

**AMENDED AND RESTATED BYLAWS
AND RULES AND REGULATIONS
OF
ERDA ACRES WATER COMPANY**

WHEREAS, the Board of Directors (the “Board”), of Erda Acres Water Company (the “Company”), deems it necessary to adopt these bylaws and uniform rules and regulations pertaining to the administration and business affairs of the Company, the issuance and transfer of shares of stock in the Company, assessment of shares and procedures for the collection of delinquent assessments, and related matters for the purpose of assuring the orderly governance of the Company and a fair and equitable distribution of water to its shareholders.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the Board that the bylaws and rules and regulations by which the Company shall be governed are as follows:

ARTICLE I

LEGAL AUTHORITY

These Amended and Restated Bylaws and Rules and Regulations (“Bylaws”), are promulgated pursuant to and in conformance with the Utah Revised Nonprofit Corporation Act, '16-6a-101 *et seq.*, Utah Code Ann. (the “Act”), and pursuant to authority granted to the Board as set forth in the Company=s Articles of Amendment and Restatement to the Articles of Incorporation of Erda Acres Water Company (the “Articles”).

ARTICLE II

BOOKS AND RECORDS

2.1. Books and Records. The Company shall keep as permanent records, at its principal office, the following books, records and documents:

- a. its Articles;
- b. these Bylaws and other rules and regulations;
- c. resolutions adopted by its Board;
- d. the minutes of all shareholders= meetings, for a period of three years;
- e. records of all action taken by shareholders without a meeting, for a period of three years;
- f. all written communications to shareholders generally as shareholders, for a period of three years;
- g. a list of the names and business or home addresses of its current directors and officers;
- h. a copy of its most recent annual report delivered to the Utah Division of Corporations annually;
- i. all financial statements prepared for periods ending during the last three years;

- j. minutes of all meetings of the Board;
- k. a record of all actions taken by the Board without a meeting;
- l. a record of all actions taken by a committee of the Board in place of the Board on behalf of the Company;
- m. a record of all waivers of notices of meetings of shareholders and of the Board or any committee of the Board;
- n. a record of its shareholders in a form that permits preparation of a list of the name and address of all shareholders in alphabetical order, showing the number of votes each shareholder is entitled to cast;
- o. stock transfer books and records; and
- p. appropriate accounting records.

2.2. Inspection of Records. A director or shareholder is entitled to inspect and copy any of the records of the Company during regular business hours, at the Company's principal office, so long as the director or shareholder gives the Company written demand, at least ten (10) business days before the date on which the director or shareholder wishes to inspect and copy the records. A director or shareholder may inspect and copy the records only if the demand is made in good faith, for a proper purpose, the director or shareholder describes with reasonable particularity the purpose and the records the director or shareholder desires to inspect, and the records are directly connected with the described purpose.

ARTICLE III

MEMBERSHIP; STOCK

3.1. Membership and Authorized Shares. The Company shall issue shares of the capital stock of the Company as evidencing membership therein and the members shall be referred to as shareholders or stockholders. There shall be six (6) classes of stock in the Company denominated as "Class A" Shares, "Class A-1" Shares, "Class A-2" shares, "Class B" Shares, "Class C" Shares and "Class D" Shares. Any reference to "stock" herein shall mean all classes of stock, including Class A, Class A-1, Class A-2, Class B, Class C and Class D stock.

3.2. Issuance of Shares.

(1) Issuance of Class A, Class A-1, Class A-2, Class B and Class C Shares. Class A, Class A-1, Class A-2, Class B and Class C shares of stock shall be issued to the owners of residential dwelling units situated in Erda, Tooele County, Utah, that shall be connected to and receive culinary water service from the Company in conformance with the Bylaws and Rules and Regulations of the Company, said shares to be issued as follows:

(a) Class A Shares: Class A shares shall originally be issued to members who own the 79 residential subdivision lots connected to and receiving culinary water service from the Company prior to October 1, 2006.

(i) Class A shares shall represent the right to use water in connection with one full-time, single-family residence for inside culinary use, the outside irrigation of maintained landscaping associated with said residence, incidental stockwatering, and incidental uses related to the residence such as use in stables or work sheds.

(ii) Recognizing that Class A shareholders represent those within the original service area of the Company who have participated in the creation of value in the initial assets of the Company, Class A shares of stock shall be considered fully vested in the assets of the Company as of the date of issuance and are thereby entitled to receive a proportional interest in the assets (or equivalent value) of the Company pursuant to the Bylaws and Rules and Regulations in the event of dissolution of the Company.

(b) Class A-1 Shares: Class A- 1 shares shall be issued to members who convert from Class B shares as provided in Section B(1)(d)(iii) of this Article.

(i) Class A-1 shares shall represent the right to use water in connection with one full-time, single-family residence for inside culinary use, the outside irrigation of maintained landscaping associated with said residence, incidental stockwatering, and incidental uses related to the residence such as use in stables or work sheds.

(ii) Class A-1 shares of stock shall be considered fully vested in the assets of the Company as of the date of issuance and are thereby entitled to receive a proportional interest in the assets (or equivalent value) of the Company pursuant to the Bylaws and Rules and Regulations in the event of dissolution of the Company.

(c) Class A-2 Shares: Class A- 2 shares shall be issued to members who convert from Class C shares as provided in Section B(1)(e)(iii) of this Article.

(i) Class A-2 shares shall represent the right to use water in connection with one full-time, single-family residential duplex unit, for inside culinary use, the outside irrigation of maintained landscaping associated with said duplex unit, incidental stockwatering, and incidental uses related to the residence such as use in stables or work sheds.

(ii) Class A-2 shares of stock shall be considered fully vested in the assets of the Company as of the date of issuance and are thereby entitled to receive a proportional interest in the assets (or equivalent value) of the Company pursuant to the Bylaws and Rules and Regulations in the event of dissolution of the Company.

(d) Class B Shares. Class B shares of stock shall be issued to members who own residential subdivision lots legally established within the service area of the Company on or after October 1, 2006.

(i) Class B shares shall represent the right to use water in connection with one full-time, single-family residence for inside culinary use, the outside irrigation of maintained landscaping associated with said residence, incidental stockwatering, and incidental uses related to the residence such as use in stables or work sheds.

(ii) Recognizing that Class B shareholders have not participated in the creation of value in the initial assets of the Company, notwithstanding the payment of a fee to cover the immediate impacts to the Company's water system in having to provide current service to their lots, Class B shares of stock shall not be considered fully vested in the assets of the Company as of the date of issuance and are thereby not entitled to receive a distribution (or equivalent value) from the assets of the Company in the event of dissolution.

(iii) Notwithstanding the foregoing, as set forth in the Bylaws and Rules and Regulations of the Company, Class B shares of stock may, at the request of the Class B shareholder, be converted to Class A-1 shares of stock, and thereby become fully vested in the assets of the Company, ten (10) years after the date the Class B share is originally issued.

(e) Class C Shares. Class C shares of stock shall be issued to members who own duplex units within the service area of the Company on or after January 1, 2009.

(i) Class C shares shall represent the right to use water in connection with one full-time, single-family duplex unit for inside culinary use, the outside irrigation of maintained landscaping associated with said duplex unit, incidental stockwatering, and incidental uses related to the duplex unit such as use in stables or work sheds.

(ii) Recognizing that Class C shareholders have not participated in the creation of value in the initial assets of the Company, notwithstanding the payment of a fee to cover the immediate impacts to the Company's water system in having to provide current service to their lots, Class C shares of stock shall not be considered fully vested in the assets of the Company as of the date of issuance and are thereby not entitled to receive a distribution (or equivalent value) from the assets of the Company in the event of dissolution.

(iii) Notwithstanding the foregoing, as set forth in the Bylaws and Rules and Regulations of the Company, Class C shares of stock may, at the request of the Class C shareholder, be converted to Class A-2 shares of stock, and thereby become fully vested in the assets of the Company, ten (10) years after the date the Class C share is originally issued.

(2) Issuance of Class D shares. Class D shares stock shall be issued to members who are the owners of property, including commercial property, government property, school property, and church property (collectively, "Commercial Property"), situated in Erda, Tooele County, Utah, that shall be connected to and receive culinary water service from the Company in conformance with the Bylaws and Rules and Regulations of the Company said shares to be issued as follows:

(a) Class D shares shall be issued on a residential equivalent basis (equivalency being based upon the water use requirement of one full-time, single-family residence for inside culinary and outside irrigation of maintained landscaping associated with said residence), and represents the right to use water in connection with such commercial, government, school or church property for inside culinary use and the outside irrigation of maintained landscaping on said property as approved by the Board of Directors.

(b) Recognizing that Class D shareholders have not participated in the creation of value in the initial assets of the Company, notwithstanding the payment of a fee to cover the immediate impacts to the Company's water system in having to provide current service to their property, Class D shares of stock shall not be considered fully vested as of the date of issuance and are thereby not entitled to receive a distribution (or equivalent value) from the assets of the Company in the event of dissolution. Class D shares shall not be convertible to Class A shares, Class A-1 shares or Class A-2 shares.

3.3. Book-entry Issuance of Shares. All shares of Company stock shall be issued as book-entry shares without certificates. This authorization of book-entry shares shall not affect shares of Company stock already represented by certificates until they are surrendered to the Company.

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. Within a reasonable time after the issuance or transfer of shares without certificates, the Company shall send the shareholder 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) a statement that upon request the Company will furnish the

shareholder 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.

3.4. 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 provide by the laws of the State of Utah.

3.5. Appurtenance. To facilitate more effective management and control of the Company's water supply, to facilitate water delivery, and to protect the Company and its shareholders, the water rights of the Company, represented with respect to each shareholder by the share or shares of Company stock, regardless of class, issued to each shareholder, shall be deemed to be appurtenant to the lot or property upon which water under each share of Company stock is being used as of the effective date of these Articles.

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. 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.

3.6 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.

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

ARTICLE IV

SHAREHOLDER'S MEETINGS

4.1. Place of Meetings. All meetings of the shareholders shall be held at such place as shall be determined from time-to-time by the Board, and the place at which such meeting shall be held shall be stated in the notice and call of the meeting.

4.2. Annual Meeting.

a. Schedule. An annual meeting of the shareholders of the Company shall be held at such time and on such date as shall be stated in or fixed in accordance with a resolution of the Board. The failure to hold an annual or regular meeting at the time and date determined shall not affect the validity of any corporate action or work a forfeiture or dissolution of the Company.

b. Order of Business. The order of business at the annual meeting of shareholders shall be as follows:

- (1) Calling the meeting to order;
- (2) Ascertain the presence of a quorum.
- (3) Proof of notice of the meeting or waiver thereof;
- (4) Reading of summary and action on any unapproved minutes;
- (5) Reports of officers, committee, etc;
- (6) Other business;
- (7) Election of Directors;
- (8) Adjournment.

4.3. Special Meetings. Special meetings of the shareholders, for any purpose or purposes, including emergencies, unless otherwise prescribed by state law, may be called by the president of the Company, or in the event of his failure or refusal to act, by a majority vote of the Board, and shall be called at any time by the president or vice president, or the secretary or treasurer, upon the request of shareholders owning not less than fifty percent (50%) of the outstanding stock of the Company entitled to vote at such meeting. Business transacted at all special meetings shall be confined to the subjects stated in the notice.

4.4. Notice of Meetings.

a. Time and Manner of Notice. Notice of the date, time and place of any annual or special meeting of shareholders shall be given to each shareholder of record of the Company entitled to vote, in conformance with the following:

(1) Notice shall be given by mailing written or printed notice of the same at least ten (10) days prior to the meeting; and if notice is mailed by other than first-class or registered mail, not less than ten (10) days nor more than thirty (30) days prior to the date of such meeting. Such notice shall be deemed to be delivered when deposited in the United States Mail, postage prepaid, and addressed to the shareholder=s last known post office address or to the address appearing on the stock transfer books of the Company. Notice may be waived in writing,

signed by the shareholder entitled to the notice and delivered to the Company for inclusion within the minutes or for filing with the corporate records.

(2) An emergency meeting may be called, upon 48 hours notice, using the most reasonable means of notice possible, including notice communicated in person, by telephone, by any form of electronic communication, by mail, by private carrier or any combination of the above.

b. Contents of the Notice. In addition to other matters which may be included, the notice shall include, as applicable, a description of any matter or matters that must be approved by the shareholders, matters for which approval is sought in connection with conflict of interest transactions, indemnification of directors and officers, amendments to the articles of incorporation and bylaws, any merger plan, sale of Company property other than in the ordinary course of business, and/or dissolution of the Company. The Company shall give notice of a matter a shareholder intends to raise at the meeting if requested in writing to do so by a person entitled to call a special meeting and the request is received by the secretary or president of the Company at least 10 days before the Company gives notice of the meeting. The notice of a special meeting shall include a description of the purpose or purposes for which the meeting is called.

c. Record Date. The Board may fix in advance a date, not exceeding ten (10) days preceding the date of any meeting of shareholders, as a record date for the determination of the shareholders entitled to notice of and to vote at any such meeting. If a record date is not established for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, the date on which notice of the meeting is mailed shall be the record date. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

4.5. Quorum. Except as provided in Section 5.2(i) herein, at any annual or special meeting of shareholders, the shareholders entitled to vote who are present at the meeting or represented by proxy shall constitute a quorum for action on any matter, unless otherwise expressly provided herein on in the Act. Once a shareholder is represented for any purpose at a meeting, including the purpose of determining that a quorum exists, the shareholder is considered present for quorum purposes for the remainder of the meeting and for any adjournment of the meeting.

4.6. Voting at Meetings.

a. Shareholder Voting List. A complete list of the shareholders entitled to vote, arranged in alphabetical order, showing the address of each shareholder entitled to notice of and to vote at the meeting, and the number of voting shares held by each, shall be prepared by the secretary who shall have charge of the stock ledger and be filed in the principal office of the Company, at least twenty (20) days before every election. The shareholder voting list shall, during normal business hours and during the proceedings of the election, be open to the examination of any shareholder. 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 book shall be prima facie evidence as to the shareholders who are entitled to examine such list or transfer book or to vote at the meeting of shareholders.

b. Personal and Proxy Vote. At the meeting of the shareholders, every shareholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such shareholder and bearing a date not more than eleven months prior to said meeting, unless said instrument provides for a longer period.

c. Manner of Voting. Voting at all meetings of shareholders shall be by voice vote, by vote indicated by raise of hand, or otherwise, as directed by the presiding officer.

d. Votes Per Share. Each shareholder shall have one vote per share of stock registered in the shareholder's name on the books of the Company, regardless of class. If stock stands of record in the name of two or more persons, only one person may vote the share and that share shall still be entitled to only one vote.

e. Simple Majority Vote. Except as otherwise provided herein, all questions voted upon shall be approved by a simple majority vote.

f. Voting of Shares by Fiduciaries.

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

(2) Shares standing in the name of a trustee may be voted by him either in person or by proxy but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name as transferee.

(3) 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.

(4) 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.

(5) 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.

g. Inspectors of Election. Two inspectors of election shall serve at each meeting of the shareholders at which any vote shall be taken. The secretary of the Company and one other person appointed by the Board before or at the meeting shall serve as the inspectors. The inspectors shall receive and take charge of all proxies and shall decide all questions touching upon the qualification of voters, the validity of proxies, and the acceptance and rejection of votes. In case of a tie vote by the inspectors on any question, the presiding officer shall decide the matter.

4.7. Meetings by Telecommunication. As provided for in the Act, any shareholder may participate in an annual, regular, or special meeting of the shareholders by, or the meeting may be conducted through the use of, any means of communication by which all persons participating in the meeting may hear each other during the meeting. A shareholder participating in a meeting by a means permitted hereunder is considered to be present in person at the meeting.

ARTICLE V

BOARD OF DIRECTORS

5.1. Board of Directors, Number, Tenure and Qualifications.

a. All corporate powers shall be exercised and the business and affairs of the Company shall be managed by the Board consisting of nine (9) directors, each of whom shall be elected for a term of two (2) years and shall hold office until their successors are elected and qualified as set forth herein. Board elections shall be called and conducted in such a manner as to provide for staggered terms of the members of the Board; therefore, in the first election of directors after the effective date of these Bylaws, five (5) directors shall be elected for a term of two (2)

years, and four (4) directors shall be elected for a term of one (1) year, and in subsequent elections thereafter all directors shall be elected for a term of two (2) years as provided herein.

b. The number of directors to serve may be modified from time-to-time by a duly enacted written resolution of the Board or by vote of the shareholders.

c. All directors must be natural persons of 18 years of age or older and be shareholders of the Company. With regard to corporations or other business entities which own shares of stock in the Company, one natural person who is an officer, director, manager or partner of any such shareholder, who is designated in writing by said shareholder as the corporate or business representative of said shareholder, shall be eligible to serve as a director on the Board.

5.2. General Powers. In addition to the powers and authority which by these Bylaws and the Articles are expressly conferred upon it, the Board may exercise all such powers of the Company and do all such lawful acts and things as are not by statute, the Articles, or these Bylaws directed or required to be exercised or done by the shareholders. Without limiting the general powers of the Board to exercise control of the Company set forth above, the Board shall have the power, among other things: (i) to buy, sell, exchange, or dispose of the real and personal property of the Company as may be deemed necessary; provided, however, that no sale, exchange or lease of all or substantially all of the assets of the Company (other than as a pledge as security for a loan) shall be valid unless and until approved by a majority vote at a regular or a special meeting of the shareholders called for that purpose at which a quorum constituting 50% of the outstanding stock of the Company is present; (ii) to regulate the transfer of Company stock; (iii) to prescribe the duties of its officers, agents, and employees, and fill all vacancies in the Board caused by an increase in the number of members of the Board, by death, by resignation or otherwise; (iv) to locate and construct wells, pipelines, dams, storage reservoirs, canals, ditches, head gates and diversions to provide for the storage and delivery of waters to the shareholders of the Company; (v) to regulate the water rights and sources of water supply of the Company and the distribution and delivery of Company water to its shareholders, including the rationing of water in times of scarcity; (vi) to levy assessments on all shares of Company stock and enforce and collect such assessments; (vii) to employ engineers, attorneys, superintendents, and other subordinate officers, agents and laborers as in their judgment the business of the Company may require, prescribe their duties, and provide for their compensation; (viii) to make rules and regulations for the administration and regulation of affairs of the Company; and (ix) to have and exercise any and all such express and implied powers as shall be necessary or convenient to effect any or all of the purposes for which the Company is organized so long as such actions are not inconsistent with the Articles, these Bylaws or the Act.

5.3. Election of Directors. Each shareholder in the Company entitled to vote may vote for all directors. The candidate receiving the highest number of votes cast in favor of their election shall be elected to the Board. Directors may be elected for successive terms.

5.4. Meetings of the Board of Directors. The Board shall be authorized to meet in conformance with the following:

a. Regular Meetings. A regular meeting of the Board may be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of the shareholders. The Board may provide, by separate resolution, for holding additional regular meetings. Each regular meeting shall be preceded by at least ten (10) day's notice of the date, time and place of the meeting. Such notice shall be delivered by any form of electronic communication, by mail, by private carrier or any combination of the above. A director may waive any notice of a regular meeting before or after the time and date of the meeting, which waiver shall be in writing, signed by the director entitled to notice.

b. Special Meetings. Special meetings of the Board may be called at any time by the president, or in his absence, by the vice president, or by any two directors, to be held at the principal office of the Company or at such other place or places, within or without the State of Utah, as the person or persons authorized to call the special meeting shall designate. Special meetings of the Board shall be preceded by at least ten (10) day's notice of the date, time and place of the meeting, by telephone, by any form of electronic communication, by mail, by private carrier or any combination of the above. The notice need not describe the purpose of the special meeting. A director may waive any notice of a special meeting before or after the time and date of the meeting, which waiver shall be in writing, signed by the director entitled to notice.

c. Action Without a Meeting.

(1) 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, 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.

(2) Action is taken under this Subsection 5.4.c. 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.

(3) An action taken under this Subsection c. 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 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.

(4) 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.

(5) 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.

5.5. Telephone Conference Participation. Any 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.

5.6. Quorum and Voting. At any meeting of the Board, a quorum consisting of not fewer than three (3) directors in office immediately prior to the beginning of the meeting shall be required to transact the business of the meeting. Each director shall be entitled to one (1) vote on all matters brought before the Board.

5.7. Manner of Acting. If a quorum is present when the vote is taken, the affirmative vote of the majority of the directors present at a meeting shall be the act of the Board. For the purpose of determining a quorum with respect to a particular proposal, and for purposes of casting a vote for or against a particular proposal, a director may be considered present at a meeting and to vote if the director has granted a signed written proxy to another director who is present and which authorizes the other director to cast the vote that is directed to be cast by the written proxy

with respect to the particular proposal that is described with reasonable specificity in the proxy. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of one or more directors, if any action taken is approved by at least a majority of the required quorum for the meeting.

5.8. Waiver of Notice; Presumption of Assent. A director=s attendance at or participation in a meeting waives any required notice to that director of the meeting unless at the beginning of the meeting or promptly upon the director=s later arrival, the director objects to holding the meeting or transacting business at the meeting because of lack of notice or defective notice; and after objecting, the director does not vote for or assent to action taken at the meeting; or if special notice was required of a particular purpose the director objects to transacting business with respect to the purpose for which the special notice was required; and after objecting, the director does not vote for or assent to action taken at the meeting with respect to the purpose.

5.9. Newly Created Directorships and Vacancies. Newly created directorships resulting from an increase in the number of directors and vacancies occurring in the Board for any reason except the removal of directors without cause may be filled by an affirmative vote of the majority of the directors then in office, although less than a quorum may exist.

5.10. Resignation. A director may resign at any time by giving written notice to the Board, the president or secretary of the Company. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the Board or such officer, and the acceptance of resignation shall not be necessary to make it effective.

5.11. Removal. The shareholders may remove one or more directors elected by them, for cause. A director or directors may be removed only at a meeting called for the purpose of removing that director or those directors and if the meeting notice states that the purpose, or one of the purposes, of the meeting is removal of a director or directors. A director or directors may only be removed if the number of votes cast to remove the director or directors would be sufficient to elect the director at a meeting to elect directors. A director elected by the Board to fill the vacancy of a director elected by the shareholders may be removed for cause only by the shareholders, and not by the Board.

5.12. Compensation. Compensation to directors for their service on the Board may be authorized and fixed as determined, from time-to-time, by written resolution of the Board. Directors shall be reimbursed, with approval of the Board, for any actual and reasonable expenses incurred by a director in the performance of his duties as a director. Members of special or standing committees may likewise be reimbursed upon the prior approval of the Board.

5.13. Committees. An executive committee may be appointed by resolution passed by a vote of the Board and shall have all the powers provided by statute, except as specially limited by the Board. Additionally, other standing or temporary committees may be appointed from time-to-time by vote of the Board among the members of the Board or from among the shareholders, which committees shall be invested with such power as the Board may see fit, subject to such conditions as may be prescribed by such Board. All committees so appointed shall keep regular minutes of the transactions of their meetings, and shall cause them to be recorded in books kept for that purpose in the office of the Company and shall report the same to the Board. All committees shall serve at the pleasure of the Board.

ARTICLE VI

OFFICERS

6.1. Number, Election and Term of Office. The officers of the Company shall be a president, a vice-president, a secretary and a treasurer. An officer shall be a natural person 18 years of age or older.

a. The president, vice-president and secretary shall be members of the Board and be elected annually for a term of one (1) year by the directors at their first meeting after the annual meeting of shareholders, and shall hold office until their successors are elected and qualify.

b. The treasurer may but need not be a director. If the treasurer is a director, the treasurer shall be elected in the same manner and for the same term of office as the president, vice-president and secretary. If the treasurer is not a director, the treasurer shall be appointed by the Board and serve at the pleasure of the Board. The Board may combine the offices and duties of secretary and treasurer which office shall be referred as the office of secretary/treasurer. In such event, the secretary/treasurer shall be appointed in the same manner as the secretary.

6.2. Duties.

a. President. The president shall be the principal executive officer of the Company and, subject to the control of the directors, shall have general supervision and control of the business affairs of the Company and the operation and maintenance of the Company Water System as defined in Section 9.1.a. herein. The president may hire employees when he deems such action necessary to assist him in carrying out the day-to-day management and control of the Company Water System. The president shall, when present, preside at all meetings of shareholders and directors. He may sign or countersign, with the secretary or any other proper officer of the Company thereunto authorized by the directors any and all deeds, mortgages, bonds, contracts and other instruments of the Company as authorized by the Board, and shall perform all such other duties as are incident to his office or are properly required of him, from time-to-time, by the Board. He shall supervise all the officers and employees of the Company, see that their duties are properly discharged, and report to the Board any negligence or misconduct of such officers and employees.

b. Vice-president. In the absence of the president, or in the event of his death, inability or refusal to act, the vice-president shall perform and exercise the duties and functions of the president, and when so acting shall have all the powers of and be subject to all the restrictions upon the president. The vice-president shall perform and discharge such other and further duties as may be assigned from time to time by the president or by the Board.

c. Secretary. The secretary shall perform the duties of secretary, which shall include: (i) keeping and maintaining, as custodian, the books, records and documents set forth in Article II herein, in written form or in another form capable of conversion into written form within a reasonable time; (ii) seeing that all notices regarding annual stock assessments, delinquencies and stock sales are duly given in accordance with the provisions of these By-laws; (iii) having general charge of the stock transfer books of the Company; and (iv) in general performing all duties incident to the office of secretary and such other duties as from time-to-time may be assigned by the president or the Board.

d. Treasurer. The treasurer shall perform the duties of the office of treasurer which shall include: (i) having the charge and custody of and being responsible for all the funds and securities of the Company from any source whatsoever, and in such capacity depositing all such funds in the name of the Company in such banks, trust companies or other depositories as shall be selected in accordance with these By-laws; (ii) keeping regular books of account; (iii) disbursing the funds of the Company in payment of the just demands against the Company, or as may be ordered by the Board, and taking proper vouchers for such disbursements; (iv) rendering to the Board from time-to-time as may be required an account of all transactions and of the financial condition of the Company; and (v) in general performing all duties incident to the office of treasurer and such other duties as from time-to-time may be assigned by the president or the Board.

6.3. Absence or Inability to Act. In the case of absence or inability to act of any officer of the Company and of any person herein authorized to act in his place, the Board may from time-to-time delegate the powers or duties of such officer to any other officer or any director or other person whom it may select.

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6.4. Vacancies. Vacancies in any office arising from any cause may be filled by the Board at any regular or special meeting.

6.5. Other Officers. The Board may appoint such other officers and agents as it shall deem necessary or expedient, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time-to-time by the Board.

6.6. Fidelity Bonds. The Board shall require the treasurer, and by resolution may require the president, vice-president and secretary, to provide fidelity bonds to the Company, with sufficient surety or sureties, conditioned for the faithful performance of the duties of their respective offices, and to comply with such other conditions as may from time to time be required by the Board. The cost of procuring fidelity bonds as required herein shall be paid by the Company,

6.7. Tenure and Removal from Office. The officers of the Company shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board may be removed at any time, with or without cause, by the affirmative vote of a majority of the whole Board then in office. An officer or officers may be removed without cause by a 2/3 majority vote of the stock represented either in person or by proxy at a meeting of shareholders called for that purpose pursuant to notice.

6.8. Resignation. Any officer may resign his office by giving written notice of resignation to the Board. Such resignation shall be effective when the notice is received unless the notice specifies a later effective date. Acceptance of the resignation shall not be necessary to make it effective.

6.9. Compensation. Compensation to officers for their service may be authorized and fixed as determined, from time-to-time, by written resolution of the Board. Officers shall be reimbursed, with approval of the Board, for any actual and reasonable expenses incurred by an officer in the performance of his duties as an officer.

ARTICLE VII

INDEMNIFICATION OF OFFICERS AND DIRECTORS

7.1. Indemnification. The Company, to the full extent authorized by law, shall indemnify and defend any and all persons who may serve or who have served at any time as directors or officers, or both, or who at the request of the Board may serve or at any time have served as directors or officers or both, of any other Company in which the Company at such time owned or may own shares of stock or of which it was or may be creditor, and their respective heirs, executors, administrators, successors, representatives and assigns against any and all expenses and amounts paid upon judgments or pursuant to decrees, including, but not limited to, counsel fees, court costs and amounts paid in settlement (before or after suit is commenced), actually and reasonably incurred by such person in connection with the defense, discharge or settlement of any claim, action, suit or proceeding (whether civil, criminal, administrative or other) in which they, or any of them, are, or may be, involved in or made parties, or a party, or which may be asserted against them, or any of them by reason of being, or having been, directors and officers, or a director or an officer of the Company, or of such other Company (whether or not such person is a director or officer at the time of incurring the obligation to pay such expense, judgment or decree). No officer shall be liable for negligence or misconduct in the performance of his or her duty to such Company if he, she or they acted in good faith; the director or officer reasonably believed that the director=s or officer=s conduct was in, or not opposed to, the Company=s best interests; and in the case of any criminal proceeding, the director or officer had no reasonable cause to believe the director=s conduct was unlawful. The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent is not, of itself, determinative that the director or officer did not meet the standard of conduct described herein. Notwithstanding the foregoing, the Company shall not indemnify a director or officer hereunder in connection with a proceeding by or in the right of the Company in which the director or officer was

adjudged liable to the Company; or in connection with any other proceeding charging that the director or officer derived an improper personal benefit, whether or not involving action in the director=s or officer=s official capacity, in which proceeding the director or officer was adjudged liable on the basis that the director or officer derived an improper personal benefit.

7.2. Advance of Expenses. The Company shall pay for or reimburse the reasonable expenses incurred by a director or officer who is a party to a proceeding in advance of final disposition of the proceeding if the director or officer furnishes the Company a written affirmation of the director=s or officer=s good faith belief that the director or officer has met the applicable standard of conduct set forth in Subsection 7.1 of this Article; the director or officer furnishes the Company a written undertaking, executed personally or on the director=s or officer=s behalf, to repay the advance, if it is ultimately determined that the director or officer did not meet the standard of conduct; and a determination is made that the facts then known to those making the determination would not preclude indemnification hereunder. The required undertaking shall be an unlimited general obligation of the director or officer; need not be secured; and may be accepted without reference to financial ability to make repayment.

7.3. Notice to Shareholders. If the Company indemnifies or advances expenses to a director or officer under this Article in connection with a proceeding by or in the right of the Company, the Company shall give written notice of the indemnification or advance to the shareholders in conformance with the requirements of the Act.

7.4. In Addition to Other Rights. The indemnification provided for in this Article shall be in addition to all other rights to which the person indemnified may be entitled under any law, bylaw agreement, resolution, of the shareholders or otherwise.

ARTICLE VIII

CONTRACTS, LOANS, CHECKS AND DRAFTS

8.1. Contracts.

a. Subject to the provisions of Section 8.1.b. 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.

b. The Board shall not authorize any contract for any capital expenditure unless: (i) the Board shall adopt a resolution recommending the same to the shareholders and directing that the resolution be submitted to a vote at a meeting of shareholders having voting rights, which may be either an annual or special meeting, (ii) written notice of such meeting shall have been duly given in conformance with the requirements of these Bylaws, and (iii) said resolution shall be approved by the shareholders as provided in Section 4.6.e. herein.

8.2. Loans.

a. Subject to the provisions of Section 8.1.b. above, the Board, upon resolution duly adopted, shall have the authority to incur indebtedness on behalf of the Company.

b. Subject to the provisions of Subsection 8.1.b. above, the Company shall be authorized to enter into contracts with the United States, the State of Utah, other governmental entities, or private lenders, pursuant to which the Company shall be authorized to sell, lease, exchange, mortgage, pledge, or otherwise dispose of all or substantially all of the assets of the Company, as and for security for loans, or otherwise, for the acquisition of water and water rights, and the use, joint development of and/or improvements to all water diversion, distribution and

storage facilities of the Company; except that such contract for the sale, lease, exchange, mortgage, pledge or other disposition of the assets of the Company.

c. No loan shall be made by the Company to any member of the Board or officer of the Company.

8.3. Checks and Drafts. All officers of the Company shall have authority to sign the checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Company, and the signatures of two officers shall be required on each.

8.4. 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.

ARTICLE IX

RULES AND REGULATIONS

PERTAINING TO THE DISTRIBUTION OF WATER TO SHAREHOLDERS

9.1 Company and Individual Water Systems; Title; Operation and Maintenance.

a. Company Water System. The water system of the Company shall include 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").

(1) Title to the 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.

9.2. Water Service to Existing Connections. Water service shall be provided to the shareholders of the Company having existing connections in conformance with the following:

a. Water Entitlement.

(1) Each share of Company stock shall entitle the holder thereof to one residential, duplex or commercial connection, as the case may be, which represents the right to receive and use a base amount of water per month (the "Base Water Entitlement") for water diverted and used under the Company's water rights and sources of water supply through the Company Water System for inside domestic use and for incidental irrigation and stockwatering purposes. In a normal water year, the Base Water Entitlement, annualized for each class of Company stock, shall be approximately as follows:

(a) Class A, Class A-1 and Class B 1.5 acre-feet per year

(b) Class A-2 and Class C 1.0 acre-feet per year

(c) Class D As determined by the Company's engineer based upon the type of use.

(2) The actual amount of water to be delivered to a shareholder under the Base Water Entitlement shall be determined annually by the Board and be adjusted depending upon the water supply estimated to be available that year. In the event of a shortage, use of the Company's available water supply shall be by the Board on a pro-rata basis within each class of stock.

b. Restriction on Number of Service Connections. The Board shall have the sole authority to regulate and limit the number of actual service connections to the Company Water System based upon the Company's water rights, sources of water supply, source capacity, storage capacity, distribution system capacity, existing and potential system demand, and such other factors and criteria as the Board may deem relevant in the best interest of the Company and its shareholders. In making such determination, the Board may retain the advice of such engineers, attorneys and other consultants as it deems advisable.

c. Use Only On Appurtenant Lot or Property. Company water shall only be authorized for use by a shareholder on the lot or property to which the water is appurtenant according to the books and records of the Company as provided in Section 3.5 of these Bylaws.

9.3. Water Service to a New Lot or Property. No individual, firm, corporation or company desiring to connect to the Company Water System ("Applicant"), shall be permitted to connect to the Company Water System and receive water service from the Company for any new lot or property not currently being served by water through the Company Water System except upon compliance with conditions imposed by the Board sufficient to insure that no interest of any shareholder in the water rights shall be diluted thereby. The Board shall not issue any new share of Company stock or allow any new connection to the Company Water System unless and until the Board determines that the Company has water rights, source capacity, well capacity, storage capacity and distribution pipeline capacity sufficient to accommodate the new connection in conformance with all applicable requirements of the Utah Division of Water Rights, Utah Division of Drinking Water and other applicable federal, state and local statutes, ordinances, regulations or policies, and in conformance with the following:

a. Application for Service to New Lot or Property. Each Applicant, as a condition to receiving water service for the lot or property proposed by the Applicant, shall make formal written application to the Company for service on a form provided by the Company, and shall agree therein to comply with these and such other bylaws and

rules and regulations of the Company as may be promulgated by the Board from time-to-time, subject to the following:

(1) Payment of a Buy-in Fee if Company Water Rights and System Capacity are Sufficient.

In the event the Board determines that there are sufficient water rights and capacity in the Company Water System to serve the new lot or property proposed by the Applicant, the Applicant, pursuant to written agreement between the Applicant and the Company, shall be required to pay a buy-in fee in an amount sufficient to make certain that the Applicant pays his or her proportionate share of the cost of the Company's water rights, source capacity, well capacity, storage capacity and distribution pipeline capacity. In determining the amount of the buy-in fee to be imposed, the Board shall consider the annualized Base Water Entitlement for each of the respective classes of stock and the impact thereof on the water rights and capacity of the Company Water System. It may look for guidance to the analysis required for the imposition of impact fees by a local political subdivision pursuant to the Utah Impact Fees Act, Title 11, Chapter 36, Utah Code Annotated, 1953, as amended; however, by this reference the Company assumes no obligation to be bound by nor does it acknowledge or agree that it is bound by said act.

(2) Donation of Water Rights if Company Water Rights are Insufficient.

In the event the Board determines that the Company's water rights are not sufficient to accommodate the delivery of water to Applicant's proposed lot or property, the Applicant shall be obligated to obtain water rights, approved by the Company, in its sole discretion, which authorizes the diversion and use of water within the Company Water System in quantity sufficient to satisfy the domestic and irrigation water entitlement for shareholders as set forth in herein, subject to the following:

(a) The quantity of water required to be donated shall be determined according to the nature of the Applicant's proposed development and the class or classes of stock to be issued in connection therewith, i.e. single family residential, duplex residential commercial, or some combination thereof, as follows:

| <u>Class of Stock</u> | <u>Water Right Donation Requirement</u> |
|-----------------------------|--|
| Class A, Class A-1, Class B | 1.5 acre-feet/year/per residential unit |
| Class A-2, Class C | 1.0 acre-feet/year/per duplex unit |
| Class D | As determined by Company engineer based upon the type of use |

(b) The Applicant shall submit to the Board, in writing, the nature of the proposed development, the description of the water rights the Applicant proposes to transfer, by water right number, together with evidence of the Applicant's title to said water rights, the Applicant's proposed point of diversion of water under the water rights, the quantity of water sought to be transferred, and the legal description of the lot or property upon which Applicant proposes to use the water. The Board may retain the services of consulting engineers, attorneys and other consultants as it deems necessary in analyzing the Applicant's proposed water rights.

(c) The Board shall not approve the water rights unless the Board finds and determines, in its sole discretion, that the water rights to be transferred to the Company are legally sufficient for the purpose sought by the Applicant on the described lot or property and all necessary approvals by the Utah State Engineer have been obtained and are non-appealable.

(d) Upon receiving written approval of the water rights by the Board, the Applicant shall convey good and sufficient title to the water rights to the Company, without charge, by appropriate

instrument of conveyance acceptable in form to the Company, free and clear of all liens and encumbrances except those specifically agreed-to in writing by the Company.

(3) Construction and Donation of System Improvements if Company Facilities are Insufficient.

(a) In the event the Board determines that there is insufficient capacity available in any facility associated with the Company Water System, which will accommodate the additional water supply necessary to serve the new lot or property proposed by the Applicant without diluting the interest of the Company or any shareholder therein or impairing or otherwise interfering with the capability of the Company to deliver the water it is obligated to deliver to all of its other shareholders, then the Applicant shall be obligated, at the Applicant's sole expense, to construct and install such improvements as shall be necessary to provide the required capacity in accordance with all requirements, plans and specifications duly promulgated by the Board.

(b) Upon written approval by the Board of the construction of said improvements, the Applicant shall convey to the Company good and sufficient title to the improvements, without charge, by appropriate instrument of conveyance acceptable in form to the Company, free and clear of all liens and encumbrances except those specifically agreed to in writing by the Company.

(4) Reimbursement of Costs and Expenses Incurred by the Company. Any and all costs and expenses incurred by the Company in considering the Applicant's request, including all engineering, legal and other consulting fees and costs, and all costs and expenses incurred by the Company, if any, in connection with the Company's evaluation and acceptance of water rights proposed for conveyance to the Company and/or the construction and acceptance of improvements to the Company's water system which are required to accommodate the Applicant's request for service to the proposed new lot or property, shall all be fully reimbursed to the Company by the Applicant, as billed by the Company.

b. Issuance of Conditional Will-serve Letters. Upon receipt of a complete application for service as required pursuant to Section 9.3 a. herein, and after approval by the Board, the Company upon request of the applicant will submit to the building authority of Tooele County, Utah, a conditional "will-serve letter" stating that the proposed lot or property to be developed by the Applicant is within an area capable of service by the Company through its culinary water system, that the Company has the capacity in its system to provide service, and that it is willing to issue stock and provide service to said lot or property expressly conditioned upon the Applicant's compliance with all applicable provisions of the Company's Rules and Regulations pertaining to water service to new lots including, without limitation, the donation of water rights, the construction and dedication of water system improvements, payment in full of the required buy-in fee, connection fee, and reimbursable costs and expenses incurred and to be incurred by the Company with regard to the application for service which remain due and owing as of the date of the letter, as well as all other applicable requirements of the Company's Rules and Regulations and any agreement between the Company and the Applicant.

c. Conditions Precedent to Issuance of Shares. The payment of buy-in fees for water rights and/or system capacity, as provided in Section 9.3.a.(1), as applicable; the conveyance of approved water rights as provided in Section 9.3.a.(2), as applicable; the conveyance of approved system improvements as provided in Section 9.3.a.(3), as applicable; and reimbursement in full of all costs and expenses incurred by the Company as provided in Section 9.3.a.(4), shall be express conditions precedent (i) to the issuance of a share of stock for the lot or property proposed to be connected, and (ii) to connection of the lot or property to the Company Water System by the Applicant.

d. Payment of a Connection Fee. The Board may levy and collect a connection fee for new connections to the Company Water System as a condition precedent to water service. No shareholder shall be allowed to connect onto the Company Water System, nor take delivery of water, unless and until the required

connection fee has been paid. The connection fee shall cover all out-of-pocket cost incurred by the Company with regard to the connection of the new lot or property to the Company Water System. The amount of the connection fee shall be determined from time-to-time by separate resolution of the Board. The connection fee shall be due and payable at the time of issuance of a share of stock for the new lot or property to be connected by the Applicant.

9.4 Procedure Upon Sale of a Shareholder's Lot or Property. Each shareholder intending to sell his or her lot or property shall immediately send written notice thereof to the Company, setting forth the date upon which such transfer shall occur. On or after the date indicated in the notice, the Company shall close the shutoff valve and terminate water service to the lot or property. The subsequent purchaser of the lot or property shall be required to make formal written application for renewed service to the lot or property on a form provided by the Company, and shall agree therein to comply with these and all other lawfully adopted bylaws and rules and regulations of the Company. The subsequent purchaser shall present to the Company the completed application form and evidence of the subsequent purchaser's acquisition of the lot or property. The Board may charge a subsequent purchaser a resumption of service fee to cover the costs incurred by the Company in re-establishing water service to the particular lot or property involved, the amount of which shall be subject to change from time-to-time by the Board. Upon compliance with all of the foregoing terms and conditions of this Section 9.4, water service will be restored to the lot or property and the secretary of the Company shall record the transfer of ownership of the stock upon the stock transfer books of the Company.

9.5. 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 and maintenance 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.

9.6. Emergency Situations. In times of water shortage due to drought or any other natural or man made conditions or occurrences, the Board shall have full authority to declare a water emergency, and to ration or otherwise regulate the distribution and use of water in the Company Water System as provided in Section 9.2.a.(2) hereof.

9.7. Connection to Any Other System Prohibited. A shareholder's Individual Water System shall be constructed, installed, operated and maintained separate and apart from, and shall not be connected to any other water system or source of water supply without the express written approval of the Board.

9.8. Other Rules and Regulations. The Board may adopt other rules and regulations pertaining to the distribution of water not inconsistent with the laws of the State of Utah, the Articles and these Bylaws.

9.9 Shareholder Responsibility for Beneficial Use. Subject to the provisions of Article X herein, each shareholder shall be responsible for maintaining and perpetuating the beneficial use of water under the Company's water rights based upon the pro-rata share of the Company's water supply to which the shareholder is entitled from year-to-year pursuant to the shareholder's shares of stock as set forth in Section 9.2.a. hereof.

ARTICLE X

CHANGES IN POINT OF DIVERSION, PLACE

AND NATURE OF USE OF COMPANY WATER

10.1 Consideration of Proposed Changes. In conformance with the provisions of Section 3.5.b. hereof, changes in the point of diversion, place and/or nature of use of the Company's water by a shareholder may only be made if authorized and approved by the Board, subject to the following:

a. No shareholder shall be permitted to file a change or exchange application with the State Division of Water Rights to change the point of diversion, place and/or nature of use of Company water under said shareholder's shares of Company stock without first submitting a formal written application for such change or exchange with the Board. The application shall contain the following information:

- (1) the name and address of the shareholder-applicant;
- (2) the quantity of water sought to be changed;
- (3) the lot or property to which the share is currently appurtenant;
- (4) the details of the requested change or exchange, including the proposed place of use, point of diversion, nature of use and period of use;
- (5) a written acknowledgment and agreement by the applicant that:

(a) the applicant shall be subject to and agrees to abide by these and such other bylaws, rules, regulations, conditions, limitations and to /or modifications and adjustments to the Company Water System as may be reasonably prescribed by the Board in its sole discretion;

(b) the applicant shall pay all costs of construction to install, repair and maintain the applicant's new diversion structure and related facilities and to re-construct, alter, repair and maintain any modification or adjustment in the Company Water System and/or Individual Water System of any other shareholder which shall be necessitated in order to avoid or remedy any adverse affect or interference resulting from the change or exchange requested by the applicant;

(c) if in the opinion of the Board, there is a need for the Company's attorneys or engineers to review the change or exchange application to insure that the proposed changes do not adversely affect the Company and/or any other shareholder, then the Company shall provide the applicant with a detailed statement of the costs and fees incurred by the Company in connection with such review and the applicant shall be required to promptly pay all such costs and fees as billed;

(d) the applicant shall indemnify and hold the Company harmless from and against any and all claims, liability or damage to any property, real or personal, of the Company, its shareholders or any other person, and for injury to persons or animals, resulting from or arising out of the applicant =s proposed change or exchange;

(e) the applicant is current on all Company assessments and that applicant shareholder shall continue to pay all future stock assessments on applicant =s shares of stock in the Company when the same become due, even though, as a result of such change, the applicant may not divert and use water from any facility associated with the Company Water System; except that the applicant may choose to prepay all or any portion of the Company's assessment attributable to an existing debt of the Company which amount shall be credited against future assessments; and

(f) applicant shall pay all costs incurred by the Company in the preparation and filing with the State Engineer of an appropriate change or exchange application to effectuate applicant=s proposed change or exchange, including all costs associated with submitting proof, together with all costs and expenses incurred by the Company in the process of all administrative and judicial, including appellate, proceedings in connection therewith.

b. The following factors shall be considered by the Board in evaluating a shareholder=s application for a change or exchange:

- (1) increased costs to the Company and/or its shareholders;
- (2) interference with the Company=s ability to manage and distribute water for the benefit of all shareholders;
- (3) whether the proposed change or exchange represents more water than the applicant=s pro-rata share of the Company=s water right;
- (4) impairment of either the quantity or quality of water delivered to other shareholders under the existing water rights of the Company, including rights to carrier water;
- (5) whether the proposed change or exchange would cause a violation of any statute, ordinance, regulation, or order of a court or governmental agency;
- (6) whether the applicant has or can arrange for the use of water to be retired on the lot or property to which the water was formerly appurtenant under the stock; and/or
- (7) the cumulative effects that the approval of the change or exchange application may have on other shareholders or the operation of the Company Water System.

c. The applicant shall be required to pay a non-refundable application fee, in an amount to be determined from time-to-time by resolution of the Board, to cover administrative costs incurred by the Company in reviewing and processing the application for change or exchange.

d. All costs and fees which are required to be paid by an applicant in connection with the change or exchange application shall be special assessments against the shares of stock of the applicant and shall be paid in conformance with the provisions of the Articles and these Bylaws.

e. At the time the applicant submits the application for change or exchange to the Board, the applicant shall also surrender to the Company the applicant=s share(s) of stock upon which the change or exchange is based. The Company shall hold the stock as additional security for the payment of all costs and fees for which applicant is responsible as provided herein. The stock shall be returned to the applicant upon payment in full of all such costs and fees. In the event the costs and fees are not paid, the Company shall have the remedies provided herein for non-payment of assessments, and all other remedies at law or in equity.

f. Upon receipt of the application for change or exchange, the Board shall, within a reasonable time, specifically request any further information that may, in its discretion, be required to properly consider the application and prepare the change or exchange application, if any, which may be required to be filed with the State Engineer, and the applicant shall cooperate with the Company in providing such information.

10.2. Board Action. Based upon the facts and circumstances of each proposed change or exchange, the Company may take the following action: (i) approve the application, (ii) approve the application with conditions, or (iii) deny the application. Under state law, the Company may not withhold approval of any application for change or

exchange if any potential damage, liability, interference or other impairment to the Company or its shareholders can be reasonably mitigated by the applicant without cost to the Company.

10.3. Notification of Decision. Upon satisfaction of the conditions precedent herein set forth, the Board, within 120 days from the date of submittal of the application, shall notify the applicant of its approval or denial of the application. The decision of the Board shall be final. If the Company fails to timely respond to a applicant's application, the failure to respond shall be considered to be a denial of the request.

10.4. Filing of Change Application with the State Engineer. If the Company approves the applicant's application for the requested change or exchange, with or without conditions, the Application for Permanent Change of Water or Exchange Application may then be filed with the state engineer. The Application for Permanent Change of Water or Exchange Application must: (i) be signed on behalf of the Company, or (ii) be accompanied by written authorization from the Company clearly assenting to the change or exchange proposed.

10.5. Applications Approved by the State Engineer. If the Application for Permanent Change of Water or the Exchange Application is approved by the state engineer, the shareholder shall be obligated, at the shareholder's sole cost and expense, to file all requests for extension of time to submit proof of beneficial use under the change or exchange as approved by the State Engineer without further authorization or responsibility of the Company with respect thereto..

10.6. Continuing Obligation to Comply with Conditions. If the shareholder whose change or exchange is approved by the state engineer fails to comply with any or all of the conditions imposed by the Company, the Company shall send written notice to the shareholder demanding compliance and extending a reasonable time within which to remedy the failure following receipt of the notice. What is a reasonable time to remedy the failure shall be determined on a case-by-case basis. If the shareholder fails to substantially comply within the time set forth in the notice, the Company shall withdraw its approval of the Application for Permanent Change or Exchange Application, and immediately petition the state engineer for an order canceling the state engineer's approval of the change or exchange.

10.7. Shareholder Cause of Action. Under state law, an applicant requesting a change or exchange shall have a cause of action against the Company if the Company: (i) unreasonably withholds approval of a requested change or exchange; (ii) imposes unreasonable conditions in its approval of the request, or (iii) withdraws approval of a change or exchange application other than in the manner provided in Section 10.6 above. Any such action by a shareholder shall be referred to mediation by the court under the Utah Alternative Dispute Resolution Act, unless both parties decline mediation. Under state law, if mediation is declined, the prevailing party to the action shall be entitled to costs and reasonable attorney's fees.

ARTICLE XI

APPORTIONMENT OF WATER RIGHTS

LOST BY FORFEITURE FOR NONUSE

11.1. 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:

a. 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.

b. In making an apportionment of the loss among the responsible shareholders, a sufficient number of shares to account for the water right lost, including necessary transport or Acarrier water@ losses, as applicable, shall be treated by the Company as shares redeemed by the Company from each of the respective shareholders responsible for the loss; whereupon, the number of shares owned by each such shareholder shall be reduced accordingly on the records of the Company.

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

d. 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.

11.2. 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.

ARTICLE XII

STOCK ASSESSMENTS

12.1. Assessment of Shares. Each shareholder shall be obligated to pay regular and special assessments which are hereby levied by the Board against all shares of Company stock, in conformance with the following:

a. Power to Levy and Enforce Payment of Assessments. The Company shall have the power to levy the assessments herein provided, to shut off the water to the lot or property to which the share of stock is appurtenant and on which an assessment remains unpaid, to place a lien on the property or lot to which the share of stock is appurtenant and on which an assessment remains unpaid, and to take all steps necessary to collect assessments, including giving public notice of delinquencies and the sale of stock to the Company for the amount of unpaid assessments and foreclosing on any property lien.

b. Meters; Installation. All uses of water from the Company Water System shall be metered. The Company will provide and set the water meter and make the necessary connection within a reasonable time after the shareholder has made and application for service and paid the required connection fee. If the Company is unable to install the meter within three (3) days after receiving the completed application and connection fee payment, the Company shall so notify the shareholder and the Association shall install the meter as soon as reasonably practicable.

c. Levy of Regular Assessments. The Board shall annually determine the amount of money necessary to cover the Company=s estimated costs, for the coming year, including, without limitation, costs of: (i) purchasing, using, leasing or obtaining water, (ii) operating, repairing and maintaining the Company Water System, (iii) establishing and funding a reserve fund to cover major repairs, improvements and replacement of the Company Water System, (iv) taxes and insurance on the Company and the Company Water System, and (v) other items or services necessary or desirable to enable the Company to perform or fulfill its obligations, functions and purposes under the Articles and these Bylaws, in conformance with the following:

- (1) The Company's regular assessment shall consist of:

(a) a base usage assessment due and payable for usage of water for the Base Water Entitlement as determined by the Board from year-to-year, by class, which assessment shall be required to be paid in full by the shareholder as provided herein whether the full Base Water Entitlement is fully utilized by the shareholder or not; and

(b) additional assessments due and payable for usage of any of the Company's water by a shareholder in excess of the Base Water Entitlement as determined by the Board in those situations where additional water is available for use.

(2) Assessment Resolution and Notice. Each year, upon determining the amount to be levied, the Board, by a separate resolution, shall make and levy a regular assessment against the Company's outstanding stock to generate the funds determined to be necessary to pay said costs. The secretary shall issue the notice in the form attached as EXHIBIT AA@ hereto. The notice shall be mailed to each shareholder or designated person at the address of said shareholder as set forth in the Company's records.

(3) Payment of Regular Assessments. The regular assessment may be paid by a shareholder in any given year in a single lump sum payment or in monthly installments, at the discretion of the shareholder.

d. Levy of Special Assessments. The Company may levy special assessments for the purpose of defraying, in whole or in part, any extraordinary expenses not reasonably capable of being fully paid with funds generated by regular assessments, the costs of any unexpectedly required repair or replacement of any part of the Company Water System, and for the construction, reconstruction, repair of, or the making of any improvement to, the Company Water System for the common benefit of all of the properties served by the water system, in conformance with the following:

(1) All special assessments levied by the Board 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 these Bylaws.

(2) The Board shall issue orders levying a special assessment as directed by the action of the shareholders approving the special assessment by a separate resolution. The secretary shall issue the notice in the form attached as EXHIBIT "B" hereto. The notice shall be mailed to each shareholder or designated person at the address of said shareholder as set forth in the Company's records.

d. Company Repair of Individual Water Systems. Notwithstanding the provisions of Section 12.1.c. herein, any cost and expense incurred by the Company under Section 9.1.b.(2) herein shall be billed to the shareholder as a special assessment on said shareholder's Company stock, and shall upon such billing automatically constitute a special assessment against said shareholder's shares.

12.2. Modification of Assessments. Regular and special assessments may be modified at any time during the year by the Board at a meeting called for that purpose, where such action is reasonably necessary, upon notice to the shareholders.

12.3. Other than Pro-rata Assessment. Ordinarily all assessments shall be levied on an equal and pro rata basis according to the number of shares owned as set forth above. However, the Board, in its discretion, may levy or otherwise apportion assessments, particularly with respect to special assessments, and impose fees and charges when the equities appear to justify the levy of assessments and imposition of fees and charges on other than an equal and pro-rata basis.

12.4. Assessment Lien. All unpaid assessments shall constitute a lien against the delinquent stock, which shall have priority over any mortgage, lien, pledge, sales contract, escrow contract, lease, conditional or unconditional transfer, or any other encumbrance, lien, claim, attachment, execution, or other charge or interest in or upon or deemed or claimed to be against the stock, and the right of the Company to assess the stock for such assessments shall be paramount and superior to all those liens, claims, charges, or interests, all of which are and shall be inferior and subordinate to the assessments levied upon the stock and for the reason that the assessments constitute an improvement to the Company Water System for which assessments may be levied.

12.5. Delinquent Assessments.

a. Interest and Late Fees. If any shareholder shall fail to pay any regular or special assessment within 30 days from the monthly due date in the case of monthly payments, or within 30 days from the annual due date in the case of annual payments, the delinquent shareholder may be charged interest on the unpaid assessment from said date at the a uniform rate per month until paid. The board will determine the uniform rate. A lump sum late fee in the amount of 25% of the amount of the unpaid assessment may also be charged on delinquencies in excess of 60 days.

b. Enforcement Rights and Remedies. In the event any assessment remains delinquent for more than 60 days, upon written notice to the delinquent shareholder, the Company shall be entitled to exercise all rights of enforcement including, individually or cumulatively: (i) termination of water service, (ii) sale of the delinquent stock to the Company under the provisions of Title 16, Chapter 4, Utah Code Annotated, 1953, as amended, (iii) foreclosure of its assessment lien, and (iv) any and all other rights and remedies afforded to the Company for the collection of delinquent stock assessments under Utah law.

c. Discontinuance of Service. In the event water service is disconnected pursuant to Subparagraph b., water service shall not be restored unless and until all unpaid assessments, together with interest, late fees and a re-connection fee, if any, shall have been paid in full. In the event the Company shall be required to retain an attorney in connection with the exercise of its rights of enforcement, the delinquent shareholder shall also be required to reimburse the Company for all attorney=s fees and costs incurred by it as a condition to restoration of water service.

ARTICLE XIII

WATER RIGHTS

The Board may pursue the acquisition of additional water and water rights upon such conditions as are deemed favorable to the Company through the execution of appropriate contracts with individual well owners, entities with storage rights and/or any other individual or entity that owns water rights.

ARTICLE XIV

CROSS-CONNECTION CONTROL, BACKFLOW PREVENTION

14.1. Definitions. The following definitions shall apply to this Article.

a. Auxiliary Water Supply: Any water supply on or available to the premises other than through the Company Water System. An Auxiliary Water Supply may include water from another purveyor=s public potable water supply or any natural source such as a well, spring, river, stream, etc., and shall include “used waters” and “industrial fluids.” An Auxiliary Water Supply may be contaminated or polluted or it may be objectionable and constitute an unacceptable water source over which the System Operator (as defined below) has no authority for sanitary control.

- b. Backflow: The reversal of the normal flow of water caused either by back-pressure or back-siphonage.
- c. Backflow Prevention Assembly: An assembly or means designed to prevent Backflow which is accepted by the Utah State Department of Environmental Quality, Division of Drinking Water, as meeting an applicable specification or as suitable for the proposed use. Specifications for Backflow Prevention Assemblies are contained within the Uniform Plumbing Code, Chapter 10, Section 1003, and in the Rules.
- d. Back-Pressure: The flow of water or other liquids, mixtures, or substances from a region of high pressure to a region of lower pressure into the water distribution pipes of a potable water supply system from any source other than the intended source.
- e. Back-Siphonage: The flow of water or other liquids, mixtures, or substances under vacuum conditions into the distribution pipes of the Company Water System from any source other than the intended source, caused by the reduction of pressure in the Company Water System.
- f. Contamination: A degradation of the quality of the Company water supply by sewage, industrial fluids or waste liquids, compounds or other materials or substances that may create a health hazard.
- g. Cross Connection: Any 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 Company 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.
- h. Rules: The administrative rules of the Utah Division of Drinking Water, R309-105, Utah Administrative Code.
- i. System Operator: The person designated by the Board to be in charge of the operation of the Company Water System.

14.2. Purpose. This Article is enacted to accomplish the following purposes:

- a. To protect the public drinking water supply of the Company from the possibility of contamination by requiring cross connection and back flow control protection in conformance with the Rules. Compliance with the minimum safety requirements of the Rules will be considered reasonable and due diligence in preventing the backflow of contaminants into the Company Water System.
- b. To promote the reasonable elimination or control of cross connections within the piping and plumbing fixtures of the shareholder=s Individual Water System as required by the Rules.
- c. To provide for the administration of a continuing program of cross connection and backflow prevention which will systematically examine the risk and effectively prevent the contamination of the Company=s public drinking water within the Company Water System.

14.3. Responsibility of the Company; Vesting of Authority. The Company shall be responsible for the protection of the Company Water System from the foreseeable conditions leading to the possible contamination or pollution of the Company Water System due to the backflow of contaminants or pollutants into the Company's drinking water supply. In order to accomplish the purposes of this Article, the System Operator is hereby vested with

the authority and responsibility to implement an effective cross connection and backflow prevention control program in conformance with the provisions of this Article and to enforce the same.

14.4. Regulations.

a. Shareholder Compliance. A shareholder=s Individual Water System shall not be allowed to be connected to the Company Water System, and no existing connection to the Company Water System shall be allowed to be maintained, unless the public water supply of the Company is protected as required by the Rules and this Article.

b. Inspection and Survey. 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.

(1) The Company shall schedule and notify all shareholders, in writing, of such periodic inspections and surveys.

(2) A record of all periodic inspections and surveys of the shareholder=s Individual Water System shall be maintained by the System Operator in the records of the Company.

c. Required Installation of Backflow Prevention Assembly. Whenever the System Operator deems a shareholder=s usage of water through the shareholder=s water service connection contributes a sufficient hazard to the Company=s water supply, a backflow prevention assembly shall be installed on the service line of the identified 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.

(1) It shall be the responsibility of the shareholder, at his expense, to purchase, install, and maintain any backflow prevention assembly required to be installed by the System Operator in compliance with this Article.

(2) The type of backflow prevention assembly required 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.

(3) No backflow prevention assembly shall be installed so as to create a safety hazard. For example, installing a backflow prevention assembly over an electrical panel, steam pipes, boilers, or above ceiling level.

(4) All backflow prevention assemblies shall be tested within ten (10) working days of their initial installation.

(5) All backflow prevention assemblies presently installed prior to the effective date of this Article which do not meet the requirements of this Article, but which were approved backflow prevention assemblies for the purposes described herein at the time of installation and which, in the opinion of the system operator, have been properly maintained, shall, except for the inspection and maintenance requirements under Subsection 14.4.b. be excluded from the requirements of this Article so long as the System Operator is assured that said backflow prevention assembly will satisfactorily protect the Company Water System. Whenever an existing backflow prevention assembly is moved from its present location, or of said assembly requires more than minimum maintenance, or when the System Operator finds that the operation of said assembly constitutes a hazard to health,

the assembly shall be replaced, in conformance with the requirements of this Article, with an approved backflow prevention assembly which meets the requirements of the Rules.

d. Continued Inspection of Installed Backflow Prevention Assemblies. It shall be the responsibility of the shareholder residing on or having the right of possession of any premises receiving water from the Company Water System where a backflow prevention assembly has been installed to obtain certified inspections and to conduct tests of said assemblies, at least once per year, all at the shareholder=s sole expense.

(1) In those instances where the System Operator deems the hazard to be great, he may require certified inspections and tests at more frequent intervals.

(2) It shall be the duty of the System Operator to see that all inspections are performed and all tests are made according to the standards set forth by the Utah Division of Drinking Water.

(3) Inspection and testing of backflow prevention assemblies shall only be accomplished by a certified backflow assembly technician authorized to make the inspection and/or take the test. The certified technician shall report the results of the inspection and test to the System Operator who shall report the results to the shareholder and to the Company.

e. Repair of Backflow Prevention Assemblies. If any commercially tested backflow prevention assembly is in need of repair, said repairs shall be made by a plumber licensed pursuant to the Construction Trade License Act, Title 58, Chapter 55-2-(21).

14.5 Certified Backflow Prevention Technician.

a. All initial and on-going inspections, surveys, testing and determinations with respect to the need for, and the continued adequacy, operation, maintenance, repair and replacement of, backflow prevention assemblies required to be installed pursuant to this Article, shall be performed and or supervised by a certified backflow prevention technician.

b. Certified backflow technicians performing services for the Company shall be required to:

(1) Insure that acceptable equipment and procedures are used for inspecting, testing, operating, maintaining, repairing or replacing backflow prevention assemblies;

(2) Make reports of such inspections, testing, operations, maintenance, repairs or replacements to the shareholder and the system operator on forms approved by the system operator and within time frames as described by the Utah Division of Drinking Water;

(3) Include in the report the list of materials or replacement parts being used;

(4) Insure that replacement parts are equal in quality to parts originally supplied by the manufacturer of the assembly being repaired;

(5) Refrain from changing the design, material or operational characteristics of the assembly during testing, repair, maintenance or replacement;

(6) Perform all tests of the assemblies and be responsible for the competence and accuracy of all tests and reports;

(7) Insure that the technician=s license is current and in good standing;

(8) Insure that the testing equipment being used is acceptable to the State of Utah, and is in proper operating condition;

(9) Be equipped with, and be competent to use, all necessary tools, gauges, and other equipment necessary to properly inspect, test, operate, maintain, repair and replace all backflow prevention assemblies; and

(10) Tag each double check valve, pressure vacuum breaker, reduced pressure backflow assembly and high hazard air gap, showing the serial number, date tested and by whom, and to include the technician=s license number on the tag.

14.6. Compliance; Violations.

a. 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.

b. Shareholder Violations. A shareholder shall be in violation of this Article if:

(1) A backflow prevention assembly determined to be required for the control of backflow and cross connections is not installed, tested and maintained, by a shareholders in conformance with the requirements of this Article;

(2) It is found that a required backflow prevention assembly has been removed or bypassed without the prior consent of the Company;

(3) An unprotected cross connection exists on the shareholder=s premises;

(4) The periodic system survey has not been conducted; or

(5) The shareholder is otherwise in violation of the requirements of this Article.

c. Notice of Violation. Any shareholder found to be in violation of this Article shall receive written notice from the System Operator of any and all deficiencies constituting a violation.

d. Suspension of Service. If any deficiency or other violation of this Article exists or if there has not been any corrective action taken by the shareholder within ten (10) days of the date of written notice pursuant to Section 14.6.c. above, the System Operator shall deny or immediately discontinue service to the shareholder=s premises by providing for a physical break in the shareholder=s service line. The Company shall continue to deny service to the shareholder unless and until the shareholder has corrected the deficiencies or cured the violations and is otherwise in full compliance with the requirements of this Article and the Rules.

ARTICLE XV

FISCAL YEAR

The Company shall operate on a fiscal year beginning on October 1st of each year.

ARTICLE XVI

AMENDMENT OF BY-LAWS

16.1. Amendment by Shareholders. This Article may be repealed or amended, or new bylaws may be adopted, by the affirmative vote of a majority of the shares in attendance and entitled to vote at a meeting called for that purpose and at which a quorum is present, subject however, to any restrictions on such amendments imposed by the Articles, other provisions of this Article or by the Act.

16.2. Amendment by Directors. Subject to the right of shareholders as provided in Section 16.1 of this Article, the Board may adopt, amend or repeal bylaws; however, bylaws pertaining to the qualification of voting rights and property rights of stockholders and the termination or forfeiture of stock shall not be amended or repealed except by the affirmative vote of a majority of the shares in attendance and entitled to vote at a meeting called for that purpose and at which a quorum is present.

16.3. Record of Amendments. Any amendment or new bylaws adopted by the shareholders or the Board shall be copied in the appropriate place in the minute book with the original Bylaws, and the repeal of any bylaw shall be entered on the original Bylaws together with the date and manner of such repeal. The original or a copy of the Bylaws as amended to date shall be open to inspection by the shareholders at the Company=s principal office at all reasonable times during office hours.

WE, THE BOARD, HEREBY CERTIFY that the foregoing constitutes the Amended and Restated By-Laws and Rules and Regulations adopted by Erda Acres Water Company this _____ day of _____, 2008.

Edith Bird

Ron Magelson

Elly Chapin

Kay Peterson

Alan Clark

Blanche Smith

Dan Connelly

Falk Hegewald

EXHIBIT "A"

ERDA ACRES WATER COMPANY

NOTICE OF REGULAR ASSESSMENT

(Name)

(Address)

Notice is hereby given that at a meeting of the Board of Directors (the "Board"), of the Erda Acres Water Company (the "Company"), held on the ____ day of _____, 20____, the Board levied a regular assessment per share on all stock of the Company as follows:

| | |
|-----------------------------------|--------------------|
| Base Water Entitlement Assessment | \$ _____ per share |
| Additional Assessment | \$ _____ per _____ |
| | \$ _____ per _____ |
| | \$ _____ per _____ |

The assessment shall be due and payable to the Secretary of the Company as billed. If any shareholder shall fail to pay this assessment within 30 days from the due date the delinquent shareholder may be charged interest on the unpaid assessment from said date, at a rate determined by the Board, until paid. A lump sum late fee in the amount of 25% of the amount of the unpaid assessment may also be charged on delinquencies in excess of 60 days. In the event any assessment remains delinquent for more than 60 days, upon written notice to the delinquent shareholder the Company shall be entitled to exercise all rights of enforcement including, individually or cumulatively: (i) termination of water service, (ii) sale of the delinquent stock to the Company under the provisions of Title 16, Chapter 4, Utah Code Annotated, 1953, as amended, (iii) foreclosure of the Company's assessment lien, and (iv) any and all other rights and remedies afforded to the Company for the collection of delinquent assessments under Utah law. In the event water service is disconnected, water service shall not be restored unless and until all unpaid assessments, together with interest, late fees and the re-connection fee, if any, shall have been paid in full. In the event the Company shall be required to retain an attorney in connection with the exercise of its rights of enforcement, the delinquent shareholder shall also be required to reimburse the Company for all attorney=s fees and costs incurred by it as a condition to restoration of water service.

DATED this ____ day of _____, 20____.

Secretary

EXHIBIT "B"

ERDA ACRES WATER COMPANY

NOTICE OF SPECIAL ASSESSMENT

(Name)

(Address)

Notice is hereby given that at a meeting of the Board of Directors (the "Board"), of the Erda Acres Water Company (the "Company"), held on the ____ day of _____, 200__, the Board levied a special assessment in the amount of \$_____ per share per year on all stock of the Company. The special assessment shall be due and payable to the Company in a single lump sum payment on or before the ____ day of _____, 200__.

If any shareholder shall fail to pay this assessment within 30 days from the monthly due date in the case of monthly payments, or within 30 days from the annual due date in the case of annual payments, the delinquent shareholder may be charged interest on the unpaid assessment from said date, at a rate determined by the Board, until paid. A lump sum late fee in the amount of 25% of the amount of the unpaid assessment may also be charged on delinquencies in excess of 60 days. In the event any assessment remains delinquent for more than 60 days, upon written notice to the delinquent shareholder the Company shall be entitled to exercise all rights of enforcement including, individually or cumulatively: (i) termination of water service, (ii) sale of the delinquent stock to the Company under the provisions of Title 16, Chapter 4, Utah Code Annotated, 1953, as amended, (iii) foreclosure of the Company's assessment lien, and (iv) any and all other rights and remedies afforded to the Company for the collection of delinquent assessments under Utah law. In the event water service is disconnected, water service shall not be restored unless and until all unpaid assessments, together with interest, late fees and the re-connection fee, if any, shall have been paid in full. In the event the Company shall be required to retain an attorney in connection with the exercise of its rights of enforcement, the delinquent shareholder shall also be required to reimburse the Company for all attorney's fees and costs incurred by it as a condition to restoration of water service.

DATED this ____ day of _____, 20__.

Secretary