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EASEMENT /AGREEMENT FOR WATER SERVICES

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THIS AGREEMENT is made as of the 10th day of

January, 1998, by and between Shield Crest Water Company, an Oregon corporation, ("Water Company"), and the undersigned Party ("Lot Owner").

RECITALS:

1. Water Company has constructed and is operating a water system ("Water System") designed to provide domestic water to approximately thirty (30) lots located in Tracts 1172, 1245, and 1257 Shield Crest, First Addition to Shield Crest and the resubdivision of Shield Crest, Klamath County, Oregon.

2. Lot Owner has agreed to purchase or has purchased a lot in Shield Crest which can be served by the Water System. Lot Owner desires to receive water from the Water Company.

3. Water Company is willing to provide domestic water on the terms and conditions set forth below.

AGREEMENT:

The parties covenant and agree as follows:

1. Provision of Domestic Water. During the terms of this Agreement, Water Company shall deliver by pressurized water main to Lot Owner's property line, at the point shown on the map attached hereto, domestic water in reasonably sufficient

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quantities for Lot Owner's domestic residential use, including landscaping and lawn irrigation.

2. Maintenance and Repair of Water System. In the event of a malfunction of Water Company's system, Water Company shall, as soon as reasonably possible, repair and cure the malfunction and reestablish water deliveries to Lot Owner. During such periods of malfunction, Lot Owner shall curtail its use of water and shall otherwise cooperate with Water Company, in rationing the available supply to and with the other users of the Water System. Water Company shall not be liable to Lot Owner for loss or damage resulting from its temporary inability to deliver water to Lot Owner, except where Water Company has acted in a grossly negligent manner. Water Company shall exercise reasonable care to maintain the Water System in good operating condition.

3. Compliance with Health Regulations. Water Company shall operate the Water System in reasonable compliance with federal, state, and local laws, rules, and regulations. Lot Owner shall cooperate in any testing, flushing, or other activities reasonably required to operate the Water System in a reasonable manner.

4. Turnover of System. On December 31, 2005, or upon the closing of the sale of the last lot which can reasonably be

served by the Water System, whichever event shall first occur, Water Company shall turn over the Water System to an operating entity formed by the users of the system from the date of the turnover. The water users shall operate and maintain the Water System, and Water Company shall have no further duties or obligations to Lot Owner. Thereafter, each lot served by the water system shall have an equal, undivided interest in the Water System and shall abide by such rules and regulations for the management and operation of the Water System as are adopted by a majority of the owners of the lots served by the Water System. At the time of the turnover, the Water System shall be in good operating condition and shall be transferred free and clear of all liens and encumbrances. If at the time control of the system is turned over to the lot owners less than 30 lots have been connected to the system, then Water Company, Shield Crest, Inc., or their successors in interest may, at no charge to Water Company or Shield Crest, Inc., hook up additional lots to the system until there are a total of 30 lots which were purchased from Shield Crest, Inc. after January 1, 1995 with the express intent of receiving water from the water system.

5. Initial Service Fee. Lot Owner shall pay to Water Company, at the time of executing of this Agreement, the sum of

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\$ as the fee for hooking onto the Water System.

6. Operating Fee. Lot Owner shall pay to the Water Company, during the term of this Agreement, a quarterly Operating Fee. The Operating Fee shall be payable in advance and shall be due and payable on the first day of each calendar quarter. The initial amount of the Operating Fee shall be \$ 52.00 per quarter. Water Company may increase the fee by five percent per year, with such increase effective January 1 of each calendar year. Water Company shall provide a fee statement to Lot Owner not less than 15 days before the fee is due. All fees which are not paid within 10 days of the due date shall be assessed a \$25 administrative charge. If a fee is 30 days delinquent, Water Company may disconnect Lot Owner's lot from the Water System. Lot Owner shall not be entitled to reconnect to the system until Lot Owner has paid to Water Company all charges and fees then due, plus a \$100 reconnection fee. If the charges and fees remain unpaid for a period of 90 days from the date the Operating Fee was due, then all of Lot Owner's rights and interest arising under this Agreement shall terminate without further notice or act of the Water Company. All fee statements and other notices from Water Company to Lot Owner shall be mailed by first class mail to the last address provided in writing to Water Company by

Lot Owner. All fee statements and notices shall be deemed delivered when deposited, postage prepaid, in the U. S. Mail by Water Company.

7. Binding Effect. This Agreement shall be binding on and inure to the benefit of the parties and their heirs, personal representatives, successors, and assigns.

8. Assignment. This Agreement shall be freely assignable.

9. Attorney Fees. If any suit or action is filed by any party to enforce this Agreement or otherwise with respect to the subject matter of this Agreement, the prevailing party shall be entitled to recover reasonable attorney fees incurred in preparation or in prosecution or defense of such suit or action as fixed by the trial court, and if any appeal is taken from the decision of the trial court, reasonable attorney fees as fixed by the appellate court.

10. Amendments. This Agreement may be amended only by an instrument in writing executed by all the parties.

11. Entire Agreement. This Agreement sets forth the entire understanding of the parties with respect to the subject matter of this Agreement and supersedes any and all prior understandings and agreements, whether written or oral, between the parties with respect to such subject matter.

12. Severability. If any provision of this Agreement shall be invalid or unenforceable in any respect for any reason, the validity and enforceability of any such provision in any other respect and of the remaining provisions of this Agreement shall not be in any way impaired.

13. Waiver. A provision of this Agreement may be waived only by a written instrument executed by the party waiving compliance. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. Failure to enforce any provision of this Agreement shall not operate as a waiver of such provision or any other provision.

14. Time of Essence. Time is of the essence of each and every provision of this Agreement.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of Oregon.

16. Arbitration. Any controversy or claim arising out of or relating to this Agreement, including, without limitation, the making, performance, or interpretation of this Agreement, shall be settled by arbitration in Klamath County, Oregon, in accordance with ORS 36.300-36.365, and judgment on the arbitration award may be entered in any court having jurisdiction

over the subject matter of the controversy.

WITNESS the signatures of the parties:

SHIELD CREST WATER COMPANY

By: Robert D. Cox
 9862 Greenbrier Drive
 Klamath Falls OR 97603
 Telephone:

LOT OWNER(s):

Lot 6 Block 3

Robert D. Cox
 Signature
Sheila C. Cox
 Signature

Address for mailing notices

3731 La Marada Way
Klamath Falls, Or
97603
 Telephone: (541) 885-1245

State of Oregon, County of Klamath
 Recorded 01/10/01, at 9:52 a.m.
 In Vol. M01 Page 1013
 Linda Smith,
 County Clerk Fee \$ 5.00