

WHEREAS there exists an agreement entitled "Modification of Easement Grant," recorded under # 200212020308 in the records of the Auditor of Skagit County, Washington, said agreement conveying to the owners of the Northern Parcel and the Southern Parcel the said well and related infrastructure, and conveying easements benefiting the Northern Parcel and the Southern Parcel for the purpose of ingress and egress for the installation, maintenance and operation of the said well and infrastructure;

WHEREAS there exists a well, well pump, piping, and other infrastructure that conveys well water to the boundary of the Northern Parcel;

WITNESSETH:

This Well System Agreement is made this 27th day of July, 2012, by Dreamland Properties, LLC, a Washington limited liability company, the current owner of the parcel described in Exhibit 1 attached hereto (the "Northern Parcel"), and James E. Turner and June A. Jaeger, husband and wife, the owners of the parcel described in Exhibit 2 attached hereto (the "Southern Parcel").

Grantors: Dreamland Properties, LLC; James E. Turner and June A Jaeger, husband and wife.

Grantees: Dreamland Properties, LLC; James E. Turner and June A. Jaeger, husband and wife.

Abbrev. Legal Description: Portion of the NE 1/4 NE 1/4 of Sec. 24, and a Portion of the NW 1/4 NW 1/4 of Sec. 19.

Tax Parcel Numbers: P48141, P115707, P115709, P115710

Document Affected: None.

DOCUMENT SUMMARY

Well System Agreement

1-12296-08

LAND TITLE OF SKAGIT COUNTY

Stephen A. Brandli
2397 Turn Point Rd.
Friday Harbor, WA 98250

After filing, return to:



WHEREAS there exists an easement benefiting the Northern Parcel and the Southern Parcel over, under, and through Fox Hollow Lane as originally granted in Declaration of Covenants, Conditions, Restrictions and Reservations for Fox Hollow Lane Association, recorded under # 200011210071 in the records of the Auditor of Skagit County, Washington, and confirmed in Restatement of Declaration of Covenants, Conditions, Restrictions, and Reservations for the Fox Hollow Lane Community Association, recorded under #200502070028 in the records of the Auditor of Skagit County, Washington, some of the above-referenced piping existing within said easement;

WHEREAS at the time of execution of this agreement, neither the Northern Parcel nor the Southern Parcel has been developed;

WHEREAS the parties believe that each of the Northern Parcel and Southern Parcel will accommodate a single-family home without subdivision;

WHEREAS the owners of the Northern Parcel and the Southern Parcel, or their heirs, successors, or assigns, may wish to subdivide one or both said parcels to accommodate more than one single-family home; and

WHEREAS the owners of the Northern Parcel and Southern Parcel wish to memorialize their agreements regarding the use, maintenance, and modification of the well, well piping, and related infrastructure;

NOW THEREFORE, in consideration of the mutual promises contained herein, the parties hereby covenant and agree as follows:

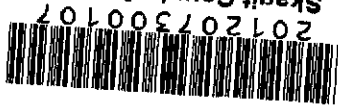
1. PRELIMINARY

In this agreement, the term "Parcels" shall refer to the Northern Parcel and the Southern Parcel, and the term Parcel shall refer to one of them. Each parcel created by subdividing a Parcel shall be termed a Lot. If a Lot is further subdivided, each parcel into which it is subdivided shall still be termed a Lot. After a Parcel is subdivided into Lots, the term Parcel shall refer to all of the Lots that the original Parcel contained.

Where a Parcel or Lot is assigned a right or a responsibility, it shall be understood that this right or responsibility shall inure to the person or persons with the then-present possessory estate in the Parcel or Lot.

A Parcel is "developed" if it includes any use requiring water from the Well System, or if the Well System is being modified to accommodate development of that Parcel or Lot. A Lot is "developed" at the earlier of the time at which the subdivision creating the Lot is complete or the Well System is being modified to accommodate the subdivision creating the Lot.

The term Well System shall refer to the then-existing well, well pump, piping, and related infrastructure. The term Split shall refer to the point in the Well System where the system splits to serve each of the Parcels and/or Lots individually.





The developed Parcel may use the Well System only for single-family residential use. The developed Parcel shall draw no more than 5000 gallons each day from the well.

3.2. Well System Use

It is understood that the Well System may not provide sufficient flow, water pressure, or water quality to cover all reasonable single-family residential uses, and that pumps, tanks, pressure tanks, filters, or other storage, pressurization, and filtering equipment may be necessary to accommodate the reasonable single-family residential use. Any such equipment shall be installed on the developed Parcel. The developed Parcel shall bear the cost of installation, upgrade, testing, maintenance, and repair of this equipment.

While developing a Parcel when the other Parcel is not developed, the developed Parcel may, at its own expense, modify the Well System as necessary to prepare it to serve a single family home on the Parcel. While the Parcel is developed and the other Parcel remains undeveloped, the Parcel may continue to modify the Well System from time to time as necessary to serve the Parcel's single family home use. All modifications must be done in a manner that will not preclude or make unreasonably difficult or expensive the future use of the Well System by the other Parcel, provided that the developed Parcel is not responsible for any regulatory bar to the Well System being used in the future for the other Parcel.

3.1. Development

This Section 3 shall apply during the period when one Parcel is developed for single-family residential use on one lot only, and the other Parcel is undeveloped.

3. SINGLE PARCEL DEVELOPMENT

Except in anticipation of development, no Parcel may modify the Well System without the express, written approval of the other Parcel. This approval shall expressly apportion the costs of the modification.

2.2. Modification

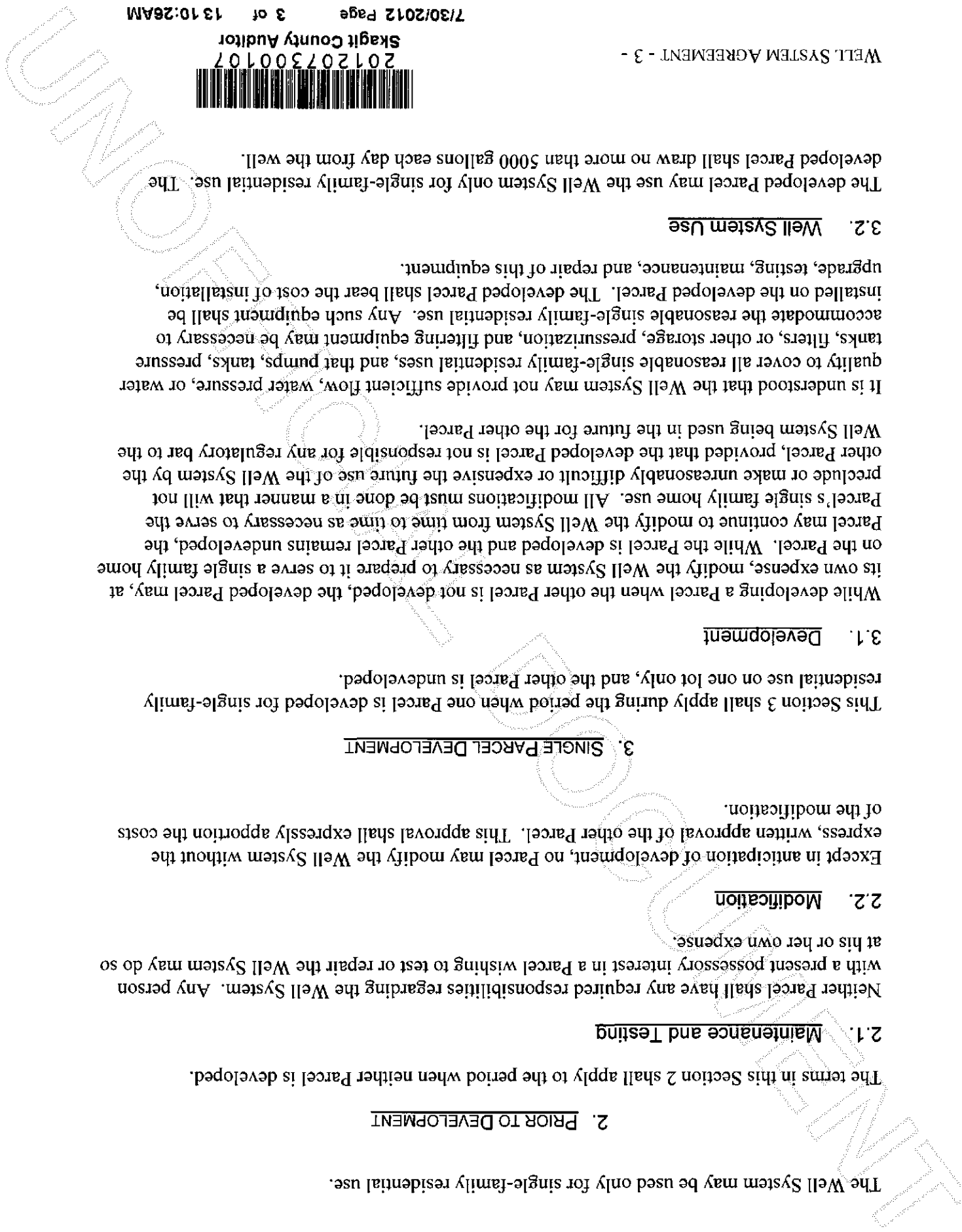
Neither Parcel shall have any required responsibilities regarding the Well System. Any person with a present possessory interest in a Parcel wishing to test or repair the Well System may do so at his or her own expense.

2.1. Maintenance and Testing

The terms in this Section 2 shall apply to the period when neither Parcel is developed.

2. PRIOR TO DEVELOPMENT

The Well System may be used only for single-family residential use.



Where the term Group B System is used in this agreement, it shall refer to a water system required by the State of Washington or Skagit County when a single well is shared by two or more single-family residences. If in the future a different type of water system is so required, the term Group B System in this agreement shall refer to that type of water system.

When a second Parcel or Lot is developed, a Group B system served by the Well System shall be created. This Section 5 governs the creation, upgrade, modification, maintenance, testing, and funding of that Group B System. Once the Group B System is installed and functioning according to this Section 4, then Sections 2 and 3 shall not apply.

In this Section 4, the term "update" or "updating" shall refer to the process of modifying the Group B System to serve more single-family residences than it currently serves.

4. WATER SYSTEM

The Northern Parcel shall not be developed until after the earlier of the following events: (1) The Southern Parcel is developed, (2) August 1, 2013, if the Southern Parcel does not submit an application for a permit to be developed by that date, or (3) August 1, 2015, if the Southern Parcel is not developed prior to that date. The intent of this paragraph is to give the Southern Parcel the first opportunity to hook up to the Well System within the time limits above, giving that Parcel priority should it be determined that a Group B Water System cannot be created pursuant to Section 4 using the Well System.

3.4. Reservation of First Use

The developed Parcel shall be responsible for all upgrade, maintenance, testing, and repair of the Well System. The undeveloped Parcel shall have no responsibilities regarding the Well System whatsoever.

3.3. Well System Maintenance

The developed Parcel shall not use the Well System for any outdoor use including but not limited to landscaping, agriculture, pools, and other water features, except that the Well System may be used for hand-watering or landscaping and for outdoor cleaning purposes. However, if the developed Parcel installs an accurate water meter to measure the total water usage by the Parcel, and the water meter is accessible to any person for verification, the developed Parcel may use the Water System for any single-family residential purpose so long as the Parcel does not draw more than 5000 gallons each day from the well.

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4.1. Creation

All developed Parcels and Lots shall participate in the creation of the Group B System, except as noted in Section 4.1.a., below. All developed Parcels and Lots shall form an association, consistent with legal and regulatory requirements for associations governing Group B Systems, in which each developed Parcel and Lot has a single vote. The association shall fund and manage the creation of the Group B System. The association may not obstruct or delay unnecessarily the creation of the Group B System if any Parcel or Lot needs the Group B System to obtain development approval.

The Group B System must be designed, constructed, and if possible, certified to serve 8 single-family residences with a combined water flow of 5000 gallons per day, and shall meet all legal and regulatory requirements imposed by the State of Washington and Skagit County. The Group B System shall provide equal water flow, pressure, and quality to all users. Each Parcel may use no more than 4 hookups on the Group B System.

However, notwithstanding the previous paragraph, a Group B System serving only two Parcels or Lots may be designed and constructed initially to serve only two single-family residences and to meet the minimum requirements for two-hookup public water systems in Skagit County. When a Parcel or Lot is subdivided such that there are more than two Parcels and Lots, the Group B System must then be updated to serve 8 single-family residences as set forth in the previous paragraph.

All developed Parcels and Lots shall share equally in the cost of creation of the Group B System. In addition, all developed Parcels and Lots shall share equally in the cost of updating the Group B System from a system that serves 2 single-family residences to a system that serves 8 single-family residences. To the extent further updating of the Group B System is required to hookup another Parcel or Lot (because legal restraints prevented the Group B System from being certified to serve 8 single-family residences), all developed Parcels and Lots shall participate in the cost of that update equally. The cost of all equipment downstream of the Split in the system shall be paid by the Parcel or Lot served by that equipment.

The Group B System will likely include components, such as a pump house, that will exist somewhere on the Northern and/or Southern Parcel. The parties shall cooperate in determining the most efficient location for these components that does not obstruct any Parcel's or Lot's enjoyment of the property. Priority shall be given to a location within or immediately adjacent to the driveway easement through the Northern Parcel serving the Southern Parcel. Components not designed to serve only a single Lot shall not be contained on any Lot of size two acres or less without the consent of that Lot. A Parcel or Lot containing components of the Group B System shall grant easements allowing access to those components to all of the Northern and Southern Parcels and to the Group B System's association.

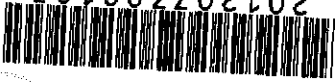
Once the Group B System is complete, each developed Parcel (if not sub-divided) and Lot shall be granted a single hookup on that system.

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When a Parcel or Lot is being developed, the Parcel or Lot shall reimburse the other Parcels and Lots participating in the Group B System. When an undeveloped Parcel is sub-divided, then each new Lot resulting from that subdivision shall owe a reimbursement. When a previously developed Parcel or Lot is subdivided, then each new Lot, except for the first Lot, resulting from that subdivision shall owe a reimbursement, provided that if the developed Parcel being subdivided has had its sharing of the costs of construction and updating deferred, then the first Lot resulting from that subdivision shall also owe a reimbursement.

According to this paragraph shall be termed the Total Cost. costs are not recorded and documented. The total of the costs recorded and documented participation in the costs of creating and updating the system shall be required to the extent those creating and updating the system including documentation supporting all costs, then no govern the system. If this association is not able to present an accurate ledger of all costs of creating and updating the Group B System shall be given and stored by the association created to interest in the Parcel or Lot shall not be included. This ledger and documentation of the costs of user's agreement, and other necessary legal documents. Payment to any owner or person with an easements, the construction of the system's housing, the purchase and assembly of the system System, excavation including the tear up and repair of Colony Road, Fox Hollow Lane, and other and engineering of the system, regulatory fees, the necessary upgrade of the existing Well necessary for creation and update of the Group B System including but not limited to the design associated with creation and update of the Group B System. Such costs shall include those costs The association that creates the Group B System shall carefully document and record all costs

If, at any time after the creation of the Group B System, an undeveloped Parcel or Lot is developed, then that development shall trigger a reimbursement requirement pursuant to this sub-section 4.2.

4.2. Subsequent Hookups

4.1.a. Notwithstanding the language in section 4.1, the first Parcel to be developed shall not participate in the cost of creation or update of the Group B System until that Parcel is subdivided, yet shall nevertheless be entitled to a hookup and a vote in the association.

Development of the Group B System shall not interrupt the supply of water to the Parcel or Lot served directly by the Well System, except that the water supply may be interrupted for a short time (not exceeding one hour) to switch that Parcel's or Lot's supply from the direct line from the well to the Group B System. The Parcel or Lot shall receive 24 hours notice of such an interruption.

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All developed Parcels and Lots (including a Parcel that is having its participation in the cost of creation/updating the Group B System deferred) shall share equally in the costs of maintaining, testing, and repairing the Group B System. These costs include replacement of capital equipment that has failed. The Group B System shall be tested and maintained to meet the legal and regulatory requirements of the system. In addition, the developed Parcels and Lots may vote to maintain and test the system beyond the applicable legal and regulatory requirements, and if so, all users shall share equally in the costs.

4.4. Requirements on Group B System Users

The Group B System shall comply with all applicable legal and regulatory requirements, including but not limited to state and county statutes, ordinances, and regulatory codes. The Group B System shall provide to each hookup a water flow of 5000 gallons per day divided by the number of hookups, unless applicable laws and regulations limit the flow per hookup further. The Group B System shall provide sufficient water quality, flow and pressure for single-family residential use to every home without the home requiring filters, pumps, or tanks to clean the water or to boost water flow or pressure. It is understood that the maximum flow allocated to a user of the Group B System may be reduced as Parcels and Lots are subdivided.

4.3. Group B System Requirements

The reimbursement shall be calculated by joining one Lot at a time. In addition to the required reimbursement pursuant to this subsection 4.2, the Parcel or Lot being developed shall pay the incremental costs to create the additional hookup or hookups to the system downstream from the Split in the system. Should the Group B System require modification upstream from the Split to accommodate the additional hookup or hookups, or should there be regulatory costs to certify the additional hookups, then all Parcels and Lots participating in the Group B System shall share equally in those modification costs.

The reimbursement owed by each Parcel or Lot shall be the Total Cost divided by the total number of Parcels and Lots that will be participating in the Group B System after the reimbursement, provided that if a Parcel has had its share of the cost of creating and updating the Group B System deferred and has not yet paid its share of this cost, then that Parcel shall not be counted as participating in the Group B System for the purposes of this formula. The total reimbursement shall be paid to the association governing the Group B System, which shall distribute it equally among the Parcels and Lots that were participating in the Group B System prior to the reimbursement. Once the reimbursement is paid, the payer shall be considered as participating in the Group B System, and shall have a single vote in the association. The payer shall not be entitled to the hookup or vote until the reimbursement is paid. If more than one Lot is joining the Group B System at the same time, then the reimbursement shall be calculated by joining one Lot at a time.

Should legal and/or regulatory requirements require an upgrade of the Group B System, and one of the Parcels has yet to be developed, or this Parcel's cost of creating and updating the Group B System is being deferred, then the cost of the upgrade shall be borne by the other Parcels and Lots and not this Parcel. In any case, these costs shall be recorded and documented and added to the Total Cost as defined in subsection 5.2. Replacement of components with like components shall not be considered an "upgrade" for the purposes of this paragraph.

4.5. Group B System Association and User's Agreement

When the Group B System is created, a Group B System User's Agreement shall be drafted. An undeveloped Parcel shall be consulted regarding the terms of the User's Agreement. The User's Agreement shall not have any terms inconsistent with the agreement herein. In addition, the User's Agreement shall not include different or special terms for a subset of the users of the Group B System except as required herein, and shall require no more than a two-thirds majority vote of the users of the system to modify the User's Agreement.

An undeveloped Parcel not using the Group B System must be notified of the creation and every modification to the Group B System User's Agreement or any other document that governs the use of the system and the rights and responsibilities of its users.

5. DISPUTE RESOLUTION

5.1. Group B System User's Agreement Issues

If a Group B System User's Agreement has been created, then that Agreement shall govern and the resolution of disputes regarding the system. Should the Group B System User's Agreement be in some way inconsistent with the terms of the agreement herein, then any user of the Group B System, or an undeveloped Parcel not using the system, may demand that the Group B System User's Agreement be modified to comport with the agreement herein. This demand must be made within six months of receiving notice of the modification. If demand is timely made and the Group B User's Agreement is not modified to comport with the agreement herein within 60 days of the demand, any user of the system and/or the undeveloped Parcel may bring a suit to compel such modification, subject to mediation requirements. Should no demand be made in a timely manner, the right to compel modification to comport to the agreement herein shall be waived.

5.2. Mandatory Mediation

It is acknowledged that this agreement does not anticipate every possible issue that may arise regarding the Well System, and does not specify in detail an appropriate resolution to each issue. If there is no Group B System and there arises a disagreement between the Parcels concerning the Well System, then either party may demand mediation. This demand must be in a written notice to the other Parcel. The parties shall agree on a mediator, or if no agreement can be made, either party may petition the Skagit County Superior Court to appoint a mediator. Mediation shall occur within 30 days of the demand.



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Each person with a present possessory estate in the Parcels and Lots for which monies are due hereby expressly vests in the parties to whom the monies are due and their agents the right and power to bring all actions against each such person personally for the collection of such monies due as a debt, and to enforce lien rights granted herein by all methods available for the enforcement of such liens, including foreclosure. The person to whom the monies are due shall have the power to bid at a foreclosure sale and to acquire and hold, lease, mortgage and convey the same.

5.7. Collection of Monies Due

Should any party bring a suit to enforce the terms of this agreement, including foreclosure of a lien mandated in this agreement, the substantially prevailing party shall be entitled to reasonable attorney fees and costs, including those fees and costs incurred on appeal. Only fees and costs incurred after mediation may be recovered, except that a party shall be reimbursed for his successful petition to compel mediation where the other party or parties refuse to mediate or obstruct mediation.

5.6. Attorney Fees and Costs

All monies due under this agreement to any party or the association governing the Group B System, together with interest at the highest rate allowable under law, shall immediately be a charge and shall immediately be a continuing lien upon the Parcel or Lot owing the monies. A party owed such monies may foreclose the lien in the Skagit County Superior Court.

5.5. Lien

All monies due under this agreement are the personal obligations of the person or persons with a present possessory estate in the Parcel or Lot for which the monies are due.

5.4. Personal Obligations of Owner

Should any party who, under this agreement, has an obligation to participate in some way in the Well System (e.g. repair the system) fails to participate, the other party or parties may take whatever actions are necessary and required to provide water service as mandated in this agreement. A party may take such actions prior to mediation only if an emergency exists such that failure to take such actions shall prevent adequate water service or shall otherwise endanger the safety and welfare of the occupants of the homes to which the Well System provides water. A party who must take such action may demand any partial reimbursement of his costs as allowed in this agreement from the other party or parties. If mediation has not been accomplished, and the other party disagrees as to the necessity of the actions or as to the reasonable cost of these actions, then mediation shall be completed before the costs shall be due.

5.3. Failure to Participate

6. GENERAL PROVISIONS

6.1. Benefits and Burdens Run With The Land

The rights and obligations contained herein shall run with the land and shall be binding upon the Parcels and Lots and each portion thereof and all persons or entities owning, purchasing, leasing, subleasing or occupying any Parcel or Lot or portion thereof; and upon their respective heirs, successors, and assigns.

6.2. Severability

The invalidity of any one or more phrases, sentences, clauses, paragraphs or sections hereof shall not affect the remaining portions of this agreement or any part hereof, all of which are inserted conditionally on their being held valid in law. And in the event that one or more of the phrases, sentences, clauses, paragraphs or sections contained herein should be invalid, this agreement shall be construed as if such invalid phrase, sentence, clause, paragraph, or section had not been inserted.

6.3. Duration

This agreement shall be effective so long as both Parcels are undeveloped or any one Parcel or Lot is hooked up to the Well System. This agreement shall terminate when all Parcels and Lots have hooked up to any water system not served by the Well System.

6.4. Modification

This Agreement may not be modified without an express, written amendment signed and verified by all persons with a current or future possessory estate in each of the Parcels and Lots within the original two Parcels. Any such amendment shall be recorded.

6.5. Notice

Any notice required under this agreement to be given to a Parcel or Lot shall be deemed properly given if mailed by ordinary mail to the address at which Skagit County mails tax notices to the Parcel or Lot, and said notices shall be deemed given when deposited in a United States Post Office.

6.6. Persons

Where the term "person" or "persons" is used in this agreement, such term shall include any entity or entities capable of owning real estate in the State of Washington, including but not limited to corporations, limited liability companies, and partnerships, as well as individuals.

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FILED
JUL 30 2012
CLERK OF SUPERIOR COURT
SKAGIT COUNTY, WASHINGTON

Skagit County Auditor

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Dated: 7/27/2012

June A. Jaeger
June A. Jaeger

Dated: 7/27/2012

James E. Turner
James E. Turner

Dated: 7/27/12

Stephen A. Brandt
By: Stephen A. Brandt, Co-manager

DREAMLAND PROPERTIES, LLC

Each of the parties has read the foregoing agreement and agree to the terms contained therein.

Skagit County Auditor

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My commission expires 9-11-2014
NOTARY PUBLIC for the State of Washington.

Print Name: Karen Ashley

Karen Ashley



DATED: this 27th day of July, 2012.

I certify that I know or have satisfactory evidence that James E. Turner is the person who appeared before me, and said person acknowledged that he signed this instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

COUNTY OF SKAGIT)

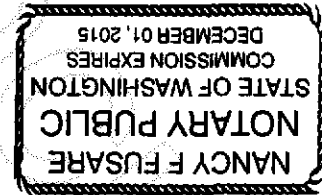
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STATE OF WASHINGTON)

My commission expires 12/1/2015
NOTARY PUBLIC for the State of Washington.

Print Name: NANCY F. FUSARE

Nancy Fusare



DATED: this 27th day of July, 2012.

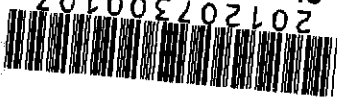
I certify that I know or have satisfactory evidence that Stephen A. Brandt is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Co-Manager of Dreamland Properties, LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

COUNTY OF SAN JUAN)

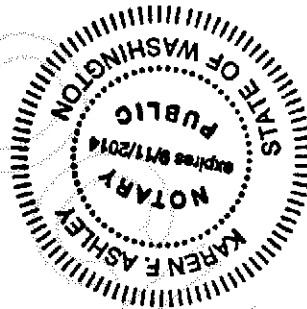
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STATE OF WASHINGTON)

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My commission expires 9-11-2014

Print Name: Karen Ashley
NOTARY PUBLIC for the State of Washington.

Karen Ashley

DATED: this 27 day of July, 2012.

I certify that I know or have satisfactory evidence that June A. Jaeger is the person who appeared before me, and said person acknowledged that she signed this instrument and acknowledged it to be her free and voluntary act for the uses and purposes mentioned in the instrument.

STATE OF WASHINGTON)
COUNTY OF SKAGIT)
SS:)