

**AMENDED AND RESTATED  
BYLAWS OF  
GORGOZA MUTUAL WATER COMPANY**  
An Assessable Stock, Non-Profit Corporation

**WHEREAS**, the Board of Directors (the "Board") of the Gorgoza Mutual Water Company (the "Company"), deems it necessary to update, amend and restate its bylaws, in conformance with current Utah law, pertaining to the administration and business affairs of the Company, the designation, issuance and transfer of shares of Company stock, the orderly and equitable distribution of water to its shareholders, the assessment of shares and procedures for the collection of delinquent assessments, and related matters, all for the purpose of assuring the orderly governance of the Company; and

**WHEREAS**, these Amended and Restated Bylaws ("Bylaws"), are promulgated pursuant to and in conformance with the Utah Revised Nonprofit Corporation Act, Section 16-6a-101 *et seq.*, Utah Code Ann. (the "Act"), as amended, and pursuant to authority granted to the Board as set forth in the Articles of Amendment and Restatement to the Articles of Incorporation of Gorgoza Mutual Water Company (the "Articles").

**NOW, THEREFORE, BE IT HEREBY RESOLVED** by the Board that the Bylaws by which the Company shall hereafter be governed are as follows:

ARTICLE I  
OFFICES - BOOKS AND RECORDS

Section 1.1 Offices. The registered office and principal place of business of the Company is: 7950 Pinebrook Road, Park City, Utah, 84098.

Section 1.2 Registered Agent. The registered agent of the Company is: Scott D. Schofield.

Section 1.3 Books and Records. The Company shall keep at its principal place of business the following books and records and any shareholder of record, upon written demand stating the purpose thereof, shall have the right to examine, in person, or by agent or attorney, at any reasonable time or times, for any proper purpose, the same and to make extracts therefrom:

- (a) Its books and records of account.
- (b) Its minutes of meetings of the Board of and any committees thereof.

- (c) Its minutes of meetings of the shareholders.
- (d) Its record of shareholders which shall give their names and addresses and the number and class of the shares held by each.
- (e) Copies of its Articles and Bylaws as originally executed and adopted together with all subsequent amendments thereto.

Section 1.4 Financial Statements. Upon the written request of any shareholder of the Company, the Company shall mail to such shareholder its most recent annual or quarterly financial statements showing in reasonable detail its assets and liabilities and the results of its operation unless the shareholder has already received the same. Neither the Company nor any Director, officer, employee or agent of the Company shall be liable to the shareholder or anyone to whom the shareholder discloses the financial statement or any information contained therein for any error or omission therein whether caused without fault, by negligence or by gross negligence, unless (1) the error or omission is material, (2) the Director, officer, employee or agent in question knew of the error or omission and intended for the shareholder or other person to rely thereon to his detriment, (3) the shareholder or other persons did reasonably rely thereon, and, in addition, (4) he is otherwise liable under applicable law.

## ARTICLE II BYLAWS

Section 2.1 Amendments. Except as provided in Section 4.4 or unless otherwise required by law or by the Articles, these Bylaws may be altered, amended or repealed and new Bylaws adopted by the affirmative vote of a majority of the issued and outstanding shares of Class A stock and Class C stock, voting together as a single class, represented at any meeting of shareholders called for such purpose or at any annual shareholders meeting.

Section 2.2 Bylaw Provisions Additional and Supplemental to Provisions by Law. All restrictions, limitations, requirements and other provisions of these Bylaws shall be construed, insofar as possible, as supplemental and additional to all provisions of law applicable to the subject matter thereof and shall be fully complied with in addition to the said provisions of law unless such compliance shall be illegal.

Section 2.3 Bylaw Provisions Contrary to or Inconsistent With Provisions of Law. Any article, section, subsection, subdivision, sentence, clause or phrase of these Bylaws which, upon being construed in the manner provided in Section 2.2 hereof, shall be contrary to or inconsistent with any applicable provision of law, shall not apply so long as said provisions of law shall remain in effect, but such result shall not affect the validity or applicability of any other portions of these Bylaws, it being hereby declared

that these Bylaws would have been adopted and each article, section, subsection, subdivision, sentence, clause or phrase thereof, irrespective of the fact that any one or more articles, sections, subsections, subdivisions, sentences, clauses or phrases is or are illegal.

### ARTICLE III MEETINGS OF SHAREHOLDERS

Section 3.1 Place of Meetings. All meetings of the shareholders, annual or special, however called, shall be held at the principal place of business of the Company unless the Board of designate another place for the meetings, either within or without the State of Utah.

Section 3.2 Annual Meeting. An annual meeting of the shareholders shall be held at or near the second Tuesday of March, the actual date, local time and place of the meeting to be determined by the President or as directed by the Board of Directors.

Section 3.3 Special Meetings. Special meetings of the shareholders may be called by the Chairman of the Board, the President, the Board or the holders of not less than 15 percent of all the shares entitled to vote at the meeting.

Section 3.4 Notice of Shareholders' Meetings. Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail addressed to the shareholder at his address as it appears on the books of the Company with postage thereon prepared.

Section 3.5 Waiver of Notice. Any shareholder may waive notice of any meeting of shareholders, (however called or noticed, whether or not called or noticed and whether before, during or after the meeting) by signing a written waiver of notice or a consent to the holding of such meeting, or an approval of the minutes thereof. Attendance at a meeting, in person or by proxy, shall constitute waiver of all defects of call or notice regardless of whether waiver, consent or approval is signed or any objections are made. All such waivers consents, or approvals shall be made a part of the minutes of the meeting.

Section 3.6 Fixing Record Date for Meetings. The stock books of the Company shall not be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of the shareholders but, in lieu thereof, the date on which notice is given in accordance with Section 3.4 above shall be the record date for those purposes.

Such date shall not be more than 50 nor less than 10 days before the date of the meeting. When a determination of shareholders entitled to vote at any meeting of shareholders has been made under this section, such determination shall apply to any adjournment thereof.

Section 3.7 Voting List. The officer or agent having charge of the stock books for shares of a corporation shall make, at least 10 days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of 10 days prior to the meeting, shall be kept on file at the registered office of the Company and shall be subject to inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original stock transfer books shall be prima facie evidence as to who are the shareholders entitled to examine such list or transfer books or to vote at any meeting of shareholders. Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

Section 3.8 Quorum of Shareholders, Vote. The shareholders present in person or represented by proxy or by remote communication, if applicable, shall constitute a quorum at any meeting of the shareholders. Where a separate vote by a class or classes is required, except as otherwise provided by the Act, the Articles or these Bylaws, a majority of the outstanding shares of such class or classes, present in person or represented by proxy duly authorized, shall constitute a quorum entitled to take action with respect to that vote on that matter by such class or classes.

The affirmative vote of a majority of the shares represented at the meeting and entitled to vote on the subject shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by the Act, other provisions of these Bylaws or the Articles of the Company. The shareholders present at a duly called or held meeting may continue to do business until adjournment notwithstanding the withdrawal of other shareholders prior to adjournment.

Section 3.9 Voting of Shares.

(a) Voting Generally. Each outstanding share of Class A stock and Class C stock shall be entitled to one vote on each matter submitted to vote at a meeting of shareholders, except to the extent that the voting rights of the shares of any class or classes are limited or denied by the Articles. Treasury shares shall not be voted at any meeting or counted in determining the total number of outstanding shares at any given time.

(b) Voting of Shares by Fiduciaries.

(1) Shares held by an administrator, executor, guardian, or conservator may be voted by him or her either in person or by proxy without a transfer of such stock into his name.

(2) Shares standing in the name of a receiver may be voted by such receiver, and shares held by, or under the control of a receiver, may be voted by such receiver without the transfer thereof into his name, if authorization to do so is contained in an appropriate order of the court by which such receiver was appointed.

(3) A shareholder whose shares are pledged shall be entitled to vote such shares until the shares shall have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(4) Shares of Company stock belonging to the Company, or held by it in a fiduciary capacity, shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding shares at any given time.

Section 3.10 Proxies. A shareholder may vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney in fact. No proxy shall be valid after 11 months from the date of its execution, unless otherwise provided in the proxy, specifically providing a longer length of time for which the proxy is to continue in force, which in no case shall exceed seven years from the date of execution. Any shareholder giving a written consent, or his proxy, or his transferee or personal representative, or their respective proxies, may revoke the same prior to the time that written consents of the number of shares required to authorize the proposed action have been filed with the Secretary of the Company, but may not do so thereafter.

Section 3.11 Elections of Directors. At each election for Directors every shareholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him for each Director individually and for whose election he has a right to vote. Subject to the requirements of Section 5.3, the candidates receiving the highest number of votes up to the number of Directors to be elected shall be declared elected. Elections for Directors need not be by ballot. There shall be no cumulative voting.

Section 3.12 Adjournments. Any shareholders' meeting may be adjourned from time to time by the vote of a majority of the shareholders present at such meeting or represented by proxy thereat. When a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original special meeting. Save as aforesaid, it shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat other than by announcement at the meeting at which such adjournment is taken.

ARTICLE IV  
SHARES

Section 4.1 Issuance of Class B Shares. As of the date hereof, all Class B shares, previously issued to the original developer and its successors, have been redeemed or converted to Class A shares. New Class B shares may be issued in conformance with the provisions of this Article, subject to the prior approval of the shareholders as provided in Section 4.5 herein. Owners of Class B stock shall not have the right to use water owned and delivered by the Company until their Class B stock is converted to Class A stock. Class B shares are non-assessable and non-voting.

Section 4.2 Class A Shares and Conversion to Class A Shares.

(a) Class A shares shall be appurtenant, in conformance with the provisions of Section 4.10 herein, to a single residential lot, single family residence, and/or single-family unit or other development based on residential equivalents (referred to herein as "Appurtenant Residential Shares"), subject to the following:

(i) In the case of individual residences to be constructed on single family lots, and except as provided in Section 4.3(d) below, one Appurtenant Residential Share shall be issued for each residential lot, which shall be appurtenant to and transferred with said lot. In the case of condominiums, townhouses and other such multi-family unit projects, one Appurtenant Residential Share shall be issued for each single-family residence or single-family dwelling unit associated with such condominium, or townhouse project, which shall be appurtenant to and transferred with said residence or unit. In the case of apartments, the number of appurtenant residential shares shall be issued that reflects the maximum likely usage of water for all internal and external uses.

(ii) Class A shares may also be appurtenant to school, commercial or other property on the basis of residential equivalents established by the Board.

(b) Class B shares and Class C shares shall be convertible into Class A shares in accordance with the Articles. In order to convert to Class A Shares, the owner of Class B shares must:

(i) Assign to the Company water rights, including rights to purchase water under contracts with Weber Basin Water Conservancy District ("Weber Basin"), and related approved exchange applications, on the basis of 0.67 acre-feet of water for each share converted; provided, however, that if shares are being converted on the basis that each new share of Class A stock is and will be issued as Appurtenant Residential Shares, and it is clear that more or

less than 0.67 acre-feet of water per year is required under applicable state law, county ordinance or other regulations for the lots, single family residences and/or single family dwelling units to which such shares are to be appurtenant, water rights in the greater or lesser amount so required shall be conveyed to the Company for such Appurtenant Residential Shares. The Company shall assume the obligation to make all payments to Weber Basin for rights under a contract with Weber Basin assigned to the Company for the conversion of Class B shares to Class A shares.

(ii) Construct, pursuant to the Company's standard specifications, and convey to the Company, or otherwise bear all costs for the construction and equipping, of water wells or the storage and/or diversion works that are equipped with the necessary pumps and treatment facilities and that are connected to the Company's water system with the capacity to deliver culinary water at the rate required by applicable state law, county ordinances or other regulations for the shares being converted. To the extent allowed by applicable laws and regulations, the required delivery capacity may be provided by construction of storage tanks or reservoirs, at the discretion of the Board.

Section 4.3 Rights of Class A Shares Acquired in Exchange for Class B Shares or Class C Shares. Class A shares acquired in exchange for Class B shares or Class C shares shall be entitled to the same rights and shall be subject to the same terms and conditions as all other Class A shares of the Company, except that Class A shares acquired in exchange for Class B shares issued pursuant to the agreement by and between the Company and Valley Bank and Trust Company, dated April 13, 1988, shall also have the following rights and shall be subject to the following terms and conditions:

(a) Before any water is delivered to the owner of such shares, the owner shall, at its own cost and expense, construct such water distribution lines and systems as are reasonably necessary for any development subject to the design and construction approval of such water lines and system by the Company for connection into the water system. Upon approval of such water lines and system by the Company, and connection into the water system, and upon request from owner, the Company shall accept transfer and conveyance of all rights in and to said water lines and system and any easements and other rights appurtenant thereto as a part of its water system, and to thereby accept all duties and obligations for maintenance thereof. Nothing herein shall be construed to require the Company to accept any transfer or conveyance of water lines or a distribution system extending to private property but shall only require acceptance and maintenance of such water lines and system which is a part of a common distribution system.

(b) The Company shall deliver water in the amounts provided for residential use in these Bylaws; provided, that owners of Appurtenant Residential

Shares shall be entitled to have water delivered through the water system up to a maximum of the amount of water represented by the water right conveyed to the Company to convert Class B shares to the Appurtenant Residential Shares, or if applicable the "Lower Residential Requirement" provided in Section 4.3 (c) below. Class A shares which are Appurtenant Residential Shares shall be assessed on the same basis as other Class A shares regardless of the amount of water that the owners of the same are entitled to receive. For any other type of development, the Company shall deliver water to each development in a manner agreed to between the Company and the owner of the converted Class A shares and in an amount designated by such owner in compliance with applicable law, regulations or ordinances. Shares of Class A stock shall be made appurtenant to each development on the basis of 0.67 acre-feet of water per year per share of Class A stock and such shares shall be transferred with that development. The Company shall be required to provide up to a maximum of 0.67 acre-feet of water for each such Class A share.

(c) If it is determined, after Appurtenant Residential Shares are issued, that an amount of water less than the amount of water conveyed to the Company for the conversion of Class B shares to Appurtenant Residential Shares is sufficient for the such lots, residences or units under applicable state law, county ordinances or other regulations (such a lesser amount sometimes hereinafter called "Approved Lower Residential Requirement"), the owner of such shares shall be entitled to receive additional Class A shares for the difference between the amount of water rights conveyed to the Company to convert to such Appurtenant Residential Shares and such Approved Lower Residential Requirement for such Appurtenant Residential Shares. The number of such additional shares shall be determined by subtracting the Approved Lower Residential Requirement from the amount conveyed, multiplying the difference by the number of Appurtenant Residential Shares with such Approved Lower Residential Requirement and dividing the amount so determined by the Approved Lower Residential Requirement if the additional shares are to be Appurtenant Residential Shares or by 0.67 if the additional shares are to be ordinary Class A shares. The owner may, at its option, elect to have the Company reassign to owner a portion of the water covered by in the Weber Basin Contract in lieu of receiving additional Class A shares as above provided. The amount of water covered by the Weber Basin Contract that the owner may elect to have reassigned shall be determined by subtracting the Approved Lower Residential Requirement from the amount conveyed and multiplying the difference by the number of Appurtenant Residential Shares with such Approved Lower Residential Requirement. Owners who are individual lot or unit owners shall not be entitled to such additional shares or water. The Company shall only be required to issue additional shares or reassign water based on Appurtenant Residential Shares for lots in approved subdivisions and/or for residential units in developments that have received all necessary approvals. The Company shall not be required to provide more water than the Approved Lower Residential Requirement for Appurtenant Residential Shares issued as additional shares or for which additional shares have been issued or water has been reassigned.



(d) In the circumstance where a person owns multiple, contiguous single-family residential lots upon which only one single family residence exists or is to be constructed (referred to herein as a "Multiple Lot Owner"), the Company may, notwithstanding the provisions of Section 4.2(a)(i) above, issue to the Multiple Lot Owner a single share of Class A stock for service to the residence, subject to the following conditions and procedures:

(i) The Multiple Lot Owner shall irrevocably designate one of the contiguous lots as the primary lot to which the Class A Share shall be appurtenant, and the other lot or lots shall be secondary for the purpose of appurtenance. The Class A certificate to be issued shall contain on its face a legend describing, by lot number, the primary lot and each of the secondary lots owned by the Multiple Lot Owner. The Class A share shall be appurtenant to the primary lot and to the secondary lots described on the face of the certificate; however, the single Class A share shall only entitle the Multiple Lot Owner to receive water on the same basis and in the same quantity as though the Multiple Lot Owner owned a single lot.

(ii) The Multiple Lot Owner shall be required to prepare and deliver to the Company a legal document which, in the opinion of legal counsel for the Company, will, upon recordation, create a valid and enforceable deed restriction against the lot or lots to be designated as secondary lots by the Multiple Lot Owner. The deed restriction shall provide that according to the records of the Company there is no Class A stock of the Company appurtenant to said lot or lots and that any transferee of the lot or lots shall not be entitled to water service from the Company. The receipt of the document creating the aforesaid deed restriction, in form and substance approved by legal counsel for the Company, and the recordation thereof by the Company in the office of the Summit County Recorder, shall be express conditions precedent to the issuance of a single Class A Share to the Multiple Lot Owner.

(iii) In the event a Multiple Lot Owner already owns a separate share of Class A stock for each of the contiguous lots, and desires to own and maintain only one Class A Share for water service to the residence as provided above, then the Multiple Lot Owner shall transfer the surplus shares to the Company and the Company agrees to accept said shares without consideration in addition to the continuing loss of revenues which would otherwise have been realized by the Company from assessments against the stock originally appurtenant to the secondary lots. The Multiple Lot Owner shall be required to tender to the Company all of his Class A shares, which shall be duly canceled upon the

books and records of the Company. In exchange, the Company shall issue a single Class A Share to the Multiple Lot Owner subject to and in conformance with the requirements of Sections 4.3(d)(i) and (ii) above.

Section 4.4 Amendment of Article IV of Bylaws. Notwithstanding any other provision of these Bylaws or of the Articles of the Company, Section 2.1, this Article IV, Section 5.3 and Section 5.8 of the Bylaws shall not be amended without the approval of the shareholders as provided in Section 4.5.

Section 4.5 Shareholder Approval of Article IV Matters. Any matter needing shareholder approval pursuant to Sections 4.1 or 4.4 of these Bylaws shall be presented for the vote of the shareholders at a special meeting of the shareholders called for that purpose, or at an annual meeting of the shareholders if the notice of the annual meeting states that such matter will be presented for approval of the shareholders at that meeting. Approval of a matter requiring shareholder approval under Sections 4.1 or 4.4 of these Bylaws shall require the affirmative vote of the following: a majority of the Class A shares represented at the meeting and entitled to vote on the matter; 67 percent of the Class A shares owned by residents represented at the meeting and entitled to vote on the matter; and a majority of the Class C shares represented at the meeting and entitled to vote on the matter. Class A shares owned by residents represented at the meeting and entitled to vote on an amendment shall not be voted twice on the approval of such a matter, but the Class A shares owned by residents shall be counted both in determining if a majority of all Class A shares represented at the meeting and entitled to vote voted in favor of approval and in determining if a majority of the shares of Class A shares owned by residents represented at the meeting and entitled to vote voted in favor of approval. For purposes of this Article IV, "Class A shares owned by residents" shall mean Class A shares appurtenant to residences, condominium units or commercial buildings which are connected to and are being served by the water system pursuant to a water service agreement. In addition to the voting rights of the shares of Class C stock set forth in these Bylaws, Section 2.1, this Article IV, Section 5.3 and Section 5.8 of these Bylaws shall not be amended, altered or repealed without the consent of the holders of a majority of the issued and outstanding shares of Class C stock of the Company consenting or voting (as the case may be) separately as a class.

Section 4.6 Class C Shares. Class C stock shall be convertible into shares of Class A stock and shall only be issued to other entities for the purpose of providing a source of water supply for the benefit of said entities in accordance with the Articles, these Bylaws and the terms set forth in a shareholder agreement. Class C stock shall be assessable for operating expenses incurred by the Company to deliver water to Class C shareholders. Class C shares shall not be the subject of a lien or any encumbrance for default in the payment of assessments, but the Company shall have the right to pursue extraordinary remedies for the nonpayment of assessments on the Class C shares as provided in these Bylaws.

Section 4.7 Class D and Class E Shares. Class D and Class E stock shall be assessable, non-convertible, non-voting shares and shall be issued only in connection with transactions involving the use or sale of Company water on any basis other than as a public water supply. Class D and Class E stock shall be assessable based upon the expenses incurred by the Company in delivering water to Class D and Class E shareholders, as further defined in shareholder agreements with the holders of Class D and Class E shares. Class D and Class E shares shall be issued by the Company if, as determined by the Board, there is capacity in the Company system in excess of that required to serve the Company's Class A and C shareholders at the rate required by applicable state law, county ordinances or other regulations, and only after execution of an appropriate contract or contracts establishing the terms and conditions of service.

Section 4.8. Book-entry Shares. All Class A, Class B, Class C, Class D and Class E shares of the Company shall be issued as book-entry shares without certificates.

(a) The name and address of the person to whom the shares are issued, with the number of shares and date of issue, shall be entered on the stock transfer books and records of the Company.

(b) Upon the request of a shareholder, the Company will provide a written statement containing the following: (i) the name of Company and a statement that it is organized under the laws of the State of Utah, (ii) the name of the person to whom the stock is issued, (iii) the class and number of shares issued, (iv) information pertaining to the designations, preferences, limitations, and relative rights applicable to the respective class of share issued, and (v) restrictions on transfers of shares of stock.

Section 4.9 Holders of Stock. Only registered shareholders shall be entitled to be treated by the Company as the holders in fact of the stock standing in their respective names, and the Company shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided by the laws of the State of Utah.

Section 4.10 Appurtenance. Class A shares are deemed appurtenant to the lot or property upon which water under Class A shares is being used in order to facilitate the more effective management and control of the Company's water supply, to facilitate water delivery, and to protect the Company and its shareholders. Class C, Class D and Class E shares of stock shall not be considered appurtenant to any specific parcel of property. With respect to appurtenant shares:

(a) The secretary of the Company shall keep and maintain a record of the lot or property upon which the water represented by the shares of stock is used.

(b) No share of stock shall be separated from the lot or property to which it is deemed an appurtenance and transferred for use on any other lot or property without the express prior written approval of the Board in its sole and absolute discretion. The Board shall have the power and authority to make all such rules and regulations as it may deem necessary and expedient concerning the transfer of shares of Company stock not inconsistent with the Articles and the Act. Should any shareholder refuse to transfer the share of stock with the shareholder's lot to which the stock is appurtenant, the Board may elect to cancel the stock of the shareholder/grantor of said lot and issue new stock to the lawful grantee of the lot; whereupon, said grantee shall then be entitled to all rights of a shareholder in the Company as provided in the Articles and these Bylaws. Notwithstanding the foregoing, the Company shall not transfer Class C stock, and said shares remain the property of the Class C shareholder to whom it was originally issued or its assigns.

Section 4.11 Qualification. Shares of Class A stock in the Company shall only be issued to persons or entities who are owners of land included within the geographical area in which the Company is authorized by the Utah State Engineer to use its water rights. The Company shall not issue Class A shares to any person or entity, unless the Company has adequate water system capacity at the time of issuance of such shares to provide such water service as may be reasonably required by any county, state or other regulatory authority. No person may own more than one share of Class A stock which is appurtenant to any residence, a residential lot, or residential unit served by the water system. The number of shares owned by any owner of commercial or industrial property served by the water system shall be determined by the Board, or by contract.

Section 4.12 Lease of Stock. Shares of stock of the Company may be leased by any shareholder to any lessee of the lot or property to which the stock is appurtenant, in conformance with the following:

(a) Any shareholder desiring to lease stock to another shareholder pursuant hereto shall first be required to submit a written lease application to the Board which sets forth the lessor/shareholder's name and address and the lessee/shareholder's name, address and description of the lot or property upon which water pursuant to the leased share is to be used. Approval of all lease applications by the Board shall not be unreasonably withheld or delayed.

(b) All voting rights with respect to any leased shares of the Company shall be exercised by the owner/lessor of said shares unless otherwise designated by written proxy as provided herein. All leases of Company stock shall be subject to all provisions of the Articles and these Bylaws, and the lessee thereof shall agree to abide by all bylaws, rules and regulations of the Company as a condition to the delivery of water to a lessee of the shares.

(c) The payment of all assessments levied by the Company against leased shares shall be the responsibility of the owner/lessor of the leased shares, who shall pay the assessments as billed by the Company. It shall thereupon be the sole and separate responsibility of the owner/lessor of the leased shares to seek and obtain reimbursement, if applicable, from the lessee of the shares.

Section 4.13 Fractional Shares. It is declared to be the policy of the Company not to issue stock for any fractional share.

## ARTICLE V DIRECTORS

Section 5.1 Exercise of Corporate Power. The business and affairs of the Company shall be managed by the Board.

Section 5.2 Number. The number of Directors of the Company shall not be less than three nor more than nine. The number to serve each year may be fixed by the shareholders at the annual meeting.

Section 5.3 Qualifications.

(a) Except for the Class C Director who shall be elected by the Class C shareholders as provided below, the Directors shall be elected by the Class A shareholders, and a majority of the Directors shall be Class A shareholders of the Company who are residents of the Pinebrook developments.

If such residents who are willing to serve as Directors cannot be found, such resident Directors shall not be required. The other Directors (including the Class C Director) need not be residents of Utah or shareholders of the Company. The Directors need have no other qualifications.

(b) One of the Directors of the Company shall be designated and elected by the Class C shareholders holding a majority of all issued and outstanding shares of Class C stock, exclusively and as a separate class (the "Class C Director").

Section 5.4 Compensation. The Board shall have authority to fix the compensation of Directors. Such compensation so fixed shall be reported to the shareholders. Any compensation so fixed shall be for services as a Director only, and a Director who serves the Company in any other capacity may receive a separate compensation therefor.

Section 5.5 Term. The term of each Director shall begin immediately on his election and shall continue for a period of three years thereafter. Each Director shall

hold office for the term for which he is elected and until his successor shall have been elected and qualified.

Section 5.6 Elections. At each annual meeting where the term and the Director is expiring, the shareholders shall elect Directors, provided that if for any reason said annual meeting or an adjournment thereof is not held or the Directors are not elected thereat, then the Directors may be elected at any special meeting of the shareholders called and held for that purpose.

Section 5.7 Vacancies. A vacancy or vacancies in the Board shall exist in case of the death, resignation or removal of any Directors, or if the authorized number of Directors is increased, or if the shareholders fail, or any annual or special meeting at which any Director is elected, to elect the full authorized number of Directors to be voted for at that meeting. The Board may declare vacant the office of a Director if he or she is found to be of unsound mind by an order of a court of competent jurisdiction or convicted of a felony or misdemeanor involving moral turpitude or if, within 60 days after notice of his election, he or she does not accept the office either in writing or by attending a meeting of the Board. Any vacancy occurring other than a vacancy of the Class C Director (which may only be filled by the holders of Class C stock pursuant to the Bylaws and Articles) may be filled by the affirmative vote of a majority of the remaining Directors (or a sole remaining Director) although less than a quorum. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office, or if there was no predecessor, until the date set under these Bylaws for the next annual meeting and until his successor is elected. Any vacancy created by reason of the removal of one or more Directors by the shareholders may be filled by election of the shareholders entitled to vote thereon at the meeting at which the Director or Directors are removed; it being understood that if a directorship is filled under these Bylaws or the Articles by the holders of a certain class of stock, then only such holders will be entitled to fill such directorship.

Section 5.8 Removal. At a meeting expressly called for that purpose one or more Directors may be removed by a vote of a majority of the shares entitled to vote at an election of Directors; provided, however, that any Director may be removed without cause by, and only by, the affirmative vote of the holders of a majority of the shares of the class of stock entitled to elect such Director, given either at a special meeting of such shareholders duly called for that purpose or pursuant to a written consent of shareholders.

Section 5.9 Regular Meetings. A regular meeting of the Board shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of shareholders. The Board may provide, by resolution, the time and place, either within or without the State of Utah, for the holding of additional regular meetings without other notice than such resolution.

Section 5.10 Special Meetings. Special meetings of the Board may be called by or at the request of the President or any two Directors. The person or persons authorized to call special meetings of the Board may fix any place, either within or without the State of Utah, as the place for holding any special meeting of the Board called by them.

Section 5.11 Notice of Special Meetings. Notice of any special meeting shall be given at least three days previously thereto by written notice delivered personally or mailed to each Director at his business address, or by telegram or by personal telephone call to the Director. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any Director may waive notice of any meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting.

Section 5.12 Action Without a Meeting.

(a) Any action required or permitted to be taken at a Board meeting may be taken without a meeting if each and every director, in writing or by email, either: (i) votes for the action; or (ii) votes against the action or abstains from voting; and waives the right to demand that action not be taken without a meeting.

(b) Action is taken under this Section 5.12 only if the affirmative vote for the action equals or exceeds the minimum number of votes that would be necessary to take the action at a meeting at which all of the directors then in office were present and voted.

(c) An action taken under this Section 5.12 is not effective unless the Company receives a written document satisfying the requirements hereof, signed by all directors, and which is not revoked pursuant hereto. The writing may be received by electronically transmitted facsimile, email, or other form of wire or wireless communication providing the Company with a complete copy of the document, including a copy of the signature on the document. A director's right to demand that action not be taken without a meeting shall be considered to have been waived if the Company receives a writing satisfying the requirements of this Subsection that has been signed by the director and not revoked pursuant hereto. Action taken pursuant to this Subsection shall be effective when the last writing necessary to effect the action is received by the Company, unless the writings describing the action taken set forth a different effective date.

(d) If the writing is received by the Company before the last writing necessary to effect the action is received by the Company, any director who has signed a writing pursuant to this subsection may revoke the writing by a writing signed and dated by the director describing the action and stating that the director's prior vote with respect to the writing is revoked.

(e) An action taken pursuant to this Subsection has the same effect as an action taken at a meeting of directors and may be described as an action taken at a meeting of directors in any document.

Section 5.13 Telephone Conference Participation. Any Board meeting may be held by conference telephone or similar communications equipment as long as all Board members participating in the meeting can hear one another, and any such participation shall constitute presence in person at the meeting.

Section 5.14 Quorum. A majority of the number of Directors fixed pursuant to the terms of these Bylaws shall constitute a quorum for the transaction of business at any meeting of the Board, but if less than a majority of the number of Directors is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Section 5.15 Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board.

Section 5.16 Presumption of Assent. A Director of the Company who is present at a meeting of the Board at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by certified or registered mail to the Secretary of the Company immediately after the adjournment of the meeting. Such right of dissent shall not apply to a Director who voted in favor of such action.

Section 5.17 Committees. The Board by resolution adopted by the majority of the number of Directors fixed by the Bylaws may designate a committee or committees consisting of not less than two Directors which committee or committees, to the extent provided in such resolution, shall have and may exercise all the authority therein provided; but the designation of such committee or committees and the delegation thereto of authority shall not operate to relieve the Board, or any member thereof, of any responsibility imposed upon it or him by law.



## ARTICLE VI OFFICERS

Section 6.1 Election and Qualifications. The officers of this Company shall consist of a President, a Vice President, a Secretary and a Treasurer, each of whom shall be elected by the Board at the meeting of the Board next following the annual meeting of the shareholders (or at any meeting if an office is vacant) and such other officers, including a Chairman of the Board, and assistant officers and agents, as the Board shall deem necessary, who shall be elected and shall hold their offices for such terms as the Board may prescribe. Any two or more offices may be held by the same person except those of President and Secretary. Any Vice President, assistant Treasurer or assistant Secretary, respectively, may exercise any of the powers of the President, the Treasurer, or the Secretary, respectively, as directed by the Board and shall perform such other duties as are imposed upon him by the Bylaws or the Board.

Section 6.2 Term of Office and Compensation. The term of office for each of said officers shall be one year or until his successor is elected, unless he shall sooner resign or be removed or otherwise be disqualified to serve. The salary, if any, of each of said officers and the manner and time of the payment of such salaries shall be fixed and determined by the Board and may be altered by said Board from time to time at its pleasure.

Section 6.3 Removal and Vacancies. Any officer of the Company may be removed by the Board at any meeting whenever in its judgment the best interests of the Company will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights. If any vacancy occurs in any office of the Company, the Board may elect a successor to fill such vacancy for the remainder of the unexpired term and until his successor is duly chosen and qualified.

## ARTICLE VII CHAIRMAN OF THE BOARD

Section 7.1 Powers and Duties. The Chairman of the Board, if there be one, shall have the power to preside at all meetings of the Board and shall have such other powers and shall be subject to such other duties as the Board may from time to time prescribe.

ARTICLE VIII  
PRESIDENT

Section 8.1 Powers and Duties. The powers and duties of the President are:

(a) To act as the chief executive officer of the Company and subject to the control of the Board, to have general supervision, direction and control of the business and affairs of the Company.

(b) To preside at all meetings of the shareholders and, in the absence of the Chairman of the Board, or if there be none, at all meetings of the Board.

(c) To call meetings of the shareholders and also of the Board to be held at such times and, subject to the limitations prescribed by law or by these Bylaws, at such places as he shall deem proper.

(d) To affix the signature of the Company to all deeds, conveyances, mortgages, leases, obligations, bonds, certificates and other papers and instruments in writing which have been authorized by the Board or which, in the judgment of the President, should be executed on behalf of the Company and do not require such authorization, to sign certificates for shares of stock of the Company and, subject to the direction of the Board, to have general charge of the property of the Company and to supervise and control all officers, agents and employees of the Company.

Section 8.2 President Pro Tem. If neither the Chairman of the Board, the President, nor the Vice President is present at any meeting of the Board, a president pro tem may be chosen to preside and act at such meeting. If neither the President nor the Vice President is present at any meeting of the shareholders, a president pro tem may be chosen to preside at such meeting.

ARTICLE IX  
VICE PRESIDENT

Section 9.1 Powers and Duties. In case of absence, disability or death of the President, the Vice President shall exercise all his powers and perform all his duties. The vice President shall have such other powers and perform such other duties as may be granted or prescribed by the Board.

ARTICLE X  
SECRETARY

Section 10.1 Powers and Duties. The powers and duties of the Secretary are:

(a) To keep a book of minutes at the principal place of business of the Company, or such other place as the Board may order, of all meetings of its Directors and shareholders with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at Directors' meetings, the number of shares present or represented by shareholders' meetings and the proceedings thereof.

(b) To keep the seal of the Company and to affix the same to all instruments which may require it.

(c) To keep or cause to be kept at the principal place of business of the Company, or at the office of the transfer agent or agents, a share register, or duplicate share registers, showing the names of the shareholders and their addresses, the number and classes of shares held by each, the number and date of certificate issues for shares, and the number and date of cancellation of every certificate surrendered for cancellation.

(d) To keep or cause to be kept at the principal place of business of the Company the books and records required by Section 1.3(b), (c), (d) and (e) above.

(e) To keep a supply of certificates for shares of the Company, to fill in all certificates issued, and to make a proper record of each such certificate; provided, that so long as the Company shall have one or more duly appointed and acting transfer agents of the shares, or any class or series of shares, of the Company, such duties with respect to such shares shall be performed by such transfer agent or transfer agents.

(f) To transfer upon the share books of the Company any and all shares of the Company; provided, that so long as the Company shall have one or more duly appointed and acting transfer agents of the shares, or any class or series of shares, of the Company, such duties with respect to such shares shall be performed by such transfer agent or transfer agents, and the method of transfer of each certificate shall be subject to the reasonable regulations of the transfer agent to which the certificate is presented for transfer, and also, if the Company then has one or more duly appointed and acting registrars, to the reasonable regulations of the registrar to which the new certificate is presented for registration; and provided, further, that no certificate for shares of stock shall be issued or delivered or, if issued or delivered, shall have any validity whatsoever until and unless it has been signed or authenticated in the manner provided in Section 12.4 hereof.

(g) To make service and publication of all notices that may be necessary or proper, and without command or direction from anyone. In case of the absence, disability, refusal or neglect of the Secretary to make service or publication of any notices, then such notices may be served and/or published by the President or a Vice President, or by any person thereunto authorized by either of them or by the Board or by the holders of a majority of the outstanding shares of the Company.

(h) To prepare the voting lists required by Section 3.7 above.

(i) Generally, to do and perform all such duties as pertain to his office and as may be required by the Board.

#### ARTICLE XI TREASURER

Section 11.1 Powers and Duties. The powers and duties of the Treasurer are:

(a) To supervise and control the keeping and maintaining of adequate and correct accounts of the Company's properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus and shares. Any surplus, including earned surplus, paid-in surplus and surplus arising from a reduction of stated capital, shall be classified according to source and shown in a separate account. The books of account shall at all reasonable times be open to inspection by any Director and by any shareholder as provided in Section 1.3 above.

(b) To keep or cause to be kept at the registered office of the Company the books and records required by Section 1.3(a) above.

(c) To have the custody of all funds, securities, evidences of indebtedness and other valuable documents of the Company and, at his discretion, to cause any or all thereof to be deposited for the account of the Company with such depository as may be designated from time to time by the Board.

(d) To receive or cause to be received, and to give or cause to be given, receipts and acquittances for moneys paid in for the account of the Company.

(e) To disburse, or cause to be disbursed, all funds of the Company as may be directed by the Board, taking proper vouchers for such disbursements.

(f) To render to the President and to the Board, whenever they may require, accounts of all transactions as Treasurer and of the financial condition of the Company.

(g) Generally, to do and perform all such duties as pertain to his office and as may be required by the Board.

## ARTICLE XII ASSESSMENTS

### Section 12.1 Power to Levy Assessments.

(a) Except as provided in Section 12.12 below, the Company shall have the power to levy the assessments herein provided, to shut off the water to that residence, lot, unit or property to which the share of stock is appurtenant, or declining to furnish water for non-appurtenant shares, where an assessment remains unpaid, as herein provided, and to take all steps necessary to collect assessments, including giving public notice of delinquencies and, with the exception of Class C stock, selling at auction stock with unpaid assessments.

(b) Consistent with Utah State law, all shares subject to assessment shall be assessed equitably, and different classes of shares and shares with different rights or benefits, as provided herein, may be subject to differing assessments.

Section 12.2 Annual Assessments. The Company, on or before January 31 of each year, shall determine the amount necessary to cover (i) the costs of purchasing, using, leasing or obtaining water, (ii) the costs of operating, repairing and maintaining the water system, (iii) establishing and funding a reserve fund to cover major repairs, improvements and replacement of the water system, (iv) the costs of taxes and insurance on the water system and the Company, and (v) all costs necessary or desirable to enable the Company to perform or fulfill its obligations, functions and purposes under its Articles and Bylaws, and shall make and levy an assessment against the Company's outstanding Class A stock. In the event the Company does not timely levy an assessment as provided herein, the level of the prior year's assessment shall apply in the new year. Assessments for basic water usage shall be levied against all Class A shares of stock on a pro rata basis. The Company shall also make and levy an assessment against the Company's outstanding Class C stock based upon the operating expenses incurred by the Company to deliver water to Class C shareholders, as defined in the agreements with those shareholders. The Company shall also make and levy an assessment against the Company's outstanding Class D and E shareholders based upon the Company's expenses and in accordance with the agreements establishing the terms and conditions of service.

Section 12.3 Levy of Annual Assessments, Payment Dates. Assessments on shares of stock shall be levied annually by the Board at a meeting held for that purpose, with the assessments payable in monthly installments, as billed, on or before the last day of each month. The Board shall have the power and authority to establish a base usage charge payable by all Class A shareholders with additional charges to be

assessed for usage of water in excess of the base charge. The order levying the assessment shall specify (i) the amount, (ii) when, to whom and where payable, and (iii) the date on which an unpaid assessment shall be delinquent, which date must not be less than 30 nor more than 60 days from the time the assessment becomes due, provided that all outstanding annual and special assessments shall be delinquent if not paid on or before January 31 of each year. The annual assessment and levy may be modified at any time during and fiscal year by the Board at a meeting called for that purpose, where such action is reasonably necessary.

Section 12.4 Special Assessments. The Company may levy special assessments for the purpose of defraying, in whole or in part, (i) any Company expenses not reasonably capable of being fully paid with funds generated by regular periodic assessments, (ii) the costs of any unexpectedly required repair or replacement of any part of the water system, (iii) the construction, reconstruction, repair, or any improvement of the water system for the common benefit of all of the properties served by the water system. Any such special assessment must be approved by the shareholders at a meeting of the shareholders called for such purpose in the manner and with the appropriate notice, as specified in the Bylaws. The Board shall issue orders levying a Special Assessment as directed by the action of the Shareholders approving the Special Assessment and in the same manner as orders levying Periodic Assessments.

Section 12.5 Orders of Levy. The Board shall enter in its minutes an order to the shareholders levying each assessment and shall give notice to the shareholders of the amount of each assessment per share, and the date, to whom, and when the assessment is to be payable. The order must also fix the day, not less than thirty (30) nor more than sixty (60) days from the date on which each assessment is finally due, after which the unpaid assessment shall be deemed delinquent. The Board shall also set a date for the sale of delinquent stock, which shall be not less than fifteen (15) nor more than sixty (60) days from the date the stock is declared delinquent.

Section 12.6 Notice of Levy. Notice of orders of levy, in a form approved by the Board, which may include the Company's normal statements, shall be served on all shareholders by personal service or by mailing in the regular U.S. Mails a copy of the notice to the shareholder's residence, or the most recent address provided by shareholder and recorded on the records of the Company. Each shareholder is responsible for providing to the Company the shareholder's current mailing address for purposes of providing notice.

Section 12.7 Form of Notice, Interest. The notice referred to in Section 12.6 above shall contain the following information:

- (a) The name of the Company.
- (b) The location of the Company's principal place of business.

(c) A description of the class or classes of shares assessed, and the amount of the assessment(s) per share.

(d) When, to whom and where payable.

(e) The date an unpaid assessment becomes delinquent.

(f) That shares represented by delinquent assessments shall be advertised for sale at public auction.

(g) That delinquent assessments will bear interest at the rate of 1.5 percent per month and the shareholder shall be responsible for all advertising and collection costs and expenses including attorneys' fees.

Section 12.8 Delinquent Assessments. If any portion of an assessment mentioned in the notice remains unpaid on the day specified therein when the assessment becomes delinquent, the Secretary shall prepare a list of all delinquent stock and shall publish the same in a newspaper of local circulation. The Notice of Delinquency shall be published in a form approved by the Board. The Notice of Delinquency shall be published for at least two (2) weeks prior to the date of sale of the stock for delinquent assessments, and the first publication of said notice shall be published at least fifteen (15) days prior to the actual date of the sale of the stock as set forth in the notice. In addition, the Secretary shall also mail an Individual Notice of Delinquency to each of these shareholders identified in the Notice of Delinquency to be published as herein above set forth. The Individual Notice of Delinquency shall be in a form approved by the Board. The notice of delinquency may also state that if the assessment is not fully paid within 10 days of the date of the notice, then the Company shall have the right to immediately shut off the water to that residence, lot, unit or property, to which the share of stock is appurtenant and on which the assessment has not been paid, and further that if the assessment remains unpaid on the date set for delinquency, then the shares will be advertised for sale at public auction and the delinquent assessment amount will bear interest at the rate of 1.5 percent per month and the shareholder shall be responsible for all advertising and collection costs and expenses including attorneys' fees.

Section 12.9 Publication. The publication of the Notice of Delinquency shall vest jurisdiction in the Company to sell and convey free and clear title of all stock listed therein for the purpose of paying the past due assessments and all interest, expenses of advertising and sale, and attorney's fees incurred by the Company.

Section 12.10 Sale of Stock. The stock described in the Notice of Delinquency shall be sold to the highest bidder at public auction, upon the date and at the time set forth in the original Notice of Assessment. The Company shall only sell as much stock

as is required to cover the amount of all past due assessments and the costs and expenses of sale. The Company is authorized to purchase the shares itself in consideration for all past due assessments. The Company may resell such shares at any time, but only to the owner of the lot to which such shares were appurtenant, or to the successor in interest of such owner, for a price that reflects 110 percent of the amount of the past due assessments (including assessments that would have accrued while the stock is held by the Company), together with accrued interest, expenses of advertising and sale and attorney's fees incurred by the Company. The sale and assignment of stock shall be in a form approved by the Board.

Section 12.11 Affidavits of Sale. Upon conclusion of the sale, the Secretary of the Company shall file three (3) affidavits within the corporate records. The first affidavit, entitled "Affidavit of Assessment," shall state that the Secretary mailed the notice of order levying assessments as required by statute. The second affidavit, entitled "Affidavit of Sale of Stock," shall state that the stock sale occurred at the time and place as set forth in the Notice of Order Levying Assessments and Notice of Delinquency, and set forth the particular quantity of stock sold, for whom and for what price the stock was sold, and acknowledge that the money was paid and received. In addition, the Secretary of the Company shall obtain from the publisher of the newspaper that published the Notice of Delinquency an affidavit, known as a "Proof of Publication," which indicates that the notice was published in the paper, the dates of publication, etc. All three (3) of the aforesaid affidavits shall be in a form approved by the Board and shall be maintained with the permanent corporate records. A notice shall also be recorded by the Company in the office of the Summit County Recorder declaring that the stock has been sold, that the lot no longer has an appurtenant water share and is not entitled to the delivery of water, and setting forth the terms on which the share may be repurchased by the lot owner.

Section 12.12 Assessment and Collection Remedies in the Event of Default with Respect to Class C Stock. If any portion of any assessment to any Class C shareholder remains unpaid on the thirtieth (30th) day following the date of the notice, the secretary shall prepare notice of the delinquent stock and the name of the shareholder for publication in a newspaper of local circulation. In the event the delinquent shareholder disagrees with the amount of the assessment and disputes the calculation of the assessment for any reason, the delinquent shareholder shall have the opportunity to immediately and within ten (10) days of the receipt of the assessment, provide notice of the dispute to the Board of the Company. The Board shall hear and determine the dispute between the disputing shareholder and the Company. The decision of the Board shall be final for purposes of judicial review.



ARTICLE XIII  
DISTRIBUTION OF COMPANY WATER

Section 13.1 Rights of Shareholders to Water. Each shareholder of Class A stock who owns land or units connected with said shares shall be entitled to have water delivered through the water system up to a maximum of 0.67 acre feet per year, for each share owned and each unit or lot owned, (or a lesser amount of not less than the amount required under state law, county ordinance, or other regulation for a single residential lot or unit if a Water Service agreement provides such lower amount). Shareholders of Class A stock who own commercial or industrial property connected with said shares, shall be entitled to water delivered through the water system in the amount of up to 0.67 acre feet per year for each share owned. Rights of shareholders of other classes of stock to delivery of water shall be as defined by contract with the Company for each such class. Shareholders may use water in excess of the amount that they are entitled to under these Bylaws so long as water is available, but the Company shall not be obligated to provide excess water and the water rights and water system capacity to be owned by the Company shall be based on the amount that the shareholders of each class are entitled to pursuant to this section. The Company shall not be liable for any failure of water service, including, but not limited to, failure of the system, shortages, droughts, acts of God, accidents or other causes which result in the loss of water service.

Section 13.2 Company and Individual Water Systems; Title; Operation and Maintenance.

(a) Company Water System. The water system of the Company shall include a spring, all underground wells, well houses, storage reservoirs, pumps, pump stations, main water distribution pipelines and the water meters serving the lot or property of each shareholder, and all equipment and facilities related thereto, extending up to the shareholder's side of the water meter (the "Company Water System").

(1) Title to the Company Water System shall at all times be and remain vested in the Company, on behalf of its shareholders.

(2) The Company shall operate, maintain, repair and replace the Company Water System at its expense.

(b) Individual Water System. The individual water system of each shareholder shall consist of the shareholder's individual service lateral beginning at the shareholder's side of the water meter, and extending from there to and including the shareholder's individual place of use, and all equipment and facilities related thereto (the "Individual Water System"). It shall be the responsibility of the shareholders to provide or arrange for the installation of all facilities associated with the Shareholder's Individual Water System, all at the shareholder's sole cost and expense.

(1) Title to each shareholder's Individual Water System shall be and remain vested in said shareholder.

(2) Each shareholder shall bear the sole responsibility for operating, maintaining, repairing and replacing said shareholder's Individual Water System. The Company may, however, without incurring liability, make emergency repairs to a shareholder's Individual Water System in order to mitigate damage, prevent waste of water, and prevent contamination of the Company's water supply. In such event the particular shareholder involved shall be obligated to reimburse the Company for all expenses incurred by it in making such emergency repairs. All such expenses incurred by the Company shall be billed to the shareholder as a special assessment on said shareholder's share of Company stock.

(3) The Company shall neither accept nor bear any responsibility or liability to any shareholder or other persons for any leaks or damage caused by leakage in the shareholder's Individual Water System.

Section 13.3 Water Shortage Response. The Company shall have the authority to address water shortages as determined by the Board as hereinafter provided.

(a) Emergency Response. The Board shall have the authority to issue an order prohibiting or limiting the use of water for outside uses and nonessential inside uses in the event of an emergency water shortage resulting from damage to the water system or water system failures. The President, as authorized by the Board, shall cause notice of such order to be given to all shareholders who have connections to the water system and such orders shall be effective upon such notice.

(b) Drought Response. The Board may address shortages in water supply, including shortages resulting from drought conditions and/or other long-term causes, by imposing water conservation requirements for shareholders connected to the water system. Such conservation requirements may include, by way of example but not by way of limitation: (i) limiting outside watering to certain days of the week and/or certain hours of the day; and/or (ii) prohibiting certain uses such as washing driveways or cars or using water in fountains that are not recirculating. The Board shall cause notice of such conservation requirements to be given to all shareholders.

(c) Enforcement. The Board may adopt rules for enforcing violations of water shortage response orders or conservation requirements. Such rules may provide for monetary penalties for violations and for discontinuance of water service for serious repeated or continuing violations. No penalties shall be imposed for violations by shareholders who have not been given notice of the water shortage response orders or requirements.

Section 13.4 Additions or Improvements to System. Any additions or improvements to the water system shall only be made or accepted by the Company upon approval of the Board. The Board shall have the right to establish such standards and requirements for additions to the water system as they may deem reasonable and necessary to maintain the engineering integrity and usability of the system.

Section 13.5 Changes in Point of Diversion, Place and Nature of Use. Changes in the point of diversion, place and/or nature of use of the Company's water by a member may only be made if authorized and approved by the Board, subject to and in conformance with all requirements of State law applicable thereto.

Section 13.6 Cross-Connection Control; Backflow Prevention.

(a) No Cross-Connections are Allowed. In order to protect the public drinking water supply of the Company from the possibility of contamination, there shall be no physical connection or arrangement of piping or fixtures which may allow non-potable water including, without limitation, industrial fluids or waste liquids, compounds or other materials or substances of questionable quality to come into contact with the Company's water inside the Company Water System. This shall include, but not be limited to, temporary conditions such as swing connections, removable sections, four-way plug valves, spools, dummy sections of pipe, swivel or change-over devices, sliding multiport tubes or any other such plumbing arrangements.

(b) Right of the Company to Inspect. The shareholder's Individual Water System shall be sufficiently open and available, at all reasonable times, in order to allow Company officials to inspect and conduct period system surveys to determine whether cross connections or other structural or sanitary hazards, including violation of this Article, exist and to audit the results of the required survey. A record of all periodic inspections and surveys of the member's Individual Water System shall be maintained by the System Operator in the records of the Company.

(c) Required Installation of Backflow Prevention Assembly. To prevent a shareholder's usage of water through an Individual Water System from creating a hazard to the Company's water supply, the Company Water System Operator may require that a backflow prevention assembly be installed on the service line of the shareholder's Individual Water System, at or near the property line or immediately inside the building being served; but, in all cases, before the first branch line leading off the service line. It shall be the responsibility of the shareholder, at his or her expense, to purchase, install, and maintain any backflow prevention assembly required to be installed by the System Operator in compliance with this Section, to have the backflow system inspected at intervals as directed by the Company Water System Operator, and to submit copies of the periodic inspection reports to the Company. The type of backflow prevention assembly required by the Company under this Section shall depend upon the degree of hazard which exists at the point of cross connection (whether direct or indirect), according

to the results of the survey, based upon the rules and other applicable state and local requirements.

(d) Compliance a Condition to Service. All shareholders shall comply with the requirements of this Article as a condition to receiving water service from the Company, and the shareholder's acceptance of water service constitutes an acknowledgment and representation by the shareholder that the shareholder is familiar with and agrees to be bound by the requirements of this Article.

Section 13.7 Apportionment in the Event of Forfeiture.

(a) Apportionment of Water Rights. If all or any portion of the water rights to which the Company holds title ceases or is lost due to forfeiture or abandonment for lack of beneficial use, the Company, pursuant to the provisions of Utah Code Annotated Section 73-1-4.5, shall apportion the loss to each shareholder whose failure to make beneficial use of the water to which the shareholder was entitled under his or her stock caused the loss of the water right, subject to the following:

(1) Such an apportionment shall be made at such time as the Utah Division of Water Rights or a court of proper jurisdiction makes a final decision that a loss has occurred under Utah Code Annotated Section 73-1-4, including losses that occur as part of a general determination under Title 73, Chapter 4, Determination of Water Rights, or by any other decision of a court of proper jurisdiction.

(2) In making an apportionment of the loss among the responsible shareholders, a sufficient number of shares as necessary to account for the water right lost by forfeiture, including necessary transportation or carrier water losses, shall be treated by the Company as shares redeemed by the Company from the shareholder responsible for the loss, and said shares shall be cancelled; whereupon the total number of shares owned by that shareholder shall be reduced accordingly on the records of the Company, and the authorized shares of the Company shall be reduced by the amount of shares that were redeemed and cancelled.

(3) Upon redemption, the total authorized shares of the Company shall be reduced by the amount of shares redeemed pursuant to this Article.

(4) The redemption and retirement of shares belonging to a shareholder pursuant to this Article shall not relieve the shareholder of liability for unpaid assessments on the stock or debts the shareholder may owe to the Company.

(b) Reduction in Delivery Pending Appeal. In making the apportionment, the Company shall reduce the amount of water provided to the shareholder in proportion to the amount of the lost water right during an appeal of a decision that reduced the Company water rights, unless otherwise ordered by a court of proper jurisdiction.

Section 13.8 Company Water System Maintenance and Service Contracts. The Board shall have authority to appoint and employ supervisory, clerical, operation and maintenance and other employees as deemed necessary by the Board, and/or it may enter into written contracts for operation, maintenance, and repair of the Company Water System with such contractors as the Board may, in its discretion, deem suitable in compliance with all applicable laws and regulations. The services to be provided under such contracts may include, but need not be limited to, monitoring and maintaining, on a regular basis, all water supply, storage and distribution facilities and equipment, and performing all other activities and functions as may be required, by the Board and otherwise, to effectively and efficiently operate and manage the Company Water System. Remuneration and other terms and conditions pertaining to such employees and contracts shall be determined by the Board in its sole discretion.

#### ARTICLE XIV SUNDRY PROVISIONS

##### Section 14.1 Contracts, Loans, Checks and Deposits.

(a) Instruments in Writing. All checks, drafts, demands for money and notes of the Company, and all written contracts of the Company, shall be signed by such officer or officers, agent or agents, as the Board may from time to time by resolution designate. No officer, agent, or employee of the Company shall have power to bind the Company by contract or otherwise unless authorized to do so by these Bylaws or by the Board.

(b) Contracts. Subject to the provisions of Subsection (c) below, the directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Company, and such authority may be general or confined to specific instances.

(c) Loans. The Board, upon resolution duly adopted, but subject to the terms of any shareholders or other similar agreements, shall have the authority to do the following: (i) incur indebtedness on behalf of the Company and (ii) issue notes, bonds, and/or make and perform contracts with the United States, the State of Utah and other governmental entities and agencies and/or private lenders, pursuant to which the Company shall be authorized to sell, lease, exchange, mortgage and/or pledge the assets of the Company as and for security for loans, or otherwise, for the purpose of acquiring water, water rights, water stock, sources of water supply, and real and personal property, and for the development of and/or improvements to the Company's water diversion and related appurtenances and equipment or otherwise for the purpose of attaining or furthering any of its lawful purposes and objectives, except that the Company shall not encumber, pledge, hypothecate or sell any asset contributed by the Class C shareholders, or any asset that is jointly held with a Class C shareholder for any purpose,

without obtaining the prior written consent of the Class C shareholder(s). No loan shall be made by the Company to any member of the Board or officer of the Company.

(d) Deposits. All funds of the Company not otherwise employed shall be deposited from time-to-time to the credit of the Company in such banks, trust companies or other depositories as the Board may elect.

Section 14.2 Fiscal Year. The fiscal year of this Company shall be the calendar year unless otherwise provided for by resolution of the Board.

Section 14.3 Shares Held by the Company. Shares in other corporations standing in the name of this Company may be voted or represented and all rights incident thereto may be exercised on behalf of this Company by any officer of this Company authorized so to do by resolution of the Board.

Section 14.7 Insurance. Subject to any terms of any shareholders or other similar agreements, Company may carry with standard insurance companies and in amounts determined appropriate by the Board: (1) worker's compensation insurance and public liability and property damage insurance in respect of all activities in which Company might incur personal liability for the death or injury to an employee or third person, or damage to or destruction of another's property; and (2) casualty insurance for the replacement value or costs of the water system against loss or damage by risks customarily covered with respect to such water systems.

Section 14.8 Dissolution. In the event of dissolution, each shareholder of the Company shall receive a proportionate share of the Company's property and assets, including gains from the sale of appreciated assets, in proportion to the amount of business done with the Company by each shareholder during the period the assets were owned by the Company, insofar as is practicable, except as may be otherwise provided in the shareholder agreements governing the issuance of Class D and Class E shares.

## ARTICLE XV DIRECTORS' CONDUCT

Section 15.1 Interested Parties. No contracts or other transactions between the Company and any other trust, organization or corporation shall in any way be affected or invalidated by the fact that any of the Directors of the Company are pecuniarily or otherwise interested in, or are Directors, directors or officers of, such other trust organization or corporation.

Section 15.2 Notice of Interest. Any Director individually, or any trust, organization or corporation with which any Director may be associated, may be a party to or may be pecuniarily or otherwise interested in any contracts or transactions of the Company,

provided that the fact that he or such trust, organization or corporation is so interested shall be disclosed or shall have been known to the Board or a majority thereof.

Section 15.3 Quorum. Any Director of the Company who is also a Director, director or officer of such other trust, organization or corporation or who is so interested may be counted in determining the existence of a quorum at any meeting of the Board of the Company which shall authorize any such contracts or transactions with like force and effect as if he were not such Director, director or officer of such other trust, organization or corporation, or not so interested.

## ARTICLE XVI INDEMNIFICATION

Section 16.1 Judgments. The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that he is or was a Director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 16.2 Defense Costs; Application to Court. The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that he is or was a Director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Company unless and only to the extent that the court in which such action or suit

was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

Section 16.3 Defense Costs; Successful Defense. To the extent that a Director, officer, employee or agent of the Company has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 16.1 or 16.2 of this Article, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 16.4 Authorization. Any indemnification under Sections 15.1 or 15.2 of this Article (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the Director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 16.1 or 16.2. Such determination shall be made by the Board by a majority vote of a quorum of the Directors, or by the shareholders.

Section 16.5 Advancement of Costs. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Company in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in Section 16.4 of this Article upon receipt of an undertaking by or on behalf of the Director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Company as authorized herein.

Section 16.6 Survival of Rights. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of shareholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office and shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 16.7 Liability Insurance. The Company may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Company would have the power to indemnify him against such liability under the provisions of this Article.



Certificate of Adoption

The foregoing Amended and Restated Bylaws were approved by resolution of the Board and presented for consideration and approval by the shareholders at a special meeting of the shareholders held on August, 20, 2019. 71 shares of stock were represented at the meeting by attendance and by proxy. 71 shares, including more than a majority of the resident shareholders represented at the meeting, voted in favor of the Amended and Restated Bylaws.

DATED this 20<sup>th</sup> day of August, 2019.

**GORGOZA MUTUAL WATER COMPANY**

By:  \_\_\_\_\_  
President

By:  \_\_\_\_\_  
Secretary