Resolution No. 38-07
A resolution approving the Hood Canal Regional Septic Loan Program & entering into an Interlocal Agreement

WHEREAS the Mason County recognizes the need to address aging or failing individual onsite sewage treatment systems in the Hood Canal watershed; in other areas of Jefferson, Kitsap and Mason Counties; and on the Port Gamble S’Klallam and Skokomish Tribal Reservations; and

WHEREAS eliminating failing individual onsite sewage treatment systems in these areas has been identified as necessary to protect and improve water quality; and

WHEREAS the high cost of repair or replacement of these systems, when they fail, is a significant burden on individual homeowners, especially homeowners with low or fixed incomes, and often prevents them from addressing the problem; and

WHEREAS the Hood Canal Coordinating Council and ShoreBank Enterprise Cascadia have developed a program to provide low interest loans for onsite sewage treatment system repair or replacement; and

WHEREAS Shorebank Enterprise Cascadia has a demonstrated record of success in administering financial assistance programs in rural areas of the Pacific Northwest that achieve environmental benefits; and

WHEREAS ShoreBank Enterprise Cascadia has secured a significant amount of private foundation funding for this new program, to be matched with an equivalent amount of public funding from the Washington State Legislature, through the Washington Department of Ecology;

NOW THEREFORE BE IT RESOLVED that Mason County approves this program (Attachment A) as one of the five chartering government members of the Hood Canal Coordinating Council, and agrees to use the program, and participate in it as described in the Interlocal Agreement (Attachment B) between Jefferson, Kitsap and Mason Counties and Port Gamble S’Klallam and Skokomish Tribes and in its associated Program Guidelines.

BE IT FURTHER RESOLVED that Mason County authorizes its Chair to sign that Interlocal Agreement on its behalf.

Dated this 27th day of March, 2007.

ATTEST:

[Signature]
Rebecca S. Rogers, Clerk of the Board

APPROVED AS TO FORM:

[Signature]
Deputy Prosecuting Attorney

BOARD OF COUNTY COMMISSIONERS
MASON COUNTY, WASHINGTON

[Signature]
Lynda Ring Erickson, Chair

[Signature]
Tim Sheldon, Commissioner

3/27/07
Ross Gallagher, Commissioner
PROGRAM GUIDELINES

HOOD CANAL REGIONAL SEPTIC LOAN PROGRAM

January, 2007
I. Document Name and Purpose

These Program Guidelines, together with attachments incorporated into the Guidelines, govern the Hood Canal Regional Septic Loan Program ("Program"). This document has been approved for use by the Program Advisory Board. Unless otherwise provided for in the Program documents, exceptions to the policies and procedures set forth herein require the approval of the Advisory Board.

II. Name

The name of this Program is Hood Canal Regional Septic Loan Program. The name may be modified should the program extend beyond the jurisdictions that border Hood Canal. The loan product available through the program shall be known as the ShoreBank Septic Loan.

III. Purpose

The primary purpose of the Program is to assist eligible property owners to repair, upgrade and/or replace existing onsite sewage treatment systems to standards that meet or exceed applicable code requirements of the participating jurisdictions. Secondary purposes of the Program include:

- Increase the asset values of property owners participating in the Program;
- Educate current and prospective users of onsite sewage treatment about the importance of functional and well maintained systems to human health, water quality and property values; and
- Support the contributions of the shellfish industry and onsite septic professionals to economic activity in participating jurisdictions.

IV. Program Overview

a. Program Background

The Program has been designed to assist property owners who depend on onsite sewage treatment systems to treat wastewater. The Program will provide financial assistance in the form of a below market interest rate loan to cover 100% of all costs associated with the design, permitting, installation, testing and initial maintenance of an approved onsite system which has the appropriate technology for a particular site. In some circumstances the Program will assist individual property owners to (1) connect to
an off-site sewage treatment system; or (2) participate with neighbors to design, install and connect to community or small cluster sewage treatment systems.

The Program is a collaborative approach shared by multiple jurisdictions. These jurisdictions share a common concern with the actual and potential negative impacts of faulty onsite sewage treatment systems on human and ecological health. Portions of each of these jurisdictions are located within the Hood Canal watershed which may be at risk from failing septic systems. Participating jurisdictions recognize the value of a single, scalable approach to financing onsite sewage treatment quality and capacity throughout their respective geographies.

The Program is also a joint venture between participating jurisdictions and ShoreBank Enterprise Cascadia (SEC), a non-profit lending organization supporting economic development and environmental quality in the Pacific Northwest. SEC is responsible for delivery of the Program throughout the jurisdictions in a manner that reflects locally approved policies, land use regulations, and applicable health codes. The Program is not a code enforcement strategy. Rather, the Program is intended to reduce the financial barriers that prevent property owners from taking corrective action to repair, upgrade or replace failed, obsolete and/or inefficient existing septic systems.

With the Program, property owners who require financing assistance may apply for a loan through ShoreBank Enterprise Cascadia (SEC). All applicant information is confidential. The Program has been designed to assist borrowers with low incomes, existing debt, and previous credit problems. The Program loan product, adjusted for the income of borrowers, covers 100% of the costs of complying with or exceeding the code requirements for onsite sewage treatment systems in all participating jurisdictions.

b. Program Participants
   i. State of Washington: The Washington State Department of Ecology provides financial support to the Program. As such, the Program is subject to the procedural and reporting requirements of the Department. This financial support is provided via an Agreement with Kitsap County, which administers the funds on behalf of the other participating jurisdictions.
ii. Kitsap County: Kitsap County is the lead agency for receipt and management of financial assistance from the State of Washington. Their role is defined in a Memorandum of Understanding between themselves and Mason and Jefferson Counties.

iii. Hood Canal Coordinating Council (HCCC): HCCC represents all local government jurisdictions within the Hood Canal watershed. HCCC has provided leadership for the development and initial public financing of a single Program serving its member jurisdictions.

iv. Health Districts and Departments: The Health District of Kitsap County and the Health Departments of Jefferson and Mason Counties are the founding government sponsors of the Program. Each District is empowered to be a participant in the Program as it affects their jurisdiction. In addition, all regulatory requirements to be satisfied by the Program and its borrowers are those of the respective jurisdiction in which the borrower is located.

v. ShoreBank Enterprise Cascadia: SEC is responsible for management of all aspects of Program marketing, delivery, customer service, loan management, reporting, and compliance. SEC’s procedure and policy for fulfilling this role is detailed in these Guidelines and in the attached Program Credit Policy.

vi. Sovereign Lands: The Port Gamble S’Klallam and Skokomish Indian Tribes may be participating jurisdictions if they deem the Program relevant to their needs and priorities. Program funds are reserved for their participation. Due to the unique requirements of delivering Program loans within the boundaries of Indian Reservations, customized and separate Program delivery requirements may be necessary. In this event, a separate Guideline will be developed to govern Program activity accomplished with these sovereign nations. All activity financed by Program loans
must comply with the health and safety standards and requirements of the sovereign nation in which the affected property is located.

V. Authority

a. Authority for oversight and Program administration is vested in each of the five participating jurisdictions: Jefferson, Kitsap and Mason Counties and Port Gamble S'Klallam and Skokomish Tribes. These five governments have authority to charter the Program to operate in their jurisdictions and the authority to revoke that charter. They will receive a report from SEC and review the Program on an annual basis. If they wish to revoke or substantially change that charter, those changes must be agreed to unanimously by all five governments.

b. The following individuals have been granted authority to act on behalf of their participating governments as an Advisory Board to the Program:
   i. For SEC: John Berdes, President
   ii. For Kitsap County: Stuart Whitford
   iii. For Mason County: Debbie Riley
   iv. For Jefferson County: Mike McNickel
   v. For Port Gamble S'Klallam: Pending
   vi. For Skokomish Indian: Pending

c. The Program Guidelines are the governing document of the Program. These guidelines, and any exceptions or amendments to them must be approved by the Advisory Board (unless otherwise provided for in this or the attached Program documents).

d. The Program is monitored by an Advisory Board charged with oversight on behalf of participating jurisdictions. The parties identified in Section V(b), above, shall constitute the membership. The Advisory Board may, at its discretion, adopt such rules, regulations and procedures as it deems necessary to conduct its business. The Advisory Board shall meet as necessary, but at least semi-annually, to receive progress reports and recommendations for action from SEC staff and management assigned to
the Program. No modifications to the Program, as defined herein, shall be made without the unanimous consent of the Advisory Board.

e. SEC has sole and exclusive authority to approve or decline credit as provided for in the Program Credit Policy. Certain exceptions apply and are detailed in Section X.x, below. SEC has the authority to protect the confidentiality of applicants and borrowers and shall not be required to divulge the names and personal information of any applicant or borrower.

f. SEC shall report to the Advisory Board and all participating jurisdictions on a regular basis, as defined by the Advisory Board. Such reports shall include data specific to each jurisdiction and include, at a minimum:

i. Number of inquiries received

ii. Number of applicants in process

iii. Number and dollar amount of loans approved and disbursed

iv. Number and dollar amount of projects completed

v. Number and dollar amount of defaulted loans

vi. Losses expensed to date and amount of reserve for future losses

vii. The revenue and expense associated with Program delivery

viii. Total lending by household income status as defined in these Guidelines

VI. Eligible Borrowers

a. Eligible: Any person, corporation, or partnership that owns real property located within the boundaries of the approved Health Districts or Departments of participating jurisdictions is eligible to apply to the Program for financing assistance, provided that the property’s assessed valuation includes a value for improvements to land.

i. Any eligible borrower that demonstrates their existing on-site sewage treatment system is older than 25 years is automatically eligible.

ii. Eligible borrowers with systems less than 25 years old may be required to document a system failure or inadequacy before completing an application. Such documentation may be obtained...
from any local health jurisdiction (see iii, below) or from a qualified on-site professional.

iii. Any eligible borrower officially referred by a participating jurisdiction or Program partner shall not be required to further document disfunctionality of the existing system.

b. Financially Distressed Borrowers: Financially distressed borrowers are defined as follows:

i. A household earning 80% or less of the average median income for all participating jurisdictions;

ii. Any non-profit entity that serves primarily financially distressed households; and

iii. A household that demonstrates that amortizing payments on a loan will cause their total housing costs to exceed 40% of their gross income.

Insert new section header for Ineligible borrowers here

VII. Ineligible Borrowers:

a. The following are not eligible borrowers under the Program:

i. Except for applicants with homes on lands held in Trust by the Bureau of Indian Affairs, those that do not have the legal right to encumber the real property with a beneficial interest of SEC (Deed of Trust) as collateral for the Program loan, unless the party who possesses such rights consents to the loan and the resulting security interest;

ii. Property owners that have not paid property taxes and/or other assessments levied on the property owner by any local or state taxing district for the period covering the previous two tax years;

iii. Property owners who are residing on property for which there is no record of permitted improvements;

iv. Property owners requesting repairs to existing connections to municipal or public sewage treatment systems.
v. Property owners in a locale that has been identified by a local jurisdiction for development of a shared or community sewage treatment system.

VIII. Uses of Loan Proceeds

a. Eligible Use of Loan Funds: Program loan proceeds may be used to pay for any of the following expenses associated with repair, upgrading and/or replacement of onsite septic systems:
   i. Testing, evaluation and assessment of an existing system for failure or needed repairs (with documented costs reimbursed to the borrower by loan proceeds);
   ii. Design, testing, specifications and bidding for repairs, upgrades and/or replacements of onsite or community systems by licensed contractors provided however that:
      1. the resulting system capacity accommodates no more than one additional bedroom to an existing permitted single family residential use or a 25% increase in treatment capacity for commercial or multi-family (more than 1 unit) uses.
   iii. Permit application and regulatory inspection fees;
   iv. Installation costs for repairs, upgrades and/or replacement systems provided however that no systems or approaches not explicitly authorized by applicable code shall be allowed (e.g. terra lifting is prohibited);
   v. Loan fees, loan interest and loan closing costs;
   vi. Costs associated with installation of fixtures and fittings that reduce water consumption, to a maximum of $1,000;
   vii. Costs associated with the creation of riparian (shoreline) habitat, to a maximum of $1,000;
   viii. Costs associated with the services of qualified third parties to service, inspect and maintain on-site treatment systems to specifications provided by the designer and/or supplier of the new...
system, to a maximum of $1,000 (provided that such sums are held in escrow by SEC for payment to qualified parties identified and approved by SEC);

ix. All costs associated with establishing service with and connection to an existing off-site treatment system located within 200 linear feet of the property boundary;

x. Payment of sums to third parties that may be required to perfect and/or protect the recorded interests of SEC in the real property, including additional loan sums advanced after loan closing.

b. Limited Eligibility

i. The Program will consider loans to support the development of community and cluster systems serving multiple properties. Total loans for such systems shall not exceed 10% of total available Program financial resources at any time. In the case of community systems, the Program shall determine eligibility, feasibility and types of assistance on a case-by-case basis as directed by the Advisory Board. Advisory Board approval for all Program assistance to community and cluster systems is required.

c. Prohibited Uses

i. The Program shall not finance on- or off-site systems when the new system is not replacing, repairing or improving an existing system.

ii. The Program shall not finance on- or off-site systems for improvements not recognized as permitted and compliant by participating jurisdictions.

iii. The Program shall not finance costs for labor or other services not incurred by a licensed or otherwise certified professional.

IX. Loan Terms

a. Overview: In the interest of maximizing the impact of the Program on human health and water quality, loan terms and conditions are other than standard for the lending industry. Those experiencing financial distress
shall be priority beneficiaries, with rates and terms to reflect this priority status. Loan terms and conditions shall be reviewed annually; any modifications shall require the unanimous consent of the Advisory Board and SEC management. SEC shall not agree to loan terms and conditions that it cannot justify from a financial operating perspective.

b. Interest and Repayment Requirements: The chart below establishes the initial loan terms and interest rates for household borrowers in owner occupied dwellings based on annual gross household income as reported IRS form(s) 1040 for the previous calendar year:

<table>
<thead>
<tr>
<th>Annual HH Income</th>
<th>Interest Rate</th>
<th>Repayment Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>$&lt;26,566</td>
<td>2% compounded annually and added to loan amount</td>
<td>No payments required; due on sale, transfer or refinance</td>
</tr>
<tr>
<td>$26,567-35,420</td>
<td>4%, of which 2% is added to loan amount annually</td>
<td>Interest only (50% of applicable rate) with balance due on sale, transfer or refinance</td>
</tr>
<tr>
<td>$35,421-44,276</td>
<td>4% paid monthly</td>
<td>Interest only payments, due on sale, transfer or refinance</td>
</tr>
<tr>
<td>$&gt;44,276</td>
<td>6%</td>
<td>Fully amortizing payments based on a term not to exceed 15 years</td>
</tr>
</tbody>
</table>

c. Interest and Repayment Requirements for Non-Owner Occupied Dwellings: Any borrower that is not a resident owner of the dwelling unit receiving septic system support shall receive a 6% loan and be required to make monthly payments, including interest, for a term not to exceed 15 years.

d. Loan Fees. SEC Program Loan Policy shall establish a schedule of loan fees applicable to the Program. The fees collected shall cover its reasonable costs of delivering services associated with the Program. All fees may be included in the loan amount.

e. Operation, Maintenance and Monitoring

  i. Reserve: Each loan shall include a sum necessary to cover specified costs of system maintenance and monitoring inspections for at least five years, or $1,750 (I spoke with our O&M Coordinator and he says this is a better estimate of actual O&M...
for five years. (Whichever is greater). Such sums shall be held by SEC as a loan escrow available to cover the directly billed costs of specified OM requirements.

ii. Requirements: All borrowers shall agree to comply with operation, maintenance and monitoring procedures specified by the project designer, the system manufacturer and/or the local health jurisdiction. Failure to do so will constitute a default and may result in enforcement actions by SEC.

iii. Access: All borrowers must stipulate that SEC and its agents or assigns shall have the legal right of access to the financed system for purposes of verifying proper operation and maintenance and, if necessary, conducting specified maintenance and/or monitoring inspections.

f. Collateral: All Program loans shall be secured by a security interest in the borrower’s real property assets. Additional collateral or loan loss reserve allocations may be required when the subject property does not satisfy standards of SEC as defined in the Credit Policy (Attachment 1).

g. Loan Loss Reserve: 10% of each loan amount shall be expensed at loan closing as a deposit to a restricted account for the purposes of reserving for loan losses, unpaid property taxes, the interests of priority security interests, and eventual loan write offs. From time to time, SEC shall report to the Advisory Board and the State of Washington on the adequacy of such reserves relative to the actual risk embedded in the Program loan portfolio. Based on the analysis of adequacy, reduced or increased collections for loan loss reserves may be recommended and/or approved.

h. Special Loan Loss Reserve: When a financially distressed applicant is declined for credit and/or risk management reasons, SEC may request an additional allocation of Program resources in public funds for loan loss reserves. In this event, SEC shall detail its rationale for the additional reserve requirements using its approved risk rating system (refer to Program Credit Policy, attached). If additional reserves are approved, SEC
shall approve the applicant’s request for a loan and dedicate the additional
reserves to the borrower’s loan record.

X. Credit Administration
a. SEC is responsible for administration of the Program consistent with
   adopted Policy included as Exhibit 1 and by reference incorporated herein.
b. The Program Advisory Board shall review and advise SEC on its credit
   administration policies. However, SEC has sole authority for adopting and
   implementing Credit Administration Policy associated with the Program.

XI. Marketing and Outreach
a. Strategy: The Program will be broadly marketed throughout participating
   jurisdictions. The marketing strategy will be designed to reach the
   broadest cross section of prospective participants, but place special
   emphasis on:
   i. Property owners with current or pending citations for non-compliance;
   ii. Property owners proximate to Hood Canal shorelines;
   iii. Property owners proximate to documented water quality problems
       commonly associated with the presence of human sewage.
b. Implementation: SEC is responsible for design and delivery of marketing
   and outreach activities. At a minimum, marketing activities will include:
   i. Public service TV and radio spots;
   ii. Advertisements in local media;
   iii. Brochures available at banks, health departments, social service
       agencies, real estate offices and other similar locations,
   iv. Presentations to service clubs and community groups.
c. Partners: The Program expects significant marketing support from onsite
   and real estate professionals. SEC will offer specialized marketing
   materials and financial incentives to these marketing partners to support
   their full participation in the Program.

XII. Financial Administration
a. Overview: The use of private and public resources available to the Program shall be governed by a separate agreement between SEC and Kitsap County. It is the goal of the Program to equitably apply available private and public resources in ways which maximize the recovery and reapplication of these resources over time.

b. Cost Sharing: In general, the availability of private resources and public resources to support overall Program operations will be equal. Special efforts shall be made to apportion resources and costs in a manner that minimizes the regulatory constraints placed on borrowers.

c. Responsibility: SEC shall have full responsibility for the financial administration of the Program consistent with GAAP and shall report on the fulfillment of these responsibilities as required by Kitsap County and the State of Washington.

d. Budget: SEC shall prepare a budget for the Program activities annually and obtain the approval of the Advisory Board.

e. Audit: SEC shall present the findings of its independent auditors for financial activities and compliance on an annual basis within six months following the end of its fiscal year (December).

f. Reporting: SEC shall provide internally prepared financial reports as necessary to Kitsap County and the Advisory Board. At a minimum, such internal reports shall include the following information comparing actual to forecast (budget) performance:

   i. Revenues derived from fees, interest, contract and grant revenues
   ii. Expenses attributable to the delivery of the Program, including indirect administration costs, loss reserves, and the expensing of loan losses;
   iii. Availability of lending resources for future program activity; and
   iv. Statement of Program cash flows
ATTACHMENT ONE:

ShoreBank Enterprise Pacific
Hood Canal Regional Septic Loan Policy

December 2006

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ATTACHMENT A
I. General Credit Policy Statement for the Septic Repair Program

Mission: The mission of ShoreBank Enterprise Cascadia is to support strong economies and a healthy environment in the places it does business. The purpose of this document is to set forth ShoreBank Enterprise Cascadia's (SEC) policies for 1) making loans within the Hood Canal Regional Septic Loan Program ("Program"), 2) portfolio and risk management practices for the Program, and 3) management of problem loans. This Policy and any addendum is an official statement of SEC's Board of Directors and must be followed by all staff. All loan staff will receive a copy of this Policy and any addendum and should understand and refer to it as needed.

SEC will administer funds from third parties for the express purpose of financing the Program as defined in the Program Guidelines dated December XX, 2006. SEC will advance loans secured by real estate to property owners regardless of generally accepted credit standards. Loans will cover engineering, permits, installation and subsequent regular inspection and servicing of on site waste treatment systems.

SEC will meet customer needs in the context of its mission and Program guidelines for administering the Program based on any agreed upon MOU and may include:

- Customized credit, such as deferred or irregular payments, and credit facilities, which may require greater effort and involve greater risk than conventional credits, may be utilized while administrating this Program. The mission implications of lending in these target areas and/or sectors may demand that SEC take greater overall risk in making a loan and may demand pricing which is other than standard.
- Lending to individuals and businesses that do not qualify for or have reached the limit of conventionally available credit within their operating territory.

SEC's Board has approved this policy and the addendum referred to within. It will be reviewed annually and adjusted at the discretion of the Directors.

Throughout this Policy, Board of Directors refers to the Board of Directors of SEC; Credit Committee refers to the highest level of loan approval authority given by the Board of Directors. Management refers to the President, the Risk Manager, Program Manager or Senior Loan Officer. Lending staff refers to any and all individuals in the loan process, including management, loan officers and administrative personnel. Loan Funder refers to any and all individuals or committees that provide funds in support of the Septic Loan Program.

A. Confidentiality

To promote trust, respect and confidence, all customer personal and business financial affairs will be kept strictly confidential. All customer records and information will be safeguarded and unauthorized access or use is prohibited. All loan customers will be provided with a Confidentiality Statement outlining SEC's commitment to maintaining confidentiality this policy at loan closing.

B. Conflict of Interest

To ensure that the highest degree of honesty, integrity and objectivity is maintained in making loans, real or potential conflicts of interest between loan officers, employees, directors, and their related interests, customers and SEC must be disclosed immediately. No employee, officer or credit committee member shall participate in any processing, review, approval or documentation affecting any potential loan in which a conflict exists or could be perceived to exist.
SEC seeks to avoid loans to SEC employees, officers, directors or their immediate families, affiliates and employees of affiliates, or to firms in which any of the proceeding has an ownership interest. Although such loans are not prohibited, the Board of Directors of SEC must approve all exceptions to this policy in advance. Such transactions shall comply, with IRC Section 4958.

C. Exchange of Credit Information
Credit information about SEC customers will be released outside the ShoreBank system only with the express written consent of the customer. A customer’s name and general business information will be used for publicity or marketing purposes only if the customer has signed a “Publicity Authorization” or consent form.

D. Gifts
Accepting tangible property or services or anything exceeding $50 in value as a gift is prohibited. Soliciting or accepting tangible property or services as a condition to a transaction is strictly prohibited and is grounds for immediate termination.

E. Doing Business with Customers
Purchases from or sales to customers, directly or indirectly involving an officer, employee, director of SEC, or their related interests, will be made on the same terms as for disinterested parties or the transaction will be fully disclosed and will be approved in advance by the Board. Such transactions shall comply with IRC Section 4958.

F. Credit References
SEC does not report to credit agencies on the performance of its customers. Upon written request from the customer, SEC shall provide a written credit reference to any customer that requests one.

G. Non-Discrimination
SEC is fully committed to the principal that all credit decisions should be made without regard to race, color, national origin, religion, sex, age, marital status, sexual orientation, mental or physical disability (provided the applicant has the legal capacity to enter into a binding contract), receipt of public assistance, or any other basis prohibited by law. To avoid an unintended discriminatory effect, credit policies are to be applied consistently to all customers, applicants, co-applicants and guarantors. Discrimination by any employee will not be tolerated and may be grounds for termination. This commitment will be fulfilled while maintaining prudent credit discipline.

H. Funder Restrictions
Hood Canal Septic Loan Program capital will have restrictions and compliance requirements associated with the funds. All loan and investment documentation and agreements must conform to the limitations as defined by the grant or Memorandum of Understanding or other governing document with the capital provider.

II. Fiscal Parameters
The fiscal parameters listed below are considered good Loan Fund management guidelines. SEC will prepare financial statements that segregate assets, liabilities and net assets related to the Program Loan Fund from the rest of the company. The analysis should be calculated quarterly per the internally generated financial statements and calculated annually per the audited financial statements. If these fiscal parameters are not met, management will make a written recommendation for correction to the Board of Directors for its approval at the next meeting after
the exception occurs. Management should also make a report to ShoreBank Holding Company management, or their designee.

A. Segregation of Assets
Assets designated for the Program Loan Fund (as reflected in the annual audit) will not be used to fund operations for the corporation as whole.

B. Idle Funds
SEC will comply with all Funder requirements as to the handling of idle funds from their MOU guidelines. In those cases where the Funder has no guidelines, SEC will maintain accounts in credit-worthy state or federally regulated financial institutions or will make investments in government or government agency instruments. Staff will ensure that sufficient cash is available to fund loans and investments and should avoid early withdrawal penalties.

C. Delinquency rate expectations
The ratio of past due loans (loans more than 30 days past due) to total loans outstanding should not exceed 5%.

D. Allowance for Losses
The Program loans follow consumer lending legal requirements. SEC has received a special cash loan loss reserve for this Program that will be accounted for separately from the core portfolio cash loan loss reserve; allowance for losses will follow the guideline presented for the core portfolio and they will be accounted for separately from “core”. Management will report these loans separately from the core portfolio.

SEC shall establish a minimum reserve for loan losses equal to 10% of each loan approved. Third party financial resources shall be available and on hand to fully fund such reserves prior to the program becoming operational. Additional deposits to reserves in excess of 10% of the loan amount shall be required for loans initially declined for risk management purposes but subsequently approved by the Program Advisory Board for advances to reserves in excess of 10% of the loan amount.

The Risk Manager shall report monthly on reserve adequacy based on actual portfolio conditions and performance. Any report that indicates the Fund is under-reserved (<10% of loans outstanding plus special reserve assessments as discussed above) shall be immediately reported to the Directors and the Advisory Board. Allowance for Losses must be more than 7% at all times and equal or exceed 100% of actual forecast loss exposure, as determined by the Risk Manager.

E. Cumulative charge-offs
It is acknowledged that the risk in the Program portfolio will be higher than SEC’s usual standards. As a guideline for staff to manage the loan Program, on a Program to date basis, cumulative aggregate charge-offs should not exceed five percent (5%) of the cumulative aggregate principal amounts advanced.

III. Obligation of SEC
SEC agrees to use Program grant funds received from Program funders to administer the Program consistent with the Program Guidelines. Loan parameters will be determined by the agreed MOU between SEC and participating jurisdictions. SEC agrees to provide the following services in support of the on-site Septic repair loan fund Program:
a. Provide loans to eligible homeowners to cover the complete cost of onsite septic system repair including permitting, engineering, installation, and on-going inspection and/or servicing. All households must own their property (or have the legal owners consent); all loans will be secured by real estate (Deed of Trust) with all supporting documents in place (e.g. Promissory Note).

b. All loans will include a reserve amount for annual Operation and Maintenance of the installed system.

c. A loan loss reserve fund will be established. Unrecoverable loan losses shall be recovered from the loan loss reserve account. Un-recovered and fully expensed loan losses (write offs) shall be reported to the IRS as taxable income to the defaulted borrower. SEC shall document its collection efforts to funders and the Advisory Board on request.

d. Enforce/Act upon default of loans. Loan default would occur if (1) required payments are not made; (2) on-going maintenance and servicing of a system once constructed is not performed; or (3) if a property is refinanced, sold or transferred without the loan being paid off; or (4) borrower does not comply with reasonable provisions of the Loan Agreement, Promissory Note and/or Deed of Trust.

e. Market the availability of loans to onsite septic system installers, designers, septic maintenance inspectors, realtors, septic tank pumping firms, real estate professionals, and to the general public.

f. Provide loan information, application materials, and assistance to the public and to loan applicants.

g. Coordinate with onsite septic system designer(s) and/or engineer(s) to facilitate one-stop shopping of design, permitting, financing, installation, and maintenance of systems.

h. Ensure that SEC, or its agent(s) secure a minimum of three competitive bids from licensed onsite Septic system installers.

i. Facilitate low cost, expedited loan closing when available.

j. Provide loan servicing including collections, enforcement and reporting.

k. Reporting: Reporting to funders and participating jurisdictions as provided for in the Program Guidelines.

l. Charge to the Program only those costs directly benefiting eligible recipients for the cost of loans closed and systems repaired. Administrative loan fees and related charges may not be charged to the fund for loans applied for or approved but not closed, and/or for repair systems designed or permitted, but not installed.

IV. Approval Process

The SEC Credit Committee will approve Program Guidelines and this Credit Policy. Management will provide annual reports on Program status to the Credit Committee, including an analysis of the portfolio and delinquencies, allowance for losses and actual losses. Program loans shall be approved by the designated individual(s) specified by the SEC Credit Committee, agreed upon by the Board of Directors. Under no circumstance is a commitment to be made or a loan to be closed and funded unless it was approved and documented by the appropriate Approving Authority.

A. Approving Authority Responsibilities

1. Review and approve or disapprove all loan applications presented for approval in conjunction with Program Guidelines. All approvals will be documented with an internal approval memo, a copy of which will be kept in the SEC Credit Committee Minutes notebook in a designated section.
2. Review and approve charge-offs.
3. Review and approve the credit grades and total Allowance for Loan Losses at least on a quarterly basis.

All loans approved or modified within the Program by the Approving Authority must be reported to the Credit Committee. Such reports shall contain information that is deemed appropriate by the Directors.

Loans declined for credit or risk management reasons must be promptly reported to the THE PROGRAM Advisory Board. The requirements of SEC for additional loan loss reserve allocations will be detailed and justified. Upon approval of the Advisory Board, an approval may be documented, conditioned upon confirmation from funding authorities that additional cash disbursements for loan loss reserves have been approved.

B. Management Responsibilities
Management is responsible for the performance of the Septic Loan Program loan portfolio, minimizing losses and meeting development goals. Management is responsible for establishing processes and procedures to ensure that the action of the Committee, including any conditions placed on the recommendation, delegations of authority to individual Committee members or management, and/or actions required as a condition of approval, are to be thoroughly carried out and reviewed prior to moving forward with closing.

C. Loan Officer Responsibilities
1. Provide loan information, application materials and assistance to the public and to loan applicants.
2. Screen each loan request to determine that the project fits within the Program guidelines.
3. Conduct financial review, due diligence and present recommendation for loans to the appropriate Approving Authority per the guidelines established in the MOU.
4. Review lien and encumbrances report from approved title company.
5. Coordinate with on-site Septic system designer(s) and/or engineers(s) to facilitate “one-stop shopping” of design, permitting, financing, installation and maintenance of system.
   a. Ensure that SEC, or its agent(s) secure a minimum of three bids from licensed on-site Septic system installers.
   b. Facilitate low cost, expedited loan closing when available.
6. Ensure all conditions are met at or prior to closing and perfect SEC’s security interests.
7. Ensure all loans comply with SEC policies and the requirements and regulations of Program Guidelines.
8. Monitor all loans in the portfolio, including delinquent and problem accounts and assign credit grades. Take prompt action to protect SEC’s position if the quality of the loan declines.
9. Major events having a significant impact on the borrower are to be documented on an ongoing basis.
10. Regularly review all loan and investment files for proper preparation, documentation, and execution of documents.
11. Update the Credit Committee on the loan status as appropriate.
12. Request and review evidence of annual property taxes paid and determine if an Operation and Maintenance agreement has been completed per the Designer’s recommendation.
D. Modifications Prior to Closing
The Approving Authority may approve minor modifications to a loan so long as they do not materially affect the risk of the loan or violate this policy. Under no circumstances should a loan condition specifically required by the Loan Committee be waived or materially modified.

E. Terms Modifications Subsequent to Closing
The Approving Authority may approve minor changes to loan terms and/or conditions subsequent to closing so long as they do not materially affect the risk of the loan or violate this policy. However, any loan classified as a Problem Asset must be presented to the Credit Committee for review and approval prior to a modification or restructuring.

For modification prior to and subsequent to closing, all changes in loan terms are to be reported to the Credit Committee at its next meeting and should be clearly documented in the Credit File.

V. Credit Quality Management

A. Process and Procedures
SEC will ensure that adequate processes and procedures are in place to ensure the highest level of credit quality management. At a minimum management will:

1. Review the portfolio analysis and prepare reports listed under Reports on a quarterly basis including crosschecks to ensure loan loss reserve adequacy.
2. Review the grade on each loan and investment and the total Allowance for Loan Losses on a quarterly basis.
3. Review loans prior to presentation to the Approving Authority for compliance with policy and encourage structures conducive to future capital raising endeavors, which may include securitization in national capital markets.

B. Annual Loan Review
The Director of Risk Management and his/her staff from ShoreBank conducts the annual review of the loan and investment files of SEC. Reviews will take place at least annually and will include compliance with credit/equity underwriting, proper preparation, documentation, execution of loan and investment documents including collateral security, and adequacy of file documentation to support the Credit Grade. The review may also include compliance with Funder restrictions and agreements. The results of the reviews will be reported to the Credit Committee and the Board at least annually.

C. Collateral
As a matter of policy, SEC will secure collateral for all loans closed in the Septic Loan Program with a Deed of Trust. It is not uncommon for SEC to hold a subordinated position to a Borrowers’ Mortgagee. However, all loans should be structured to protect the investment to the highest degree possible. Collateral value shall be determined by multiplying the total assessed value of the property by 1.1. Resulting loan-to-value ratios in excess of 120% shall be declined unless special loan loss provisions are available consistent with the Program Guidelines.

D. Terms & Pricing
SEC shall determine pricing policy in collaboration with the THE PROGRAM Advisory Board. SEC will under all circumstances comply with Advisory Board guidelines.

Interest rates will be fixed. Interest rates are set with the assumption that the Borrower will perform as agreed. If the customer does not perform, pricing on the loan may be increased to reflect the increased risk. Default interest rates shall be established at the discretion of SEC.
E. Fees
SEC's fee structure for the Program must be approved by the Advisory Board on an annual basis. The initial fee schedule to borrowers for the Program follows:

- **Origination Fees**: SEC shall be entitled to a loan fee of $350, and such fee shall cover its administrative and loan documentation costs. The fee shall be fully earned upon acceptance of a loan approval by the borrower.
- **Document Fees**: SEC shall be entitled to a standard documentation fee for each loan. The fee may be included in the loan amount.
- **Closing Costs**: SEC shall pass on to the borrower its costs, plus 10% handling, of closing the loan, including but not limited to credit reports recording, overnight mail, copying and other related costs. These fees may be included in the loan amount.
- **Late Fees**: Generally, late fees are charged when a required loan payment is received after the grace period (generally 10 days).
- **Default Rates**: Generally, a default rate of several percentage points (as determined by management) over the Note Rate is applied to loans in default, retroactive to the date of default.
- **Other Charges**: Restructuring fees, assumption fees, and reconveyance or discharge fees may be applied to the loan at the discretion of SEC.

VI. Underwriting and Application Requirements

**Risk Mitigation**
SEC expects and accepts credit risks beyond the tolerance of regulated lenders. Management of these risks is the primary source of risk mitigation. All professional staff is expected to be actively involved in managing credit risk in ways that exceed the standards of regulated lenders. SEC believes that the best source of maintaining loan quality is its human resources and will usually rely on the best judgment of these professionals in reviewing and making lending decisions.

Following are certain risk factors with associated guidelines for mitigation. In addition to these risk factors, staff is expected to identify the risk of each transaction and identify appropriate mitigation on a case-by-case basis.

**Credit History**
It is understood that the primary purpose of the Program is to provide financing to promote repair of failing onsite septic systems, and as such, additional risk is assumed when loans are made to recipients with less than ideal credit histories. Credit history of customers should be documented in all credit files through the receipt and review of a credit report. **Condition of Title**: A significant risk point for SEC is its subordinate position on title to the collateral asset. In addition to the superior interests of other lenders, the interests of the local taxing authorities are a significant risk point. Applicants that have not paid property taxes and/or assessments for the previous two tax years are not eligible. Credit management may approve additional loan proceeds to cover such delinquent tax obligations only if additional loan loss reserves are available to cover the inherent risk of future non-payment of such taxes.

A. Documents to be submitted by the Borrower

- **Applications**: Standard application packets are available from all SEC offices, by mail, and through local distribution systems. Applications may also be completed online. Completed, signed applications will be on file for all active loan customers.
participating in the Program. Typically the application gives SEC permission to pull a
credit report on the Borrower(s).

- **Referral Certification**: Standard referral Certification of Need from participating
jurisdictions and/or onsite professionals establishing the need for repair, upgrade or
replacement of the existing system.
- **Tax Returns and Property Tax Statements**: Borrowers should submit last filing year’s
tax returns and copy of property tax statement. In addition, Borrower will complete
and submit a financial statement (found in the application). After a loan is approved,
annual proof of property taxes paid are required to be submitted by all Borrowers. It
is the responsibility of lending staff to collect this information for loan files. SEC
may, under some circumstances, require the borrower to establish a reserve escrow
for the payment of property taxes.
- **ACH forms**: If Borrower is to make regular monthly payments on the loan, payments
will be received via Automatic Clearing House (ACH) and pulled from the
Borrowers account each month as determined in the Promissory Note.

B. Credit Reports

It is the standard practice of SEC to order and review credit reports on potential borrowers,
guarantors and on-going borrowers should the need arise. If credit histories include derogatory
information, extraordinary circumstances must be documented in writing and housed in the loan
file. It is the assumption of the Credit Committee that a credit report has been obtained for any
credit recommended and that the discussion of personal financial history is based on that report. It
is the responsibility of the loan officer to note exceptions. FICO scores will be reported in the
approval process.

VII. Investment Process

All loans and investments must be supported by a personal financial statement, property tax
statements and tax returns.

A. Loan Write-Up

All loans under the Program are to be presented to the Approving Authority for approval via an
internal approval memorandum. The credit recommendation and credit approval memorandum
will be maintained in the loan file. Write-ups should contain at least the following information as
appropriate:

1. A summary and analysis of current personal financial statements, credit history,
   including a review of the last years tax returns.
2. Short biography of borrower.
3. Project budget and design team
4. Evidence that:
   a. The project site is not within 200 feet of an existing off-site treatment
      system;
   b. The existing improvements are permitted and compliant with existing and
      applicable codes;
   c. A community system is not being actively considered in the immediate area
5. Description and valuation of collateral and GIS coordinates of the proposed system
6. A schedule for repayment and an analysis of the sources of repayment, including
   secondary and tertiary (if available) sources of repayment.
7. Full description of how funds will be used including interest rate, and term.
8. Recommendations for and conditions of approval.
9. Description of why the project is needed including technical information on the deficiencies of the current system and current plans for repairs and/or replacement.

10. Summary of required loan documentation or a Closing Checklist

A loan will be approved and closed only if the Approving Authority deems the risk acceptable and that it qualifies under the Program parameters.

B. Closing Requirements

The process, including responsibilities of various parties is outlined in a Loan Procedures Manual. In general, all security and collateral documentation is in place and properly executed. Preparation of at least the following (in perfectible condition) must be present and executed to close a financing transaction:

1. The Promissory Note
2. Loan Agreement (listing terms and conditions)
3. Deed of Trust
4. Truth in Lending Disclosure Statement
5. Notice of Right to Cancel
6. A copy of the bid contract signed by installer and Borrower including an Operations and Maintenance Schedule.
7. Non Conflict of Interest Certification
8. SEC Information and Photo Release Form
9. ACH form, if applicable

C. Credit Files

Loan staff will maintain contact with customers at a level that provides maximum management of the loan to minimize portfolio risk. Loan staff is responsible for sufficiently documenting all lending relationships so that the credit file becomes the primary source of all pertinent information necessary for credit decisions.

The Loan Officer is responsible for assuring that the credit file on each customer contains the application, credit memorandum, credit approval memo, all information utilized in making the investment decision and all follow-up information provided by the customer on an ongoing basis.

Electronic Information: Every effort is made by employees to receive, maintain and save as much non-collateral credit information as possible in a digital format to reduce paper usage. The electronic files from SEC’s contact system are to be “hard” copied to the credit file semi-annually.

Credit Files should contain:

1. Record of Compliance Review: A compliance review is to be completed to ensure the Operation & Maintenance schedule is followed and annual property taxes are paid current.
2. Documentation of customer contact: Loan Officers should provide updates on the customers regularly. Memos must be generated and placed in the Credit File when either a significant event occurs concerning the borrower or operation of the borrower or when there have been deviations from the Loan Policy or the credit approval.
3. Field Office Reporting: Any non-binding hard copy credit file information received in field offices is to be forwarded to SEC’s main office on a monthly basis for placement in credit files. Forwarding of this information may be accelerated at times when the credit is a problem or watch list asset or SEC is anticipating any type of portfolio review or audit.
Organization of each credit file will follow a standard format.

Under no circumstances are original files to be sent outside of SEC’s offices, except as required by legal counsel. Should field staff need a file, a complete photocopy or digitized electronic copy should be delivered.

D. Collateral Files
All original binding collateral documentation for a loan is maintained in main SEC’s Ilwaco office in a fireproof safe/filing cabinet. Organization of each collateral file will follow a standard format.

E. Charge-Offs
Whenever any portion of a loan is deemed uncollectible, in part or in whole, a full or partial charge-off against the Allowance for Loan Losses shall be made to assure that the value of SEC’s assets are stated as accurately as possible even though partial recovery may be possible at some time in the future.

The Credit Committee must approve a charge-off, as appropriate. Management will recommend when borrowers’ outstanding balance(s) should be charged-off to the loss reserve account. A charge-off does not imply any lessening of efforts to collect the loan in full. Management has responsibility for all loan workouts and collection efforts. Factors such as the amount of debt, the probability of collection and the time involved must be considered when determining a course of action and pursuing collection and follow-up.
HOOD CANAL REGIONAL SEPTIC LOAN PROGRAM

AN INTERLOCAL AGREEMENT BETWEEN

Jefferson County
Kitsap County
Mason County
Port Gamble S'Klallam Tribe
Skokomish Tribe

THIS AGREEMENT ("AGREEMENT") is entered into by and between Jefferson County, Kitsap County, Mason County, the Port Gamble S'Klallam Tribe, and the Skokomish Tribe, (collectively, "the parties") for the purpose of implementing a program to provide financial assistance to citizens of those jurisdictions to address water quality issues in Hood Canal caused by onsite sewage systems.

I. RECITALS

1.1 INTERLOCAL COOPERATION ACT. The Interlocal Cooperation Act, RCW Chapter 39.34 provides that public agencies, including counties and Indian tribes, may enter into cooperative agreements to more efficiently provide services within their jurisdiction.

1.2 HOOD CANAL PROGRAM. This Agreement establishes the Hood Canal Regional Septic Loan Program ("Program"). The parties, working through the Hood Canal Coordinating Council, have developed the Program with Shorebank Enterprise Cascadia ("Enterprise") to leverage private capital with available state funding to implement the Program. The Program Guidelines are attached to this Agreement as Exhibit A and incorporated by reference herein. Except as described in Sections 2.3 and 2.5 below, or if state funding or private funding described below is fully expended, ends, or is no longer available for the purposes of this Program, the Agreement and the Program it establishes are deemed to have no termination date.

1.3 STATE FUNDING. Kitsap County has entered into a contract with the Washington State Department of Ecology ("Ecology") for the state funding portion of the Program. Kitsap County is required to provide the treasury functions for the Program by RCW 43.09.285, as it is has the largest population of any of the parties
to this Agreement. The contract between Kitsap County and Ecology is attached to this Agreement as Exhibit B and incorporated by reference herein.

1.4 **PRIVATE FUNDING.** Enterprise has approximately $3 million dollars in private funding available to leverage public funding to implement the Program. Enterprise has entered into a contract with Kitsap County for the purposes of managing and implementing the Program and providing private matching funds for the Program. The contract between Kitsap County and Enterprise is attached to this Agreement as Exhibit C and incorporated by reference herein.

1.5 **PURPOSE OF AGREEMENT.** The purpose of this Interlocal Agreement is to establish and define management and financial responsibilities for the Program.

II. AGREEMENT

2.1 **PROGRAM GUIDELINES.** The parties agree that management and operation of the Program will be based on the Program Guidelines attached as Exhibit A and incorporated by reference into this Agreement. The Guidelines will include specific provisions applicable to tribal lands. The Guidelines may be modified pursuant to Section 2.9 of this Agreement.

2.2 **TREASURY AND FINANCIAL REPORTING.** Kitsap County will provide treasury functions to support the Program and is responsible for all contracting functions relating to the contract between Kitsap County and Ecology for the state funding portion of the Program. Kitsap County will provide copies to the parties to this Agreement of all contract, financial reports, payments, and relating documents sent to and received from Ecology regarding the Program. Kitsap County will provide quarterly financial reports to the other parties on the Program. Kitsap County’s quarterly financial reports will reflect reports prepared by Enterprise on the number of loan applications submitted and approved, projects currently under construction, projects completed, and projects in default.

2.3 **FINANCIAL RESPONSIBILITY.** The parties agree that Kitsap County is providing the treasury and contracting functions as required by RCW 43.09.285, and for the purpose of obtaining funding on behalf of all parties to this Agreement. In the event Kitsap County wishes to terminate its role in providing treasury and contracting functions under this Agreement, Kitsap County shall provide six months written notice to the other parties to the Agreement. The parties agree that no draw or obligation under the State Revolving Fund Contract shall be incurred without unanimous agreement by the parties.

2.4 **PROGRAM ADVISORY BOARD.** Each party to this Agreement shall appoint one member to the Program Advisory Board ("Advisory Board"). The Advisory Board shall seek staff support from the Hood Canal Coordinating Council to assist the Advisory Board in its functions. The functions of the Advisory Board will be to review ongoing implementation of the Program, including financial status, marketing program, and evaluation of program operations. The Advisory Board shall meet at least quarterly to review the implementation of the Program. The parties to this
Agreement, through the Hood Canal Coordinating Council, may periodically request, but not more than twice yearly, a written report from the Advisory Board. The parties will seek to coordinate reporting by the Advisory Board with reporting provided by Enterprise relating to the Program. The Advisory Board may modify the Program Guidelines through a unanimous vote of all members. The Advisory Board shall coordinate its meeting schedule with the Hood Canal Coordinating Council.

2.5 TERMINATION OF PROGRAM. The Program shall be terminated only when the legislative authorities of all the parties have determined that they no longer wish to participate in the Program. The termination of the Program shall be effective only upon the end of the current calendar year. Upon termination of the Program, the parties shall seek to reach agreement on the payment of financial responsibilities, collection of loans, division of remaining funds, and ongoing implementation of an on-site septic program by parties to this Agreement on an individual or shared basis. If the parties cannot reach agreement on the terms for termination of the Program, then the Dispute Resolution process in Section 2.10 of this Agreement shall apply.

2.6 RECORDS MAINTENANCE. The parties shall maintain books, records, documents and other evidence, which sufficiently and properly reflect all costs relating to the Program. These records shall be subject to inspection, review, or audit by agencies so authorized by law. All books, records, documents, and other material relevant to this Agreement will be retained for six years after expiration and the Office of the State Auditor, federal auditors, and any persons duly authorized by the parties shall have full access to and the right to examine any of these materials during this period. The local government parties will comply with all applicable provisions of Ch. 42.56 RCW, the Public Records Act. Records and other documents, in any medium furnished by one party to this agreement to the other party, will remain the property of the furnishing party, unless otherwise agreed. The receiving party will not disclose or make available this material to any third parties without first giving notice to the furnishing party and giving it a reasonable opportunity to respond. Each party will utilize reasonable security procedures and protections to assure that records and documents provided by the other party are not erroneously disclosed to third parties.

2.7 RIGHTS IN DATA. Unless otherwise provided, data which originates from this Agreement shall be “works for hire” as defined by the U.S. Copyright Act of 1976 and shall be owned equally by the parties. Data shall include, but not be limited to reports, documents, pamphlets, advertisements, books, magazines, surveys, studies, computer programs, films, tapes, and/or sound reproductions. Ownership includes the right to use, copyright, patent, register and the ability to transfer these rights.

2.8 INDEPENDENT CAPACITY. The employees or agents of each party who are engaged in the performance of this agreement shall continue to be employees or agents of that party and shall not be considered for any purpose to be employees or agents of the other party.

2.9 AGREEMENT ALTERATIONS AND AMENDMENTS. This Agreement may be amended by unanimous agreement of the parties. Such amendments shall not be
binding unless they are in writing and signed by personnel authorized to bind each of the parties.

2.10 DISPUTES. In the event that a dispute arises under this Agreement, it shall be determined by a dispute board in the following manner: Each party to this agreement shall appoint a member to the dispute board. The members so appointed shall jointly appoint two additional members to the dispute board. The dispute board shall evaluate the facts, contract terms and applicable statutes and rules and make a determination of the dispute. The determination of the dispute board shall be final and binding on the parties hereto. As an alternative to this process, either of the parties may request intervention by the Office of the Governor, to provide dispute resolution procedures based on RCW 43.17.330, in which event the Governor's process will be binding on the parties.

2.11 GOVERNANCE. This contract is entered into pursuant to and under the authority granted by the laws of the State of Washington and any applicable federal laws. The provisions of this agreement shall be construed to conform to those laws. In the event of an inconsistency in the terms of this Agreement, or between its terms and any applicable statute or rule, the inconsistency shall be resolved by giving precedence in the following order: 1. Applicable State and federal statutes and rules; 2. Any other provisions of this Agreement, including materials incorporated by reference.

2.12 ASSIGNMENT. The obligations under this Agreement, and any claim arising thereunder, are not assignable or delegable by either party in whole or in part, without the express prior written consent of all other parties, which consent shall not be unreasonably withheld.

2.13 WAIVER. A failure by any party to exercise its rights under this agreement shall not preclude that party from subsequent exercise of such rights and shall not constitute a waiver of any other rights under this Agreement unless stated to be such in a writing signed by an authorized representative of the party and attached to the original Agreement.

2.14 SEVERABILITY. If any provision of this Agreement or any provision of any document incorporated by reference shall be held invalid, such invalidity shall not affect the other provisions of this Agreement which can be given effect without the invalid provision, if such remainder conforms to the requirements of applicable law and the fundamental purpose of this agreement, and to this end the provisions of this Agreement are declared to be severable.

2.15 ALL WRITINGS CONTAINED HEREIN. This Agreement contains all the terms and conditions agreed upon by the parties. No other understanding, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or to bind any of the parties hereto.
IN WITNESS WHEREOF, the parties have executed this Agreement.

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For Mason County

Name: Lynda Ring Erickson
Title: Chair
Date: 3/27/07

For Skokomish Tribe

Name:                  
Title:                 
Date:                  

Hood Canal Program
Interlocal Agreement - 5
Hood Canal Program
Interlocal Agreement - 6