

**INTERLOCAL AGREEMENT BETWEEN ALDERWOOD WATER AND
WASTEWATER DISTRICT AND EDMONDS SCHOOL DISTRICT NO. 15
RELATING TO SEWER SERVICE TO THE NEW LYNNWOOD HIGH
SCHOOL CAMPUS**

THIS INTERLOCAL AGREEMENT ("Agreement") is made this 10th day of May, 2007, by and between the Edmonds School District No. 15 ("School District") and the Alderwood Water and Wastewater District ("Alderwood"), both municipal corporations under the laws of the State of Washington.

WHEREAS, Chapter 39.34 RCW (Interlocal Cooperation Act) permits local government units to make the most efficient use of their powers by enabling them to cooperate with other government entities on the basis of mutual advantage and thereby to provide services and facilities in a manner pursuant to forms of governmental organizations that will accord best with geographic, economic population, and other factors influencing the needs and development of local communities; and

WHEREAS, the School District owns and is improving real property along North Road and 184th Street SW, Lynnwood, Washington as identified in Exhibit A and known as the new Lynnwood High School Campus; and

WHEREAS, the School District intends to construct new facilities and extend water and sewer to the new Lynnwood High School Campus as identified in Exhibit A for school instructional purposes (the "Project"); and

WHEREAS, the sewer facilities consist of three segments as identified in Exhibit A and hereafter referred to as (1) the Central Lines, (2) the South Line, and (3) the East Lines and are collectively referred to as the "Sewer Extension;" and

WHEREAS, Alderwood requires that sewer pipelines be constructed to and through the Lynnwood High School Campus; and

WHEREAS, both parties acknowledge that the construction of the Sewer Extension, as contemplated by this Agreement, can be more efficiently and cost-effectively constructed as a part of the Project rather than separately as its own project; and

WHEREAS, the School District will design and construct the Sewer Extension as part of the Project; and

WHEREAS, the School District has received bid pricing that is acceptable to Alderwood for the South Line and the East Lines; and

WHEREAS, the School District will pay for the design and construction costs for the Central Lines; and

WHEREAS, Alderwood will pay for the design and construction costs for the South Line pursuant to this Agreement; and

WHEREAS, the parties, having different views of the obligations and legal ability to pay for the East Lines, wish to provide a mechanism for resolving this disagreement while going forward with the Project and the Sewer Extension in an efficient and reasonable manner;

NOW, THEREFORE, the School District and Alderwood agree as follows:

1. PURPOSE

1.1 The purpose of this Agreement is to provide an arrangement between the School District and Alderwood to allow for the design and construction of the Sewer Extension.

2. CONTRACT ADMINISTRATOR

2.1 Pursuant to RCW 39.34.030(4)(a), the School District and Alderwood hereby appoint a Contract Administrator who will be responsible for administering this Agreement and, at the direction of the parties, this Contract Administrator shall take such action as is necessary to ensure that this Agreement is implemented in accordance with its terms. The parties hereby designate Debra Born, Project Manager for the School District on the Project, as the primary Contract Administrator of this Agreement and Edward J. Peters, Director of Capital Projects Office, as the secondary Contract Administrator of this Agreement.

2.2 This Agreement does not create a separate legal or administrative entity, and consequently is being administered in accordance with RCW 39.34.030(4), as provided in Paragraph 2.1.

2.3 The School District is not acting as an architect or designer under this Agreement.

3. REAL AND PERSONAL PROPERTY

3.1 The School District owns the property that is the subject of this Agreement. This Agreement is limited to design and construction responsibilities and does not transfer ownership of the Project (except that Alderwood shall take ownership of the Sewer Extension as provided in the Developer Extension Agreement), nor does it limit the School District's ability to comply with its statutory obligations regarding the use and disposition of the Project pursuant to Chapter 28A.335 RCW.

3.2 The parties will not, during the term of and pursuant to this Agreement, jointly acquire or hold any property (real or personal).

3.3 Upon mutual execution of this Agreement, the School District will perform certain administrative responsibilities, and Alderwood will provide funds as set forth in Paragraphs 7 and 8 to the Contract Administrator for use in obtaining the design and construction of the Project.

3.4 By operation of this Agreement, Alderwood acquires no interest in and disclaims any interest in the design created pursuant to this Agreement, which design will be the School District's property.

4. DEVELOPMENT OF DESIGN AND CONSTRUCTION FOR THE SEWER EXTENSION

4.1 The School District shall:

4.1.1 Engage appropriate architects and/or engineers for the design of the Sewer Extension.

4.1.2 Cause the design and construction for the Sewer Extension to be developed and completed in conjunction with the design and construction of the Project.

4.1.3 Provide Alderwood with design documents for Alderwood's information, review, and approval at the conclusion of the Design Development phase and Construction Documents phase.

4.1.4 Solicit bids for the South Line and East Lines as one or two alternate bid packages at the time it bids the Project.

4.2 Alderwood shall:

4.2.1 Commit funds necessary for the design and construction costs of the South Line and the East Lines to the extent determined based on Paragraphs 7 and 8 of this Agreement, which shall include a ten percent contingency over the estimated costs listed in Paragraph 5.

4.2.3 Provide the School District with information regarding Alderwood's needs for the design of the South Line and the East Lines.

4.2.4 Cooperate with the School District in promptly providing feedback as required by the School District and its architects and/or engineers.

4.2.5 Provide full and timely information and render decisions to the School District in a timely manner so as to avoid unreasonable delay in the orderly and sequential progress of the design and construction of the South Line and East Lines.

4.2.6 Provide prompt written notice to the School District if Alderwood becomes aware of any fault or defect in the South Line or East Lines design or construction, including any errors, omissions or inconsistencies in the architects' and/or engineers' Instruments of Service or in the services or information furnished by the School District.

4.2.7 Promptly reimburse the School District for payments to the architects and/or engineers and to contractors for design and construction of the South Line, and the East Lines to the extent determined based on Paragraph 8.

4.2.8 Be responsible for any repair or maintenance costs of the Sewer Extension.

4.2.9 Be responsible for all fees and costs paid or incurred by the School District should Alderwood decide at any time not to proceed with the construction of the South Line and/or the East Lines.

4.2.10 Not increase connection fees or any such similar fees or expenses to the School District resulting from the South Line and/or East Lines.

4.2.11 Approve the Sewer Extension in normal course and without delay to the Project.

4.3 The School District and Alderwood shall cooperate with one another to fulfill their respective obligations under this Agreement. Both parties shall endeavor to maintain good working relationships among all members of the Project team.

4.4 All communications between Alderwood and the architects and/or engineers and the contractors shall be made through the School District. Alderwood shall designate an individual authorized to act on behalf of Alderwood with respect to the design and construction of the Sewer Extension.

5. PROJECT COSTS AND APPROVAL

5.1 Alderwood has received information detailing the compensation of the architects and/or engineers and estimated total project cost for the South Line, a summary of which is attached as Exhibit B.

5.2 Alderwood has received information detailing the compensation of the architects and/or engineers and estimated total project cost for the East Lines, a summary of which is attached as Exhibit C.

5.3 Additional costs may arise for Changes in Services as described in the Owner-Architect Agreement and in the Contract for Construction.

6. PAYMENT FOR THE CENTRAL LINES

6.1 The School District shall design and construct the Central Lines in accordance with this Agreement and the Developer Extension Agreement.

6.2 The School District is solely responsible for payment of the costs for the Central Lines.

7. PAYMENT FOR THE SOUTH LINE

7.1 Alderwood has obtained approval as required under relevant laws to pay the Project costs related to the South Line as estimated in Exhibit B. The School District has no funding responsibility for the design or construction of the South Line except as provided in Paragraph 7.2.

7.2 The School District shall pay its contractor and designers for and shall invoice Alderwood for Alderwood's obligations under Paragraph 4.2 of this Agreement for the South Line.

7.3 Following mutual execution of this Agreement, the School District and Alderwood will direct the Contract Administrator to amend the School District's contract with the architects and/or engineers to include design of the South Line for the fee specified in Paragraph 5.1.

7.4 Changes in Services of the architects and/or, or their consultants, may be accomplished, if mutually agreed in writing, if required by circumstances beyond the architects and/or engineers' control, or if the architects and/or engineers' services are affected by any of the following circumstances without reasonable objection from Alderwood, in which case the architects and/or engineers are entitled to an appropriate adjustment in its schedule and compensation:

- .1** change in the instructions or approvals given by Alderwood that necessitate revisions in Instruments of Service;
- .2** enactment or revision of codes, laws or regulations or official interpretations which necessitate changes to previously prepared Instruments of Service;
- .3** decisions of Alderwood not rendered in a timely manner;
- .4** significant change in the South Line including, but not limited to, size, quality, complexity, Alderwood's schedule or budget, or procurement method;
- .5** failure of performance on the part of Alderwood or its consultants;
- .6** preparation for and attendance at a public hearing, a dispute resolution proceeding or a legal proceeding except where the architects and/or engineers is party thereto;

- .7 substantial change in the information supplied by Alderwood concerning the South Line.

7.5 The School District will normally receive invoices from the architects and/or engineers and contractors on a monthly basis; amounts due for the South Line will be distinguished in those invoices. The School District will promptly forward copies of such invoices to Alderwood, and Alderwood will pay the School District the amounts due (including applicable sales taxes) within twenty (20) days of receipt of each invoice. Alderwood will be responsible for its share of any interest caused by its delay in payment.

7.6 The Contract Administrator will be instructed to provide regular progress reports to Alderwood. The Contract Administrator shall have the authority to carry out the purposes of this Agreement in accordance with this Agreement, and to carry out any necessary and proper matters to otherwise facilitate the completion of the design of the South Line.

8. PAYMENT FOR THE EAST LINES

8.1 The parties have differing views of the obligations and legal ability of the School District to pay for the East Lines. In order to resolve this disagreement while going forward with the Project and the Sewer Extension in an efficient and reasonable manner, the parties agree that they will jointly seek and agree to abide by an informal opinion of the Washington State Attorney General as final and binding. If the Attorney General is unable or unwilling to provide an informal opinion, either party may, after ten (10) days' notice to the other party, seek relief in court. In jointly seeking an informal opinion of the Washington State Attorney General, the parties will agree to the language for submitting for the informal request.

8.2 The School District will go forward with construction of the East Lines.

8.3 If the Attorney General concludes that the School District is legally permitted to pay for the East Lines, the School District will be solely responsible for the costs of the East Lines. Latecomer fees will not be collected for the East Lines.

8.4 If the Attorney General does not conclude that the School District is legally permitted to pay for the East Lines, Alderwood will be responsible for promptly reimbursing the School District's costs for the East Lines. The School District will, in that case, have no funding responsibility for the design or construction of the East Lines.

8.5 Following mutual execution of this Agreement, the School District and Alderwood will direct the Contract Administrator to amend the School District's contract with the architects and/or engineers to include design of the East Lines for the fee specified above.

8.6 Changes in Services of the architects and/or engineers, including services required of the architects and/or engineers' consultants, may be accomplished, if mutually agreed in writing, if required by circumstances beyond the architects and/or engineers' control, or if the architects and/or engineers' services are affected by any of the following circumstances without reasonable objection from Alderwood, in which case the architects and/or engineers are entitled to an appropriate adjustment in its schedule and compensation:

- .1 change in the instructions or approvals given by Alderwood that necessitate revisions in Instruments of Service;
- .2 enactment or revision of codes, laws or regulations or official interpretations which necessitate changes to previously prepared Instruments of Service;
- .3 decisions of Alderwood not rendered in a timely manner;
- .4 significant change in the East Lines including, but not limited to, size, quality, complexity, Alderwood's schedule or budget, or procurement method;
- .5 failure of performance on the part of Alderwood or its consultants;
- .6 preparation for and attendance at a public hearing, a dispute resolution proceeding or a legal proceeding except where the architects and/or engineers is party thereto;
- .7 substantial change in the information supplied by Alderwood concerning the East Lines.

8.7 The School District will normally receive invoices from the architects and/or engineers and contractors on a monthly basis; amounts due for the East Lines will be distinguished in those invoices. If it is determined that Alderwood will be responsible for reimbursing the School District's costs for the East Lines, the School District will promptly forward copies of such invoices to Alderwood, and Alderwood will pay the School District the amounts due (including applicable sales taxes) within twenty (20) days of receipt of each invoice. Alderwood will be responsible for its share of any interest caused by its delay in payment.

8.8 The Contract Administrator will be instructed to provide regular progress reports to Alderwood. The Contract Administrator shall have the authority to carry out the purposes of this Agreement in accordance with this Agreement, and to carry out any necessary and proper matters to otherwise facilitate the completion of the design of the East Lines.

9. INDEMNIFICATION AGAINST INCREASED COSTS

9.1 Increased Costs for the South Line:

9.1.1 Alderwood agrees that should the School District or its contractors encounter differing site conditions in the area of excavation necessitated by the South Line, the School District shall, as soon as practicable upon encountering those

conditions, give written notice to Alderwood of the differing site conditions. Alderwood shall have the right to investigate the alleged differing site conditions.

9.1.2 If the conditions do materially differ (as defined in the Construction Contract) and cause an increase in the cost of performing the South Line, the School District will be entitled to an equitable adjustment from Alderwood to account for the difference in cost.

9.1.3 If Alderwood disagrees as to whether there was a differing site condition, and if the School District's contractor pursues a claim for additional costs and/or time related to the alleged differing site condition, then Alderwood shall defend, indemnify, and hold harmless the School District from and against any such claim (including, but not limited to, reasonable attorneys' fees and attorneys' fees incurred in proving the right to indemnification) in any way arising out of or in connection with the alleged changed conditions.

9.2 Increased Costs for the East Lines:

If, to the extent determined based on this Agreement, Alderwood becomes responsible for reimbursing the School District's costs for the East Lines, the following sections apply:

9.2.1 Alderwood agrees that should the School District or its contractors encounter differing site conditions in the area of excavation necessitated by the East Lines, the School District shall, as soon as practicable upon encountering those conditions, give written notice to Alderwood of the differing site conditions. Alderwood shall have the right to investigate the alleged differing site conditions.

9.2.2 If the conditions do materially differ (as defined in the Construction Contract) and cause an increase in the cost of performing the East Lines, the School District will be entitled to an equitable adjustment from Alderwood to account for the difference in cost.

9.2.3 If Alderwood disagrees as to whether there was a differing site condition, and if the School District's contractor pursues a claim for additional costs and/or time related to the alleged differing site condition, then Alderwood shall defend, indemnify, and hold harmless the School District from and against any such claim (including, but not limited to, reasonable attorneys' fees and attorneys' fees incurred in proving the right to indemnification)

10. DURATION AND TERMINATION

10.1 The term of this Agreement shall commence as of the date first written above and shall end when the Sewer Extension is accepted by Alderwood and Alderwood has reimbursed the School District in full as provided in this Agreement, unless this Agreement is terminated prior to such date in accordance with

Paragraphs 4.2.12 or 10.2. The indemnification obligations shall survive the termination of the Agreement. This Agreement shall take effect upon filing a copy thereof with the County Auditor, or, alternatively, upon listing by subject in the School District's web site or other electronically retrievable public source, in accordance with RCW 39.34.040.

10.2 Termination of this Agreement may be accomplished (1) for cause, (2) for convenience, or (3) by mutual agreement of the parties. A party seeking to terminate this Agreement under this paragraph shall give the other party advance written notice of not less than thirty (30) days.

10.3 In the event it becomes necessary for the School District to terminate this Agreement in order to comply with its statutory obligations regarding the use and disposition of the property under Chapter 28A.335 RCW, the School District may terminate this Agreement upon thirty (30) days written notice to Alderwood and the Contract Administrator.

10.4 If this Agreement is terminated by Alderwood for convenience, Alderwood shall be responsible for all amounts due the architects and/or engineers and contractors under their respective contracts with the School District (unless the Attorney General concludes that the School District is legally permitted to pay for the East Lines.

11. MISCELLANEOUS

11.1 The Contract Administrator shall supervise and manage the completion of the Sewer Extension design and construction on behalf of the School District and Alderwood following mutual execution of this Agreement. Alderwood shall have no responsibility to supervise or manage completion of the Sewer Extension design or construction, except as provided in the Developer Extension Agreement.

11.2 The School District provides no, and disclaims any and all, express or implied warranties of any kind, including but not limited to the warranty of fitness for a particular purpose, in connection with or arising out of the activities under this Agreement.

11.3 The School District and Alderwood will each provide insurance to protect themselves from claims under workers' compensation acts; from claims for damages because of bodily injury, including personal injury, sickness, disease, or death of any employees or of any other person; from claims for damages because of injury to or destruction of property including loss of use resulting therefrom; and from damage to or destruction of property including valuable papers and records coverage and including loss of use resulting therefrom.

11.4 The School District and Alderwood shall maintain records necessary to carry out the purposes of this Agreement in accordance with generally accepted accounting principles. Such records shall be available during normal working

hours for the review of the respective parties, their accounting representatives or the State Auditor.

11.5 This Agreement and all questions concerning the capacity of the parties, execution, validity (or invalidity), and performance of this Agreement, shall be interpreted, construed and enforced in all respects in accordance with the laws of the State of Washington.

11.6 Nothing herein shall be interpreted to create any right or liability with respect to any person or entity not a signatory to this Agreement.

11.7 The School District shall not be responsible for the acts or omissions of the architects and/or engineers, nor shall the School District be responsible for the acts or omissions of Alderwood. Alderwood hereby releases and agrees to defend, indemnify and hold harmless the School District, its successors and assigns, and the directors, employees and agents of each of the foregoing, from and against any and all claims, losses, harm, costs, liabilities, damages and expenses (including, but not limited to, reasonable attorneys' fees and attorneys' fees incurred in proving the right to indemnification) in any way arising out of or in connection with the acts or omissions of Alderwood, the respective successors and assigns of Alderwood, or the directors, officers, employees and agents of each of the foregoing, in connection with this Agreement or its performance; PROVIDED, however, that Alderwood shall not be required to so defend or indemnify any of such indemnities against liability for damages caused by or resulting from the sole negligence of the School District, its agents or employees; PROVIDED FURTHER that if such damages are caused by or result from the concurrent negligence of the School District and Alderwood, then Alderwood's indemnity hereunder shall be limited to the extent of the negligence by Alderwood and there is an attorneys' fee, but no defense, obligation.

11.8 The terms and conditions of the Developer Extension Agreement between Alderwood and the School District, DE No 2954D dated January 11, 2007, are incorporated in full by this reference ; provided that unless otherwise explicitly statement in this Agreement, the terms of the Developer Extension Agreement shall control over this Agreement.

11.9 Either party may request changes, amendments, or additions to any portion of this Agreement; however, except as otherwise provided in this Agreement, no such changes, amendments, or addition to any portion of this Agreement shall be valid or binding upon either party unless it is in writing and executed by both parties. All amendments shall be deemed made a part of this Agreement

11.10 In the event of a dispute between the parties arising under this Agreement, Alderwood's General Manager and the Superintendent of the School District shall first meet to attempt to resolve the dispute within thirty (30) days notice from the Contract Administrator or either party of the existence of a dispute. In the

event the General Manager and Superintendent are unable to resolve the dispute within sixty (60) days notice from notice of the dispute, the parties shall submit the dispute to a mutually agreed upon private mediator for mediation. In the event the parties cannot agree on a mediator, one will be appointed by the American Arbitration Association under its Construction Industry Mediation Rules. Costs of mediation will borne equally by the parties.

11.11 Unless otherwise directed in writing, notices, reports and payments shall be delivered to each party as follows:

Edmonds School District No. 15
Attn: Debra Born
20420 68th Avenue W
Lynnwood, WA 98036-7400

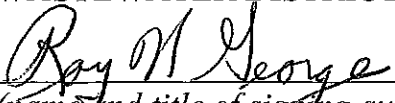
Alderwood Water and Wastewater
Attn: Nancy Davidson
3626 - 156th Street S.W.
Lynnwood, WA 98037-2399

Notices mailed by either party shall be deemed effective three days following the date mailed. Either party may change its address for receipt of reports, notices, or payments by giving the other written notice of not less than five days prior to the effective date.

11.12 These provisions represent the entire and integrated agreement of the parties and may not be modified or amended except as provided herein. Any understanding, whether oral or written which is not incorporated herein, is expressly excluded.

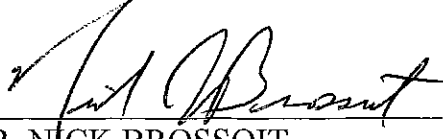
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day, month and year written above.

ALDERWOOD WATER AND
WASTEWATER DISTRICT


(name and title of signing authority)

DATE: April 26, 2007

EDMONDS SCHOOL DISTRICT NO. 15


DR. NICK BROSSOIT
SUPERINTENDENT

DATE: 5-10-07

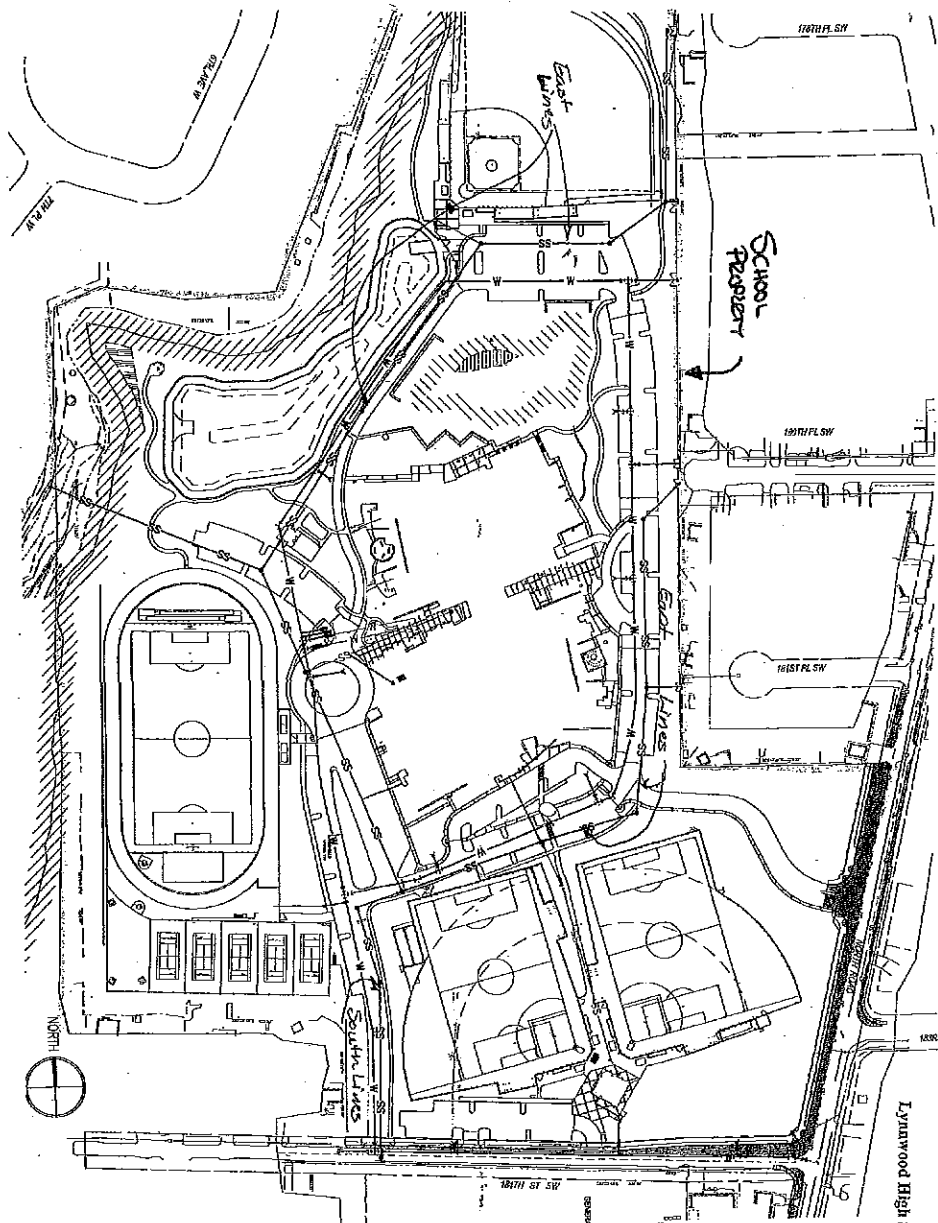


Exhibit A
Lynnwood High School Campus Map Showing Sewer

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GENERAL NOTE:
1. ALL WORK SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE STANDARD SPECIFICATIONS FOR PUBLIC WORKS, AS ADOPTED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF SNOHOMISH, WASHINGTON.
2. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE APPROPRIATE AGENCIES.
3. THE CONTRACTOR SHALL MAINTAIN ACCESS TO ALL ADJACENT PROPERTIES AT ALL TIMES.

Exhibit B

Estimated Project Costs Construction – Sanitary Sewer South Line

CONSTRUCTION-SANITARY SEWER EXTENSION (Service to the South)			
502 LF of 8" pipe			
8" DIP	502	\$42	\$21,084
8" PVC	0	\$30	\$0
MH	3	\$3,000	\$9,000
CO	0	\$160	\$0
	SUBTOTAL		\$30,084
Design Contingency		0.00%	\$0
Subtotal			\$30,084
General Contractors OH & P		7.50%	\$2,256
Subtotal			\$32,340
Escalation to 4/10/2007 (10.00%/yr)		1.00%	\$291
TOTAL CONSTRUCTION COST			\$32,631
CHANGE ORDER CONTINGENCY		10%	\$3,263
WA STATE SALES TAX		8.90%	\$2,904
DESIGN CONSULTANT FEES (% of cost)		\$27,280	\$5,389
SUBTOTAL			\$44,188
ESD MANAGEMENT		4%	\$1,768
SUBTOTAL PROJECT COST			\$45,956
PROJECT CONTINGENCY		7%	\$3,217
TOTAL PROJECT COST			\$49,173

Exhibit C

Estimated Project Costs Construction – Sanitary Sewer East Lines

CONSTRUCTION-SANITARY SEWER EXTENSION (Service to the East)			
2039 LF of 8" pipe			
8" DIP	737	\$42	\$30,954
8" PVC	1302	\$30	\$39,060
MH	8	\$3,000	\$24,000
CO	0	\$160	\$0
SUBTOTAL			\$94,014
Design Contingency		0.00%	\$0
Subtotal			\$94,014
General Contractors OH & P		7.50%	\$7,051
Subtotal			\$101,065
Escalation to 4/10/2007 (10.00%/yr)		1.00%	\$910
TOTAL CONSTRUCTION COST			\$101,975
CHANGE ORDER CONTINGENCY		10%	\$10,197
WA STATE SALES TAX		8.90%	\$9,076
DESIGN CONSULTANT FEES (% of cost)		\$27,280	\$21,891
SUBTOTAL			\$143,138
ESD MANAGEMENT		4%	\$5,726
SUBTOTAL PROJECT COST			\$148,864
PROJECT CONTINGENCY		7%	\$10,420
TOTAL PROJECT COST			\$159,284