

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
WATER SERVICE AGREEMENT**

This Water Service Agreement (the “**Agreement**”) is made and entered into by and between Central Iron County Water Conservancy District (hereafter referred to as the “**District**”), a water conservancy district organized under the laws of the State of Utah, West Slope Water Company, a Utah nonprofit corporation (hereafter referred to as the “**Company**”), and Bridle Path West, L.C., a Utah limited liability company, or its successors and assigns, (hereafter referred to as “**Bridle Path**”).

RECITALS

1. WHEREAS Company currently services the water needs of certain lots located within the El Monte Estates Subdivision and Monte Vista Acres, Unit #5 Subdivision, (hereafter collectively referred to as “Monte Subdivisions”), which subdivisions have been partially developed by Bridle Path; and
2. WHEREAS Company currently operates a culinary water system which services numerous lots and has the capability of servicing additional lots located both within the Monte Subdivisions as well as contiguous additional land, or if said system is insufficient to service additional lots, District has the capability of expanding water services to said properties; and
3. WHEREAS Bridle Path currently owns certain lots within the Monte Subdivisions and additional real property located adjacent to the El Monte Subdivision which have yet to be developed with County required infrastructure, thus necessitating future expansion of the water system within and without the Monte Subdivisions; and
4. WHEREAS upon sale of a lot owned by Bridle Path which does not currently have a water service connection, Bridle Path agrees to extend the water line for purposes of servicing said lot in accordance with District engineering standards; and
5. WHEREAS Company currently owns 44 acre feet of water which is servicing 34 lots with active connections, (constituting 34 acre feet of water), and 10 lots with no active connection, (constituting 10 acre feet of water); and
6. WHEREAS Bridle Path currently owns an additional 67 lots which have been approved by the Utah State Division of Water Rights for purposes of supplying water to lots located within the Subdivisions; and
7. WHEREAS upon and with the intent by Bridle Path to construct and expand the water system through additional development phases, for the above-reference Monte Subdivisions and additional property; said development may require an additional well and possibly additional water storage to adequately service future build-out which shall be determined at the sole discretion of District; and
8. WHEREAS the District is a duly recognized public entity with experience and expertise in the construction and operation of a public water system; and
9. WHEREAS the District is willing to supply culinary water to the development, to serve the lots located in the Monte Subdivisions and additional property, including providing sufficient water storage capacity to accommodate future growth as developed by Bridle Path;

10. WHEREAS the District is willing to supply culinary water to all platted lots as well as the additional real property adjacent to the El Monte Subdivision currently owned by Bridle Path in accordance with the terms and conditions of this Agreement.
11. WHEREAS the Company agrees, without warranty or representation, to assign/transfer all easements and currently existing infrastructure held or owned by Company to District upon the conditions and terms contained herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein the parties agree as follows:

THE RECITALS ARE HEREBY INCORPORATED BY THIS REFERENCE AND ARE MADE A PART OF THIS AGREEMENT.

1. **Construction of System.** The Company currently has a public municipal well and distribution system which shall be transferred to the District in its condition without representation as to its fitness for a particular purpose. Upon future development, Bridle Path acknowledges that it, or its successors in interest, shall be required to construct any expansions to the water distribution systems within the Monte Subdivisions as well as certain additional real estate. All expansions shall be designed and constructed in accordance with the District's engineering standards, as established by the District at the time application for construction is requested. The color coded plat map, attached hereto as Exhibit "A", identifies all Monte Subdivisions lots and contiguous real property which Bridle Path intends to develop for future sales, those homes currently constructed, lots purchased with no homes, all of which shall require water to be supplied by the District. The District agrees to provide future storage and water supply, (by providing any expansion for additional well(s) and tanks if necessary; at no cost to Bridle Path or Company), to service future build out by Bridle Path as well as other possible regional water users, and Bridle Path shall construct said water system in accordance with District standards.

2. **Purchase of existing water system, well and water rights.** The District shall purchase the infrastructure of the Company's present water system for the net impact fees identified in item 4 (fees) below. The infrastructure includes all aspects of the existing water delivery system, along with the existing recorded easements. In addition, District has reviewed and determined that the infrastructure includes sufficient water, as well as capacity in the existing well and tank, to provide each current user with one (1) acre foot of water per lot. District agrees to service all current users as well as all lots currently identified as having water dedicated or intended to be utilized on a specific lot. (Exhibit "A" identifies sufficient water to service 111 lots, of which there are currently 34 users.) District further agrees to provide adequate water supply to the remaining lots identified in the Monte Subdivisions and additional real property when Bridle Path commences development of the same, in accordance and upon Bridle Path's compliance with section 3 hereafter.

3. **Title Transfer.** Prior to commencement of service, Bridle Path and/or the Company shall convey, by water deed, to the District one (1) acre-foot of underground water right for each developed lot, in the appropriate water hydrological basin "North of State Highway 56", said water to have been beneficially used in the last seven years which must be deemed acceptable for domestic uses in the amount of one acre-foot per lot served. The water rights shall be free of liens, judgments or any other legal encumbrance, and shall include the full and proper transfer of ownership of said rights to the District. The Company presently owns sufficient acre-feet of underground water rights to adequately supply 111 lots, which it shall agree to convey, by water deed, to the District upon execution of this Agreement and which District agrees to give a credit to Bridle Path of one lot for each acre foot transferred, to wit: Bridle path shall be entitled to develop or deliver water, as applicable, up to 67 additional lots without transferring to District any additional water. However, any lots developed

thereafter, for each phase of the Monte Subdivisions or the additional property, Bridle Path shall be required to convey to District an additional acre foot of water per developed lot, which shall be conveyed upon request by Bridle Path to commence developing the additional infrastructure necessary to supply a lot with water.

4. **Fees.** The District agrees that each lot will be charged an impact fee (currently \$2,500.00) in an amount as then assessed by the District for a 1-inch diameter, metered connection. In consideration of the water system purchased by District identified in section 2, infra., "Purchase of existing water system well and water rights" as well as in consideration of the future water system to be constructed in Section 1, infra., "Construction of System", the District agrees that an impact fee will not be assessed (i.e. waived) for any lots located in the future development phases for those lots described in Exhibit "B", attached hereto and more particularly described therein, up to but not to exceed 67 lots; (i.e., Bridle Path shall not be required to pay impact fees for 67 lots in exchange for Company's sale of the system infrastructure). District shall also not charge or collect a connection fee for up to, but not to exceed 66 lots, with the exception of actual physical costs for installation of the water meter, not to exceed \$300.00 per meter. Current existing lots already sold are not to be charged a water connection fee or impact fee as previously stated herein.

5. **Rates.** The District intends to make the water available to customers at an estimated 12 month average monthly rate of \$40 at the present time, which is subject to amendment. The District encourages water conservation measures by assessing overages for water used in excess of the one acre-foot per household. The District maintains the right to change the water rates at any time. Changes, if any, in the adopted rate ordinance shall not take effect until the District has complied with applicable legal and regulatory requirements of rate increases. The District will act in good faith in establishing any rate structure.

6. **Present and Future Water System Facilities.** Company shall deliver to District its currently existing system and District shall agree to accept the same "As Is", "Where As" and "What For". The Company agrees to provide as built construction drawings for the presently constructed water system. Bridle Path agrees to provide as built construction drawings for any future phases of the water system. Bridle Path shall construct its internal subdivision water system in accordance with approved District standards for the design and construction of a culinary water delivery system. District reserves the right to periodically inspect the construction and the development of the water system. Upon completion and acceptance by the District of the development water system, the system shall be the responsibility of the District to maintain the service. The District shall be the owner of the system and be responsible for the billing of each connection for water use. Copies of the District's culinary water standards for design and construction can be obtained from the District at the address below. All future bonding of Bridle Path's water system shall be in accordance with County standards. Bridle Path agrees to post a future bond for any future improvements required by the County sufficient to assure that the future water system has been constructed in a good and workmanlike manner. Company and District shall work together with Cedar Land Title Company to assign, transfer and/or convey to District, all easements held by Company which are necessary and which have been reserved for the purpose of maintaining and operating the water system, as applicable.

7. **Purchase Price and Payment.** The net payment identified in item 4 above (fees) represents the purchase price of the system. After all of the future impact fees are waived to Bridle Path, the purchase price of the system shall be paid in full and no further payments or financial obligations to the Company or Bridle Path shall exist.

8. **Line Extension Agreement and Annual Accounting.** District and Bridle Path acknowledge that there are third party private owners within the El Monte Subdivision which purchased a lot where no

water line infrastructure was completed at the time of the lot purchase. Based upon the foregoing, a line extension agreement shall be executed by the parties in the form attached hereto as Exhibit "C" which shall generally state as follows: That in the event Bridle Path, (1) develops a lot which necessitates extending a water transmission system past the third party private owner's undeveloped lot; (2) makes a water connection immediately available to that lot; and (3) all development costs are paid at the sole expense of Bridle Path without fair contribution by the private third party owner; the third party private owner shall not be permitted to connect to the system until Bridle Path has been reimbursed by the third party private owner. Bridle Path and District agree that an annual accounting will be made of the new users, actual connection costs, connection fees collected, and payments remitted by the District to Bridle Path. Bridle Path agrees that this annual accounting will be inspected in a timely manner. Both parties agree that this annual accounting to Bridle Path shall become final unless objected to in a timely manner. Bridle Path shall have the right to have this annual accounting independently audited. Any costs associated with an independent audit shall be the sole responsibility of Bridle Path. The District's accounting records are already subject to the financial audit and reporting requirements of the Utah State law.

9. **Customer Communication.** Bridle Path agrees to alert the property purchaser of the requirement of any connection fees or impact fees after all credits have been granted by District.

10. **Notices.** Any notice provided for or concerning this Agreement shall be in writing and be deemed sufficiently given when hand delivered or sent by certified or registered United States mail to the respective addresses of the District of the Company as set forth below

If sent to the District: Central Iron County Water Conservancy District
Attn: Scott Wilson
P.O. Box 37
Cedar City, Utah 84721

If sent to the Company: West Slope Water Company
Attn: Kenneth Knudson
P. O. Box 1476
Cedar City, UT 84721

11. **Governing Law.** This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Utah.

12. **Entire Agreement.** This Agreement shall constitute the entire agreement between the parties and supersedes any prior understanding, representation, or agreement of the parties regarding the subject matter hereof.

13. **Modification of Agreement.** Any modification of the Agreement, or additional obligation assumed by either party in connection with this Agreement, shall be binding only if evidenced in writing signed by each party or an authorized representative of each party.

14. **No Waiver.** No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute waiver of that or any other right, unless expressly provided herein. Either party may, by notice delivered in the manner provided in the Agreement, shall not be under obligation to, waive any of its rights or any condition to its obligations hereunder, or any covenant or duty of any other party. No waiver shall affect or alter the remainder of this Agreement, and each and every covenant, duty, and condition hereof shall continue in full force and effect with respect to any other than existing or subsequently occurring breach.

15. **Rights and Remedies.** The parties shall have all rights and remedies provided under Utah law for breach or threatened breach of this Agreement, these rights and remedies shall not be mutually exclusive, and the exercise of one of more of these rights and remedies shall not preclude the exercise of any other rights and remedies.

16. **Necessary Acts and Cooperation.** The parties hereby agree to do any act or thing and to execute any and all instruments required by this Agreement which are necessary and proper to make effective the provisions of this Agreement.

17. **Authorization.** Each individual executing this Agreement does thereby represent and warrant to each other so signing that he or she has been duly authorized to sign this Agreement in the capacity and for the entities set forth where he or she signs.

18. **Execution of Agreement.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

19. **Survival.** All representations and warranties of Seller shall merge into any deed and shall not survive the closing.

20. **Time of Essence.** Time is of the essence of this Agreement.

21. **Successors and Assigns.** All the terms and conditions of this Agreement are hereby made binding on the successors and permitted assigns of both parties hereto.

22. **Force Majeure.** This Agreement is subject to force majeure, and is contingent on strikes, accidents, acts of God, weather conditions, inability to secure labor, fire regulations or restrictions imposed by any government or governmental agency, or other delays beyond the control of the parties. If delivery of the water system within the Agreement time is prevented by any cause of force majeure, then this Agreement shall be void.

IN WITNESS THEREOF, each party to this Agreement has caused it to be executed on the date indicated below.

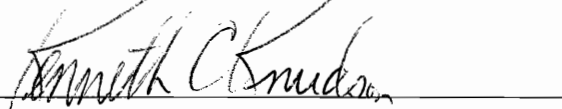
[Date and Signatures on Following Page]

DATED this 24th of November, 2010.

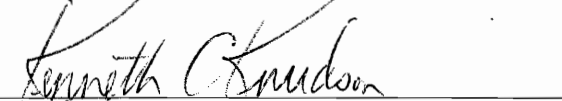
CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT

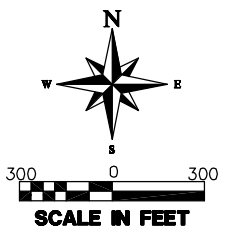
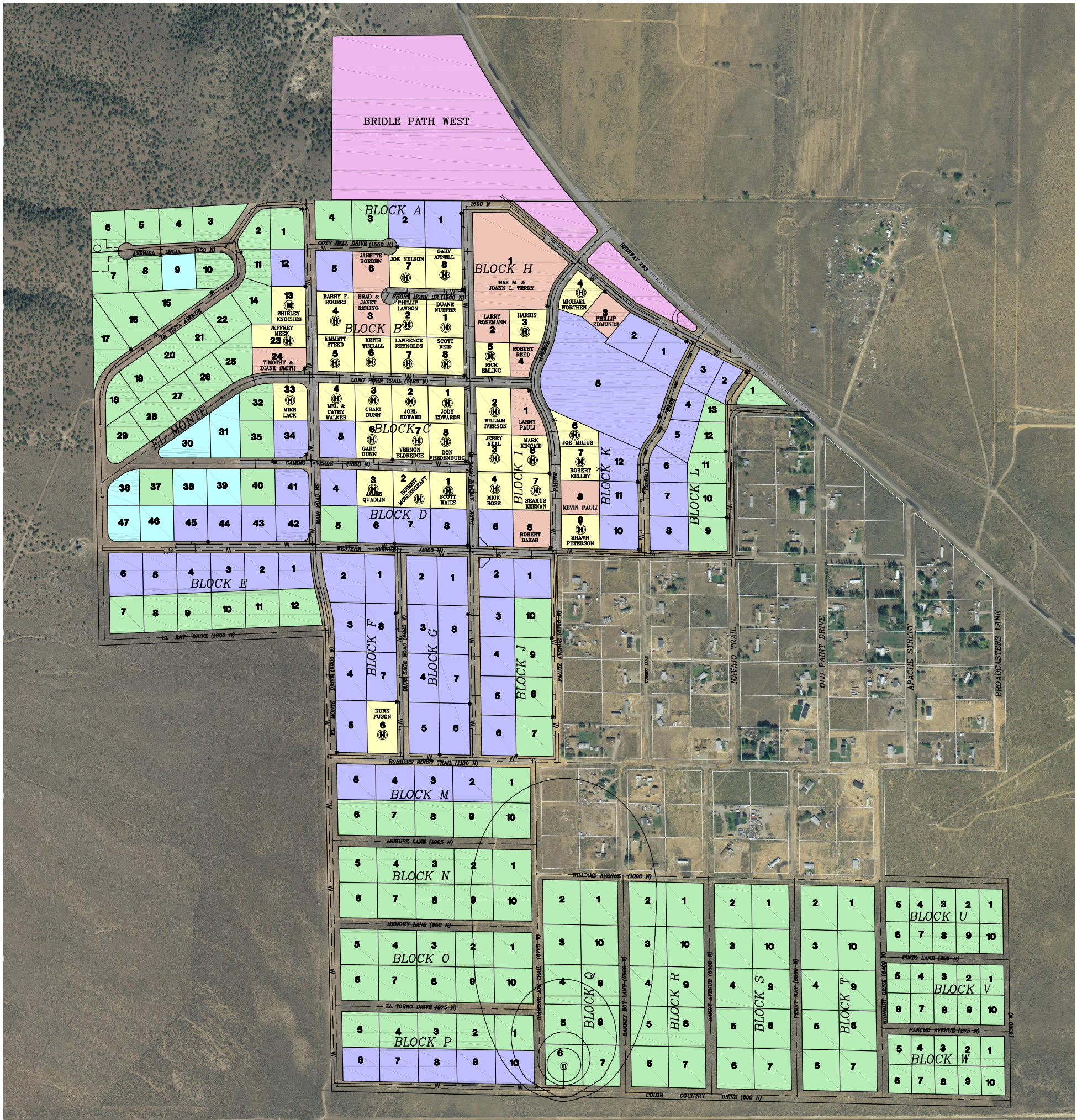
By: 
Its: Chairman of the board of Directors

WEST SLOPE WATER COMPANY

By: 
Its: PRESIDENT

BRIDLE PATH WEST LC

By: 
Its: Member



- LEGEND**
- PROPERTY OUTSIDE SUBDIVISION (W/ NO WATER CONNECTION)
 - EXISTING LOTS WITH HOMES (34 LOTS)
 - PRIVATE OWNER W/ WATER CONNECTIONS (10 LOTS)
 - DEVELOPER OWNED W/ WATER CONNECTIONS (65 LOTS)
 - PRIVATE OWNER NO WATER CONNECTIONS
 - DEVELOPER OWNED NO WATER CONNECTIONS
 - EXISTING ASPHALT
 - DENOTES LOT WITH EXISTING HOME
 - - - - - EXISTING WATER

NOTE
ALL PROPERTY NOT LABELED IS OWNED BY BRIDLE PATH WEST

NO	REVISIONS	DESCRIPTION	DATE	BY
1	DISTRICT CONTRACT EXHIBIT		11/24/10	RL

InSite Engineering, P.C.
 Civil Engineers - Land Surveyors - Total Planners
 1663 W. Royal House Dr., Suite 200
 Provo, UT 84601
 Phone: (435) 867-4565
 Fax: (435) 867-4489

PROJECT: 1024C - WEST SLOPE WATER CO (BRIDLEPATH) WATER SYSTEM.dwg
 WATER RIGHT AND OWNERSHIP MAP
WEST SLOPE WATER COMPANY
 IRON COUNTY, UTAH

DATE: NOV. 10, 2009
 SCALE: 1" = 300'
 JOB NO. 1024C
 SHEET NO. **1 OF 1**

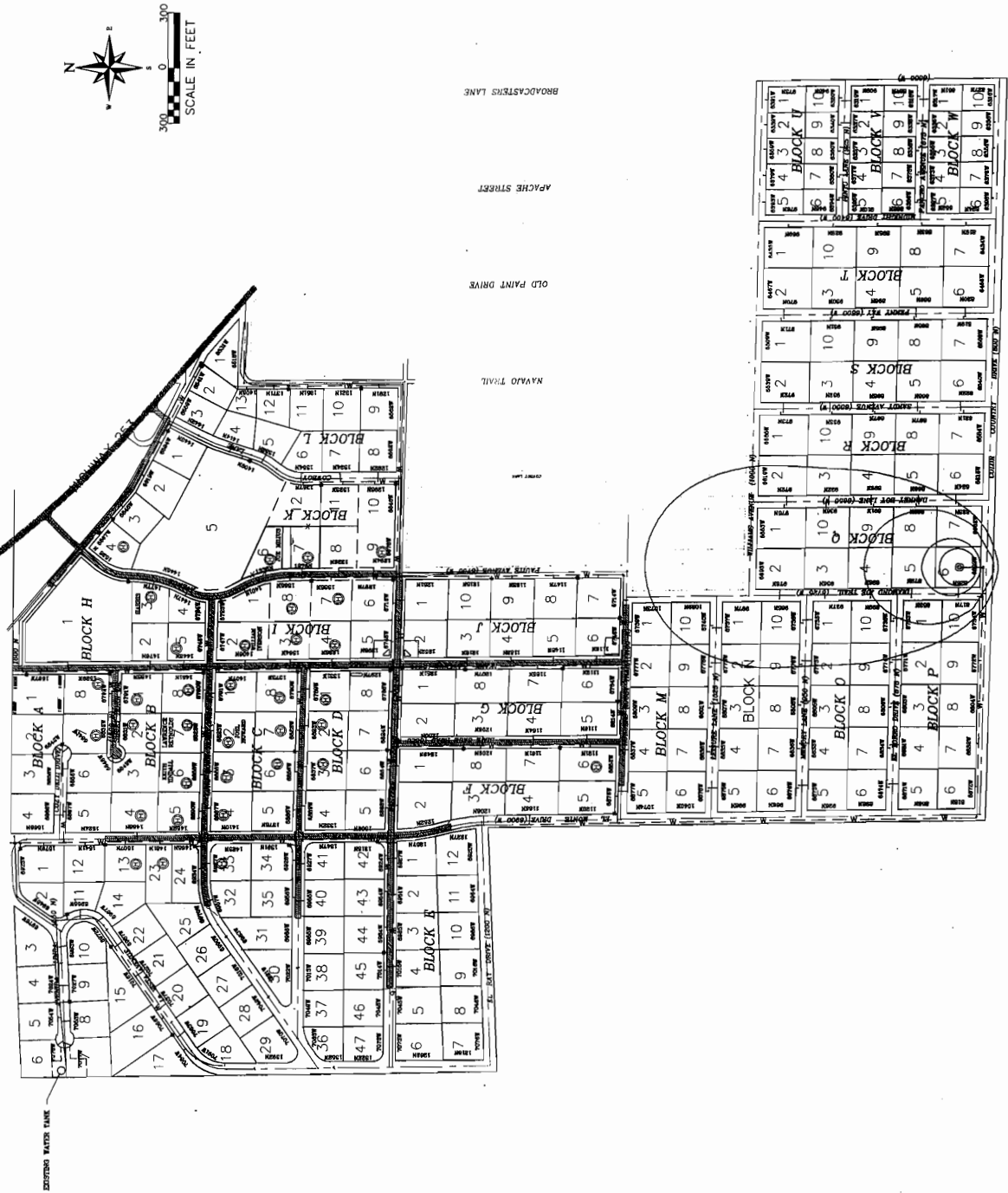
NO.	DESCRIPTION	DATE	BY

InSite Engineering, P.C.
 Civil Engineers - Land Surveyors - Land Planners
 1603 W. Royal Martin Dr., Suite 200
 Chandler, AZ 85226
 Phone: (480) 867-4465
 Fax: (480) 867-4469

WEST SLOPE WATER COMPANY
 OVERALL WATER SYSTEM MAP FOR:
 IRON COUNTY, UTAH

PROJECT: 1024C - WEST SLOPE WATER CO (BROADVIEW)-WATER SYSTEM.dwg
 DATE: MAY 15, 2009
 SCALE: 1"=300'
 JOB NO.: 1024C
 SHEET NO.: 1 OF 1

EXHIBIT B



THIS DRAWING IS THE PROPERTY OF INSITE ENGINEERING, P.C. AND IS NOT TO BE REPRODUCED OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM, WITHOUT THE WRITTEN PERMISSION OF INSITE ENGINEERING, P.C. THE USER OF THIS DRAWING AGREES TO HOLD INSITE ENGINEERING, P.C. HARMLESS FROM AND AGAINST ALL LIABILITY, INCLUDING REASONABLE ATTORNEY'S FEES, IN CONNECTION WITH THE USE OF THIS DRAWING.