

**FACILITATING SETTLEMENT AGREEMENT
(HIGHLAND HILLS SEWER RATE)**

This Facilitating Settlement Agreement (hereinafter "FSA") is entered into by and between the CITY OF SEQUIM, a municipal corporation of the State of Washington ("City"); and HIGHLAND HILLS MAINTENANCE COMMISSION, a nonprofit corporation of the State of Washington ("HHMC").

The parties agree as follows:

1. HHMC is an organization consisting of members who own property in Highland Hills, a residential subdivision adjacent to the city limits of Sequim, Washington. HHMC is a successor to Highland Hills Development Company ("HHDC").

2. In 1983, and 1992, the City and HHDC entered into agreements which transferred the Highland Hills sewer system to the City and fixed the sewer rates to be charged by the City to the members of HHMC at 1½ times the amount charged to City residents. In June 1999, the City adopted a new two-tier system of sewer rates. The City does not meter its sewage effluent, but uses water consumption to measure sewage effluent. For most City residents, the city also supplies water. The lower tier applied to residents consuming lesser cubic feet of water per month, and the higher tier for greater consumption as shown in city water meter readings. The City's policy was to charge at the higher tier unless the utility user qualified for the lower tier. Thereafter, the City, which does not supply water to HHMC members, charged all HHMC members at 1½ times the higher tier, without regard to whether the actual water usage entitled the HHMC member to the lower tier rate.

3. In 2009, it came to the attention of HHMC that since 1999 the City had been charging all HHMC members 1½ times the higher of the two-tiered rates.

4. HHMC submitted a letter demand to the City dated August 11, 2009, requesting adjustment of rates and reimbursement to HHMC members of sewer fees contending they had been overcharged.

5. HHMC is an association and is not a property owner; and as such, HHMC has neither paid sewer fees nor claimed from the City any refund to HHMC for overpayment of sewer fees. HHMC covenants that HHMC will assert no claim on behalf of the association against the City for refunds as a result of its individual members allegedly being overcharged for sewer fees.

6. HHMC and the City have negotiated a form of Claim Compromise Agreement ("CCA") by which HHMC members may settle their demand for overpayment. A copy of the CCA is attached hereto marked Exhibit "A." The CCA provides, *inter alia*, that as to each HHMC member who opts to enter into the CCA, the City will refund all overcharges from August 2007 through June 2010, and will adjust future rates commencing July 2010, upon receipt of a written statement under penalty of perjury as set forth in paragraph 2 of the CCA demonstrating entitlement to refund. If the City changes sewer rates in the future, HHMC members will be billed 1 ½ times the in city rate. The fact that some HHMC members agree to the CCA with the City shall not be used as an admission of liability in any dispute between the City and other HHMC members who do not enter into the CCA.

7. HHMC approves the attached CCA as to form and content. HHMC's approval of the CCA and HHMC's participation in negotiations with the City are solely for the limited purposes of resolving disputed issues concerning applicable rates in the 1983 agreement and facilitating settlement with those HHMC members who opt to enter into the CCA concerning disputed past and future sewer rates. It is understood that nothing in this agreement affects or impairs the rights of prior owners or occupiers of the premises. Nothing stated in this FSA and exhibit A hereto constitutes an admission of a party and these statements fall within the provisions of Washington Supreme Court Evidence Rule 408.

8. The City and HHMC each releases the other from any and all claims, demands, damages, controversies or suits of any kind or nature whatsoever, whether known or unknown, asserted or not asserted, foreseen or unforeseen, arising from City's application of sewer rates, fees and charges to HHMC members, and the payment thereof by HHMC members. Nothing herein shall be deemed to alter any existing agreements between the parties hereto.

9. Nothing in this FSA prevents, precludes, or diminishes those HHMC members who do not submit a CCA to the City from instituting any claims, demands or litigation for sewer overcharges.

DATED: March 23, 2010.

CITY OF SEQUIM

By Ken Hays

Ken Hays, Its Mayor

As approved in open public meeting on 3-22-2010

DATED: 3/23, 2010

HIGHLAND HILLS MAINTENANCE COMMISSION

By Don Smaltz

Don Smaltz, President