DATED the day of , 1987.

BETWEEN:

GREATER VANCOUVER WATER DISTRICT

OF THE FIRST PART

AND:

POINT ROBERTS WATER DISTRICT NO. 4

OF THE SECOND PART

AGREEMENT NO. 2

RCH/eft

#2830-21-3

FARRIS, VAUGHAN, WILLS & MURPHY

BARRISTERS & SOLICITORS

26TH FLOOR, TORONTO DOMINION BANK TOWER
700 WEST GEORGIA STREET
VANCOUVER, B.C. V7Y 1B3

THIS AGREEMENT made the 28 day of August,

BETWEEN:

GREATER VANCOUVER WATER DISTRICT, of 4330 Kingsway, Burnaby, British Columbia, Canada, V5H 4G8

("GVWD")

AND:

POINT ROBERTS WATER DISTRICT NO. 4, of 2030 Benson Road, Point Roberts, Washington, U.S.A.

("PRWD")

WHEREAS:

- A. PRWD provides water to customers within its boundaries currently including an unincorporated area of Whatcom County known as Point Roberts in the State of Washington, U.S.A. but due to a shortage of potable water is unable to provide full water service to its customers 12 months of the year and requires a reliable alternate source of water;
- B. GVWD provides water to substantial portions of the area of the Greater Vancouver Regional District in British Columbia, Canada;
- C. PRWD has requested GVWD to provide raw water to it on a long term basis and GVWD has agreed to do so subject to the parties obtaining such approvals, consents, licences,

authorizations and enabling legislation as may be necessary in Canada or U.S.A. and on the terms and condition set out below;

- D. In order to provide water to PRWD pursuant to the terms of this agreement GVWD proposes to enter into an agreement (the "Delta Agreement") with the Corporation of Delta, British Columbia, Canada for the acquisition of portions of its waterworks system and its Pebble Hill reservoir located in Delta (the "Pebble Hill Reservoir");
- E. GVWD will be constructing in Canada a 22,730 cubic meters (5 million imperial gallon) in ground storage reservoir and ancillary works (the "Reservoir") which will be utilized, inter alia, for supplying water to PRWD.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the conditions, covenants and agreements set out below the parties agree as follows:

ARTICLE 1 - SUPPLY OF WATER

1.(1) Upon the completion of the construction of the Reservoir and water main referred to in Article 2 and upon payment of the connection fee and the purchase price for the water as provided in Articles 4 and 5 respectively and subject to Articles 2 and 10 GVWD will supply or make available during the term of this agreement to PRWD through the GVWD Main (defined

below) at the border between Canada and the U.S.A. (the "Border") such net quantity of water in bulk not exceeding 3,182.2 cubic meters (700,000 Imperial gallons) per day ("M³D") as PRWD shall require.

- 1.(2) If at any time and each time PRWD exceeds the 3,182.2 M³D limit, GVWD's Engineer (the "GVWD Engineer") shall give PRWD written notice that it has exceeded the 3,182.2 M³D limit and PRWD shall forthwith reduce the quantity of water consumed by it to less than 3,182.2 M³D and if it fails to reduce the quantity of water consumed by it to less than 3,182.2 M³D, such failure shall be deemed to be a fundamental and material breach of this agreement which shall entitle GVWD to terminate this agreement upon 90 days' written notice.
- 1.(3) The water supplied or made available by GVWD under this agreement shall be utilized by PRWD only for direct distribution to the inhabitants and businesses resident in the current boundaries of PRWD being the area known as Point Roberts and, without limiting the generality of the foregoing, PRWD shall not sell, supply or distribute any water supplied or made available by GVWD to any person, firm or corporation whatsoever for use outside the boundaries of the area known as Point Roberts. A breach of the terms of this section shall be deemed to be a fundamental and material breach of this agreement which shall entitle GVWD to terminate this agreement forthwith.

ARTICLE 2 - CONSTRUCTION OF FACILITIES

- 2.(1) GVWD shall design and construct a main (the "GVWD Main") from its existing waterworks facilities to the Border at the location shown on the plan annexed hereto as Schedule "A" (the "Delivery Point") which will connect with a similar main which will be constructed by PRWD to meet the GVWD Main.
- 2.(2) GVWD shall commence construction of the Reservoir and GVWD Main as soon as practicable after the satisfaction of all the conditions precedent set out in Article 10 and the Letter of Credit or the Connection Fee Account (defined below) has been issued or established, as the case may be, pursuant to Article 4 and shall complete the construction thereof as soon as practicable but in any event no later than 18 months thereafter.

ARTICLE 3 - CONNECTION FEE

3.(1) PRWD shall pay to GVWD a connection fee (the "Connection Fee") in an amount equal to the aggregate of all the costs and expenses incurred by GVWD in designing and constructing the GVWD Main and the Reservoir and the preparation and the execution and delivery of this agreement and any other relevent documents which costs and expenses shall include without limitation administration and overhead costs (which shall include without limitation salaries of engineering and financial personnel) and legal expenses. All such costs except for the construction costs are herein called the "Administration Costs."

- 3.(2) The parties acknowledge that the actual amount of the Connection Fee cannot be finally determined until after completion of construction of the GVWD Main and the Reservoir as provided in subsection (4). In order for PRWD to obtain grants and other financing for the Connection Fee GVWD has made an estimate of the maximum amount of costs and expenses which would constitute the Connection Fee (the "Estimated Maximum Connection Fee"). The Estimated Maximum Connection Fee is \$2,800,000 (Cdn.).
- 3.(3) The actual amount of the Connection Fee shall not exceed the Estimated Maximum Connection Fee.
- 3.(4) The actual amount of the Connection Fee shall be determined by GVWD after the construction of the GVWD Main and the Reservoir has been completed and whatever permits that may be required in respect thereof have been issued and the GVWD Main and the Reservoir have been tested by GVWD and found to be in normal operating condition.
- 3.(5) Upon determination by GVWD of the actual amount of the Connection Fee GVWD's Engineer shall advise PRWD by delivering to PRWD a written certificate setting out the amount thereof.
- 3.(6) Contracts for the construction of the GVWD Main and the Reservoir will be awarded to the successful tenderer or tenderers selected by GVWD's normal tender process.

ARTICLE 4 - PAYMENT OF CONNECTION FEE

- 4.(1) PRWD shall upon the execution and delivery of this agreement and the satisfaction of all the conditions precedent set out in Article 10 cause a Canadian chartered bank or a bank established under the laws of the United States of America in Seattle, Washington (the "Bank") to issue in favour of GVWD an irrevocable international documentary letter of credit in an amount in Canadian dollars equal to the Estimated Maximum Connection Fee (the "Letter of Credit").
- 4.(2) The Letter of Credit shall be in a form satisfactory to GVWD and its banker, The Royal Bank of Canada, and shall be confirmed by The Royal Bank of Canada. PRWD shall reimburse GVWD for the expenses incurred by GVWD in confirming the Letter of Credit. The estimated expenses charged by The Royal Bank of Canada for confirming the Letter of Credit will be \$1,000 (Cdn.) as an administrative fee plus an amount equal to 1/10 of 1% per annum during the currency of the Letter of Credit of the total amount which may be drawn down under the Letter of Credit.
- 4.(3) If the Connection Fee is paid by way of the Letter of Credit GVWD shall be entitled from time to time to draw on the the Letter of Credit (and the Bank shall be under an absolute obligation to pay to GVWD regardless of any dispute between the parties hereto) upon presentation by GVWD to the Bank (with a

copy to PRWD) of GVWD's usual form of cost statement (the "Cost Statement") duly signed by the GVWD Engineer or the GVWD Treasurer in an amount equal to the "Project Total" as set out on the last page thereof less amounts drawn down by GVWD under previous Cost Statements submitted by GVWD for payment hereunder.

- 4.(4)(a) As an alternative to the issuance of the Letter of Credit under subsection 1, PRWD shall be entitled to establish at a Canadian chartered bank (the "Canadian Bank") a Canadian dollar account in Vancouver, British Columbia in the name of GVWD or under which GVWD is a beneficiary (the "Connection Fee Account"). PRWD shall forthwith deposit in the Connection Fee Account an amount in Canadian dollars equal to the Estimated Connection Fee or make arrangements for a line of credit (or other credit facility suitable to GVWD) for such amount;
 - (b) GVWD shall be entitled to draw on the Connection Fee

 Account (and the Canadian Bank shall be under an
 absolute obligation to pay GVWD regardless of any
 dispute between the parties hereto) upon presentation
 by GVWD to the Canadian Bank (with a copy to PRWD) of a
 Cost Statement duly signed and in such amounts as
 provided in subsection (3).

- 4.(5) The amounts under the Cost Statements which GVWD may draw down under this Article will represent progress payments approved by GVWD to the contractors in respect of the construction of both the GVWD Main and the Reservoir for the relevant period together with any Administration Costs for such relevant period. In the normal course Cost Statements will be presented by GVWD to the Bank on a monthly basis until the actual amount of the Connection Fee is determined.
- 4.(6) GVWD will not approve progress payments to its contractors except in accordance with its usual operating procedures.

ARTICLE 5 - PAYMENT FOR WATER AND REMEDY FOR FAILURE TO PAY

5.(1) PRWD shall pay to GVWD for the water supplied to it under this agreement an amount in Canadian dollars equal to the product of the rate or rates established from time to time by the Administration Board of GVWD and charged by GVWD to its members for the supply of water, multiplied by 3,182.2 M³D whether or not PRWD utilizes the full amount of 3,182.2 M³D. If PRWD shall at any time utilize more than 3,182.2 M³D in breach of the provisions of section 1.(1) the amount payable by PRWD under this subsection shall be the product of the rate or rates as aforesaid multiplied by the actual quantity of water utilized. The payment to and acceptance by GVWD of monies for water utilized in excess

- of 3,182.2 M³D shall not constitute a waiver of the breach of the terms of this agreement and notwithstanding such payment and acceptance GVWD shall be at liberty to exercise all its remedies under this agreement or at law in respect of such breach. Payments under this subsection (1) shall be payable by PRWD to GVWD monthly forthwith upon receipt by PRWD of an invoice from GVWD.
- 5.(2) If PRWD fails to pay any amount invoiced by GVWD under subsection (1) within 30 days of receipt of an invoice from GVWD such failure shall be deemed to be a fundamental and material breach of this agreement which shall entitle GVWD to terminate this agreement upon giving PRWD 90 days' written notice.
- 5.(3) Interest on any amounts invoiced by GVWD under subsection (1) and not paid within 30 days of receipt of the invoice shall bear interest at a rate equal to the prime rate charged from time to time by The Royal Bank of Canada to its most creditworthy customers plus one percentage point per annum from the date of the invoice until the day such amount is paid in full.
- 5.(4) The payments to be made by PRWD pursuant to this Article shall be made in full without set-off or counterclaim or deduction whatsoever and free and clear of and without deduction or withholding for or on account of any tax imposed, demanded or assessed by the United States of America, Washington State or any

political subdivision thereof or any person thereof or therein with fiscal or other jurisdiction over PRWD or payments made by it (each such tax herein called a "US Tax") provided that if any US Tax is or becomes exigible or PRWD is compelled to make any deduction or withholding from any payment to GVWD for or on account of any US Tax

- (a) PRWD shall forthwith give GVWD written notice thereof;
- (b) PRWD shall pay or procure the payment of the relevant US Tax when due; and
- (c) PRWD shall on the due payment date pay to GVWD such additional amounts as may be necessary to ensure that it receives an amount in Canadian dollars equal to the full amount which GVWD would have received had such payment not been made subject to the relevant US Tax or had the relevant deduction or withholding not been made therefrom for or on account of the relevant US Tax.

ARTICLE 6 - WATER QUALITY

6.(1) The water supplied by GVWD to PRWD under this agreement shall be of the same standard and quality as that normally delivered by GVWD to its members. The responsibility for ensuring that the water supplied by GVWD to PRWD meets all standards required for drinking water applicable for Washington

State before delivery to PRWD customers and users shall be the sole responsibility and obligation of PRWD and GVWD shall have no liability or obligation whatsoever if the water supplied by PRWD to its customers or users does not in any way meet any of the standards required for drinking water applicable for Washington State.

6.(2) If the standard or quality of water supplied by GVWD to PRWD deteriorates for any reason GVWD shall give to PRWD such notice thereof as it gives to its members.

ARTICLE 7 - NO ASSURANCE OF PRESSURE

- 7.(1) GVWD shall be under no obligation to provide water to PRWD at any pressure higher than that equivalent to a hydraulic grade line elevation equal to ground level at the Delivery Point. If and to the extent it is possible or practical for GVWD to provide water to PRWD at a higher pressure than described in the preceding sentence GVWD shall do so.
- 7.(2) PRWD, before delivery of water to it commences under this agreement, shall install in its facilities a pumping station so that it will be able to supply water to its customers and users at service pressure.

ARTICLE 8 - METERING OF WATER SUPPLY

8.(1) GVWD shall install and maintain on the GVWD Main a

meter to measure the quantity and rate of flow of water supplied by GVWD and shall provide to PRWD the data from such meter at intervals (not less than every 12 months) specified from time to time by the GVWD Engineer or at such reasonable intervals as may be requested by PRWD.

8.(2) PRWD shall not less than every 12 months during the term of this agreement analyze the data it receives from GVWD under subsection (1) and taking into account such factors as population changes and historical demands within the area known as Point Roberts shall assess its projected water requirements and take such measures as may be necessary or desirable to prevent PRWD from exceeding the 3,182.2 M³D limit set out in section 1.(1).

ARTICLE 9 - INDEMNITY

9.(1) PRWD shall indemnify and hold harmless GVWD, Greater Vancouver Regional District, the Commissioner of the GVWD, the GVWD Engineer or any employee, officer, director or agent of GVWD and the Greater Vancouver Regional District (the "Indemnified Parties") from and against any and all actions, proceedings or suits instituted by any third party in the United Sates of America or Canada against any or all of the Indemnified Parties and shall indemnify each and every of the Indemnified Parties from all damages, costs and expenses of whatsoever nature in any way arising directly or indirectly out of this agreement or the

supply of water by GVWD to PRWD except for any action, proceeding or suit and any damages, costs and expenses arising out of or caused by the negligence or the willful or malicious misconduct of any of the Indemnified Parties. If PRWD, in the opinion of GVWD reasonably exercised, is unable or unwilling to indemnify and hold harmless each and every of the Indemnified Parties pursuant to the terms of this subsection (1), such shall be deemed to be a fundamental and material breach of this agreement which shall entitle GVWD to terminate this agreement forthwith.

- 9.(2) The indemnities set out in subsection (1) shall survive the termination for whatsoever reason of this agreement and shall continue in full force and effect in respect of any matter covered by the indemnities which occurred or the cause of which occurred prior to the termination of this agreement.
- 9.(3) If legal proceedings are instituted between the parties hereto the prevailing party shall be entitled to its reasonable costs including legal fees in respect thereof.

ARTICLE 10 - CONDITIONS PRECEDENT

10.(1) The parties understand and agree that in order for GVWD to export water from Canada to the United States of America and to consummate the transactions proposed in this agreement it will or may be necessary to obtain approvals from property owners in Point Roberts and approvals, consents, authorizations and

licences from and enabling legislation by or treaties between national, state and provincial governments and it will be necessary for GVWD to enter into the Delta Agreement and that, without limiting the generality of the foregoing and notwithstanding that this agreement may have been executed and delivered by the parties, none of the provisions of this agreement, except this Article, shall become effective until

- (a) PRWD has obtained all those permits, approvals, consents, authorizations or licences set out in Schedule "B" hereto which are necessary or desirable to carry out the intent of this agreement;
- (b) Amendments to PRWD's enabling legislation are passed by the Legislature of the State of Washington and are in effect giving PRWD the power and authority to enter into this agreement and to carry out the transactions contemplated herein;
- (c) GVWD has obtained the following:
 - (i) an order from the Canadian Transport Commission approved by the Governor in Council pursuant to the National Transportation Act of Canada exempting the proposed arrangements under this agreement from the provisions of the National Transportation Act,

- (ii) approval of the International Boundary Commission pursuant to section 5 of the International Boundary Commission Act for the construction of that portion of the GVWD Main within 10 feet of the international boundary line and the satisfaction of all conditions set out in such approval,
- (iii) either an act amending the Greater Vancouver Water District Act which gives GVWD the authority to enter into the arrangements proposed in this agreement is passed and comes into force or alternatively an amendment to the Municipalities Enabling and Validating Act or other enabling legislation is passed and comes into force which authorizes GVWD to enter into this agreement and to undertake the arrangements contemplated thereby;
- (d) all such other permits, approvals, consents, authorizations, licences, enabling legislation or treaties as are necessary or desirable to carry out the intent of this agreement have been unconditionally obtained, enacted or entered into, as the case may be;
- (e) the opinion referred to in section 11.(3) below has been unconditionally delivered to GVWD; and

- (f) the Delta Agreement has been executed and delivered and is in full force and effect free and clear of any conditions.
- 10.(2) Neither party shall be obligated to do any of the work referred to in this agreement until the conditions precedent set out in subsection (1) have been unconditionally met.
- 10.(3) The condition precedent set out in paragraph 10.(1)(a) shall be deemed to have been satisfied by delivery to GVWD of a certificate signed by the President of the Board of Commissioners of PRWD certifying that all the permits, approvals, consents, authorizations and licences set out in Schedule "B" have been obtained.

ARTICLE 11 - REPRESENTATIONS AND WARRANTIES

- 11.(1) PRWD hereby represents and warrants to GVWD that the approvals, consents, permits and authorities set out in paragraphs 10.(1)(a) and (b) are all the approvals, consents, permits and authorities of whatsoever kind or nature within the United States and whether from federal, state, county, municipal or other government or agency or authority thereof that are necessary or desirable in the United States at this time in order to consummate the arrangements contemplated in this agreement.
- 11.(2) PRWD hereby represents and warrants to GVWD that when

the conditions precedent set out in paragraphs 10.(1)(a), (b) and (d) above have been satisfied it will have the full power, capacity, right and authority to enter into and perform the terms of this agreement and to raise and pay and re-pay such monies as may be necessary to give effect thereto and that such monies have on the effective date of this agreement been validly borrowed or otherwise obtained by grant and set aside for the purposes of this agreement and that when this agreement is executed and delivered and the conditions precedent set out in paragraphs 10.(1)(a) to (f) inclusive have been satisfied it will be valid, binding and enforceable in accordance with its terms in all respects against PRWD.

- 11.(3) PRWD will provide to GVWD in form and content satisfactory to GVWD an opinion from Messrs. Preston, Thorgrimson, Ellis & Holman as to the matters set out in subsections (1) and (2) and any other matter GVWD acting reasonably deems necessary or desirable.
- 11.(4) GVWD hereby represents and warrants to PRWD that when the conditions precedent set out in paragraphs 10.(1)(c), (d) and (f) have been satisfied it will have the full power, capacity, right and authority to enter into and perform the terms of this agreement and to expend such monies as may be necessary to give effect thereto, and that when this agreement is executed and delivered and the conditions precedent set out in paragraphs

- 10.(1)(c), (d) and (f) have been satisfied, it will be valid, binding and enforceable in accordance with its terms in all respects against GVWD.
- 11.(5) GVWD hereby represents and warrants to PRWD that the orders, approvals, and legislation set out in paragraph 10(1)(c) are all the orders, approvals and legislation of whatsoever kind or nature within Canada and whether from federal, provincial, municipal or other government or agency or authority thereof that are necessary or desirable in Canada at this time in order to consummate the arrangements contemplated in this agreement.
- 11.(6) GVWD will provide to PRWD in form and content satisfactory to PRWD an opinion from Messrs. Farris, Vaughan, Wills & Murphy as to the matters set out in subsection (4) and any other matter PRWD acting reasonably deems necessary or desirable.

ARTICLE 12 - STATUTORY POWERS AND FORCE MAJEURE

12.(1) Upon the occurrence of any act of God, strike, lock-out, work slow down, labour dispute or unrest, inclement weather, damage to any of GVWD's waterworks systems or facilities, order of any competent court or governmental authority, war (declared or undeclared), civil unrest, riot, action of terrorists or other enemies of the Queen or the state, or any other matter of whatsoever kind or nature not limited to

the foregoing beyond the control of GVWD which adversely affects CVWD's ability to perform its obligations under this agreement then GVWD's obligations under this agreement shall either be abated to such extent as the GVWD Engineer deems necessary or desirable or shall be terminated until such time as in GVWD Engineer's opinion, exercised reasonably, GVWD's obligations can be resumed in part or in whole.

12.(2) This agreement is subject in all respects to the provisions of section 57 of the Greater Vancouver Water District Act and any amendments thereto.

ARTICLE 13 - INSURANCE

- 13.(1) PRWD will during the term of this agreement and for so long as its obligations to indemnify pursuant to Article 9 subsist, obtain and maintain in good standing such policies of insurance or performance or other bonds with such insurers and in such amounts as GVWD acting reasonably may require from time to time in order to the extent possible provide coverage to both the Indemnified Parties and PRWD against any matter in respect of which PRWD is required to indemnify the Indemnified Parties under Article 9.
- 13.(2) PRWD shall from time to time when requested by GVWD provide to GVWD a certified copy of all such insurance policies referred to in subsection (1) or certificates in lieu thereof.

All such policies of insurance shall contain an agreement by the insurer not to cancel or materially alter such policy or permit it to lapse or be cancelled without giving to the GVWD at least 30 days' written notice.

ARTICLE 14 - FURTHER ASSURANCES

14. The parties shall do all such things and execute and deliver all such documents and instruments as may be necessary to give effect to the intent of this agreement.

ARTICLE 15 - ASSIGNMENT AND ENUREMENT

- 15.(1) This agreement may not be assigned in whole or in part by PRWD without the written consent of GVWD.
- 15.(2) This agreement shall enure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto.

ARTICLE 16 - WAIVER

16. No overlooking, excusing or condoning by GVWD of any default, breach, non-observance, improper compliance or non-compliance by PRWD of any obligation under this agreement shall operate as a waiver of such obligation in respect of any continuing or subsequent default, breach, non-observance, improper compliance or non-compliance by PRWD and no such waiver shall be implied but shall only be effective if expressed in writing.

ARTICLE 17 - TERM

above written and shall continue until the later of the 50th anniversary of the date first above written or the end of the useful life of the GVWD Main and all pipes, meters, controls, valves or pumps used to deliver the water to be supplied under this agreement from the Pebble Hill Reservoir to the Delivery Point, unless extended by mutual agreement of the parties. If the parties are unable to agree when the end of the useful life occurs such issue shall be determined by the Chief Executive Officer of the Professional Engineers Association of British Columbia or a person appointed by him.

ARTICLE 18 - PRWD PAYMENT OUT OF ITS REVENUES

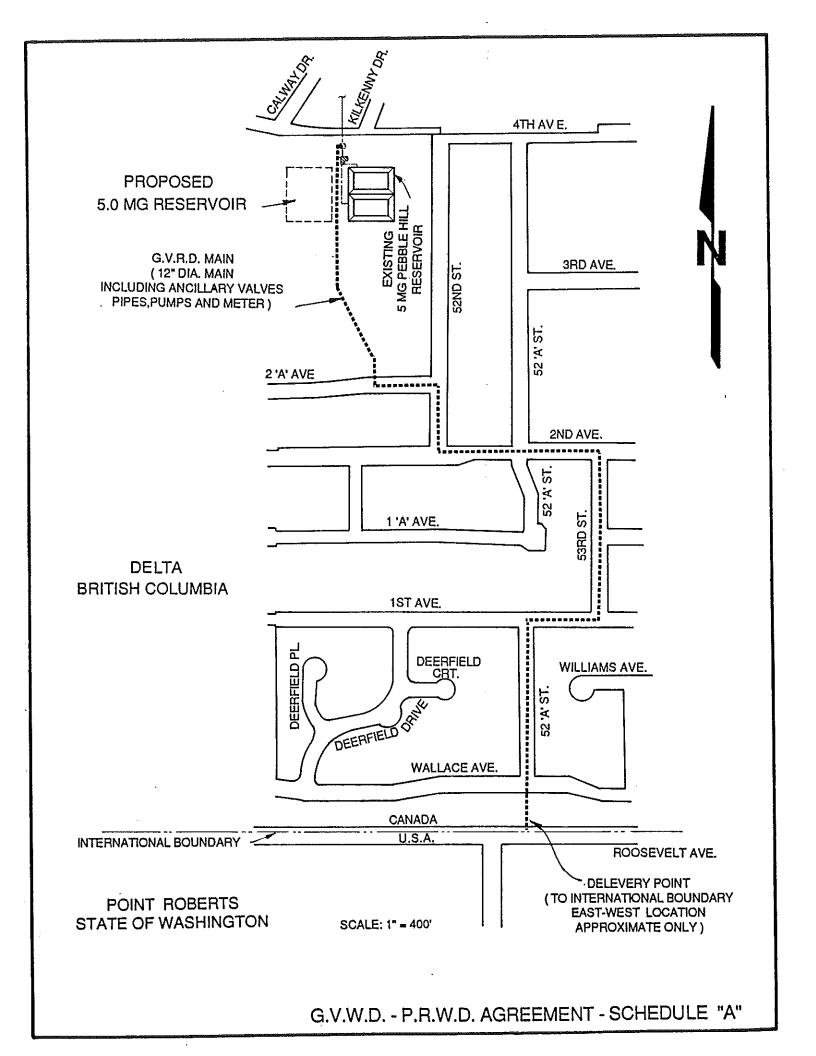
18. The obligations of PRWD under this agreement are payable solely from the revenues of PRWD from the ownership and operation of its system of water supply and distribution as the same shall be added to, improved and extended during the term of this agreement. PRWD hereby obligates itself to establish rates and charges from time to time sufficient to meet its obligations hereunder. The obligations of PRWD hereunder shall be a cost of operation and maintenance of the PRWD system of water and distribution.

IN WITNESS WHEREOF the parties hereto have affixed

their corporate seals duly attested by the hands of their proper officers the day and the year first above written.

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APRISON FIRE OFFI.



SCHEDULE "B"

- 1. Franchise (permission) for facilities within Whatcom County road right-of-way. The issuing body will be Whatcom County, pursuant to R.C.W. 36.55.010. (Franchises on Roads and Bridges).
- 2. Building permit for above ground structures, if any. Issuing body will be Whatcom County, pursuant to Whatcom County Code.
- 3. Plans and specifications approved by Washington State, Department of Social & Health Services, R.C.W. 43.20.050 (State Board of Health, W.A.C. 248-54-600).
- 4. Compliance with R.C.W. 43.21C (State Environmental Policy Act).
- 5. United States' Customs clearances, if any.