

**AMENDMENT NO. 4 TO CITY OF LAKE STEVENS AND LAKE STEVENS SEWER
DISTRICT UNIFIED SEWER SERVICES AND ANNEXATION AGREEMENT**

THIS AMENDMENT is made and entered into this 27th day of September, 2010, 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 the City entered into a UNIFIED SEWER SERVICES AND ANNEXATION AGREEMENT, together with Amendments No. 1, No. 2 and No. 3 thereto (as so amended, the "Agreement") relating to the provision of public sewer service in the Lake Stevens Urban Growth Area ("UGA"); and
- B. WHEREAS, the Agreement describes, *inter alia*, the unification of the sewerage system within the UGA and coordination of capital projects and annexations affecting the sewerage system; and
- C. WHEREAS, pursuant to Section 4.11 of the Agreement, the District has agreed to transfer to the City funds necessary to pay the City sewer utility's share of the City's Limited Tax General Obligation Bonds, Series 1997, which have since been refunded by the City's Limited Tax General Obligation Bonds, 2008 (the "2008 City LTGO Bonds") and Public Work Trust Fund ("PWTF") Loan No. PW-02-691-029; and
- D. WHEREAS, the District is currently in the process of constructing a new wastewater treatment plant (the "Sunnyside WWTP"); and
- E. WHEREAS, the City has also obtained PWTF Loan Nos. PW 05-691-PRE-137, PW-06-962-020 and PC-08-951-023 (collectively, together with PWTF Loan No. PW-02-691-029 and any future PWTF loans made to the City for the Sunnyside WWTP, the "City PWTF Loans") for the design and construction of the Sunnyside WWTP, and the City and the District have entered into agreements to administer those loans in accordance with Section 4.9 of the Agreement; and
- F. WHEREAS, the District has also obtained certain PWTF loans (collectively, the "District PWTF Loans") for the design and construction of the Sunnyside WWTP and other improvements to the District's the sanitary sewage collection and disposal system (the "System"); and
- G. WHEREAS, the District intends to issue revenue bonds (the "2010 District Revenue Bonds") to refund its existing revenue bonds and to finance the construction and equipping of the Sunnyside WWTP and related System improvements, and further intends to reserve the right to issue revenue bonds in the future (together with the 2010 District Revenue Bonds, the "District Parity Bonds") that have a lien and charge on the gross revenues of the System (the "Gross Revenues") that is equal in rank with the lien and charge of the 2010 District Revenue Bonds; and
- H. WHEREAS, in connection with the issuance of the 2010 District Revenue Bonds, the City and the District desire to clarify the relative lien priority of the payments that the District is required to make to the City with respect to the 2008 City LTGO Bonds and the City PWTF Loans;

NOW, THEREFORE, in consideration of the terms and conditions set forth below, the District and the City agree that the UNIFIED SEWER SERVICES AND ANNEXATION AGREEMENT is hereby amended as follows:

1. Lien Priority. Notwithstanding any provision of the Agreement to the contrary, the City and the District agree that:

a. The amounts to be paid by the District to the City with respect to the 2008 City LTGO Bonds shall have a lien and charge upon the Gross Revenues prior and superior to any other liens and charges whatsoever except (i) System operating and maintenance expenses (the "Operating and Maintenance Expenses") and (ii) the amounts required to be paid into the District's revenue bond fund and any debt service reserve funds (including reimbursements in respect of debt service reserve credit facilities) established for District Parity Bonds; and

b. The amounts to be paid by the District to the City with respect to the City PWTF Loans shall have a lien and charge upon the Gross Revenues that is equal in rank with the lien and charge of the District PWTF Loans.

2. Deletion of Section 2 of Amendment No. 3. Section 2 of Amendment No. 3 to the Agreement is hereby deleted in its entirety.

3. Ratification. As amended hereby, the Agreement is ratified and confirmed.

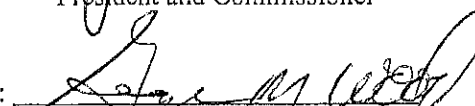
IN WITNESS WHEREOF, the City and the District have executed this Agreement in duplicate as of the day first indicated above.

CITY OF LAKE STEVENS


By: 
Mayor

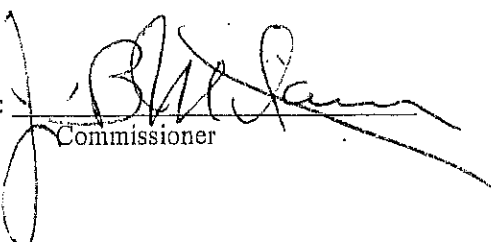
LAKE STEVENS SEWER DISTRICT:

By: 
President and Commissioner

By: 
Secretary and Commissioner

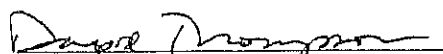
ATTESTED:


City Clerk

By: 
Commissioner

Date approved by City Council Sept. 27, 2010.

APPROVED AS TO FORM:


David O. Thompson, K&L Gates LLP
Bond Counsel to the City