arrangements with other independent contractors.

Treatment System Maintenance ~ see Exhibit A.

Documentation and Reports

Prepare annual Consumer Confidence Report.
Maintain "as built" files, if available.
Prepare and submit necessary reports to State and County Departments of Health. Maintain records of operating logs and other documentation, as required.
Provide operating reports to Customer, as requested.
If meters are installed, provide and monitor "unaccounted for water" at each billing cycle.

Financial and Administrative Services, as requested (may be subject to additional charges, see Exhibit C for current labor costs):

Assist in the development of annual budget.
Assist in repair and maintenance planning
Assist in capital project planning.
Water billing services.
Water billing collections and customer service.
Assist in completion of Small Water System Management Plan.

Additional Services (may be subject to additional charges, see Exhibit C for current labor costs): Well depthing " quarterly.

Implementation of system-wide flushing program, if necessary .
Installation and replacement of meters, as required.
Meter reading, as required.
Oversight of cross connection control program.
Assistance with sanitary surveys and in responding to DOH report thereon.

Exhibit C.

King Water Company

Water System Management and Services Agreement

Fees

For the services listed in Exhibit B, this Agreement's first year fees will be, as follows:

A monthly fee of \$130.00 for Operations, Treatment System Maintenance and Documentation and Reports; the fees are due 30 days from date of billing.

Testing: bacteria testing (monthly) is \$25 per test, which includes a sampling fee, and nitrate testing (annually) is \$20; other tests will be rebilled to Customer at the current rates, which will be dependant on the third party cost of each type of test being conducted. A schedule of current rates is attached at Exhibit D. In-house testing, for iron, manganese and chlorides more often than monthly (see Exhibit A), will be billed at half the rates of third party testing, as set out in Exhibit D.

Labor rates:

- Emergency call-outs on weekends and holidays will be billed at \$50 per person, per hour.
 - Emergency call-outs during weekdays, which cannot be accommodated as part of our normal round schedule, will be billed at \$45 per person, per hour.
 - Our normal hourly rate is \$35 per hour for field personnel and \$45 per hour for our Operations Manager .
 - Repairs requiring the use of the backhoe will be billed at \$80 per half day, plus labor .
- Reservoir cleaning is based on the amount of time to set up and leave a site, plus the time to clean the reservoir. For safety reasons, two personnel must be on site while the reservoir is being cleaned. Assuming that the reservoir has a fully functional draining system, our charge is estimated at \$300.00 for 2003. The price is subject to annual cost of living adjustments, based on the hourly labor service charge rates.

Labor rates and other fees will be subject to annual reviews. Price increases from independent third parties, such as certified laboratories and suppliers - see Exhibit D, will be passed on as and when incurred.

**Exhibit D.
King Water Company**

Water System Management and Services Agreement

3rd Party Testing - Prices

Item	Size	Cost
Bacteria test	bottle	\$25.00
Bacteria test - MF		\$36.00
Nitrate	1 Cubie	\$29.00
Inorganic (IOC)	2 cubies	\$290.00
Volatile (VOC)	2 special bottles	\$200.00
Chloride	1 cubie	\$20.00
Conductivity	I cubie	\$20.00
Arsenic	I cubje	\$30.00
THM Potential	Bottle	\$150.00
Tannin	I cubie	\$40.00
pH	I cubie	\$25.00

Chemicals

3rd Party Supply - Prices

Chlorine	15 gal. Drum	35.00
Salt	Bag	3.98
K Life (Pot. chloride)	Bag	\$8.29
Pot. Permanganate	Gallon	\$3.53
Muriatic Acid	Gallon	\$3.38

Prices are as of June 30, 2003- subject to increases based on 3rd party charges.