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SANPETE COUNTY CORPORATION  
FOR: SKYLINE MOUNTAIN RESORT  
WATER

## AGREEMENT

This Agreement is entered into this 12 day of July, 2010, by and between Skyline Mountain Special Service District, a Utah political subdivision ("the District") and Sports Haven International, a Utah nonprofit corporation, dba Skyline Mountain Resort ("SMR").

### RECITALS

WHEREAS the District is the owner of Water Right Nos. 65-368, 65-1712, 65-1713, 65-2887, 65-2928, 65-3413, 65-3434 and associated Change Applications (collectively, "the Water Rights"); and

WHEREAS, the District has, for several years, operated the water system at Skyline Mountain Resort in Sanpete County, Utah; and

WHEREAS, SMR is now desirous and willing to operate the water system for the benefit of SMR's members; and

WHEREAS, the District is willing to allow SMR to operate the water system.

### TERMS AND CONDITIONS

NOW THEREFORE, in consideration of the mutual covenants herein contained and the sufficiency of said consideration being hereby acknowledged, the parties agree as follows:

1. Term: The District agrees to permit SMR to use the Water Rights for purposes of operating the resort's water system, commencing seven (7) days from the date of this Agreement and continuing for forty-nine (49) years, subject to the parties' rights of termination, as described herein. Either party may renew this Agreement for additional forty-nine-year periods by providing the other party with written notice of renewal at least one year, but not more than three years, prior to the termination date.

2. Price: As consideration for the use of the Water Rights, SMR agrees to pay the District's expenses. By October 31st of each year, the District shall provide SMR with a budget consisting of expected fixed costs (e.g., insurance costs, personnel costs, etc.) and expected variable costs (e.g., attorney fees, administrative filing fees, etc.) for the coming year. This will provide SMR with the ability to build the District's budget into SMR's budget for the coming year. In the event no budget is submitted by the District, the budget for the preceding year will be considered the budget submitted by the District. SMR shall pay the expected fixed costs to the District during the first quarter of the year. SMR shall be responsible for payment of the variable costs within thirty (30) days of receipt of billings from the District detailing the expenditure. If the District becomes aware that its variable costs will exceed the budget amount previously provided to SMR, the District shall notify SMR as soon as possible of the estimated additional costs, thereby providing SMR with the opportunity to prepare for the costs. If the expected amount of

a variable cost exceeds \$2,000.00 (e.g., if the District plans to incur legal fees that exceed \$2,000.00 to participate in administrative or court proceedings in order to protect the Water Rights), the District shall seek the approval of the SMR prior to incurring the expense, and the SMR shall not unreasonably withhold approval. If SMR fails to timely pay the fixed or variable costs as provided herein, the District may initiate termination, as provided in paragraph 7.

**3. Protection of Water Rights:** The District agrees to continue holding title to the Water Rights and use its best efforts to protect the water rights from forfeiture, interference, and other potential issues affecting the Water Rights. The District shall use its best efforts to ensure the Water Rights are protected and are available for SMR's use for the water system. SMR agrees to beneficially use the water under the Water Rights and to cooperate with the District in protecting the Water Rights, as requested by the District. The parties agree that they will not convey, lease, encumber, or otherwise transfer the Water Rights without the prior written consent of the other party. If a party becomes aware of any potential threat or issue respecting the Water Rights, the party shall promptly notify the other party of the threat or issue.

**4. Operation of Water System:** SMR agrees and accepts responsibility for operating the water system. This includes, but is not limited to: (a) billing the resort's members for water use; (b) collecting the water fees from the resort's members; (c) maintaining the water system, including the wells, pumps, pipelines, tanks, and other diversion, storage, and conveyance facilities, in good working order; (d) maintaining a record of monthly diversion from each of the water system's sources, and provide said diversion records to the District upon request; (e) making reasonable improvements to the water system to maintain the system in good working order; and (f) assure that the water system operates within state and local statutes, ordinances, and regulations. The District shall have no responsibility to operate, maintain, or improve the water system. Within seven (7) days from the date of this Agreement, the District shall provide SMR with the information and records that SMR will need to operate, maintain, and improve the water system, including as built drawings, line and meter locations, meter readings, billing and accounting information, and documentation related to testing and compliance with state drinking water standards. By January 31st of each year, SMR shall provide to the District a report of the water system for the preceding year, including a summary of improvements made to the water system, a description of the general condition of the water system, copies of the monthly diversion records for each of the water system's sources, relevant financial information, etc.

**5. Indemnification:** To the fullest extent permitted by law, SMR agrees to indemnify, hold harmless, and defend the District and its directors, officers, employees, and agents from and against any and all claims, liability, damages, or expenses for any injury or damage to any person or property arising from the operation of the water system.

**6. Additional Water Rights.** If SMR obtains additional water rights, SMR shall have the right, but not the obligation, to deed the rights to the District. If SMR elects to deed a water right to the District, the right shall be subject to the terms of this Agreement.

**7. Termination by the District:** If SMR is in breach of any term of this Agreement, the District may send SMR written notice of the breach and a demand that SMR remedy the breach within thirty (30) days of the notice. If the breach is not remedied within ninety (90) days, the District



