

WATER SYSTEM AGREEMENT

THIS AGREEMENT, made and entered into this 29th day of December, 1980, by and between JAMES R. LIST and DARLENE LIST, Husband and Wife of Box 1105, Thompson Falls, Montana, herein referred to as "Lists" and ELMER P. STANEK and CATHERINE M. STANEK, Husband and Wife of Box 178, Thompson Falls, Montana, herein referred to as "Staneks" is as follows:

WHEREAS, Lists own real property described on Exhibit "A" and Staneks own real property described on Exhibit "B" and

WHEREAS, a spring is located above the property owned by Lists from which they take domestic water and

WHEREAS, Lists have agreed to permit Staneks to take domestic water from spring and have granted Staneks an easement for the installation, repair and maintenance of a waterline over and across property owned by Lists, which said easement is recorded in Deed Book 98 at Page 694, records of Sanders County, Montana, and a copy of which said easement is attached hereto as Exhibit "C", and

WHEREAS, the parties hereto desire to reduce their understanding with respect to the use of the water from the spring and the water distribution system which will be used in connection therewith, to writing, for their mutual benefit and protection,

NOW, THEREFORE, this Agreement:

1. Lists hereby grant a license to Staneks, their heirs, successors, devisees and assigns, to take and use water from the spring and distribution system as presently located and developed on their property above described. This license shall include a right of access to the water distribution system and source for purposes of making repairs and maintenance on said system and to keep it in operable condition. It is agreed, however, that after any maintenance work is done on the system that the surface of the ground will be restored to its original condition.

EXHIBIT "A"

That portion of Section Thirty-five (35), Township Twenty-three (23) North, Range Thirty (30) West, lying easterly of the Easterly right-of-way of Blue Slide Road described as follows:

Commencing at the point the Easterly right-of-way line intersects the Northern boundary of Section Thirty-five (35), thence the following twelve (12) courses along the Easterly right-of-way line of said Blue Slide Road: S.03°43'53"W., 181.00 feet to a point on a tangent curve; thence Southerly along said tangent curve being concave to the East and having a radius of 1202.09 feet a distance of 195.09 feet to a point on a tangent line; thence S.04°55'10"E., 401.95 feet to a point on a tangent curve; thence Southeasterly along said tangent curve being concave to the Northeast and having a radius of 405.70 feet a distance of 183.06 feet to a point on a tangent line; thence S.30°46'20"E., 526.18 feet to a point on a tangent curve; thence Southeasterly along said tangent curve being concave to the Southwest and having a radius of 1034.75 feet a distance of 205.30 feet; thence S.19°24'17"E., 466.68 feet; thence S.19°25'29"E., 1140.37 feet to a point on a tangent curve; thence Southeasterly along said tangent curve being concave to the Northeast and having a radius of 4118.97 feet a distance of 99.27 feet to a point on a tangent line; thence S.20°48'20"E., 866.01 feet to a point on a tangent curve; thence Southeasterly along said tangent curve being concave to the Northeast and having a radius of 711.52 feet a distance of 191.53 feet to a point on a tangent line; thence S.35°01'44"E., 127.94 feet to a point on a tangent curve; thence Southeasterly along said tangent curve being concave to the Southwest and having a radius of 710.04 feet a distance of 83.52 feet; thence S.27°32'09"E., 70.8 feet; thence S.18°26'02"E., 868.9 feet to a point on the South boundary of Section Thirty-five (35) which point is S.89°49'21"E., 879.91 feet from the South quarter corner of said Section Thirty-five (35).

Less that portion of the following described property located in Section Thirty-five (35):

Commencing at the Section corner common to said Section Thirty-five (35) and Sections One (1), Two (2), and Thirty-six (36), thence S.21°48'30"W., 451.34 feet; thence N.89°38'W., 110 feet; thence N.46°44'10"W., 358.12 feet; thence N.21°48'30"E., 300 feet; thence S.81°05'18"E., 402.89 feet; thence South 115 feet to the point of beginning as conveyed to Sanders County by deed recorded at Book 91 of Deeds, Page 829, Records of Sanders County, Montana.

Also less that parcel conveyed to Ronald M. Kazmierczak, et ux, by deed recorded at Book 87 of Deeds, Page 352, Records of Sanders County, Montana.

Also less five (5) acres to be conveyed by Grantees to Grantors located adjacent to property described above which was conveyed to Sanders County.

Grantor further transfers to Grantee all water rights appurtenant to said property transferred.

Subject to easements and rights-of-way apparent and of record.

EXHIBIT "B"

A tract of land located within the North Half of Section 15, Township 23 North, Range 30 West, PMM, more particularly described as follows:

Commencing at the North Quarter Corner of Section 15, Township 23 North, Range 30 West; thence
S 14°32'37" E 1247.11 feet to the point of beginning; thence
S 22°59'37" E 348.61 feet; thence
S 55°05'21" W 880.05 feet to the Easterly right of way boundary of the Blue Slide County Road; thence
N 19°24'17" W 323.68 feet to a point on a curve to the left having a radius of 1034.75 feet and a central angle of 11°22'03"; thence along said curve an arc distance of 265.30 feet; thence
N 30°46'20" W 47.34 feet; thence
N 51°52'38" E 358.91 feet; thence
N 82°05'51" E 528.41 feet to the point of beginning, containing in all 10.64 acres.

The system presently includes a 2 inch line from the source to a holding tank and then a continuation of the 2 inch line to a tee from which one inch lines extend to the Hista and Staneka residences. It is agreed that the right or license of Staneka to take water shall be limited to that which the one inch line as presently installed will carry or one-half of the water available at the holding tank, whichever amount is the lesser.

2. This document shall not be construed to create a "for profit" arrangement, but rather only contemplates an agreement to provide a supply of water to the parties at the most reasonable cost.

3. It shall be the purpose of this agreement to establish an arrangement regarding the supply of water to the respective parties which will be in keeping with the relevant statutes and regulations of the State of Montana governing multi-family water systems and in that connection the parties agree that the system shall be operated so as to:

a) supply adequate quantities of water at adequate pressures for ordinary domestic uses,

b) supply water of a quality to comply with appropriate governmental regulations regarding purity and safety of drinking water, and

c) assure the good order and repair of the system so that satisfactory operation of the system can be continued.

4. The costs of maintaining the system from the source to the tee shall be share equally by the parties. Each party shall be individually responsible for the costs of maintaining the line below the tee to their respective residence. In the event, however, that a change in the system is required by the Department of Health and Environmental Sciences or the Department of Natural Resources or any other governmental regulatory authority, this cost shall be borne solely by Stanek.

5. The ownership interest of each party shall be deemed appurtenant to their particular tract and shall inure equally to the benefit of their successors in interest. Each party shall have equal rights and responsibilities with respect to the water system so long as they are current in their payments due under the terms of this agreement. The rights of a delinquent party may be suspended during period of non-payment and service can be terminated if delinquency

in payments continued for a period of time in excess of thirty (30) days, but the full rights and service of the delinquent party shall be immediately restored upon payment of sums then due.

6. Either party shall have the right to inspect the water system and improvements and to have an accounting with respect to costs incurred or paid in the operation and maintenance of the water system.

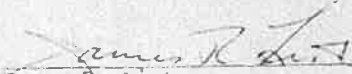
7. In the event of a breach of the agreement or a dispute with respect to the operation of the said water system, either party shall have the right to arbitration and then each shall designate an arbitor and the two arbitors shall choose a third arbitor. The decision of the Board of Arbitors as to the matter in dispute shall be final upon the parties.

If the parties do not elect arbitration, either party shall have all of the rights which may be granted by the laws of the State of Montana in such cases and, additionally, the right to specific performance of this agreement and to the appointment of a receiver by the Court if appropriate.

In the event of Court action, the losing party shall bear costs and the reasonable attorneys fees of the prevailing party.

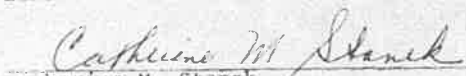
8. This agreement shall continue in effect until severed and terminated by mutual agreement of the parties and subject to the further condition that such severance or termination shall be subject to the approval of the Department of Healty of the State of Montana.

9. The benefits and burdens of this agreement shall inure to and be binding upon the parties hereto, their Personal Representatives, devisees and assigns.


James R. List


Darlene List


Elmer P. Stanek


Catherine M. Stanek

11 260

STATE OF MONTANA

County of Sanders

On this 29th day of December, 1981, before me, a Notary Public for the State of Montana, personally appeared JAMES E. LIST, DAPLENT LIST, ELMER P. STANEK and CATHERINE M. STANEK, known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the day and year first above written.

and J. M. Kelly
Notary Public for the State of Montana
Residing at Thompson Falls, Montana
My Commission expires March 15, 1983

FILED IN BOOK 2

2

10.00

James E. List
Elmer P. Staneck
Catherine M. Staneck

256