

**CITY OF LAKE STEVENS AND LAKE STEVENS SEWER DISTRICT
UNIFIED SEWER SERVICES AND ANNEXATION AGREEMENT**

THIS AGREEMENT is made and entered into this 23rd day of May, 2005, by and between the Lake Stevens Sewer District, a special purpose district of the State of Washington, hereinafter referred to as the "District", and the City of Lake Stevens, a municipal corporation of the State of Washington, hereinafter referred to as the "City".

- A. WHEREAS, the District and City desire to enter into an agreement to determine the orderly transition of public sewer service in the Lake Stevens Urban Growth Area from two systems to one system, ultimately as the City's system; and
- B. WHEREAS, the District owns and operates a wastewater collection, conveyance and treatment system for the benefit of District customers, including the City; and
- C. WHEREAS, the City owns and operates a wastewater collection and conveyance system for the benefit of City customers; and
- D. WHEREAS, the City has statutory approval rights and responsibilities for the District's Comprehensive Sewer Plan under RCW Chapter 57; and
- E. WHEREAS, the District and City have previously entered into joint participation contracts dated April 28, 1970, April 21, 1983, July 1, 1986, and sewage disposal contracts dated September 1, 1991, and August 1, 1996, Wastewater Capital Facilities Agreement dated April 14, 2003 and Wastewater Treatment and Conveyance Services Agreement dated April 14, 2003, under the terms of which the District and the City shared in costs of building, improving and operating certain District facilities which are owned and operated by the District, and which serve the Parties; and
- F. WHEREAS, the District and City are planning for the replacement, relocation, upgrade and expansion of the District's WWTP, with possible completion by or before the year 2011, and the cost of such project is appropriately borne by both new and existing customers of the District and City Systems; and
- G. WHEREAS, the City is uniquely situated within the Lake Stevens Urban Growth Area such that less than 50 percent of the land area in the Lake Stevens Urban Growth Area is included in the City's corporate limits; and as the City annexes additional area within the Lake Stevens Urban Growth Area, the City will be assuming additional public service responsibilities from Snohomish County, including police services and roadway and stormwater systems in areas which are or can be served by the District wastewater collection and conveyance system; and

- H. WHEREAS, the District's existing finances will allow the District to fund a higher proportion of Phase I WWTP improvements in anticipation of the long term economies of scale of a single-service provider that will benefit the entire community; and the District and City wish to minimize and equitably share future capital and operating costs of sewerage service in the Lake Stevens Urban Growth Area and recognize the increased efficiencies and economy of scale of unifying service under a single provider; and
- I. WHEREAS, the City and District are each eligible, subject to other conditions, to separately apply for State Public Works Trust Fund loans and are able to use such loan proceeds in a coordinated manner for sewerage system improvements; and
- J. WHEREAS, the City and the District recognize that the City has the current authority under RCW 35.13A to assume the assets and functions of the District under certain conditions and that the District has authority under Title 57 RCW to operate sewerage facilities within the incorporated boundaries of the City;

NOW, THEREFORE, in consideration of the terms and conditions contained herein, the District and the City agree as follows:

Article 1. Authority for Agreement

This Agreement is made and entered into pursuant to the authority vested in the District by the provisions of Chapter 57 RCW and the authority vested in the City pursuant to the provisions of Chapter 35.A RCW, and the authority vested in the City and the District pursuant to the provisions of Chapter 39.34 RCW.

Article 2. Definitions

For the purpose of this Agreement, the following words, terms and phrases shall have the meanings identified in this article:

- 2.1 "Capital Agreement" shall mean the Wastewater Capital Facilities Agreement dated April 14, 2003, and any amendments thereto, executed between the District and City.
- 2.2 "City System" shall mean the Wastewater collection and conveyance facilities and appurtenances thereto (e.g. sewer mains, side sewer stubs, manholes, lift stations, force mains and metering and sampling equipment) which are owned, operated and maintained by the City, not including real property or any interest therein.

- 2.3 "Comprehensive Plan" shall mean the City and/or Snohomish County comprehensive land use plan prepared and updated pursuant to RCW 36.70A, including land use, housing, capital facilities and utilities elements.
- 2.4 "Comprehensive Sewer Plan" shall mean the District general sewer plan or comprehensive plan for sewer system prepared and updated pursuant to RCW 57.16 and WAC 173-240.
- 2.5 "District System" shall mean the Wastewater collection, conveyance, treatment and disposal facilities and appurtenances thereto (e.g. sewer mains, side sewer stubs, manholes, lift stations, force mains and metering and sampling equipment, treatment plants and outfalls) which are owned, operated and maintained by the District, including real property.
- 2.6 "Engineering Report/Facilities Plan" shall mean the District planning document prepared and updated to examine the engineering and administrative aspects of the District's WWTP, prepared pursuant to WAC 173-240 and 40 CFR 35.719-1.
- 2.7 "Franchise Agreement" shall mean that separate agreement executed between the parties providing for District operations within City limits as provided for by State statute (RCW 35A.11 and 35A.47).
- 2.8 "Franchise Fee" shall mean that fee paid by the District to the City per the terms of the Franchise Agreement.
- 2.9 "Lake Stevens Urban Growth Area" or "Urban Growth Area" shall mean that portion of Snohomish County designated as the urban growth area around Lake Stevens, under the Washington State Growth Management Act.
- 2.10 "Utility Agreement Fee" shall mean that fee paid by the District to the City as specified in this Agreement.
- 2.11 "Planning Document" shall mean any one or combination of the Comprehensive Sewer Plan, the Engineering Report/Facilities Plan, or the Sewer Capital Facilities Plan.
- 2.12 "PWTF" shall mean the Public Works Trust Fund and its loan programs, administered by the State Public Works Board.
- 2.13 "Services Agreement" shall mean the Wastewater Treatment and Conveyance Services Agreement dated April 14, 2003, and any amendments thereto, executed between the District and City.
- 2.14 "Sewer Capital Facilities Plan" shall mean the sewer planning element of the District's Comprehensive Sewer Plan

- 2.15 "Step 1" shall mean the process and requirements for provision and transition of sewer service per Article 4 herein.
- 2.16 "Step 2" shall mean the process and requirements for provision and transition of sewer service per Article 5 herein.
- 2.17 "Sewer Utility Committee" shall mean a board comprised of three District Commissioners and three City Council members. The representatives from the District and City shall be selected by the District and City elected officials, respectively.
- 2.18 "Unified Sewer System" shall mean the combination and integration of the District System and City System, as a result of the transition of sewer service in Step 1 and continuing in Step 2.
- 2.19 "Unified Sewer System Capital Projects" shall mean those projects initiated by the District in Step 1 or the City in Step 2 to improve, enhance, expand, replace or rehabilitate portions of the Unified Sewer System, without respect to the project having been identified in a Planning Document or as a result of an unanticipated or emergency condition.
- 2.20 "Wastewater Treatment Plant" or "WWTP" shall mean the Lake Stevens Sewer District's Wastewater Treatment Plant and appurtenances, as presently located adjacent to Ebey Slough and/or as planned for construction adjacent to State Route 204.

Article 3. Summary of Sewer Services Transition Plan

In order to transition the provision of public sewer service within the UGA to a single service provider to minimize sewer service conditions as a hindrance to City annexations of area within the UGA, the Parties agree to a two-step process.

- 3.1. Step 1 provides for the transfer of the assets of the City System to the District after which the District shall own, operate and maintain the entire wastewater collection conveyance, treatment and discharge system in the UGA (the Unified Sewer System), until Step 2.
- 3.2. Step 2 provides for the ultimate transfer of the Unified Sewer System from the District to the City.
- 3.3. Upon the effective date of this agreement, Section 11.1 of the Capital Agreement shall be null and void.

Article 4. Step 1

- 4.1. Upon the effective date of Step 1 (June 1st, 2005), the City shall transfer the assets of the City System, not including real property and certain specific assets as specified herein, to the District. Such transfer shall be by bill of sale substantially in form presented in **Exhibit A**, attached and included herein by reference.
- 4.2. Upon the effective date of Step 1, and subject to the conditions of Articles 6 & 7, the District shall be solely responsible for the collection of rates and charges, planning, administration, operation, financing, maintenance, improvements, repair, replacement, upgrade and expansion of the Unified Sewer System, including funding of the City sewer obligations as described below. Such transfer shall continue until the effective date of Step 2. Upon the effective date of Step 1, the District System and City System shall be combined and integrated, and managed as one complete system (i.e. the Unified Sewer System).
- 4.3. Upon the effective date of this Agreement, the District adopts and establishes as policy with respect to City annexations in the UGA as follows, and such shall be included in all District Comprehensive Sewer Plans:
 - A. The City and District shall prepare a joint letter to applicants for District sewer service expressing support of City annexation in the UGA for local land use control and services. Such letter shall be included in materials presented to third parties interested in receiving sewer service from the District within the UGA.
 - B. Neither Party shall oppose lawful annexation proceedings commenced by the other Party at any time under this Agreement.
 - C. The District shall include a City-prepared annexation covenant substantially in the form presented in Exhibit B, included herein by reference, as a voluntary addendum to all District developer extension agreements and shall include the City-prepared annexation covenant with all District annexation application materials. Execution of the City-prepared annexation covenant shall be a voluntary element of developer extension applications and District annexation applications. The service to property that has not annexed to the City will be subject to paragraph D, below.
 - D. The District shall not provide sewer service to a property if such property is, at the time of application for sewer service, contiguous to the City limits and outside the District's corporate boundary unless City annexation covenants are duly executed for the entire subject property.
 - E. Originals of City annexation covenants received by the District shall be forwarded to the City within 15 days of receipt and the City will record such covenants at their own expense.

- 4.4. Within 6 months of the effective date of Step 1 the Parties shall enter into a Franchise Agreement, whereby the District shall obtain a franchise for operation of the Unified Sewer System within the City public rights of way and on City-owned real property, and easements granted to the City as applicable, within City-incorporated areas. The City shall designate in the Franchise Agreement the District as an agent of the City solely in regards to exercising the rights assigned to the City in easements granted to the City. The District shall pay the City the Franchise Fee stipulated therein until the effective date of Step 2. The Franchise Fee shall not exceed \$2,000 per year, unless otherwise approved by the Sewer Utility Committee.
- 4.5. The City shall retain title to all real property of the current City System and shall retain all easements granted to the City for the benefit of the public sewer system. Subject to the terms of the Franchise Agreement, the District is hereby assigned the right to use all real property owned by the City for sewer system collection and conveyance facilities until the effective date of Step 2.
- 4.6. The District shall designate the City as a future assignee on all future easements.
- 4.7. The District shall pay a Utility Agreement Fee described below as the sole source of revenue for ancillary City liabilities or costs associated with the implementation and maintenance of this Agreement. Such fee shall be paid monthly starting thirty (30) days following the effective date of Step 1, through the effective date of Step 2. The Utility Agreement Fee may be adjusted after January 1st 2007 as described in Section 7.3.
 - A. Upon the effective date of Step 1 through December 31st 2005, the Utility Agreement Fee shall be \$12,500 per month
 - B. The Utility Agreement Fee shall be \$10,835 per month beginning January 1st, 2006
 - C. The Utility Agreement Fee shall be \$9,165 per month beginning January 1st, 2007.
- 4.8. The Franchise Agreement and Utility Agreement Fees paid by the District are a business expense that shall not be separately identified on customer billings.
- 4.9. Each Party shall apply for PWTF pre-construction and construction loans for design and construction of the phase 1 WWTP replacement project including related conveyance projects and may apply for future Unified Sewer System projects, to the extent and when each is eligible. Prior to executing final PWTF loan agreements, the Parties shall execute agreements defining the responsibilities for draws and disbursement of loan funds, debt service and local match.
- 4.10. Within thirty (30) days of the effective date of Step 1, the City shall transfer all funds within the City's wastewater treatment plant replacement fund to the

District. The District shall not use said funds for any other purpose except for WWTP Phase I design or construction costs.

- 4.11. The District shall transfer to the City all funds necessary for the City sewer utility's share of the 1997 General Obligations Bonds, Series 1997, and PWTF Loan No. PW-02-691-029 debt payments thirty (30) days prior to scheduled City payments. The District may defease either of said City sewer debt obligations at any time consistent with existing City debt covenants.
- 4.12. Upon the effective date of Step 1, The City shall continue to bill and collect for all existing City sewer utility accounts until Jan 1st 2006. The City will transfer all revenues associated with sewer utility billing to the District on a daily basis. The City shall transfer all accounts to the District's billing system in whole, including delinquencies in January of 2006.
- 4.13. The District agrees to pay \$275,000 towards the City's purchase of a jetter/vactor truck.
- 4.14. The City may initiate construction of facilities or further extend local collection lines(s) utilizing the District developer extension agreement process. The financial obligation associated with the said developer extension improvement(s) shall remain the sole obligation of the City, unless mutually agreed to and recommended by the Sewer Utility Committee. Accordingly, the City may initiate construction of sewer collection and conveyance system improvements and expansion projects in the industrial-zoned land in the City limits by creation of utility local improvement district or local improvement districts in combination with City developer extension agreements with the District. The City shall notify the Sewer Utility Committee of its intent to utilize this process for construction of sewer facilities.
- 4.15. Upon District annexation, the District shall implement sewer collection and conveyance system improvements and expansion projects in the industrial-zoned land in the City limits by creation of utility local improvement districts. The District shall notify the Sewer Utility Committee of its intent to utilize this process for construction of sewer facilities.
- 4.16. Neither Party shall surcharge rates or charges for customers outside their respective corporate boundary.
- 4.17. The District will invite the City to attend and participate in quality assurance/quality control workshops for major Unified Sewer System projects.
- 4.18. Both Parties shall negotiate all new contracts and loan agreements or other debt obligation instruments so that the obligations of either Party may be assumed by the other Party upon the effective date of Step 1 and/or Step 2, without penalty or cost due to such transfers.

- 4.19. The District shall prepare and implement an Industrial Wastewater Pretreatment program.
- 4.20. Upon the effective date of Step 1, both Parties shall cooperatively develop a set of written protocols and standards for the purpose of information sharing, project review, equipment sharing, standardization of sewer specifications both public and private, development review processes, easement conditions, and other process needs identified through the Sewer Utility Committee.
- 4.21. The City public works department decant facility will be allowed for discharge under a separate license agreement with District.
- 4.22. The Capital and Services Agreements shall remain in effect until of the effective date of Step 1 when said Agreements shall become null and void by this Agreement. The stranded cost and purchased capacity provisions of the Capital and Services Agreements are agreed to be null and void.

Article 5. Step 2

- 5.1. The Unified Sewer System shall, subject to the conditions in Article 5, be transferred in its entirety from the District to the City, no sooner than twenty years from the date of District acceptance of the Phase I WWTP improvements construction project subject to the City satisfying then-current statutes regulating assumption of special purpose districts by code cities. Such timing may be extended or accelerated at the mutual agreement of the City and District.
- 5.2. If, after twenty years from the date of District acceptance of the Phase 1 WWTP improvements construction project, the City does not satisfy the then-current statute conditions for City assumption of the entire District, the Parties agree to the following process. The District shall call for a vote of eligible voters on the question of City assumption of the District and Unified Sewer System in its entirety, after 20 years and within 180 days thereafter following District acceptance of the Phase I WWTP improvements construction project. Approval by the voters shall require the District and City to plan for and implement the assumption of the District by the City and transfer of the Unified Sewer System to the City within one year of the date of certification of results of such vote of approval. Upon a vote of non-approval, the District shall, at the City's request but no more often than 24 months following the date of the prior election on this question, again submit to the voters in the UGA the question of City assumption of the District and Unified Sewer System in its entirety.
- 5.3. Upon the effective date of Step 2 as determined by satisfying the conditions of Paragraph 5.1 or 5.2 above, the District shall transfer all assets, debt, real and personal property, easements, agreements, etc. of the District and Unified Sewer

System to the City without compensation, unless compensation is required by law. In the event the District has acquired, developed or is otherwise providing drainage and/or street lighting services, such systems including all assets, debt, real and personal property, easements, agreements, etc. shall be transferred to the City without compensation.

- 5.4 The Parties agree that the Unified Sewer System shall not be separated or subdivided at any time during or following the effective date of Step 1. If after 20 years from the date of District acceptance of the Phase 1 WWTP improvements construction project, the conditions of 5.1 or 5.2 have not been satisfied, the City agrees to not assume portions of the Unified Sewer System with or following City annexations that do not result in satisfying the conditions of 5.1 above.
- 5.5 The District shall discontinue operation as a sewer, drainage and/or street lighting service provider upon the effective date of Step 2, and shall dissolve within 12 months following the effective date of Step 2.

Article 6. Comprehensive Planning

- 6.1. Upon the effective date of Step 1, the District will initiate an amendment to their existing Comprehensive Plan to include this executed agreement as policy and an appendix to the Comprehensive Plan. The Comprehensive Sewer Plan shall include policies and goals indicating support for the benefits of annexation by the City within the UGA including the provisions referenced in Section 4.3.
- 6.2. After completion of Comprehensive Sewer Plan amendment (Section 6.1) and consistent with the review process outlined in this agreement, the District will prepare a new Comprehensive Sewer Plan to include a single Sewer Capital Facilities Plan for the Unified Sewer System. The new Comprehensive Sewer Plan and Sewer Capital Facilities Plan element shall be adopted by the District, and following City approval shall be adopted by the City as satisfying the sewer element of the City Comprehensive Plan.
- 6.3. Until Step 2, the process described in Section 6.2 shall be utilized in all future City and District sewer planning updates and amendments.
- 6.4. Following adoption and City approval of the Comprehensive Sewer Plan, the District shall not defer or remove projects in the capital improvement plan with an estimated project cost of \$500,000 or more and within City limits without a City-approved Comprehensive Sewer Plan amendment.
- 6.5. The Parties shall minimize infrastructure costs by coordinating the schedule for sewer system Capital Projects in conjunction with City and County transportation improvement projects when feasible.

Article 7. Sewer Utility Committee and Other Requirements

- 7.1. The current District and City Sewer Utility Committee will provide recommendations and oversight for planning, coordination, and management of the Unified Sewer System and may adopt rules of order, structure and operation of this overseeing committee except as specified herein.
- 7.2. The Sewer Utility Committee shall meet at least once a quarter but may meet more frequently consistent with Section 7.1.
- 7.3. A quorum consisting of a minimum of two (2) members from both the City and the District is required to conduct business and make recommendations.
- 7.4. The Sewer Utility Committee may, with a majority vote and a quorum of all six committee members, change the amount of the Utility Agreement Fee, Franchise fee and any other administrative requirements and structures regarding the Fees, consistent with Article 4.
- 7.5. The District hereby adopts and shall take subsequent action ratifying actions taken under Section 7.3.
- 7.6. The Sewer Utility Committee shall review any proposed change in rates or charges prior to implementation by the District.
- 7.7. The Sewer Utility Committee shall prepare and implement transition of employees of the District to the City as part of Step 2, subject to the requirements of RCW 35.13A.090 and/or other statutes.
- 7.8. The Sewer Utility Committee shall plan for the transfer of service prior to the effective date of Steps 1 and 2 to provide for continuity and orderly transition of service.
- 7.9. The Sewer Utility Committee shall review all Planning Documents and may provide recommendations, prior to the approval of said documents.

Article 8. Insurance

- 8.1. The District shall obtain and maintain in full force and effect throughout the term of this Agreement insurance with a self-insured risk pool as authorized under Washington law or with an insurance company licensed to do business in the State of Washington and acceptable by the City. Such insurance shall cover loss or damage to the Unified Sewer System, including loss or damage caused by the

operation of the sewerage facilities. Upon request, the District shall provide the City with certificates of the insurance required therein. The City reserves the right to review these insurance requirements during the effective period of the Agreement and to request reasonable adjustments in insurance coverage and limits when deemed necessary and prudent by the City based upon the recommendation of its insurance carrier or changes in status, court decisions, or the claims history of the industry or the District. The insurance required by this section shall provide for the indemnification for the City for claims arising out of the use of City real property and easements in accordance with Section 12, herein.

Subject to the District's right to maintain reasonable deductibles, the District shall obtain and maintain in full force and effect for the duration of this Agreement, at the District's sole expense, insurance coverage in the following type and minimum amounts:

- 1 Comprehensive general liability insurance with limits not less than:
 - (a) Ten million dollars (\$10,000,000.00) for bodily injury or death to each person;
 - (b) Ten million dollars (\$10,000,000.00) for property damage resulting from any one (1) accident;
 - (c) Ten million dollars (\$10,000,000.00) for all other types of liability.
2. Automobile liability for owned, non-owned and hired vehicles with a limit of ten million dollars (\$10,000,000.00) for each person and ten million (\$10,000,000.00) for each accident.

The liability insurance policies required by this section shall be maintained by the District throughout the term of this agreement.

Article 9. Bonds and Other Obligations

- 9.1. The City and the District each retain their rights to issue bonds and other obligations in accordance with applicable law, but neither Party shall act in such a manner as to impair the rights of the holders or owners of bonds issued by the other Party.
- 9.2. Upon reasonable notice, the District shall make its financial records available for review and inspection by the City.

Article 10. Dispute Resolution

- 10.1. A dispute regarding the implementation of this Agreement shall be addressed as described herein. A written notice shall be provided stating the nature and basis for the dispute and the specific remedy requested.

- 10.2. Following receipt of notice of dispute, the Parties shall meet at least twice in the sixty-day period following issuance of written notice of dispute, to resolve claims or disputes regarding the terms of this Agreement. The review period may be extended as mutually agreed in writing. If the dispute is not resolved at end of review period, the parties shall proceed to mediation.
- 10.3. Mediation shall be conducted using a professional mediator or mediation service mutually agreeable to the parties. Each party shall be responsible for its own costs and for one-half of the mediator's fees.
- 10.4. The parties shall retain the ability to seek enforcement of the dispute resolution process through injunctive relief and specific performance in the Snohomish County Superior Court.

Article 11. Assignment, Amendment and Term

- 11.1 This contract shall not be assigned by either Party without the written consent of the other.
- 11.2 Any amendments to this Agreement must be in writing with mutual Agreement of the Parties.
- 11.3 The term of this Agreement is through the full performance of the terms of Article 5.

Article 12. Hold Harmless

- 12.1. The City shall protect, hold harmless and indemnify at its own expense the District, its elected and appointed officials, employees, and agents, from any loss or claim for damages of any nature whatsoever arising out of the City's performance of this Agreement. The District shall protect, hold harmless and indemnify, at its own expense, the City, its elected officials, employees, and agents, from any loss or claim for damages of any nature whatsoever arising out of the District's performance of this Agreement.

Article 13. Notice

- 13.1 Unless written notice is otherwise given, any notice shall be directed to the District by addressing the same as follows:

Secretary, Board of Commissioners
Lake Stevens Sewer District

1106 Vernon Road, Suite A
Lake Stevens, WA 98258

- 14.2 Unless written notice is otherwise given, any notice shall be directed to the City by addressing the same as follows:

Mayor
City of Lake Stevens
Post Office Box 257
1812 Main Street
Lake Stevens, Washington 98258

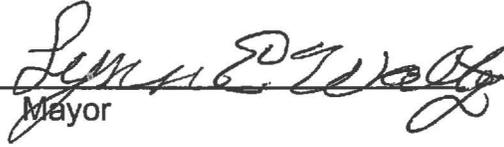
Article 14. Other Agreement Provisions

- 14.1 This Agreement shall be construed and interpreted in accordance with the laws of the State of Washington.
- 14.2 The recitals are a material part of this Agreement.
- 14.3 Should any terms in this Agreement be deemed invalid or unenforceable or contrary to any bond covenants of the City or the District, the remaining terms shall be unaffected. No term or provision herein shall be deemed waived and no breach excused unless such waiver shall be in writing and signed by the party claimed to have committed the waiver.
- 14.4 This Agreement, including the documents and exhibits referenced herein, constitutes the entire agreement between the Parties.

IN WITNESS WHEREOF, the Parties have executed this Agreement in duplicate as of the day first indicated above.

CITY OF LAKE STEVENS

LAKE STEVENS SEWER DISTRICT:

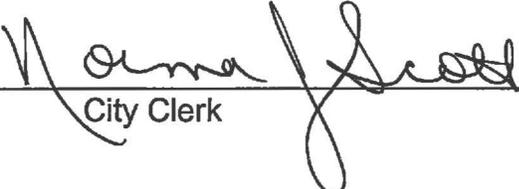
By: 
Mayor

By: 
President and Commissioner

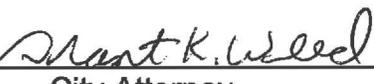
By: 
Secretary and Commissioner

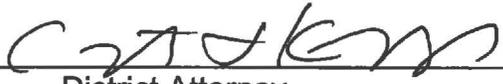
By: 
Commissioner

ATTEST:


City Clerk

Approved as to Form

By: 
City Attorney

By: 
District Attorney

Date approved by City Council May 23, 2005.

EXHIBIT A

BILL OF SALE

The CITY OF LAKE STEVENS, a municipal corporation of the State of Washington, "Grantor," for and in consideration of the covenants contained in that certain "Unified Sewer Services and Annexation Agreement" between the parties dated May 23rd, 2005, and the mutual benefits to be derived by the parties, hereby grants and conveys to LAKE STEVENS SEWER DISTRICT, a special purpose district of the State of Washington, "Grantee," the following-described property:

Those certain specific assets of Grantor's wastewater collection and conveyance facilities and appurtenances thereto (e.g. sewer mains, side sewer stubs, manholes, lift stations, force mains and metering and sampling equipment) which are owned and operated by Grantor, more fully described in **EXHIBIT A-1** attached hereto and incorporated by this reference, but not including real property or any interest therein.

Disclaimer of Warranties. Grantor makes no representations or warranties with respect to, and shall have no liability for: (1) the condition of the property or the suitability, merchantability or fitness of the property for Grantee's intended use or for any use whatsoever; (2) compliance with laws or regulations or with respect to the existence of or compliance with any required permits, if any, of any governmental agency; (3) the presence of any hazardous substances in the property, including without limitation asbestos or urea-formaldehyde, or the presence of any environmentally hazardous wastes or materials; (4) the accuracy or completeness of any plans and specifications, reports, or other materials provided to Grantee; or (5) any other matter relating to the condition of the property. Without limiting the generality of the foregoing, Grantor shall have no liability to Grantee with respect to the condition of the property under common law, or any federal, state, or local law or regulation, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C.A. Sections 9601, et seq., or the Model Toxics Control Act, as codified in RCW 70.105D., and Grantee hereby waives any and all claims which the Grantee has or may have against Grantor with respect to the condition of the property. To the extent feasible, Grantee has fully inspected or has had the opportunity to inspect the property, and Grantee assumes the responsibility and risks of all defects and conditions, including such defects and conditions, if any, that cannot be observed by casual inspection. Grantor and Grantee acknowledge that this disclaimer has been specifically negotiated. This conveyance is subject to all terms and provisions of the "Unified Sewer Services and Annexation Agreement," and in particular Article 5 of said agreement, providing for transfer back to Grantor of the property conveyed hereby.

EXHIBIT A - 1

DETAILED DESCRIPTION OF ASSETS CONVEYED

Description	Identification No.
1983 Chevrolet Truck	Vin 1GCGC34M8DJ141659
2000 Hobbs Diesel Generator - 65 kw	S44192747
Onan Generator - 80 kw	
Transfer switch-Auto transfer to generator power when PUD power is off and transfer back when PUD power is working.	
Overhead vent for generator when the generator is inside a building	Goes with 80 kw Generator
2001 Gorman-Rupp Silent Pump	Goes with 80 kw Generator
1986 Ford LNT 8000 with Camel Super 200 Educator*	Serial #1201861
Lift Station #1	Vin 1FDZU80U5GVA48308*
Lift Station #2	
Lift Station #3	
Lift Station #4	
Lift Station #5	
Lift Station #6	
Lift Station #7 - New on Cedar Rd	
Lift Station #8	
Lift Station #9	
Generator Building @Pump Station #8	
Generator Building @Pump Station #9	
2 -Spare Volutes for LS#2	
2 -Smith & Loveless 30 hp for LS#1	
2-Smith & Loveless 10 hp for LS#2	
6-Spare Impellers (2-10 hp, 2-40 hp, 2-30 hp)	
1-New 4" Check Valve	
1-Used Check Valve for LS#1	
1-Used 3 hp Submersible Flyte for LS#4	
1-Floor mount bracket (spare) - Came w/pump-Never Used for LS#7 Doe Way	
1-8" mandrel	
1-New Spare Breaker for standby generator (Siemens 200A)	
3-New Spare Filter for Smith & Loveless	
1-Spare Blower Motor for Smith & Loveless Stations	
1-Used Allen Bradley Starter Breaker-Size 4	
2-New Compressors for Bubbler System-Smith & Loveless	
2-Used Compressors for Bubbler System-Smith & Loveless	
1-40 hp Seal for Pump	
1-10 hp Seal for Pump	
1-Station Seal for Pump for LS#1	
1-New Spare Blower for Smith & Loveless	
2-New Allen & Bradley Size #4 Starter Breaker for 40 hp	
1-8" Screw Plug	
2-6" Screw Plug	
1-4" Screw Plug	
1-8" Blowup Plug	

- 1-15" Blowup Plug
- 2-6" Blowup Plugs
- 3-Spare Merc Alarm Switch
- 2-Struthers & Dunn Relays
- 1-SSAC Alternating Relay Pump for LS#5
- 1-Potter & Burmfield Timed Relay
- 3-Fusetron FRN-R-300
- 3-Fusetron FRN-R-200
- 3-Stainless Seal Romac Industries 6.60 - 7.00
- 3-Repair Stainless Seal Romac Industries 9.00 - 9.40
- 1-Repair Stainless Seal Romac Industries 9.30 - 9.70
- 1-Repair Stainless Seal Romac Industries 11.85 - 12.25
- 2-Smith Blair Full Circle Repair Band
- 1-Seal for 100 hp Motors 927-967(H60A137) for LS#8
- 2-Used 20 hp Motors & Mounts for LS#7 Doe Way
- 4-Couplers Flange to Flange (misaligned from LS #8 Construction)
- 2-30 hp motors volutes & stands @ LS#8
- 1-12" Valve @ LS#8
- 2-Cutler-Hammer NEMA Size 3 Starter Breaker for running 30hp motors @LS#8
- 2-Cutler-Hammer 90 amp 3 pole breaker for running 30hp motors @LS#8
- 2-Spare Semiconductor A70P-300-4 Fuses @LS#8
- 3-Little Fuse, Time Delay, Current Limiting Dual Element Fuse CLSRK500 @LS#8
- 1-5 hp Submersible Sump for Transfer of Bioxide @LS#8

All the public sewer collection and conveyance system including mains, manholes, side sewer within right of way or sewer easement, lift stations and appurtenances of each element of the system, including but not limited to the following projects and facilities:

- 1967 Town of Lake Stevens Sewerage Project
- 1968 Esquire View #2
- 1977 Lake Stevens Estates
- 1978 Cedarbrook, Division I
- 1978 Cedarbrook, Division II
- 1978 Catherine Creek Park
- 1979 Tipping Short Plat
- 1980 Buck Bucksieb
- 1984 Maplewood Condo
- 1986 Lakeridge North
- 1988 Mar Da Rene Estates, Division I
- 1989 McDaniel Homesites
- 1989 Cascade Place
- 1989 Lake Stevens Estates, Division 2
- 1989 Overhill Estates
- 1989 Jor-Del Meadows
- 1989 Gary Ball Short Plat
- 1990 Lake Stevens Estates, Division 3
- 1990 Lake Stevens Estates, Division 3
- 1990 Cascade Place, Division 2
- 1990 Walker Hill Estates, Division 1
- 1990 LeFree Addition
- 1990 Lake Forest
- 1990 Walker Road Estates

1990 Walker Vista Estates
1991 Sunset Ridge
1991 The Park at Lake Stevens
1991 Pilchuck Vista/Anderson Short Plat
1991 Pilchuck Vista/Anderson Short Plat
1992 Walker Hill Estates, Division III
1992 Catherine Creek Gardens
1993 Shadowbrook
1994 McArthur Park
1994 Jakes Place
1994 The Reserve, Division I
1994 Equalization Basin 60K Gal.
1995 Meadow Estates Vista
1996 3 Township North
1997 Hunter Short Plat
1997 The Reserve, Divisions 2 and 3
1997 Lake Stevens Alternacare - Ashley Point
1997 Lift #1 Parallel FM Improvements
1997 The Reserve, Division 6
1997 Lake Stevens Woods
1997 Lift Station #1 Improvements
1997 Felt Short Plat
1997 Williams Woods, Division 2
Adams Short Plat
Williams Woods, Division 1
Walker Hill Estates, Division 2
Hill Short Plat
1999 Baker Vista
1999 Timberline Court
1999 Castle Dwellers
2002 Walker Hill Force Main
2003 Malia Heights
2003 Highland Crest Short Plat
2003 Adkins Short Plat

* Asset not transferred until purchase and delivery of new vactor

EXHIBIT B

ANNEXATION COVENANT AND POWER OF ATTORNEY

THE UNDERSIGNED, being owners of the following-described real property in Snohomish County, Washington, hereby declare and agree as follows:

Address:

Tax Parcel No.:

Legal Description:

1. Intent to Annex. The undersigned do hereby irrevocably declare their intention to annex the above-described property to the City of Lake Stevens, and to petition for and consent to such annexation immediately upon the initiation of an annexation by any of the methods provided by law of any area contiguous to the City in which the above-described land is located. The undersigned covenant and agree not to protest, in any manner whatsoever, the annexation of said property to the City of Lake Stevens.

2. Power of Attorney. The undersigned hereby make, constitute, and appoint the City of Lake Stevens as their true and lawful attorney, and the grant the City an irrevocable proxy to petition in their name, place and stead for approval of the annexation of the above-described property to the City of Lake Stevens. This Power of Attorney shall be a conveyance of an irrevocable interest in the above-described property to the City, and shall constitute a covenant running with the land in perpetuity; PROVIDED, that the City shall deliver a signed release of this Power of Attorney after the above-described property is annexed to the City.

3. Binding Effect. The foregoing shall be binding upon the undersigned, their heirs, successors and assigns, and shall constitute covenants running with the above-described property in perpetuity.

