

**FIRST AMENDMENT TO INTERGOVERNMENTAL
AGREEMENT REGARDING WATER SUPPLY FACILITIES,
DESIGN, CONSTRUCTION, AND OPERATION**

THIS FIRST AMENDMENT to Intergovernmental Agreement Regarding Water Supply Facilities, Design, Construction, and Operation (First Amendment) is effective this 9th day of Dec., 2008, by and between the City of Lake Oswego (Lake Oswego), an Oregon municipal corporation, and the City of Tigard (Tigard), an Oregon municipal corporation.

Recitals

WHEREAS, on August 6, 2008, the Parties executed the Intergovernmental Agreement Regarding Water Supply Facilities, Design, Construction, and Operation (Agreement); and

WHEREAS, the Agreement contained various exhibits setting forth current assets and values thereof, as well as identification of assets to be constructed and construction cost estimates; and

WHEREAS, the Agreement provides that from time to time the exhibits would be revised based upon further evaluation and studies and specifically that the valuation of existing assets would be conducted; and

WHEREAS, the valuation of certain assets has occurred and the Parties agree that certain exhibits should be amended to reflect this updated valuation and also that some existing assets should be deleted from the exhibits; and

WHEREAS, based upon the revised exhibits, the Parties further agree to amend the amount of the initial payment to be made by Tigard to Lake Oswego to acquire ownership in the existing supply facilities reflecting the updated valuation information, and being fully advised,

NOW, THEREFORE, THE PARTIES AGREE TO EXECUTE THIS FIRST AMENDMENT AS FOLLOWS:

Section 1. Amendment of Exhibits 1, 6, and 7. The Parties agree to adopt Exhibits 1, 6, and 7, attached hereto and incorporated by reference. The assets set forth in these Exhibits are the assets subject to the Agreement. The Parties agree that the Mapleton Drive properties (21E24BD Tax Lots 01200, 01300, 01400, and 01500) (Mapleton Properties) are not included as assets subject to this Agreement, but shall be added in the future if any permitting authority requires improvements or dedications of any kind on the Mapleton Properties as a condition of approval of Project improvements to the Water Treatment Plant Facilities or if the Mapleton Properties should otherwise become necessary to be utilized as part of the Project. If the Mapleton Properties are added, appraisals will be performed and the exhibits shall be modified as necessary to include the Mapleton Properties at the appraised value. Upon the addition of the

Mapleton Properties, Tigard shall pay Lake Oswego a sum equaling the percentage of the appraised value of those properties that equals Tigard's percentage of ownership of those properties as stated in the original Exhibit 7 to this Agreement. Addition of other assets and valuation thereof may be made by subsequent agreement of the Parties and amendment of applicable exhibits.

Section 2. Section 4.1, System Ownership. The Parties agree that Section 4.1, System Ownership, shall be amended to read as follows:

“4.1 System Ownership

On or before June 30, 2009, Tigard shall pay to Lake Oswego the principal amount of Two Million Eight Hundred Twenty Thousand, Five Hundred Fifty-Seven Dollars (\$2,820,557.00), together with interest on the principal amount at the rate Lake Oswego would have received if said principal was invested in the Local Government Investment Pool from the date of this First Amendment to the date of payment. Lake Oswego agrees to dedicate the amount paid as working capital to the Project. Upon payment, Tigard shall be granted by this Agreement an equitable interest in the Supply Facilities as if it were a vendee under a land sale contract. Title shall transfer upon completion of the Initial Expansion of the existing Supply Facilities. The Parties shall each then own undivided interests in the Supply Facilities and Property. Such ownership shall be a percentage ownership in the Supply Facilities component as set forth in the exhibits in this Agreement. The existing assets shall be valued as shown on Exhibit 1 and the contributing partner shall receive a credit for the asset value. If the Initial Expansion is not constructed, Lake Oswego shall refund the amount of Tigard's payment to Lake Oswego plus interest at the LGIP rate within 30 days of the decision to abandon the Project and Tigard shall have no further ownership or equitable interest in the Lake Oswego Supply Facilities and Property. Tigard will execute any document required by Lake Oswego to convey any interest Tigard may have in Lake Oswego Supply Facilities and Property.

Tigard's purchase of its percentage share of the Supply Facility assets shall be by capital contribution, mutually approved in kind contributions or payment of design, permitting and construction costs for the system expansion so that upon completion of the Initial Expansion, Tigard's contribution shall equal its percentage ownership as shown in Exhibit 7. Lake Oswego's percentage as shown in Exhibit 7 is based on its contributed assets, financial contribution to the Initial Expansion mutually approved in kind contributions and other mutually agreed factors.”

Section 3. Section 5.1, Creation of Common Ownership. The Parties agree that Section 5.1, Creation of Common Ownership, should be amended as follows:

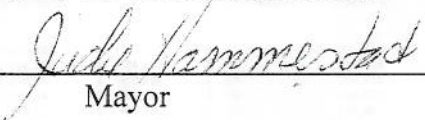
5.1 Creation of Common Ownership

Title to or easements rights to all properties over, under or upon which Supply Facilities are or shall be located (Property) shall remain in the name of Lake Oswego until the conclusion of the Initial Expansion. Tigard shall have an equitable interest as if it were a vendee under a land sale contract. Within 90 days following substantial completion of the Initial Expansion, Lake Oswego will, by Warranty Deed, convey to Tigard an undivided proportionate interest as tenant in common in the Property as set forth on Exhibit 6, attached hereto and incorporated by reference. The Parties agree the Property owned by Lake Oswego as of the date of this Agreement shall be valued in 2008 dollars. Property acquired after the date of this Agreement shall be acquired proportional to ownership according to the purchase price paid. Closing costs for the Lake Oswego transfer to Tigard shall be shared equally.”

Section 4. Entire Agreement. In all other respects, the Agreement dated August 6, 2008, is in full force and effect except as may be specifically amended by this First Amendment.

IN WITNESS WHEREOF the Parties have dated and signed this Agreement.

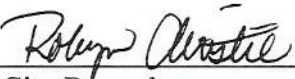
CITY OF LAKE OSWEGO



Mayor

12-26-08

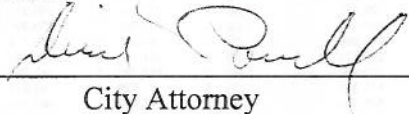
Dated

Attest 

City Recorder

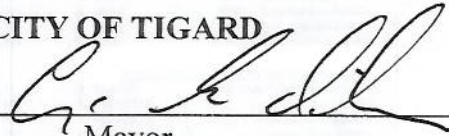
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Dated



City Attorney

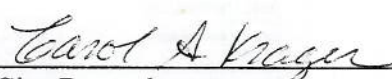
CITY OF TIGARD



Mayor

Dec. 9, 2008

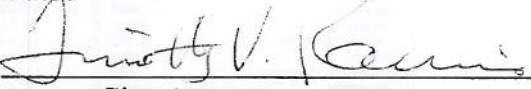
Dated

Attest 

City Recorder

Dec. 9, 2008

Dated



City Attorney

- 1 Interim Supply to Lake Coweigo (not allocated)
- 2 Raw Water Intake (not allocated)
- 3 Raw Water Transmission
- 4 Water Treatment Plant: Land
- 5 Water Treatment Plant: Structures & Equipment (not allocated)
- 6 Finished Transmission Main (not allocated)
- 7 Waluga Reservoir: Land (Reservoir Property)
- 8 Waluga Reservoir: Structures & Equipment (not allocated)
- 9 Bonita Pump Station (not allocated)
- 10 Computer System/Software
- 11 General Plant

Exhibit 1
Existing Real Property, Supply Facility Components and Valuation

Allocation	Asset Description	Acquisition Date	Acquisition Amount	Current Year		2008 Assumed Escalation		Today Acquisition Amount	Useful Life (In years)	Depreciation Amount	Value Today
				May 2008 ENR CCI	8140	August 2008 ENR CCI	8,362				
4	Water Treatment Plant Land			1,155		8,362					
	Plant Site	6/30/1968	\$ 83,797			\$ 606,676	Land	\$ -	\$ 606,676		
	Sub Total		\$ 83,797			\$ 606,676		\$ -	\$ 606,676		
	Raw Water Transmission			1,269		8,362					
3	Raw Water Transmission	6/30/1968	\$ 590,137			\$ 3,888,673	100	\$ 1,516,582	\$ 2,372,090		
3	Pipeline Easements	6/30/1968	\$ 22,000			\$ 144,968	100	\$ 56,537	\$ 86,430		
	Sub Total		\$ 612,137			\$ 4,033,640		\$ 1,573,120	\$ 2,460,521		
	Distribution Storage			3,237		8,362					
7	Reservoir Property	6/29/1980	\$ -	3,237	8,362	\$ -	Land	\$ -	\$ -		
	Waluga Reservoir	3/30/1983	\$ 1,281,427	4,066	8,362	\$ 2,635,340	100	\$ 658,835	\$ 1,976,505		
	Sub Total		\$ 1,281,427			\$ 2,635,340		\$ 658,835	\$ 1,976,505		
	Computer Systems/Software			4,835		8,362					
10	SCADA System Upgrade	6/30/1991	\$ 180,722	4,835	8,362	\$ 312,554	20	\$ 265,671	\$ 46,883		
10	Scada Software Upgrade	6/30/1999	\$ 33,500	6,059	8,362	\$ 46,233	20	\$ 20,805	\$ 25,428		
	Sub Total		\$ 214,222			\$ 358,787		\$ 286,476	\$ 72,311		
	General Plant			3,825		8,362					
11	Other	6/6/1982	\$ 17,000	3,825	8,362	\$ 37,164	20	\$ 37,164	\$ -		
11	Vehicles	6/6/1986	\$ 24,000	4,295	8,362	\$ 46,726	20	\$ 46,726	\$ -		
11	Vehicles	6/30/1999	\$ 29,500	6,059	8,362	\$ 28,292	20	\$ 12,731	\$ 15,561		
	Sub Total		\$ 61,500			\$ 112,182		\$ 96,622	\$ 15,561		
	Land Additions						July 2008 OLV (land Only with upward adjustment per parcel by amendment)				
7	Waluga Res #1: TL 700	1976	\$ -			\$ 1,359,585	Land	\$ -	\$ 1,359,585		
7	4800 Carmen Dr TL 900 & 1000	1992	\$ 323,000			\$ 1,826,618	Land	\$ -	\$ 1,826,618		
7	Vacant Parcel: 0.66 ac of TL3100	2008	\$ -			\$ 342,491	Land	\$ -	\$ 342,491		
4	4260 Kenthorpe Way TL 300	1966	\$ -			\$ 2,343,796	Land	\$ -	\$ 2,343,796		
4	WTP Property: TL 401	1979	\$ -			\$ 262,815	Land	\$ -	\$ 262,815		
4	4245-Mapleton-Dr-TL-1200	1988	\$ 85,000			\$ (382,166)	Land	\$ -	\$ (382,166)		
4	4305-Mapleton-Dr-TL-1300	1996	\$ 190,000			\$ (378,344)	Land	\$ -	\$ (378,344)		
4	4315-Mapleton-Dr-TL-1400	1988	\$ 116,000			\$ (378,344)	Land	\$ -	\$ (378,344)		
4	South-of-Plant-Site-TL-1500	1988	\$ 116,000			\$ (149,045)	Land	\$ -	\$ (149,045)		
	Clackamas River Intake & Pump Station			1,074		8,362					
	Clackamas River Intake Land	7/6/1967	\$ 10,450	1,074	8,362	\$ 260,000	Land	\$ -	\$ 260,000		
	Structure	6/30/1969	\$ 121,980	1,269	8,362	\$ 803,780	60	\$ 522,457	\$ 281,323		
	Pumps & equipment	6/30/1969	\$ 59,825	1,269	8,362	\$ 334,908	40	\$ 326,536	\$ 8,373		
	Piping and Valves	6/30/1969	\$ 20,330	1,269	8,362	\$ 133,963	60	\$ 87,076	\$ 46,887		
	Electrical, I&C, HVAC	6/30/1969	\$ 10,165	1,269	8,362	\$ 66,982	40	\$ 65,307	\$ 1,675		
	Seismic Upgrades	1980	\$ 131,000	6,538	8,362	\$ 167,547	60	\$ 78,189	\$ 89,358		
	Pumps	1980	\$ 40,000	3,237	8,362	\$ 103,330	40	\$ 72,331	\$ 30,999		
	Pumps No. 4	2002	\$ 153,833	6,538	8,362	\$ 196,750	40	\$ 29,513	\$ 167,238		
	Intake Fish Screens	2002	\$ 1,352,600	6,538	8,362	\$ 1,729,954	20	\$ 518,986	\$ 1,210,968		
	Piping and Valves	1980	\$ 10,000	3,237	8,362	\$ 25,833	60	\$ 12,055	\$ 13,777		
	Electrical and HVAC	1980	\$ 21,000	3,237	8,362	\$ 54,248	40	\$ 37,974	\$ 16,275		
	Water Treatment Plant			1,269		8,362					
	Site Work	6/30/1969	\$ 155,915	1,269	8,362	\$ 1,027,393	60	\$ 667,805	\$ 359,587		
	Concrete and Buildings	6/30/1969	\$ 479,739	1,269	8,362	\$ 3,161,212	60	\$ 2,054,788	\$ 1,106,424		
	Pumps	6/30/1969	\$ 4,197	1,269	8,362	\$ 27,656	40	\$ 26,964	\$ 691		
	Mechanical Equipment	6/30/1969	\$ 125,931	1,269	8,362	\$ 829,815	40	\$ 809,069	\$ 20,745		
	Piping and Valves	6/30/1969	\$ 191,895	1,269	8,362	\$ 1,264,481	60	\$ 821,912	\$ 442,568		
	Electrical, I&C, HVAC	6/30/1969	\$ 191,895	1,269	8,362	\$ 1,264,481	40	\$ 1,232,869	\$ 31,612		
	Filter Media, and Underdrains	6/30/1969	\$ -	1,269	8,362	\$ -	40	\$ -	\$ -		
	Chemical Addition	6/30/1969	\$ -	1,269	8,362	\$ -	40	\$ -	\$ -		
	Clear Well	6/30/1969	\$ -	1,269	8,362	\$ -	60	\$ -	\$ -		
	Solids Dewatering Facilities	6/30/1969	\$ -	1,269	8,362	\$ -	60	\$ -	\$ -		
	Miscellaneous	6/30/1969	\$ 11,993	1,269	8,362	\$ 79,027	20	\$ 79,027	\$ -		
	Engineering	6/30/1969	\$ -	1,269	8,362	\$ -	60	\$ -	\$ -		
	Expansion	1980	\$ 80,221	3,237	8,362	\$ 207,231	60	\$ 96,708	\$ 110,523		
	Site Work	1998	\$ 510,000	5,920	8,362	\$ 720,375	60	\$ 120,063	\$ 600,313		
	Expansion	1980	\$ 333,224	3,237	8,362	\$ 860,803	60	\$ 401,708	\$ 459,095		
	Seismic/ADA/Code	2000	\$ 498,498	6,221	8,362	\$ 670,060	60	\$ 89,341	\$ 580,718		
	Expansion	1980	\$ 86,391	3,237	8,362	\$ 223,170	60	\$ 104,146	\$ 119,024		
	Pumps and Equipment	1999	\$ 507,925	6,059	8,362	\$ 700,985	40	\$ 157,722	\$ 543,263		
	Expansion	1980	\$ 67,879	3,237	8,362	\$ 175,349	60	\$ 81,829	\$ 93,519		
	Mechanical	2001	\$ 641,126	6,343	8,362	\$ 845,199	40	\$ 147,910	\$ 697,289		
	Expansion	1980	\$ 357,906	3,237	8,362	\$ 924,563	60	\$ 431,463	\$ 493,100		
	Expansion	1980	\$ 178,954	3,237	8,362	\$ 462,284	60	\$ 215,733	\$ 246,551		
	Expansion	2001	\$ 86,247	6,059	8,362	\$ 91,427	40	\$ 20,571	\$ 70,856		
	Electrical & Instrumentation	1980	\$ 568,564	6,343	8,362	\$ 749,540	40	\$ 131,169	\$ 618,370		
	Expansion	1980	\$ 83,923	3,237	8,362	\$ 216,795	60	\$ 101,171	\$ 115,624		
	Filters & Structural Work	2001	\$ 416,886	6,343	8,362	\$ 549,582	40	\$ 96,177	\$ 453,405		
	Sodium Hypochlorite System	1998	\$ 282,793	5,920	8,362	\$ 399,445	40	\$ 99,861	\$ 299,584		
	Lime Storage/Feed System	1998	\$ 1,000,158	5,920	8,362	\$ 1,412,723	40	\$ 353,181	\$ 1,059,542		
	CO2 Storage/Feed System	1998	\$ 238,357	5,920	8,362	\$ 336,679	40	\$ 84,170	\$ 252,509		
	Alum Storage/Feed System	1998	\$ 522,800	5,920	8,362	\$ 738,455	40	\$ 184,614	\$ 553,841		
	Clear Well Baffle	1996	\$ 107,293	5,622	8,362	\$ 159,585	40	\$ 47,875	\$ 111,709		
	Solids Dewatering Lagoons	1999	\$ 1,084,518	6,059	8,362	\$ 1,496,739	40	\$ 336,766	\$ 1,159,972		
	Expansion	1980	\$ 45,664	3,237	8,362	\$ 117,962	60	\$ 55,049	\$ 62,913		
	Engineering	1998	\$ 311,480	5,920	8,362	\$ 439,937	60	\$ 73,323	\$ 366,614		
	Engineering	1999	\$ 120,000	6,059	8,362	\$ 165,611	60	\$ 24,842	\$ 140,770		
	Engineering	2000	\$ 126,653	6,221	8,362	\$ 170,242	60	\$ 22,699	\$ 147,543		
	Engineering	2001	\$ 332,000	6,343	8,362	\$ 437,677	60	\$ 51,062	\$ 386,615		
			\$ 9,731,005						\$ 11,704,894		
	Finished Water Transmission			1,269		8,362					
	24-inch Finished Water Main	6/30/1968	\$ 473,456	1,269	8,362	\$ 3,119,810	100	\$ 1,216,726	\$ 1,903,084		
	WTP Transmission Main	6/30/1969	\$ 42,618	1,269	8,362	\$ 280,829	100	\$ 109,523	\$ 171,306		
	North Shore-Iron Mtn. Pipelines	6/30/1970	\$ 534,142	1,381	8,362	\$ 3,234,247	100	\$ 1,229,014	\$ 2,005,233		
	Upper Dr.-Iron Mtn. 24 Inch Pipelin	6/30/1985	\$ 575,398	4,195	8,362	\$ 1,146,955	100	\$ 263,800	\$ 883,156		
	Cathodic Protection System	4/1/2000	\$ 486,097	6,221	8,362	\$ 653,391	40	\$ 130,678	\$ 522,713		
	Sub Total		\$ 24,325,904			\$ 38,086,415		\$ 13,921,751	\$ 35,869,557		
			<u>Acquisition Value</u>			<u>2008 Value</u>		<u>Calculated Depreciation</u>	<u>Total Current Value</u>		
	TOTAL ASSETS		\$ 26,578,987			\$ 45,833,040		\$ 16,536,804	\$ 41,001,130		

EXHIBIT 6
DETERMINATION OF TIGARD BUY-IN

Asset	Tax Map	Tax Lot	Clackamas Co. Deed	Original Cost	Net Reproduction Cost	Tigard Allocation %	Tigard Share
Clackamas River Intake & Pump Station				\$ 1,911,733	\$ 1,832,454	0.00%	\$ -
Clackamas River Intake Land*	2 2E 20CA	15001	Bk 173, Pg 900-902	\$ 10,450	\$ 260,000	14/38	\$ 95,789
Computer System/Software				\$ 214,222	\$ 72,311	14/38	\$ 26,641
Finished Water Transmission				\$ 2,111,711	\$ 5,440,227	0.00%	\$ -
General Plant				\$ 61,500	\$ 15,561	14/38	\$ 5,733
Raw Water Transmission				\$ 612,137	\$ 2,460,521	14/38	\$ 906,508
Waluga Reservoir				\$ 1,281,427	\$ 1,960,196	0.00%	\$ -
Waluga Reservoir: Land							
Reservoir Property	2 1E 07 AD	03100	Doc 72-06414	n/a	\$ 342,491	14/38	\$ 126,181
Waluga Res #1*	2 1E 07AD	00700	Doc 76-36977	n/a	\$ 1,359,585	14/38	\$ 500,900
4800 Carmen Dr*	2 1E 07AD	00900	Doc 92-063461	\$ 323,300	\$ 913,309	14/38	\$ 336,482
Vacant Parcel*	2 1E 07AD	01000	Doc 92-063461*	\$ 323,300	\$ 913,309	14/38	\$ 336,482
Water Treatment Plant				\$ 9,731,005	\$ 11,704,894	0.00%	\$ -
Water Treatment Plant Land							
4260 Kenthorpe Way - parcel 1*	2 1E 24BD	00300	Bk 688, Pg 581	n/a	\$ 2,343,796	14/38	\$ 863,504
4260 Kenthorpe Way - parcel 2*	2 1E 24BD	00401	Doc 79-35248	n/a	\$ 262,815	14/38	\$ 96,827
4245-Mapleton-Dr*	2 1E 24BD	01200	Doc 89-10200	\$ 85,000	\$ 382,166	14/38	(\$140,798)
4305-Mapleton-Dr*	2 1E 24BD	01300	Doc 95-33429	\$ 190,000	\$ 378,344	14/38	(\$139,390)
4315-Mapleton-Dr*	2 1E 24BD	01400	Doc 89-13210	\$ 116,000	\$ 378,344	14/38	(\$139,390)
xxxx-Mapleton-Dr*	2 1E 24BD	01500	Doc 89-13210	\$ 116,000	\$ 449,045	14/38	(\$54,911)
Totals			* Less 2006-108190	\$ 17,087,783	\$ 31,169,368		\$ 2,820,558

*Net reproduction cost for these properties are based on an appraisal conducted by Integra Realty Resources (July 2008). Orderly Liquidation Values for parcels not shown were adjusted upward by amendment.

Allocation is based on 14 mgd of 18 mgd capacity allocated to Tigard
Net Reproduction Cost includes escalation by ENR less depreciation

EXHIBIT 7

ALLOCATION OF SYSTEM IMPROVEMENT COSTS TO THE PARTIES

	Cost of Improvement (in 2006 \$) *	Lake Oswego		Tigard	
		Allocation (%)	Share (\$)	Allocation (%)	Share (\$)
Water Treatment Plant					
- Existing Plant	n/a	100.00%	n/a	0.00%	\$ -
- 32 mgd Expansion	\$ 39,430,000	2/16	\$ 4,928,750	14/16	\$ 34,501,250
- 38 mgd Expansion	n/a	100% **	n/a	0.00%	\$ -
Raw Water Intake and Pump Station	\$ 4,440,000	24/38	\$ 2,804,210	14/38	\$ 1,635,789
Raw Water Transmission Main Finished Water Transmission Main	\$ 23,920,000	24/38	\$ 15,107,368	14/38	\$ 8,812,633
-Reaches 7-10	\$ 38,220,000	24/38	\$ 24,138,947	14/38	\$ 14,081,053
-Reaches 11-12	\$ 17,020,000	8/22	\$ 6,189,091	14/22	\$ 10,830,909
Storage (MG)	\$ 4,010,000	1.0/2.5	\$ 1,604,000	1.5/2.5	\$ 2,406,000
Bonita Road Pumping Station	\$ 1,700,000	0.00%	\$ -	100.00%	\$ 1,700,000
Total Costs	\$ 128,740,000	42.54%	\$ 54,772,366	57.46%	\$ 73,967,634

* - Project costs are presented in 2006 dollars. Actual cost will depend on project start and completion dates.
 ** - Second (6 mgd) expansion is currently assigned to Lake Oswego. Contract provides for potential reallocation by agreement.