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Skagit County Auditor

9/1/2006 Page

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Please Return To:

Public Utility District No. 1 of Skagit County
Post Office Box 1436, 1415 Freeway Drive
Mount Vernon, WA 98273

WATER SERVICE CONTRACT

This Contract is entered into this _____ day of _____, 2006, between Public Utility District No. 1 of Skagit County, hereinafter referred to as the "District" and **Sycan Development Corporation** or its successor or assigns, hereinafter referred to as the "Applicant".

The Applicant is entering into this Contract to secure a water service(s) for the property located at **9384 Old Highway 99 North Road, Burlington, Washington**. The parcel is located in the NE 1/4 of Section 19, Township 35 N, Range 4 E, under Assessor's Tax Number 8056-000-001-0000, Parcel Number P122694 on lot 1 of Binding Site Plan # PL-04-0916 under Auditor File # 200504200093. The District owns and operates a water distribution system at the location of the proposed service and is willing to supply water to the Applicant under the following terms and conditions:

1. The District's Water Policy Manual, Section 4.2 (or its successor) requires a Water Service Contract for all new water meters serving a property, when the summed weighting factor of the meter(s) is 8 or more. Said Water Policy Manual also requires the System Development Fee (SDF) charged by the District for each meter to be based on the Applicant's annual usage (a copy of the current Water Policy Manual, Section 4.2, has been provided to the Applicant and its terms and conditions are incorporated herein by this reference).
2. Meter installation costs. The Applicant shall be responsible for paying all costs associated with installing water services to the District system as required by the District Water Policy Manual, Appendix A, Table A-8.
3. System Development Fee (SDF): The District and the Applicant agree that the Applicant has the following meter(s) that all serve this property:

Meter size	Weighting Factor (*)	Projected Annual Usage	Increment (*)	Maximum Allowable Annual Usage (*)	SDF
3 inch	16	5,045,760 gal/yr	3%	5,045,760 gal/yr	\$ 33,360.00

(*) = from District Water Policy Manual Section 4.2

Based on the cumulative weighting factor(s) or meter size and the total projected annual usage identified above, the Applicant agrees to pay a SDF based on the 3% increment of the flow capacity of each indicated metered water service.

Per Water Policy Manual Section 4.2, if the Applicant's annual use through any meter in paragraph 3 above exceeds the Maximum Allowable Annual Usage for the indicated 3% increment, the District will, on or about January 1 of the following full calendar year, notify the Applicant and request that the Applicant reduce its annual usage to within the indicated 3% increment(s). If the customer has not reduced the annual use to the previously paid level by December 31 of that year, the Applicant shall be charged the additional SDF for the next 3% increment(s) being used, per the fee schedule in effect at the time of billing (currently \$2,290.00 per 3% increment multiplied by the weighting factor of the specific meter), and this Contract will be amended in writing accordingly. In consideration for approval of the initial service and as a condition of continued service, Applicant specifically agrees, covenants and contracts to pay the additional SDF when charged. In the event Applicant fails to pay the additional SDF as set forth herein when due, the District shall terminate service under this Contract.

4. The cost of water shall be at the current water rate schedule at the time of each billing.
5. The District shall not be liable to the Applicant or the Applicant's agent(s) for damages, breach of Contract, or for interruption of service or curtailment of supply for any cause. The Applicant shall hold the District harmless from any claim for damages by third parties, to the extent that the claim arises out of Applicant's negligence.
6. The Applicant agrees that if problems arise related to water system source capacity or hydraulics, water for irrigation or other non-domestic demands can be limited or discontinued. Water for irrigation is recommended during, and may be limited to, "off peak" hours of 10:00 p.m. to 5:00 a.m. each day, or such hours as the District may prescribe. The Applicant agrees to adhere to such limitations or recommendations as a condition of service.

7. The Applicant recognizes that all water will contain chlorinous compounds which are dangerous to aquatic life. Depending on hydraulic flows within the distribution system, pH levels may exceed 10. The Applicant shall pursue, with reasonable diligence, the protection of aquatic life onsite and offsite of the Applicant's property and, upon failure to do so, shall hold the District harmless from any damages arising therefrom.

8. Water quality may vary in the future due to the result(s) of the Federal Safe Drinking Water Act or other requirements.

9. The Applicant agrees to install and to maintain a backflow prevention assembly approved for installation in Washington State on all irrigation service(s) and on such other water service(s) as may be required by the District and State/federal health authorities. The type and model of assembly(ies) necessary must be approved by the District.

10. Compliance with this Contract shall be a condition of service through this meter(s) and shall be binding upon Applicant's successors or assigns. Increases in water volumes, meter sizes, meter quantities, and other material changes in water demand or ownership data shall be documented in a written amendment(s) to, or rewriting of, this Contract.

11. Applicant non-compliance with this Contract shall result in cancellation of service.

12. All or part of this Contract may be superseded, deleted, or enhanced by future District regulations.

This Contract and all disputes arising hereunder shall be governed by Washington State Law. Venue shall be in the Superior Court of the State of Washington for Skagit County. In any action hereon the prevailing party, in addition to other remedies, shall be entitled to actual costs and attorney fees.

IN WITNESS WHEREOF, the Parties hereto have executed this Contract effective the day and year first above written.

SCYAN DEVELOPMENT CORPORATION

PUD NO. 1 OF SKAGIT COUNTY

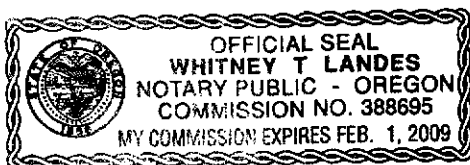
Signature

Kenneth K. Kukuk, General Manager

STATE OF Oregon
COUNTY OF Washington

I certify that I know or have satisfactory evidence that Timothy D. Hovet is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated he was authorized to execute the instrument and acknowledged it as the Vice President of Scyan Development Corporation to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: 08/14/06

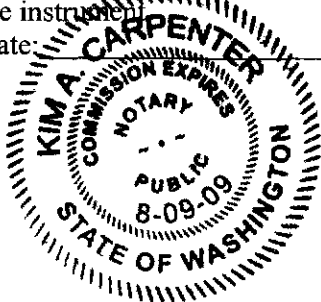


Whitney Landes
Notary Public in and for the State of Washington - Oregon
Residing in: Crestwell
My appointment expires: 02/01/09
Commission

STATE OF WASHINGTON
COUNTY OF SKAGIT

I certify that I know or have satisfactory evidence that **Kenneth K. Kukuk** is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated he was authorized to execute the instrument and acknowledged it as the **General Manager of Public Utility District No. 1 of Skagit County** to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: 8/25/06



Kim A. Carpenter
Notary Public in and for the State of Washington
Residing in: Mount Vernon
My appointment expires: 08/09/09

