

# Exhibit B

# SMITH | HARTVIGSEN PLLC

ATTORNEYS AT LAW

215 South State Street  
Suite 600  
Salt Lake City, Utah 84111

T 801.413.1600  
F 801.413.1620  
www.smithhartvigsen.com

J. CRAIG SMITH  
jcsmith@smithlawonline.com

June 15, 2009

**Via Certified Mail (70081140000016760399)**  
**Return Receipt Requested**

Van J. Martin  
Registered Agent  
SUMMIT WATER DISTRIBUTION COMPANY  
6400 N. Pace Frontage Road #A  
Park City, UT 84098

**Re: Request to Inspect and Copy Records**

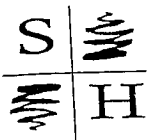
Dear Mr. Martin,

This firm represents Bear Hollow Restoration, LLC ("Bear Hollow"), the owner of 21.59 Class A shares in Summit Water Distribution Company ("the Company"), represented by Certificate No. 7386. This letter serves as Bear Hollow's formal request under Utah Code section 16-6a-1602 to review and receive copies of Company records.

As a nonprofit corporation, the Company is subject to the Utah Revised Nonprofit Corporation Act ("the Act"). See Utah Code Ann. § 16-6a-101 to -1705. The Act provides that members of a nonprofit corporation are entitled to inspect and copy records of the nonprofit corporation.

Under the Act, there are certain records that a nonprofit corporation is required to keep at the nonprofit corporation's principal office. *Id.* § 16-6a-1601(5). A member has an absolute right of access to these records "[1] during regular business hours; [2] at the nonprofit corporation's principal office; and [3] if . . . the member gives the nonprofit corporation written demand, at least five business days before the date on which the member wishes to inspect and copy the records." *Id.* § 16-6a-1602(1). These records include:

- (a) [the nonprofit corporation's] articles of incorporation;
- (b) its bylaws;
- (c) resolutions adopted by its board of directors relating to the characteristics, qualifications, rights, limitations, and obligations of members or any class or category of members;
- (d) the minutes of all members' meetings for a period of three years;
- (e) records of all action taken by members without a meeting, for a period of three years;



4815-1873-8435:HA566-001

- (f) all written communications to members generally as members 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 division under Section 16-6a-1607; and
- (i) all financial statements prepared for periods ending during the last three years that a member could have requested under Section 16-6a-1606.

*Id.* § 16-6-1601(5).

In addition to a member's right to inspect and copy the records mentioned above, "a member is entitled to inspect and copy any of the other records of the nonprofit corporation" if certain conditions are met. *Id.* § 16-6a-1602(2) (emphasis added). These conditions are (1) the inspection and copying must occur "during regular business hours"; (2) the inspection and copying must take place "at a reasonable location specified by the nonprofit corporation"; (3) the member must give the nonprofit corporation written demand at least five days before the date on which the member wishes to inspect and copy the records; and (4) the member must meet the requirements of Subsection 16-6a-1602(3). *Id.* Under Subsection 16-6a-1602(3), a member may inspect and copy any of the nonprofit corporation's records if (1) the demand is made "in good faith"; (2) the demand is made "for a proper purpose"; (3) the member "describes with reasonable particularity the purpose and records the . . . member desires to inspect; and (4) "the records are directly connected with the described purpose." *Id.* § 16-6a-1602(3). A "proper purpose" is defined as "a purpose reasonably related to the demanding member's . . . interest as a member." *Id.* § 16-6a-1602(4)(b).

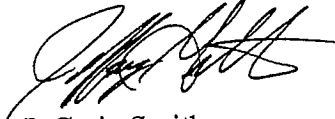
Bear Hollow is a member of the Company based on its ownership of 21.59 shares of stock represented by Certificate No. 7386. As Bear Hollow's attorney, I have the same inspection and copying rights as Hamlet Homes. *Id.* § 16-6a-1603(1). Accordingly, consistent with rights provided in the Act, I would like the opportunity to inspect and copy the records of the Company at a time and location agreeable to the Company. Bear Hollow makes this request in good faith for the proper purpose of determining the Company's policies and procedures, including its actual course of dealings, for transferring shares and moving water represented by shares within the Company's system.

Bear Hollow's review of the records would include all of the records listed in Utah Code section 16-6-1601(5), as well as the following: all records of transfers of shares for the past five years, all Company policies and rules regarding transferring shares, a current list of all shareholders (as defined in section 16-6a-1601(3)), all correspondence or other documents related to any other situation where the Company has declined to transfer and/or move shares, and all policies, rules, or other documents upon which the Board of Directors relied in its decision to deny Bear Hollow's request to transfer and/or move shares. Please let me know when and where these records will be made available.

Letter to Summit Water Distribution Company  
June 15, 2009  
Page 3 of 3

Bear Hollow is willing to pay a reasonable charge for the Company's cost of producing and copying the records. *See id.* § 16-6a-1603(3). Please give me a call to discuss the logistics and estimated costs. Also, feel free to call me with any questions you may have. Thank you for your assistance in this matter.

Yours truly,  
SMITH HARTVIGSEN, PLLC



For: J. Craig Smith

Cc: Michael M. Brodsky  
Manager, Bear Hollow Restoration, LLC

# Exhibit C

**Flitton & Swensen**

ATTORNEYS AND COUNSELORS AT LAW

SUITE B-102 1840 SUN PEAK DRIVE  
PARK CITY, UT 84098  
TELEPHONE 435 9400842 FACSIMILE 435 9400852

LARA A. SWENSEN

RECEIVED

JUN 23 2009

J. Craig Smith  
Smith Hartvigsen PLLC  
215 South State Street  
Suite 600  
Salt Lake City, Utah 84111

SMITH HARTVIGSEN

**Re: Request to Inspect and Copy Records**

Dear Mr. Smith,

Summit Water Distribution Company ("SWDC") forwarded your letter of June 15, 2009 to our office for review and consideration. I understand that you are requesting, on behalf of your client, Bear Hollow Restoration, LLC ("Bear Hollow"), to review and receive copies of certain SWDC records pursuant to the Utah Revised Nonprofit Corporation Act ("the Act"), Utah Code Ann. §§16-6a-1601 *et seq.* In accordance with the Act, we are willing to negotiate a reasonable time for you or your client to inspect and copy certain requested documents at our offices. Specifically, we can discuss a mutually convenient time for you or your client to inspect and copy any of the SWDC records described in §16-6a-1601(5)(a)-(i) and maintained at our offices. However, as explained in more detail below, other aspects of your requests significantly exceed the statutory restrictions on a shareholder's right to review corporate records and are inappropriate at this time.

First, Bear Hollow's request is untimely in that it focuses on all records related to or "upon which the Board of Directors relied in its decision to deny Bear Hollow's request to transfer and/or move shares." (June 15, 2009 Bear Hollow letter ("Letter") at 2.) The Board of Directors has not yet issued a final decision, and your client should be aware that a written decision was not promised until July 15, 2009. While the final decision is still pending, it would be impossible to compile a collection of documents upon which the Board relied in reaching that decision.

Second, Bear Hollow's request violates §16-6a-1603(a), as the request is made neither in good faith nor for a proper purpose. As you recognize in your letter, a proper purpose must be "reasonably related to the demanding member's ... interest as a member." §16-6a-1602(4)(b); see also Webb v. R.O.A. General, Inc., 773 P.2d 834 (Utah Ct. App. 1989) (holding that proper request must be germane to requesting party's interest as a shareholder). Bear Hollow's interest as a SWDC shareholder is to receive water delivery through its ownership of stock in the company. Bear Hollow's requested inspection does not pertain to its ability to receive water delivery, but merely seeks to investigate SWDC's history and policy of transferring shares in preparation for litigation. At the last Board

Meeting, your client made clear that he intends to sue SWDC if the Board's decision is not consistent with his desired outcome. Clearly, preparing to be adverse to SWDC in litigation is not reasonably related to Bear Hollow's interest as a member. For this reason, requests for inspection are not granted for purposes inimical or hostile to the corporation or other shareholders. See, e.g. Babbitt v. Pacco Investors Corp., 425 P.2d 489 (Ore. 1967). In short, permitting Bear Hollow to peruse SWDC's corporate records in a fishing expedition for possible evidence to use against SWDC would significantly exceed the shareholder inspections allowed under the Act.

Also, it is important to note that your letter mischaracterizes Bear Hollow's pending request of the SWDC Board. At the most recent Board Meeting, Bear Hollow expressly confirmed that the sole issue before the Board is *not* the general question of whether shares could or should be transferred, but whether Bear Hollow's development agreement should be amended to even permit the possibility of a transfer. The issue of amending a specific development agreement is distinct from SWDC's policy or procedures regarding share transfers, especially those transfers where there is no express agreement to the contrary. Accordingly, the context of the Board's pending decision cannot be used to justify the inspection proposed by Bear Hollow.

Finally, even if Bear Hollow's requested inspection were for a proper purpose, its far-reaching range renders it overly broad and violates §16-6a-1602(3)(c)'s requirement that the records be "directly connected with the described purpose." As noted above, the documents described in your letter far exceed the purpose of understanding a shareholder's right to delivery of water, as well as possibly understanding a decision (yet to be issued) by the SWDC Board. Further, Bear Hollow requests this wide swath of documents going back for an indefinite period of time, far more than is necessary to meet the stated purpose of determining SWDC's policies and procedures for share transfers. At best, Bear Hollow could claim a purpose of needing to know SWDC's current policy as to share transfers (which arguably still does not satisfy the "proper purpose" standard), but certainly has no basis for requiring an extensive history of such transactions or the policies behind them. Bear Hollow asks to inspect the records of share transfers for the past five years – an period of time still well in excess of data necessary to determine a policy – but offers no such limitation on the time period for which it seeks "all Company policies and rules regarding transfer shares..., [and] all correspondence or other documents related to any other situation where the Company has declined to transfer and/or move shares". Letter at 2. The unlimited nature of this request removes it from any direct nexus with the described purpose, and renders it impermissible.

As noted at the outset of this letter, we remain amenable to your inspection and copying of the records specifically described in §16-6a-1601(5), pursuant to Bear Hollow's rights as a shareholder under the Act. The remainder of Bear Hollow's request is denied as untimely, overly broad, irrelevant to the stated purpose, and not made for a proper purpose. Please contact us to arrange a mutually convenient time for the limited inspection at our offices.

Sincerely,



Lara Swensen

FLITTON & SWENSEN

# Exhibit D



# SMITH | HARTVIGSEN PLLC

ATTORNEYS AT LAW

215 South State Street  
Suite 600  
Salt Lake City, Utah 84111

T 801.413.1600  
F 801.413.1620  
www.smithhartvigsen.com

J. CRAIG SMITH  
jcsmith@smithlawonline.com

August 6, 2009

Lara Swensen  
FLITTON & SWENSEN  
1840 Sun Peak Drive  
Park City, UT 84098

**Re: Second Request to Inspect and Copy Records**

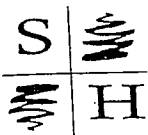
Dear Ms. Swensen,

This letter is a response to your letter that was faxed to me on June 24, 2009. In your letter, you denied the request of Bear Hollow Restoration, LLC ("Bear Hollow"), the owner of 21.59 Class A shares in Summit Water Distribution Company ("the Company"), to inspect and review corporate records. For the reasons discussed below, I disagree with your interpretation of the Utah Revised Nonprofit Corporation Act ("the Act") and other relevant law, and I again request that the Company permit Bear Hollow to review and copy the Company records outlined in my letter dated June 15, 2009.

You denied Bear Hollow's request to review "all policies, rules, or other documents upon which the Board of Directors relied in its decision to deny Bear Hollow's request to transfer and/or move shares." The basis of the denial was that the request was untimely because a final, written decision had not yet been issued by the Board. On July 14, 2009, the Board issued its written decision, in which it denied Bear Hollow's request to amend the Development Agreement and/or remove the place of use restrictions on Bear Hollow's shares. Now that a final, written decision has been issued, Bear Hollow's request is no longer untimely. Therefore, Bear Hollow renews its request that the Company allow Bear Hollow to inspect and copy any and all policies, rules, or other documents upon which the Board relied in making its decision.

You denied Bear Hollow's remaining requests on the basis that the request was "made neither in good faith nor for a proper purpose." You correctly note that a proper purpose must be "reasonably related to the demanding member's . . . interest as a member," Utah Code Ann. § 16-6a-1602(4)(b), but conclude that Bear Hollow's only interest as a shareholder "is to receive water delivery through its ownership of stock in the company." You then conclude that Bear Hollow's request "does not pertain to its ability to receive water delivery, but merely seeks to investigate [the Company's] history and policy of transferring shares in preparation for litigation," and, therefore, Bear Hollow's request is not made for a proper purpose. I disagree with every step of your analysis, as discussed below.

First, Company shareholders have legitimate interests in more than just the delivery of water. Specifically, Bear Hollow has an interest in being able to sell and/or lease its shares. The



4825-9539-0980:HA566-001

Company has refused Bear Hollow's request to transfer its shares to anyone outside of the Bear Hollow development area, even though the Company has recognized that Bear Hollow has no need for the remaining 21.59 shares within the development. Bear Hollow paid for its shares, and a restriction that prohibits Bear Hollow from being able to sell and/or lease its shares is clearly related to its interest as a shareholder.

Second, even assuming, *arguendo*, that Bear Hollow's sole interest as a shareholder is to receive water delivery, Bear Hollow's request to inspect records does pertain to its ability to receive water delivery. As the Company is aware, when Bear Hollow finished its development, it discovered that it owned more shares than it needed for its development. Indeed, the Company issued Bear Hollow a certificate for 21.59 shares in apparent acknowledgment that these shares were "excess shares" that Bear Hollow did not need for its development. However, the Board has determined that because of the Development Agreement signed by Bear Hollow's predecessor in interest and the place of use restriction on the share certificate, Bear Hollow cannot sell or transfer its shares to anyone outside of the development. Bear Hollow's shares have effectively become useless: Bear Hollow cannot use its shares within the development because it no longer owns land in the development; Bear Hollow cannot sell its shares to a landowner within the development because the development is complete and the landowners already have the shares they need; Bear Hollow cannot use its shares outside the development because the Board will not allow it; and Bear Hollow cannot sell or lease its shares to anyone outside the development because the Board will not allow it. In short, Bear Hollow has no way to receive water under its shares (or, for that matter, to allow anyone else to receive water under the shares). Thus, Bear Hollow's request to review records relating to the Company's refusal to allow Bear Hollow to use or sell its shares "pertain[s] to its ability to receive water delivery," and is, based on your own reasoning, a proper purpose.

Third, your statement that Bear Hollow is seeking to investigate the Company's history and policies in preparation for litigation is not entirely accurate. Bear Hollow sincerely hopes to resolve the stock transfer issue without litigation. Indeed, Bear Hollow's hope in reviewing Company records is to demonstrate to the Company why Bear Hollow should be permitted to transfer its shares based on existing Company policies or practices. If Bear Hollow were planning litigation, it would make little sense to make a document review request at this point, as it could easily gain access to the requested documents through the discovery process.

Nevertheless, even if Bear Hollow's purpose was to prepare for litigation, that would still be a proper purpose. Proper purposes include "efforts to ascertain the financial condition of the corporation, to learn the propriety of dividend distribution, to calculate the value of stock, to investigate management's conduct, and to obtain information in aid of legitimate litigation." *Matter of Tatko v. Tatko Bros. Slate Co.*, 569 N.Y.S.2d 783 (N.Y. App. Div. 1991) (emphasis added).<sup>1</sup>

<sup>1</sup> The *Tatko* court also listed examples of improper purposes, which include "to discover business secrets to aid a competitor of the corporation, to secure prospects for personal business, to find technical defects in corporate transactions to institute 'strike suits', and to locate information to

I also disagree with your conclusion that Bear Hollow's request is overly broad. You suggest that Bear Hollow only has a right to know the Company's "current policy as to share transfers" and has no right to review past transactions or policies. This view, however, fails to recognize the thrust of Bear Hollow's request. Bear Hollow has a reasonable belief that it is being treated differently from other similarly-situated shareholders. Courts have recognized that an allegation of disparate treatment among shareholders is a proper purpose, and that a shareholder should be permitted to review past company records to determine if the shareholder is being treated differently from other shareholders. See *Fleisher Dev. Corp. v. Home Owners Warranty Corp.*, 856 F.2d 1529, 1536 (D.C. Cir. 1988) (holding that under Delaware law, "the allegation of discriminatory treatment among members sets forth a proper purpose, reasonably related to the requesters' interests as members"). Additionally, if the Board is treating similarly-situated shareholders differently, this raises issues of corporate mismanagement or wrongdoing, which has been recognized by courts as the most common proper purpose for company record review. See, e.g., *Melzer v. CNET Networks, Inc.*, 934 A.2d 912, 917 (Del. Ch. 2007) ("[P]erhaps the most common 'proper purpose' is the desire to investigate potential corporate mismanagement, wrongdoing, or waste.").

Finally, the underlying premise of your letter is simply untenable. That premise appears to be that if a shareholder disagrees with a decision made by the company, and the shareholder wishes to review corporate records to determine whether the company has acted unjustly or discriminatorily, the shareholder's request is—by default—not made for a proper purpose. In essence, your position is that a shareholder can only review company records if the shareholder agrees with what the company has done. This is clearly not the purpose of the statutory inspection right granted to shareholders. Indeed, the purpose is the exact opposite: to allow shareholders the opportunity to ensure that the company is being operated in a fair and proper manner. See *Bank of Hefflin v. Miles*, 318 So.2d 697, 700 (Ala. 1975) (stating that the purpose of the statutory right of inspection, like the common law right of inspection, "is to protect small and minority shareholders against the mismanagement and faithlessness of their agents and officers, by furnishing the mode and opportunity to ascertain, establish, and maintain their rights"). Case law from across the country is replete with court decisions permitting shareholders to review corporate documents when they have a credible basis for suspecting corporate mismanagement or wrongdoing. Shareholders who agree with the company's actions or do not think that the officers or directors have erred have no reason to inspect the company's records. If these shareholders are the only ones entitled to inspect company records—which appears to be your position—then the statutory right to inspection loses all meaning. Clearly our legislature did not intend for this to be the case.

For the reasons discussed above, I believe that Bear Hollow's request to inspect company records is for a proper purpose, is relevant to the stated purpose, and is not overly broad. Accordingly, I again request, on behalf of Bear Hollow, that the Company allow Bear Hollow to inspect and copy the documents requested in the previous letter, including all records of transfers of shares for the past five years, all Company policies and rules regarding transferring shares, a

---

pursue one's own social or political goals." 569 N.Y.S.2d 783. Bear Hollow is clearly not making its request for any of these improper purposes.

current list of all shareholders (as defined in section 16-6a-1601(3)), all correspondence or other documents related to any other situation where the Company has declined to transfer shares, and all policies, rules, or other documents upon which the Board of Directors relied in its decision to deny Bear Hollow's request to transfer and/or move shares. Additionally, Bear Hollow requests to inspect and copy any Company records regarding shareholder requests to amend development agreements and/or remove place of use restrictions.<sup>2</sup>

In closing, I wish to point out that if there is any doubt on whether or not a corporation should permit a shareholder to inspect corporate records, the doubt should be resolved in favor of the shareholder's statutory right to inspect. *See Compaq Computers Corp. v. Horton*, 631 A.2d 1, 2 (Del. 1993) ("If there is any doubt, it must be resolved in favor of the statutory right of the stockholder to have an inspection."). I also wish to remind you that should the Company again decline Bear Hollow's request, Bear Hollow has the right to petition the district court to order inspection and copying of records. Utah Code Ann. § 16-6a-1604(2). In addition to ordering inspection and copying, the district court can also order the Company to pay for Bear Hollow's attorney fees, damages incurred by Bear Hollow, and inspection and copying costs, as well as order any other remedy provided by law. *Id.* § 16-6a-1604(3). As previously mentioned, Bear Hollow prefers to avoid litigation if possible, but will enforce its rights in court if necessary.

Please feel free to contact me if you have any questions regarding the contents of this letter.

Yours truly,  
**SMITH HARTVIGSEN, PLLC**



J. Craig Smith

Cc: Michael M. Brodsky  
Manager, Bear Hollow Restoration, LLC

---

<sup>2</sup> This additional request is being made pursuant to (1) your contention that the "real issue" is whether or not Bear Hollow's development agreement should be amended and (2) the language of the recently issued decision of the Board. Bear Hollow requests information regarding other similar requests by shareholders to amend development agreements and/or remove place of use restrictions in order to determine if Bear Hollow has been treated the same as other shareholders.

# Exhibit E

## PURCHASE AGREEMENT

### II

This Purchase Agreement (the "Agreement") is made and entered into this 27 day of Dec, 1993, by and among Double M Investments, a Utah limited partnership, hereinafter designated ("Buyer") and Lawrence R. Knowles ("Knowles"), Leon H. ("Hy") Saunders ("Saunders") and Saunders Land Investment Corp., a Utah Corporation (collectively the "Seller").

### WITNESSETH:

WHEREAS, Seller is the owner of certain shares of stock in Summit Water Distribution Company, Inc., a Utah non-profit mutual water company (hereinafter designated "SWDC");

WHEREAS, Buyer is in the process of developing real property in Summit County, Utah, through projects known as Trailside, Meadows Reserve, Ranch Estates and Mountain View Estates;

WHEREAS, Buyer desires to purchase shares in SWDC as a means of providing water service for its respective development projects, and Seller is willing to sell shares of stock of SWDC as hereinafter provided.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein and valuable consideration, receipt and sufficiency of which is hereby acknowledged, it is agreed by and between the parties hereto as follows:

1. Purchase Price. Seller agrees to sell and Buyer agrees to purchase two hundred and eighty-nine (289) shares of the Class A common stock of SWDC (the "Shares"), representing 289 acre feet of approved water rights, for a total purchase price of ONE

MILLION THREE HUNDRED FIVE HUNDRED DOLLARS AND 00/100 CENTS  
(\$1,300,500.00) (the "Purchase Price") payable as follows:

- (a) Down payment of \$500,000.00 cash, payable at the Share Purchase Closing (as defined in Section 4(b) of this Agreement);
- (b) The balance of \$800,500 shall be paid in three equal quarterly installments of \$266,833.33 each commencing ninety (90) days following the Share Purchase Closing, one-hundred eighty days following the Share Purchase Closing and the final payment two hundred seventy (270) days following the Share Purchase Closing;
- (c) In the event that the number of Shares that Buyer desires to convert to Class B Shares of the common stock of SWDC (the "Class B Shares") exceeds the number of Shares which have been released to Buyer in accordance with the Escrow Instructions, Buyer may receive the release of additional Shares upon the accelerated payment of the Purchase Price at a rate of \$4,500 per share.
- (d) Buyer shall pay Seller an additional \$1,500.00 per acre foot of water being sold hereunder for every acre foot of Water Rights Buyer is unable to convey to Seller under paragraph 2 hereinbelow. Said payment, if any, shall be amortized over the remaining quarterly payments.

2. Water Rights. As additional consideration, Buyer agrees to the following:

- (a) To cause Flinders F-7 Mutual Water Company ("F-7 Water Company") at the Share Purchase Closing, to transfer by Special Warranty Deed to

Seller (or as Seller may specify) the following described water rights (the "Water Rights"):

- (i) 289 acre feet out of Awards 408, 409 and 455 of the Weber River Decree not otherwise conveyed to Seller under the terms of the Purchase Agreement I between the parties attached hereto as Exhibit "A".
- (b) In the event that Buyer is unable to convey the Water Rights in accordance with this Section 2 solely by reason of a defect in Buyer's title or prior encumbrance, then Buyer shall make the additional payments required under Section 1(d) of this Agreement. Otherwise, Buyer will convey the Water Rights to Seller.
- (c) Seller acknowledges that the Water Rights are subject to encumbrances as of the date of this Agreement which restricts immediate transfer of the Water Rights. Buyer agrees to convey the water Rights to Buyer in accordance with Section 2(a) and (b) of this Agreement as soon as the Water Rights legally may be conveyed.

3. Connection Fees. Notwithstanding the connection fees SWDC may be charging other shareholders, Buyer agrees to pay the following connection fees imposed by SWDC upon the conversion of the Shares to Class B Shares:



- (a) With respect to the Trailside Project, the connection fee will be \$2,500.00 per .76 acre foot of water usage ( $53.72 \text{ acre feet} \div .76 \text{ acre feet} \times \$2,500.00 = \$275,394.72$ ).
- (b) With respect to the Meadows Reserve Project, the connection fee will be \$2,800.00 per 1.0 acre feet of water usage ( $98 \text{ acre feet} \times \$2,800.00 = \$274,400.00$ ).
- (c) With respect to the Ranch Estates Project, the connection fee will be \$2,800.00 per 1.0 acre foot of usage ( $61 \text{ acre feet} \div .76 \times \$2,500.00 = \$200,657.89$ ).
- (d) With respect to the Mountain View Estates Project, the connection fee will be \$2,500.00 per .76 acre feet of usage ( $46 \text{ acre feet} \div .76 \times \$2,500.00 = \$151,315.73$ ).
- (e) The connection fee payable with respect to the Option Shares shall be the same as the connection fees referenced in Sections 4(a), (b), (c), or (d) above based upon the project or projects to which Buyer specifies the Shares are appurtenant.

The connection fees are payable to SWDC by Buyer at the time the Shares are converted to Class B Shares. The connection fees set forth in this Section 3 will remain fixed for a period of 2 years following the Closing. Buyer acknowledges that SWDC may increase the amount of the connection fees which SWDC charges its shareholders from the current levels. Following two years from the Closing, the connection fees specified in this Section 3 may be increased by SWDC by the same dollar amount per share as SWDC increases the connection fees charged its other shareholders.

4. Closing. The closings of the transaction contemplated hereby shall take place at 10:00 a.m. at the Law Offices of Pruitt, Gushee & Bachtell as more particularly described below:

- (a) The closing for the conveyance of the Excess Rights consistent with Section 7 of this Agreement (the "Excess Rights Closing") shall be no later than July 10, 1994 consistent with the terms of paragraph 7(b) hereof.
- (b) The closing of the Share Purchase consistent with Section 1 and 2 of this Agreement (the "Share Purchase Closing") shall occur on the thirtieth day following the date of the letter from SWDC confirming that Seller has sufficient source capacity to permit conversion of the Shares to Class B Shares as specified in Section 8(b) of this Agreement.

5. Annual Assessment. Commencing January 1 of the year immediately following the Share Purchase Closing, Buyer agrees to pay an annual assessment of \$68.96 per share of Class A stock on 289 of the Shares. Upon conversion, Buyer will no longer be obligated to pay said \$68.96 for the Shares converted. However, all Class B Shares will be subject to annual assessment as specifically provided in SWDC's By-Laws.

6. Water Appurtenant to Projects. Buyer understands and agrees that the Shares being purchased hereunder are for use on the Buyer's real estate development projects, as such projects are defined in the consent agreement between Buyer and Summit County and shall be considered appurtenant thereto. The projects and shares appurtenant are as follows:

- (a) Trailside Project - 83.72 Shares
- (b) Meadows Reserve - 98.00 Shares
- (c) Ranch Estates - 61.00 Shares

(d) Mountain View Estates - 46.00 Shares

7. Agreement to Sell Water Rights and Wells. Buyer controls certain water rights, wells and well rights which Seller desires to transfer to Seller, for the purposes of matching the rights with source capacity and the subsequent resale of the rights to third parties. To accomplish these purposes, the parties agree as follows:

- (a) Upon execution of this Agreement, all water, water rights, wells and well rights identified in subparagraph (c) of this paragraph 7 are hereby committed to the cooperative plan of sale and development set forth in this paragraph 7.
- (b) At the Excess Rights Closing, Buyer shall deliver to Seller (through the Escrow established in accordance with Section 11 of this Agreement) the conveyance documents set forth in the written plan completed in accordance with Section 7(b). The conveyance documents will provide that Buyer will, or cause the owners to, convey all of the water rights, wells, well rights and well protection zone easements as required by the Utah Department of Health, Division of Environmental Quality Standards, which are currently owned by Buyer, the F-7 Water Company or which were acquired for use at any one or more of the projects listed in Section 3 of this Agreement (the "Excess Rights"). The parties agree the Excess Rights include but are not limited to:

- (i) The portions of Awards 408, 409 and 455 of the Weber River Decree not otherwise conveyed to Seller pursuant to Section 2 of this Agreement or Section 2 of the Purchase Agreement I among the parties which is attached on Exhibit "A".

- (ii) All of Exchange Applications 1284, 1270, 1271, 1284, all (35 Area).
  - (iii) A33249 (35-1278), A33927 (35-1337), and A21535 (35-532).
  - (iv) All of the issued and outstanding shares of stock (633.34 shares) in the Flinders F-7 Mutual Water Company.
  - (v) All wells and well rights associated with the above referenced water rights, including those owned by F-7 Water Company which are set forth in the well location map attached hereto as Exhibit "B".
- (c) All conveyances made by Buyer are made "subject to" the following:
- (i) The existing lien held by the Flinders and Valley Bank and Trust; and
  - (ii) The right of Buyer to use a portion of the Excess Rights for special conditions, as is set forth in Exhibit "F" attached hereto, wetland mitigation, county dedication, etc. in furtherance of the development projects listed in Section 6 of this Agreement and Section 7 of the attached Purchase Agreement I.
- (d) Following the Excess Rights Closing, Seller will:
- (i) Cause the holder(s) of the Excess Rights to file with the Utah State Engineer all required Change Applications.
  - (ii) Obtain source capacity to match with the water rights conveyed in accordance with Section 7(c) of this Agreement. The source capacity can be from any source available to Seller, including the proposed water treatment facility. The water rights, once

combined with the source capacity, are referred to in this Agreement as the "Excess Water".

- (iii) Once the required source capacity is obtained, Seller will sell the Excess Water together with other water rights and shares owned by Seller at a ratio of one acre foot of Excess Water to four acre feet of water rights and shares owned by Seller. From the proceeds of the sale of the Excess Water, Seller shall pay Buyer the sum of \$3,000.00 per acre foot of Excess Water. Buyer shall have no interest in or be entitled to the proceeds of the sale of water rights or shares of Seller.
- (iv) In the event that Seller is unable to obtain any or all of the source capacity required to utilize the Excess Rights in accordance with Section 7(e)(ii) on or before December 31, 1998, the Seller shall, or cause the Owner to, convey to Buyer the portion of the Excess Rights for which source capacity has not been obtained.
- (v) From the Excess Water, Seller shall convey to Buyer (or Buyer's assignee) sufficient shares of the class C common stock of SWDC, issued based solely upon the Excess Rights, to satisfy the requirements of any permit issued by the Army Corps of Engineers relating to the protection or mitigation of wetlands or required by Summit County as a condition to issuance of a plat for irrigation of common or open space areas, which is in excess of the Shares purchased pursuant to the terms of this Agreement.

- (vi) In the event Seller cannot satisfy the total water needs of the Double M Projects as set forth in this Agreement or Purchase Agreement I attached hereto as Exhibit "A," by December 31, 1998 then Sellers shall transfer and convey to Buyer all excess water, water rights, wells and well rights not otherwise sold to third parties in accordance with the terms hereof.
- (e) Pending the Excess Rights Closing, Buyer agrees:
  - (i) To provide to Seller all information which Seller reasonably may request regarding the Water Rights and Excess Water Rights.
  - (ii) Not to sell, convey, assign, lease or encumber in any fashion the Water Rights or Excess Water Rights.

8. Confirmation Letter. Seller shall deliver to Buyer the letter attached on Exhibit "C", duly executed by SWDC, acknowledging the parties' Agreement and addressing specifically the following matters:

- (a) The amount and payment of the connection fees in accordance with Section 3 of this Agreement.
- (b) That Seller has committed sufficient source capacity to SWDC to support the delivery of water under the 289 Shares of Class A stock being purchased hereunder such that said shares can be converted to Class B Shares upon satisfaction of the other requirements for conversion imposed by SWDC.

9. Warranties.

- (a) Seller warrants to Buyer as follows:

- (i) The Shares are not subject to any delinquent assessment, are free of any indebtedness or mortgage and when conveyed to Buyer shall be free of any security interest; and
  - (ii) The Shares are freely transferable and Buyer, upon full compliance with the requirements of SWDC, shall be able to convert the Shares to Class B Shares.
- (b) Buyer warrants to Seller as follows:

- (i) Subject to the existing Escrow Agreement with Bank One, Buyer is the owner of all of the issued and outstanding shares of F-7 Water Company (the "F-7 Shares"), and the F-7 Shares can be conveyed free of any lien, encumbrance or charge.

10. Restrictions on Delivery. Buyer acknowledges and agrees:

- (a) The Shares are Class A common stock of SWDC for which the holder is not entitled to the delivery of water until the Shares are converted to Class B Shares.
- (b) SWDC is not obligated to deliver water to the holder of the Shares until the Shares are converted to Class B Shares and that SWDC will not allow such a conversion until the pipeline extensions, reservoir storage capacity, lift station, and project infrastructure sufficient to service Buyer's development are constructed, and conveyed to SWDC in accordance with, and as provided in, SWDC's Rules and Regulations.

11. Escrow. In order to ensure the effective performance of the parties' obligations under this Agreement, the parties agree to establish an escrow (the "Escrow") on the terms

set forth in the Escrow Instructions attached as Exhibit "D", which shall be executed concurrently with this Agreement.

12. Certification Letter. Seller, at the Share Purchase Closing, shall deliver to Buyer a letter to Summit County, Utah, issued by SWDC in the form attached as Exhibit "E" certifying that Buyer has acquired water as provided in this Agreement.

13. Authority to Sign. Buyer represents that the individual signing this Agreement has the authority to enter into this Agreement and will provide a corporate resolution so indicating.

14. No Brokers. Both parties represent and warrant to the other that there are no brokerage or commissions relative to or contemplated by virtue of the execution of any of these documents and agree to indemnify each other against any claims for commissions or other compensation related to this transaction.

15. Default. In the event of default by either party in the performance of any of their obligations hereunder, the other party may give written notice to the defaulting party designating such asserted default. The party receiving such notice of default shall have a period of ten (10) days following receipt of such notice within which to correct, or if correction will take in excess of ten (10) days, to commence corrective action and proceed with diligence until corrected, the default or defaults designated in said notice. In the event that the party receiving said notice of default should fail to correct, or commence correction of, such default or defaults within such ten (10) days, the other party shall, upon written notice to the defaulting party hereto, cancel and terminate this agreement and all rights and duties of the parties hereunder and be released from all obligations in law or in equity hereunder.



In the event of default by Buyer, Seller shall retain as liquidated damages the amount paid for each Share of SWDC and whatever portion of the Water Rights described in Section 2 has been released to Seller. Seller and Buyer each waives all other rights or claims for damages or specific performance. Any SWDC Shares remaining in Escrow at the time of notice shall be released to Seller free and clear of any claim or interest of Buyer.

16. Notices. Any notice or payment hereunder contemplated to be given to Buyer shall be sufficient if given in writing by certified or registered mail or if delivered personally and signed receipt therefor is obtained, and in either event, addressed to Allan M. Metos, Esq., 1245 Brickyard Road, #250, Salt Lake City, Utah 84106 and Jim Lewis, P.O. Box 2370, Park City, Utah 84060, or to such address or addressees as Buyer shall hereafter designate to Seller in writing.

Any notice herein contemplated to be given to Seller shall be deemed sufficient if given in writing or by certified or registered mail, or if delivered personally and signed receipt therefore is obtained, and in either event, addressed to Lawrence R. Knowles, 3262 San Luis, Carmel, California 93923; and John W. Anderson, Esq., 1850 Beneficial Life Tower, Salt Lake City, Utah 84111; or to such address or addressees as Seller shall hereafter designate to Buyer in writing.

Notice given by mail shall be deemed effective and complete forty-eight (48) hours following the time of posting and mailing thereof addressed as aforesaid. Notices given personally shall be deemed effective and complete upon delivery thereof to the address indicated and obtaining a signed receipt therefor.

17. Non-Assignability. This Purchase Agreement shall not be assigned by either party without the express written consent of the other party. Upon such consent, this

Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Notwithstanding the non-assignability of the Agreement, it is expressly understood that the Shares of SWDC stock being purchased hereunder are freely assignable by Buyer in furtherance of its project needs.

18. Applicable Law. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Utah.

19. Time of Essence. Time is of the essence of this Agreement dated the day and year first above written.

**DOUBLE M INVESTMENTS:**

By: James W. Lewis  
Its: General Partner

**SAUNDERS LAND INVESTMENT CORPORATION**

By: Leon H. Saunders  
Leon H. Saunders, President

Leon H. Saunders  
Leon H. Saunders, an individual signing in his individual capacity

Lawrence R. Knowles  
Lawrence R. Knowles, an individual signing in his individual capacity

## EXHIBITS

- A. Purchase Agreement I
- B. Well location map (F-7 Water Company)
- C. SWDC confirmation letter
- D. Escrow Instructions
- E. SWDC letter to County
- F. Special condition letter

**EXHIBIT "A"**  
**PURCHASE AGREEMENT**

**I**

This Purchase Agreement (the "Agreement") is made and entered into this 18<sup>th</sup> day of JAN, 1998, by and among Double M Investments, a Utah limited partnership, hereinafter designated ("Buyer") and Lawrence R. Knowles ("Knowles"), Leon H. ("Hy") Saunders ("Saunders") and Saunders Land Investment Corp., a Utah Corporation (collectively the "Seller").

**WITNESSETH:**

WHEREAS, Seller is the owner of certain shares of stock in Summit Water Distribution Company, Inc., a Utah non-profit mutual water company (hereinafter designated "SWDC");

WHEREAS, Buyer is in the process of developing real property in Summit County, Utah, through projects known as Canyon Creek and Meadows Reserve;

WHEREAS, Buyer desires to purchase shares in SWDC as a means of providing water service for its respective development projects, and Seller is willing to sell shares of stock of SWDC as hereinafter provided.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein and valuable consideration, receipt and sufficiency of which is hereby acknowledged, it is agreed by and between the parties hereto as follows:

1. Purchase Price. Seller agrees to sell and Buyer agrees to purchase one hundred and fifty-five (155) Shares of the Class A common stock of SWDC (the "Shares"), representing 155 acre feet of approved water rights, for a total purchase price of SIX

HUNDRED NINETY-SEVEN THOUSAND FIVE HUNDRED DOLLARS AND 00/100 CENTS (\$697,500.00) (the "Purchase Price") payable as follows:

- (a) Down payment of \$200,000.00 cash, \$40,000.00 receipt of which is hereby acknowledged by Sellers and the remainder payable at the Closing (as defined in Section 5 of this Agreement).
- (b) The balance of \$497,500 shall be paid in four equal quarterly installments of \$124,375 each, either:
  - (i) If SWDC has delivered to Buyer the written confirmation specified in Section 8(c) of this Agreement on or before March 8, 1994, then the installments shall be paid on March 15, 1994, June 15, 1994, September 15, 1994 and December 15, 1994; or
  - (ii) If the written confirmation has not been delivered to Buyer on or before March 8, 1994, then the first quarterly payment shall be made thirty (30) days following receipt of the written confirmation by Buyer and the remaining payments shall be made on the fifteenth day of the next three calendar quarters.
- (c) In the event that the number of Shares that Buyer desires to convert to Class B Shares of the common stock of SWDC (the "Class B Shares") exceeds the number of Shares which have been released to Buyer in accordance with the Escrow Instructions, Buyer may receive the release of additional Shares upon the accelerated payment of the Purchase Price at a rate of \$4,500 per share.

- (d) Buyer shall pay Seller an additional \$1,500.00 per acre foot of water being sold hereunder for every acre foot of Water Rights Buyer is unable to convey to Seller under paragraph 2 hereinbelow. Said payment, if any, shall be amortized over the remaining quarterly payments.

2. Water Rights. As additional consideration, Buyer agrees to the following:

- (a) To cause Flinders F-7 Mutual Water Company ("F-7 Water Company") to transfer by special warranty deed to Seller (or as Seller may specify) the following described water rights (the "Water Rights"):
- (i) 155 acre feet out of Awards 408 and 409 of the Weber River Decree and as said 155 acre feet is reflected in Change Application 35-8408 (a14100). In the event F-7 Water Company does not own 155 acre feet of said awards, then Buyer shall make up the balance out of Award 455 of the Weber River Decree.
- (b) The transfer to Seller shall be made as follows:
- (i) 95 acre feet of the Water Rights shall be delivered to Escrow on or before December 15, 1993.
- (ii) The balance to be transferred, acre foot for acre foot, with the transfer to Buyer of Class A Shares.
- (c) In the event that Buyer is unable to convey the Water Rights in accordance with Section 2(b) solely by reason of a defect in Buyer's title or prior encumbrance, then Buyer shall make the additional payments required under Section 1(d) of this Agreement. Otherwise, Buyer shall convey the Water Rights to Seller.

- (d) Seller acknowledges that the Water Rights are subject to encumbrances as of the date of this Agreement which restricts immediate transfer of the Water Rights. Buyer agrees to convey the Water Rights to Buyer in accordance with Section 2(a) and (b) of this Agreement as soon as the Water Rights legally may be conveyed.

3. Option to Purchase Additional Shares. For valuable consideration, Seller grants to Buyer an exclusive option to purchase up to sixty (60) Shares of the Class A common stock of SWDC (the "Option Shares"), representing up to sixty (60) acre feet of approved water rights on the following terms:

- (a) The purchase price for the Option Shares shall be \$4,500.00 per Option Share (an aggregate of \$270,00.00).
- (b) As an additional consideration for the Option Shares, Buyer shall convey to Seller one (1) acre foot of decreed rights under Awards 409 and 455 of the Weber River Decree for each of the Option Shares conveyed to Buyer. The arrangement set forth in Section 2(d) above will apply to the option shares as well. Buyer shall pay an additional \$1,500.00 per acre foot of water being purchased for every acre foot of Water Rights Buyer is unable to convey to Seller by reason of a defect in Buyer's title or prior encumbrance.
- (c) Buyer may exercise the option, in whole or in part, by delivery of a written notice to Seller specifying the number of Option Shares which Buyer desires to purchase and specifying the project or projects to which the Option Shares are to be appurtenant.

(d) Closing of the purchase of the Option Shares shall be completed as set forth in Section 5(b) of this Agreement.

(e) The option must be exercised, if at all, by January 1, 1998.

4. Connection Fees. Notwithstanding the connection fees SWDC may be charging other shareholders, Buyer agrees to pay the following connection fees imposed by SWDC upon the conversion of the Shares to Class B Shares:

(a) With respect to the Canyon Creek Project the connection fee will be \$513.88 per .45 acre feet of water usage, payable one-third of the aggregate connection fee upon the first physical delivery of water to the Canyon Creek Project by SWDC, one-third of the aggregate connection fee upon the first anniversary of first physical delivery and the final one-third of the aggregate connection fee upon the second anniversary of first delivery. In the event Buyer takes physical delivery of a greater amount of water than for which the connection fee has been paid, then the payment of the connection fee will be accelerated to match actual delivery of water.

(b) With respect to the Meadows Reserve Project, the connection fee will be \$2,800.00 per 1.0 acre feet of water usage, payable to SWDC at the time the Shares are converted to Class B Shares.

The connection fees set forth in this Section 4 will remain fixed for a period of 2 years following the closing. Buyer acknowledges that SWDC may increase the amount of the connection fees which SWDC charges its shareholders from the current levels. Following two years from the closing, the connection fees specified in this Section 4 may be increased



by SWDC by the same dollar amount as SWDC increases the connection fees charged its other shareholders.

5. Closing. The closing of the transaction contemplated hereby (the "Closing") shall take place at 10:00 a.m. at the Law Offices of Pruitt, Gushee & Bachtell as more particularly described below:

(a) The closing of the Share Purchase consistent with Sections 1 and 2 of this Agreement (the "Share Purchase Closing") shall take place on \_\_\_\_\_.

(b) The Closing of the Purchase of the Option Shares, if the Option is exercised, shall occur on the thirteenth day following the date of the notice exercising the Option as specified in Section 3(c) of this Agreement.

6. Annual Assessment. Commencing January 1, 1994, Buyer agrees to pay an annual assessment of \$68.96 per share of Class A common stock on 155 shares. Upon conversion, Buyer will no longer be obligated to pay said \$68.96 for the Shares converted. However, all Class B Shares will be subject to annual assessment as specifically provided in SWDC's By-Laws.

7. Water Appurtenant to Projects. Buyer understands and agrees that the Shares being purchased hereunder are for use on the Canyon Creek Project and the Meadows Reserve Project, as such Projects are defined in the consent agreement between Buyer and Summit County, and shall be considered appurtenant thereto.

In the event that the Buyer exercises the Option, the Option Shares shall be appurtenant to one or more of the Projects identified above, as specified in the notice exercising the Option.

8. Confirmation Letter. At Closing, Seller shall deliver to Buyer the letter attached on Exhibit "A", duly executed by SWDC, acknowledging the parties' Agreement and addressing specifically the following matters:

- (a) The amount and payment of the connection fees in accordance with Section 4 of this Agreement.
- (b) Confirming that SWDC will accept the Rasmussen Road Pipeline as a part of the SWDC system upon completion of its construction in accordance with the specifications and upon approval of SWDC's engineer.
- (c) That SWDC has sufficient source capacity to support the delivery of water on 95 of the Shares being purchased hereunder and said 95 Shares can be converted to Class B Shares upon satisfaction of the requirements for conversion imposed by SWDC.

9. Warranties.

- (a) Seller warrants to Buyer as follows:
  - (i) The Shares are not subject to any delinquent assessment, are free of any indebtedness or mortgage and when conveyed to Buyer shall be free of any security interest.

(ii) The Shares are freely transferable and Buyer, upon full compliance with the requirements of SWDC, shall be able to convert the Shares to Class B Shares.

(b) Buyer warrants to Seller as follows:

(i) The Water Rights to be conveyed to Seller in accordance with Section 2 of this Agreement are solely owned or controlled by Buyer, are free of liens, encumbrances or charges of any kind and may be transferred to Seller free of any adverse claim.

10. Restrictions on Delivery. Buyer acknowledges and agrees:

- (a) The Shares are Class A common stock of SWDC for which the holder is not entitled to the delivery of water until the Shares are converted to Class B Shares.
- (b) SWDC is not obligated to deliver water to the holder of the Shares until the Shares are converted to Class B Shares and that SWDC will not allow such a conversion until the pipeline extensions, reservoir storage capacity, lift station, and project infrastructure sufficient to service Buyer's development are constructed, and conveyed to SWDC in accordance with, and as provided in, SWDC's Rules and Regulations.

11. Pipeline Reimbursement and Source Capacity. Buyer and Seller have entered into a cooperative arrangement for the construction of a 16" water transmission line from a proposed water treatment plant located at the new Jeremy School Site to an underpass located at the Burns Fire Station as outlined on the attached Exhibit "B". Buyer's share of costs of construction was fixed at \$436,954.62 and has been deposited into a joint escrow account with

SWDC at Zions First National Bank. In connection with the Rasmussen Road Pipeline, Buyer and Seller agree as follows:

- (a) That Buyer and Seller will enter into a pipeline extension agreement with SWDC (the "Pipeline Extension Agreement") which will provide that the Buyer will receive a 33.33% interest in the right to use the Rasmussen Road Pipeline without paying reimbursements to SWDC or the other parties to the Pipeline Extension Agreement and a 33.33% participation in any reimbursements payable under the Pipeline Extension Agreement.
- (b) Seller shall provide sufficient source capacity to support delivery of water for an additional 60 Shares (for an aggregate of 155 of the Shares) on or before September 1, 1994, which source capacity may be provided from any source available to Seller, and Seller reserves the right to substitute the source capacity committed to Buyer at any time.
- (c) Upon completion of construction of the Rasmussen Road Pipeline, Seller and Buyer shall transfer, convey and assign to SWDC, consistent with SWDC's Rules and Regulations, the Rasmussen Road Pipeline and all appurtenances.

12. Escrow. In order to ensure the effective performance of the parties' obligations under this Agreement, the parties agree to establish an escrow (the "Escrow") on the terms set forth in the Escrow Instructions attached as Exhibit "C", which shall be executed concurrently with this Agreement.

13. Certification Letter. Seller, at Closing, shall deliver to Buyer a letter to Summit County, Utah, issued by SWDC in the form attached as Exhibit "D" certifying that Buyer has acquired water as provided in this Agreement.

14. Authority to Sign. Buyer represents that the individual signing this Agreement has the authority to enter into this Agreement and will provide a corporate resolution so indicating.

15. No Brokers. Both parties represent and warrant to the other that there are no brokerage or commissions relative to or contemplated by virtue of the execution of any of these documents and agree to indemnify each other against any claims for commissions or other compensation related to this transaction.

16. Default. In the event of default by either party in the performance of any of their obligations hereunder, the other party may give written notice to the defaulting party designating such asserted default. The party receiving such notice of default shall have a period of ten (10) days following receipt of such notice within which to correct, or if correction will take in excess of ten (10) days, to commence corrective action and proceed with diligence until corrected, the default or defaults designated in said notice. In the event that the party receiving said notice of default should fail to correct, or commence correction of, such default or defaults within such ten (10) days, the other party shall, upon written notice to the defaulting party hereto, cancel and terminate this agreement and all rights and duties of the parties hereunder and be released from all obligations in law or in equity hereunder.

In the event of default by Buyer, Seller shall retain as liquidated damages the amount paid for each Share of SWDC and whatever portion of the Water Rights described in Section

2 has been released to Seller. Seller and Buyer each waives all other rights or claims for damages or specific performance. Any SWDC Shares remaining in Escrow at the time of notice shall be released to Seller free and clear of any claim or interest of Buyer.

17. Notices. Any notice or payment hereunder contemplated to be given to Buyer shall be sufficient if given in writing by certified or registered mail or if delivered personally and signed receipt therefor is obtained, and in either event, addressed to Allan M. Metos, Esq., 1245 Brickyard Road, #250, Salt Lake City, Utah 84106 and Jim Lewis, P.O. Box 2370, Park City, Utah 84060, or to such address or addressees as Buyer shall hereafter designate to Seller in writing.

Any notice herein contemplated to be given to Seller shall be deemed sufficient if given in writing or by certified or registered mail, or if delivered personally and signed receipt therefore is obtained, and in either event, addressed to Lawrence R. Knowles, 3262 San Luis, Carmel, California 93923; and John W. Anderson, Esq., 1850 Beneficial Life Tower, Salt Lake City, Utah 84111; or to such address or addressees as Seller shall hereafter designate to Buyer in writing.

Notice given by mail shall be deemed effective and complete forty-eight (48) hours following the time of posting and mailing thereof addressed as aforesaid. Notices given personally shall be deemed effective and complete upon delivery thereof to the address indicated and obtaining a signed receipt therefor.

18. Non-Assignability. This Purchase Agreement shall not be assigned by either party without the express written consent of the other party. Upon such consent, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Notwithstanding the non-assignability of the Agreement, it is expressly understood that the Shares of SWDC stock being purchased hereunder are freely assignable by Buyer in furtherance of its project needs.

19. Applicable Law. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Utah.

20. Time of Essence. Time is of the essence of this Agreement dated the day and year first above written.

**DOUBLE M INVESTMENTS:**

By: James W. Lewis  
Its: General Partner

**SAUNDERS LAND INVESTMENT CORPORATION**

By: Leon H. Saunders  
Leon H. Saunders, President

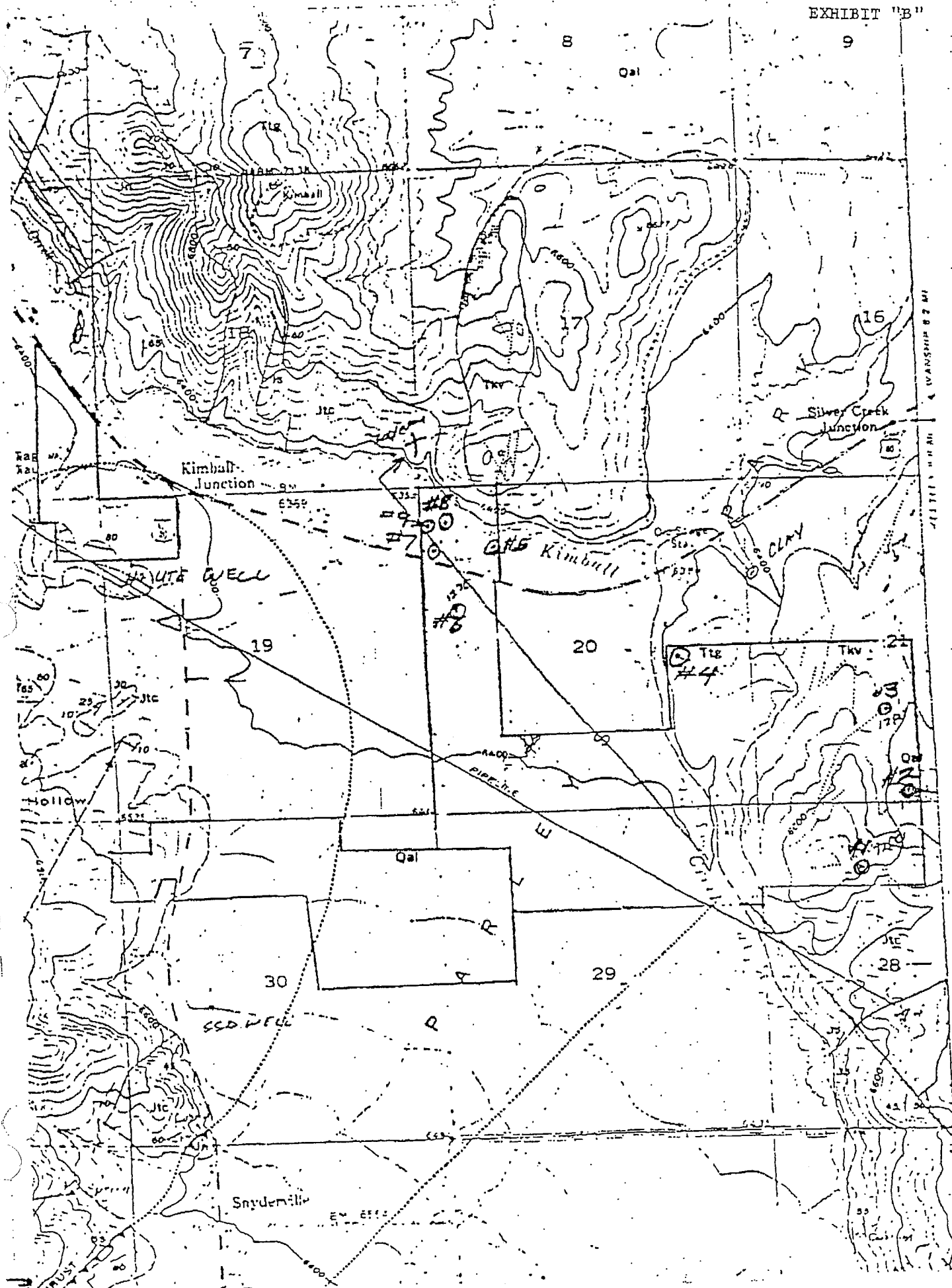
Lawrence R. Knowles  
Lawrence R. Knowles, an individual signing in his individual capacity

Leon H. Saunders  
Leon H. Saunders, an individual signing in his individual capacity

## EXHIBITS

- A. SWDC Letter
- B. Water Transmission Line (436,954.62)
- C. Escrow Instructions
- D. Letter to Summit County certifying Buyer has 155 acre feet





## WELLS

No. 1	80 gal per min
No. 2	35 gal per min
No. 3	40 gal per min
No. 4	30 gal per min
No. 6	150 gal per min
No. 8	17 gal per min
No. 7	25 gal per min
No. 5	not drilled
No. 9	not drilled

EXHIBIT "C"

SUMMIT WATER DISTRIBUTION COMPANY  
P.O. Box 680963  
Park City, Utah 84068

(801) 649-7324

January 7, 1994

Allan M. Metos, Esq.  
1245 E. Brickyard Road, #250  
Salt Lake City, Utah 84106

RE: Double M Investments

Dear Allan:

I have been asked to confirm the following:

1. That the connection fee schedule set forth in Section 3 of the attached Purchase Agreement marked as Exhibit "A" will remain fixed for a period of two (2) years as provided in said Agreement.

2. That SWDC has sufficient source capacity to support the delivery of water under the 289 shares of Class A stock being sold under the attached Purchase Agreement and said 289 shares can be converted to Class B Shares upon satisfaction of SWDC's other requirements for conversion.

Having reviewed the terms of the attached agreement and being otherwise apprised of the situation, SWDC hereby confirms each of the above understandings and agrees to be bound thereby.

SUMMIT WATER DISTRIBUTION  
COMPANY

\_\_\_\_\_  
Van J. Martin, Mgr.

\_\_\_\_\_  
Leon H. Saunders, President of Board of  
Directors, Summit Water Distribution Company

EXHIBIT "D"

ESCROW AGREEMENT

Escrow No. \_\_\_\_\_

\_\_\_\_\_, 19\_\_\_\_

Coalition Title Agency  
1700 Park Avenue  
Park City, Utah 84060

Gentlemen:

The undersigned, (Seller) SAUNDERS LAND INVESTMENT CORPORATION, LEON H. SAUNDERS and LAWRENCE R. KNOWLES, hereinafter called "Grantor", whose address is 1850 Beneficial Life Tower, Salt Lake City, Utah 84111, and (Buyer) PITCHFORK DEVELOPMENT, INC., hereinafter called "Grantee", whose address is 1245 East Brickyard Road, Suite 250, Salt Lake City, Utah 84106, herewith deliver to you in escrow, the documents and property hereinafter described, to be held and disposed of by you in accordance with the following instructions and upon the terms and conditions hereinafter set forth, together with attached Purchase Agreement, to which the undersigned hereby agree.

A. PAPERS, INSTRUMENTS, MONEY and/or PROPERTY DEPOSITED:

1. Grantor shall deliver to Escrow Agent:

- (a) 155 Shares of Class A common stock of Summit Water Distribution Company, Inc., a Utah non-profit mutual water company; registered in the name of the Grantor;
- (b) Duly executed stock power assigning the deposited Shares to Grantee; and
- (c) A letter from Summit Water Distribution Company, Inc., confirming those matters set forth in Section 8 of the Purchase Agreement.

2. On or before September 1, 1994, Grantor shall deliver to Escrow Agent a letter from Summit Water Distribution Company confirming that Grantor has sufficient source capacity to support delivery of water for 60 Shares of water.

3. On or before January \_\_, 1994, Grantee shall deliver to Escrow Agent:

- (a) The sum of \$160,000.00 (\$40,000.00 of the original \$200,000.00 down payment has previously been paid and delivered to Seller, receipt of which is hereby acknowledged by Sellers); and
- (b) A Special Warranty Deed conveying to Grantor 95 acre feet of waters from Awards 408 and 409 of Weber River Decree.

4. On or before July 15, 1994, Grantee shall deliver to Escrow Agent a Special Warranty Deed conveying to Grantor 60 acre feet of water rights from Awards 408 and 409 of the Weber River Decree.

B. YOUR INSTRUCTIONS ARE AS FOLLOWS:

You are hereby authorized and directed to deliver the above described documents, property and monies to Grantee and Grantor as follows:

1. On or before January \_\_, 1994, Escrow Agent shall deliver:

(a) To Grantor:

- (i) the sum of \$160,000.00 in cash;  
and
- (ii) the special warranty deed delivered in accordance with Section A(3)(b) of these instructions.

(b) To Grantee:

- (i) 44.44 Shares of Class A common stock of Summit Water Distribution Company; and
- (ii) the letter from Summit Water Distribution Company delivered in accordance with Section A.1(c) of these Instructions.

2. Upon cash payments as follows, Escrow Agent shall release Shares and water rights as follows:

(a)

Date of Payment	Amount of Payment	Shares to be Released to Grantee	Water Rights to be Released to Grantor
March 15, 1994	\$124,375	27.64	27.64
June 15, 1994	\$124,375	27.64	27.64
September 15, 1994	\$124,375	27.64	27.64
December 15, 1994	\$124,375	27.64	27.64

(b) In the event that Grantor has not delivered to Escrow Agent the letter required in accordance with Section A.2 of these Instructions on or before March 8, 1994, the date of the payments referenced in Section B.4 of these Instructions shall be made thirty (30) days following delivery of the letter to Escrow Agent and upon each of the succeeding calendar quarters.

(c) In the event that Grantee is unable to convey title to the water rights required under Sections B.3(a) or B.4(a) of these Instructions, Grantee shall instead deliver the sum of \$1,500.00 per acre foot of water rights not conveyed which sums shall be released to Grantor.

Default: In the event of default by either party, this escrow shall automatically terminate and each party shall be entitled to withdraw the balance of water shares or decree rights held in escrow free and clear of all claims.

The undersigned hereby agree as follows:

1. The Coalition Title Company (hereinafter called "Coalition"), is not a party, or bound by any agreement which may be evidence by or arise out of the foregoing instructions.

2. Coalition is hereby authorized to receive any or all such payments or any part thereof at any time after the dates herein specified therefor and prior to receipt of notice of default delivered to Coalition in writing by Grantor.

3. Coalition acts hereunder as a depositary only, and is not responsible or liable in any manner whatever for the sufficiency, correctness, genuineness or validity of any instrument deposited with it hereunder, or with respect to the form or execution of the same, or the identity, authority, or rights of any person executing or depositing the same.

4. Coalition shall not be required to take or be bound by notice of any default of any person, or to take any action with respect to such default involving any expense or liability, unless notice in writing is given an officer of Coalition of such default by the undersigned or any of them, and unless it is indemnified in a manner satisfactory to it against any such expense or liability.

5. Coalition shall be protected in acting upon any notice, request, waiver, consent, receipt or other paper or document believed by Coalition to be genuine and to be signed by the proper party or parties.

6. Coalition shall not be liable for any error of judgment or for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection herewith, except its own willful conduct.

7. Coalition shall not be answerable for the default or misconduct of any agent, attorney, or employee appointed by it if such agent or employee shall have been selected with reasonable care.

8. Coalition may advise with legal counsel in the event of any dispute or questions as to the construction of the foregoing instructions, or Coalition's duties thereunder and Coalition shall incur no liability and shall be fully protected in action in accordance with the opinion and instructions of such counsel.

9. Coalition shall have a first lien on the property and papers held by it hereunder, for its compensation and for any costs, liability, expense or counsel fees it may incur.

10. In the event of any disagreement between the undersigned or any of them, and/or the person or persons named in the foregoing instruction, and/or any other person, resulting in adverse claims and demands being made in connection with or for any papers, money or property involved herein or affected hereby, Coalition shall be entitled at its option to refuse to comply with any such claim or demand, so long as such disagreement shall continue, and in so refusing Coalition may make no delivery or other disposition of any money, papers or property involved herein or affected hereby and in so doing Coalition shall not be or become liable to the undersigned or any of them or to

any person named in the foregoing instructions for its failure or refusal to comply with such conflicting or adverse demands; and Coalition shall be entitled to continue so to refrain and refuse so to act until:

- (a) The rights of the adverse claimants have been finally adjudicated in a court assuming and having jurisdiction of the parties and the money, papers and property involved herein or affected hereby; and/or
- (b) All differences shall have been adjusted by agreement and Coalition shall have been notified thereof in writing by all of the persons interested.

11. No assignment or transfer of this escrow agreement or of any documents or property, including money, held in this escrow or of any interest therein can be made, but said documents and property may be withdrawn and this escrow agreement terminated by mutual consent.

12. The undersigned agree to pay to Coalition the sum of \$ \_\_\_\_\_ as an acceptance fee with respect to its services hereunder for one year from the date hereof and further hereby agree to pay Coalition an additional fee of one-tenth of one percent of all funds received hereunder, provided however, that a minimum fee of \$ \_\_\_\_\_ shall be charged for each payment received. It is also agreed that additional compensation shall also be paid to Coalition for any additional or extraordinary services it may be required to render hereunder. Should any money, document or property remain in escrow after one year from date hereof, the undersigned hereby agree to pay Coalition the sum of \$ \_\_\_\_\_ for each year or fraction of year that such money, document or property is held by Coalition hereunder; and in the event such annual charge remains unpaid for a period of one year, Coalition shall have the right and is hereby authorized and directed to close its records with respect hereto and destroy any documents held by it hereunder.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

GRANTOR

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

GRANTEE



The Coalition Title Company hereby acknowledges receipt of the letter of instructions of which the foregoing is a copy and of the papers, money or property therein referred to and agrees to hold and dispose of the same in accordance with said instructions and upon the terms and conditions above set forth.

COALITION TITLE COMPANY

Date: \_\_\_\_\_ 19 \_\_\_\_\_

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

Received from Coalition Title Company all of the papers and documents referred to above.

Date: \_\_\_\_\_ 19 \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

EXHIBIT "E"

**SUMMIT WATER DISTRIBUTION COMPANY**

**P.O. Box 680963  
Park City, Utah 84068**

January 7, 1994

Summit County  
P.O. Box 128  
Coalville, Utah 84060

Gentlemen:

Please be advised that Summit Water Distribution Company, a private non-profit mutual water company, has reviewed the development plan for the Trailside, Meadows Reserve, Ranch Estates and Mountain View Estates Projects submitted by Double M Investments.

Summit Water Distribution Company is satisfied that Double M Investments has sufficient water rights and source capacity to provide the water needed for the above referenced projects and upon completion of the requisite infrastructure and pipelines, will have the necessary facilities to deliver such water. The needed rights-of-way and easements are either existing or have been provided to insure water delivery.

All applicable Summit County, State of Utah and Federal codes and ordinances have been or will be complied with prior to service being initiated.

Very truly yours,

Van J. Martin, Mgr.

VJM:jt  
c:\1312\00\corr\summit.co

## EXHIBIT "F"

### SPECIAL CONDITIONS:

1. To offset the loss of wildlife, water quality and flood retention values, the applicant will preserve and enhance 141.7 acres of existing moderate value wetlands plus 13.3 acres of upland areas. In addition, 19.6 acres of low and moderate value wetlands plus 9.7 acres of upland will be preserved and enhanced on the adjoining property located north of Interstate 80. Enhancement and preservation will occur by removal of livestock grazing prior to commencement of construction and fencing to minimize impacts due to the presence of people and pets.

2. To preserve the mitigation area, a total of 184.3 acres will be donated to a non-profit public or quasi-public entity which will be approved by the Corps' Utah Regulatory Office to guarantee wetland preservation (including land management and maintaining adequate hydrology) in perpetuity via deed restriction or other approved legal means. The permittee will supply a plan for approval by the Corps' Utah Regulatory Office with details regarding the supply of irrigation water to maintain hydrology adequate to sustain existing wetland areas and support the increased production of vegetation due to the cessation of grazing. Wildlife enhancement in the preserve will be coordinated with the Utah Division of Wildlife Resources for maximum wildlife habitat value. In addition, the balance of non-developed areas within the Mountain Meadows subdivision (53.9 acres of wetlands and 5.6 acres of upland) will be preserved and enhanced under the ownership of the homeowners association.

3. Those lots which contain wetlands will include a notification of the location of these wetlands as a deed restriction and purchasers will be notified that these wetlands cannot be altered.

4. In order to minimize the affects of this project on subsurface drainage to downstream wetlands, the applicant will supply a detailed engineering design for roadways and utility lines prior to construction to the U.S. Army Corps of Engineers Utah Regulatory Office for evaluation and approval. These plans will include a design to channel stormwater runoff from impervious surface areas into wetlands to increase detention time for improved water quality and to provide more hydrology to the remaining wetland areas.

5. To monitor the affects of this project on subsurface water flows, the applicant will place monitoring wells as stated in the letter from the Jack Johnson Company dated November 14, 1991. A plan for location of these wells, upslope and downslope of the proposed project, will be provided to the U.S. Army Corps of Engineers Utah Regulatory Office prior to placement. The wells will be in place and monitored at least one year in advance of commencement of construction and reports submitted to the Corps' Utah Office monthly. After completion of construction of the roadways and utility lines, the wells will be monitored monthly for a minimum of two years and reports submitted semi-annually to the Corps' Utah Office.

COPY

ADDENDUM TO PURCHASE AGREEMENT II

This Addendum, made on 14th May, 1994, modifies Purchase Agreement II made on 27 Dec, 1994, by and between Double M Investments, a Utah limited partnership (the "Buyer"), and Lawrence R. Knowles, Leon H. Saunders and Saunders Land Investment Corp., a Utah corporation (collectively the "Seller").

1. In the event Buyer exercises its option to purchase an additional 60 shares of Class A common stock by July 1, 1994, and as set forth in Purchase Agreement I, entered into by and between the parties hereto on January 18, 1994, then Buyer shall in no event become obligated to make purchase price payments under paragraph 1 of Purchase Agreement II before July 1, 1995. Moreover, the number of shares being purchased under paragraph 1 of Purchase Agreement II shall be reduced to 229 shares at a total purchase price of One Million Thirty Thousand Five Hundred Dollars (\$1,030,500), payable \$230,000 at closing and the balance payable in three (3) quarterly installments as set forth in subparagraph (b).

2. Except as herein expressly modified, all provisions of Purchase Agreement II shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Addendum to be executed by their duly authorized representatives, as follows:

DOUBLE M INVESTMENTS,  
a Utah limited partnership

By: James W. Lewis  
Its: General Partner

L R Knowles  
LAWRENCE R. KNOWLES

Leon H. Saunders  
LEON H. SAUNDERS

SAUNDERS LAND INVESTMENT  
CORP., a Utah corporation

By: Leon H. Saunders  
Its: President

# Exhibit F

**S K RESOURCES**  
44 WEST BROADWAY, SUITE 2003S  
SALT LAKE CITY, UTAH 84101  
TELEPHONE (801) 359-3210 TELECOPIER (801) 359-3270

October 11, 1995

Mr. Thomas Hulbert, Member  
Park City Hotel Partners, LLC

Re: Share Purchase Agreement

Dear Mr. Hulbert:

CS

We are writing in connection with the proposed purchase by Thomas Hulbert of 13 of the Class A common stock of Summit Water Distribution Company (the "Shares"). We understand that the shares are being purchased by Purchaser to provide water delivery by Summit Water Distribution Company ("Summit") for use at the proposed Hampton Inn (the "Project") which is located at Kimball Junction (the "Property"). We have discussed the terms and conditions to a sale of the Shares and each of us desire to set forth our understandings in an agreement (the "Agreement"). Upon execution by Thomas Hulbert, this letter will serve as our agreement regarding the purchase of the Shares and use of water at the Project and Property.

Our agreements are:

1. **Shares to be Purchased.** Purchaser agrees to purchase and seller agrees to sell an aggregate of 13 of the Class A common stock of Summit Water Distribution Company. The Shares purchased pursuant to the terms of this Agreement shall be free and clear of all liens and encumbrances.

2. **Purchase Price.** The purchase price for the Shares is \$12,500.00 per share or an aggregate purchase price of \$162,500 (the "Purchase Price"). The Purchase Price is payable in cash on or before ~~March 1, 1996~~ *December 15, 1995. JHS JH*

3. **Delivery of Shares.** Shares purchase pursuant to this agreement will be delivered to Purchaser upon payment of the Purchase Price. Upon payment of the Purchase Price for the Shares, Seller shall deliver to Purchaser a duly endorsed share certificate or instruction to Summit to transfer the appropriate number of shares to the Purchaser.

CS

4. **Place of Use.**

a. **Appurtenant to the Project and Property.** The Shares transferred to Purchaser shall be for use solely at the Project and the Property and shall be deemed appurtenant to the land which is a part of the Project. The Development Agreement by and between Purchaser and Summit may provide for specific appurtenancy requirements.

b. **Restrictions on Transfer.** Transfer restrictions apply to the transfer of the Shares, limiting the transfer of the shares to owners of the Project. In the event that the Project is not completed or the number of shares purchased is greater than is needed for the Project, Purchaser may not transfer the shares for use elsewhere without the advance written permission of Seller and Summit.

5. **Easements.** Purchaser will provide Seller and Summit with any easements that reasonably are necessary to permit the installation of Infrastructure on the property which is a part of the Project, without additional cost to Seller or Summit.

6. **Representations.** Seller has made no representations to Purchaser with respect to the purchase of the Shares or delivery of water to the Project except as specifically set forth in this Agreement. Purchaser has relied upon its own investigation of all matters related to the Shares and has relied upon the advice of its independent advisors with respect to the purchase and use of the Shares.

7. **Compliance with Summit Requirements.** Purchaser agrees to comply with the requirements of Summit with respect to the transfer, conversion and assessment of the Shares and the deliver of water to the Project. These requirements include, but are not limited to:

a. **Charter Documents.** Purchaser acknowledges receipt of the Articles of Incorporation, Bylaws, and Rules and Regulations of Summit (the "Charter Documents"). Purchaser agrees to be bound by the terms and conditions of the Charter Document, as they may be amended from time to time by action of the board of directors and shareholders of Summit.

b. **Conversion of Shares.** Conversion of the Shares is subject to the compliance with the terms of the Charter Documents and restrictions imposed by Summit. Purchaser understand the restrictions on conversion and acknowledges that the Shares cannot be converted until such conditions are satisfied and that until the Shares are converted to Class B, no water delivery service will be provided to the Project or on account of the Shares.

c. **Connection Fees.** Prior to delivery of water to the Project, the user must pay a connection fee to Summit. The connection fee is payment for the costs of equipment and services required to establish the physical connection to the system, payments required to be made by Summit in connection with the connection and a payment to a capital replacement fund. The amount of the connection fee will be established by the Charter Documents of Summit or in the development agreement.

d. **Development Agreement.** Summit requires that each of the shareholders acquiring shares of Summit stock and anticipating water delivery service to a project enter into a development agreement with Summit. Purchaser shall enter into a development agreement in the form generally used by Summit.

e. **Infrastructure.** Purchaser shall be responsible for providing the required infrastructure in compliance with the requirements of Summit to provide delivery of water from the existing water main to the Project. Purchaser is not entitled to reimbursement for infrastructure conveyed to Summit.

8. **Miscellaneous.**

a. **Successors and Assigns.** The Seller may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Seller. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon Purchaser and the heirs, executors, administrators, successors and assigns of it or any of its partners.

b. **Governing Law; Severability.** This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, excluding that body of laws pertaining to conflicts of law. Should any provision of this Agreement be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

c. **Notices.** All notices, demand, requires or other communications which may be or are required to be given, served or sent under this Agreement shall be in writing and shall be hand-delivered (including delivery by courier), mailed by first-class, registered, or certified mail, return receipt requested, postage prepaid, or transmitted by telegram, telex or facsimile transmission, addressed as set forth below:



If to Seller:

SK Resources  
44 West Broadway, Suite 2003S  
Salt Lake City, Utah 84101

Telecopier: (801) 359-3270

If to Purchaser:

Western States Lodging and Management, L.C.  
6138 South 380 West  
Salt Lake City, Utah 84107

Telecopier: (801) 269-1512

Each party by designate by notice in writing a new address to which any notice, demand, request, or communication may thereafter by so given, served, or sent. Each notice, demand, request or communication which shall be delivered, mailed or transmitted in the manner described above shall be deemed sufficiently given, served, sent or received for all purposes at such time as it is delivered to the addressee (with an affidavit of personal delivery, the return receipt, the delivery receipt or (with respect to a telex) the answer back being deemed conclusive evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

d. **Further Instruments.** The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

e. **Entire Agreement.** This Agreement, together with the Exhibits hereto, constitutes the entire agreement of the parties and supersedes all prior understandings and agreements with respect to the subject matter hereof.

October 11, 1995  
Page 5

If the foregoing is consistent with your understanding of our agreements, please sign both of the enclosed originals and return one to me. Upon receipt by me, this letter will serve as our agreement regarding the purchase of the Shares.

Accepted and agreed this  
11 day of October, 1995:

PARK CITY HOTEL PARTNERS, LLC

By: Thomas G. Fulcher  
Its: member

Accepted and agreed this  
11<sup>th</sup> day of October, 1995:

SK RESOURCES

By: Sean A. Sweeney  
Its: Managing Partner

# Exhibit G

## SHARE PURCHASE AGREEMENT

This Share Purchase Agreement is entered into this 11<sup>th</sup> day of December, 1997 by and between Trilogy Limited, L.P., and Hy Saunders, (collectively "Seller") and ASC Utah, Inc., dba The Canyons, ("The Canyons").

### WITNESSETH

Whereas, The Canyons is desirous of acquiring four shares of Class A development stock and 307 shares of Class D snowmaking stock in Summit Water Distribution Company ("SWDC"); and

Whereas, Seller desires to sell the referenced shares of stock to The Canyons upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements, and valuable consideration, the receipt sufficiency of which is hereby acknowledged, it is agreed by and between the parties hereto as follows:

1. Shares to be Purchased.

Seller agrees to sell and The Canyons agrees to purchase the following:

a. Four shares of SWDC Class A development stock capable of being converted to Class B use stock upon completion by The Canyons of the water line and appurtenant water distribution facilities necessary to physically deliver the water from SWDC's existing water line to The Canyons' mid-mountain lodge.

b. 307 shares of Class D snowmaking stock provided that The Canyons transfer to Seller a sufficient number of acre feet of state engineer approved water rights for snowmaking uses at The Canyons project site to support the issuance of the shares based upon the diversion allowance established through the mutual efforts of SWDC, The Canyons and the State Engineer. Such shares, when issued by SWDC, will be seasonally limited to the non-irrigation season, approximately October 15th of one year to April 15th of the following year.

2. Purchase Price.

The purchase price for the two classes of stock are:

a. Four thousand eight hundred (\$4,800.00) per share for the four shares of Class A development stock purchased hereunder for an aggregate purchase

price of nineteen thousand two hundred dollars (\$19,200.00). The purchase price is payable in cash concurrently with the execution of this agreement.

- b. \$3,300 per share for the 307 shares of Class D snowmaking stock for an aggregate purchase price of one million thirteen thousand one hundred dollars (\$1,013,100.00) payable concurrently with the execution of this agreement.

### 3. Delivery of Shares.

The shares delivered to The Canyons shall be delivered by delivery of a duly endorsed share certificate for such shares or by instructions to SWDC to transfer the shares on the books of SWDC as follows:

- a. The Class A shares shall be delivered to The Canyons concurrently with the execution of this Agreement and the payment of the purchase price in accordance with Section 2(a); and
- b. The Class D snowmaking shares shall be delivered to The Canyons upon delivery of the required water rights to support the issuance of the shares in accordance with Section 1(b) of this Agreement.

4. Representations of Seller.

- a. Seller is the owner of four shares of the Class A stock and 307 shares of the Class D snowmaking stock of SWDC and such shares will be transferred to the Canyons under the terms of this Agreement free and clear of any liens or encumbrances, except any restrictions imposed by the Articles of Incorporation, Bylaws or Rules and Regulations of SWDC (the "Charter Documents") generally applicable to shareholders of SWDC and pursuant to which the shares are issued.
- b. The Class A shares to be issued to The Canyons are freely convertible to Class B shares upon the completion of the necessary transmission facilities and, upon such conversion, shall entitle to The Canyons to the delivery of one acre foot of water per year in accordance with the Charter Documents of SWDC.
- c. The Class D shares are to be issued to The Canyons, upon completion of the necessary transmission facilities, will permit the delivery of one acre foot of water to be used for snowmaking purposes during the non-irrigation season.

d. The execution, delivery and performance of this Agreement are not in breach of any agreement, instrument, decree order or ruling to which the Seller is a party or to which the shares transferred to The Canyons are bound.

e. To the best of knowledge of the Seller, SWDC is non-profit corporation, duly incorporated, validly existing, and in good standing under the laws of the State of Utah.

5. **Restrictions on Snowmaking Uses.**

The Canyons shall enter into an operational agreement with SWDC in form mutually acceptable to both parties coordinating its takes of snowmaking water so as to avoid making unanticipated calls for water which could potentially disrupt water service to SWDC's Class B use shareholders.

6. **Place of Use.**

a. Appurtenant to the project. The shares transferred to The Canyons shall be used solely on The Canyons project site as more particularly described



on the attached Exhibit "A" and shall be appurtenant to the land which is part of The Canyons project. The development agreement by and between The Canyons and SWDC may provide for specific appurtenancy requirements.

- b. Restrictions on transfer. Transfer restrictions apply to the transfer of shares, limiting the transfer of shares to owners of The Canyons project. In the event that The Canyons project is not completed or the number of shares purchased is greater than is needed for The Canyons project, The Canyons may not transfer the shares for use elsewhere without the advance written permission of Seller and SWDC.

#### 7. Easements.

The Canyons and Seller will use best efforts to provide all easements reasonably necessary to permit the installation of all water distribution facilities necessary to deliver SWDC water to The Canyons project site. Upon acquisition of the requisite easements, they will be transferred to SWDC free and clear of liens and encumbrances.

8. Compliance with Summit Requirements.

The Canyons agrees to comply with the requirements of SWDC with respect to the transfer, conversion and assessment of the shares and the delivery of water to the project.

These requirements include, but are not limited to:

- a. Charter documents. The Canyons agrees to be bound by the terms and conditions of the Articles of Incorporation, Bylaws and Rules and Regulations of SWDC (the "Charter Documents"), as they may be amended from time to time by action of the Board of Directors and shareholders of SWDC.
- b. Conversion of shares. Conversion of the shares is subject to compliance with the terms of the Charter Documents and restrictions imposed by SWDC. The Canyons understands that the Class A development shares cannot be converted to Class B use shares until The Canyons extends SWDC's service lines to service its project, and complies with all SWDC requirements to conversion.

- 12/11/97
- c. Connection fees. Prior to the delivery of water to the mid-mountain lodge or for snowmaking purposes, The Canyons must pay a connection fee to SWDC. The connection fee covers the costs of equipment and services required to establish the physical connection to the system and payments required for SWDC's capital replacement fund. The amount of the connection fee will be established by the Charter Documents of SWDC or in the development agreement.
  - d. Development Agreement. SWDC requires that each of the shareholders acquiring shares of SWDC stock and anticipating water delivery service to a project enter into a development agreement with SWDC. The Canyons agrees to enter into a development agreement in the form provided by SWDC.
  - e. Infrastructure. The Canyons shall be responsible for providing required infrastructure in compliance with the requirements of SWDC to provide water delivery or water from the existing water main to The Canyons' project.

9. Reimbursement.

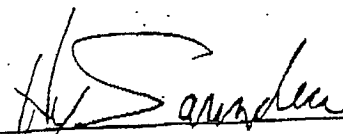
Except as otherwise specifically set forth in the development agreement with SWDC, The Canyons shall have no reimbursement rights for the infrastructure constructed pursuant to the terms of this agreement or any other rights of reimbursement in the SWDC system.

10. Miscellaneous.

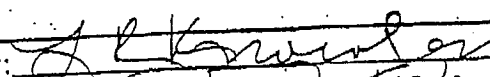
- a. Governing law; severability. This Agreement is governed by and construed in accordance with Utah law, excluding that body of law pertaining to conflicts of law. Should any provision of this Agreement be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.
- b. Further instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

c. **Entire Agreement.** This constitutes the entire agreement of the parties and supersedes all prior discussions, understandings and agreements with respect to the subject matter hereof.

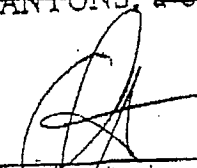
In Witness Whereof, the parties have entered into this Agreement at the date and place hereinabove first mentioned.

  
HY SAUNDERS

TRILOGY LTD., L.P.

By:   
Its: C. E. J. Trilog Asset Mgt.  
G.P.

ASC Utah, Inc.  
~~THE CANYONS, a Utah limited liability company~~

  
By: Christopher Howard  
Its: Chief Administrative Officer