

# Exhibit A

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BY-LAWS  
OF  
SUMMIT WATER DISTRIBUTION COMPANY  
A UTAH NON-PROFIT MUTUAL WATER COMPANY

ARTICLE I - OFFICES

The principal office of Summit Water Distribution Company ("SWDC") in the State of Utah shall be located at 1910 Prospector, P.O. Box 680963, Park City, Utah 84068. SWDC may have such other offices, whether within or without the State of incorporation as the Board of Directors may designate or as the business of SWDC may from time to time require.

ARTICLE II - STOCKHOLDERS

1. ANNUAL MEETING.

The annual meeting of the stockholders shall be held on the 4th Tuesday of April of each year at the hour of 12:00 o'clock p.m., for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If not held as scheduled it shall be held as soon thereafter as it can reasonably be scheduled and notice thereof given.

2. SPECIAL MEETINGS.

Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the president or by two directors, and shall be called by the president at the request of the holders of not less than 25 percent of all the outstanding shares of Class A and B stock of SWDC entitled to vote at the meeting.

3. PLACE OF MEETING.

Unless otherwise designated, the annual and special meetings shall be held at the principal corporate office, but the directors may designate any place within the State of Utah, unless otherwise prescribed by statute, as the place of meeting for any annual meeting or for any special meeting called by the directors. A waiver of notice signed by all stockholders entitled to vote at

a meeting may designate any place, either within or without the State, unless otherwise prescribed by statute, as the place for holding such meeting.

#### 4. NOTICE OF MEETING.

Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 15 nor more than 30 days before the date of the meeting, either personally or by mail, by or at the direction of the president, or the secretary, or the officer or persons calling the meeting, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the stockholder at his address as it appears on the stock transfer books of SWDC, with postage thereon prepaid. Notice may be waived in writing by any stockholder.

#### 5. CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE.

For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or in order to make a determination of stockholders for any other proper purpose, the directors of SWDC may provide that the stock transfer books shall be closed for a stated period of at least 20 days, but not to exceed, in any case, 40 days. If the stock transfer books shall be closed for the purpose of determining stockholders, such books shall be closed up to 40 days immediately preceding such meeting. In lieu of closing the stock transfer books, the directors may fix in advance a date as the record date for any such determination of stockholders, such date to be between 20 and 40 days prior to the date on which the particular meeting requiring such determination of stockholders is to be held. If the stock transfer books are not closed and no record date is fixed for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders, the date on which the resolution of the directors sets the meeting shall be the record date for such determination of stockholders. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

#### 6. VOTING LISTS.

The officer or agent having charge of the stock transfer book for shares of SWDC shall make, at least 20 days before each meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, with the address as listed on the books and the number of shares held by each, which list, for a period of 20 days prior to such meeting, shall be kept on file at the principal office of SWDC and shall be subject to inspection by any stockholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any stockholder during the whole time of the meeting. The original stock transfer book shall be prima facie evidence as to the identity of stockholders entitled to examine such list or transfer books or to vote at the meeting of stockholders.

#### 7. QUORUM.

At any meeting of the stockholders, a simple majority of the outstanding shares of SWDC entitled to vote, represented in person or by proxy, shall constitute a quorum.

#### 8. PROXIES.

At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his duly authorized attorney in fact. Such proxy shall be filed with the secretary of SWDC before or at the time of the meeting.

#### 9. VOTING.

Each stockholder entitled to vote in accordance with the terms and provisions of the Articles of Incorporation and these By-Laws shall be entitled to one vote, in person or by proxy, for each share of Class A or Class B stock held by such stockholders. Class C and Class D shareholders are not entitled to vote. Upon the demand of any stockholder, the vote for directors and upon any question before the meeting, shall be by ballot. A share of stock need not actually be issued to

entitle the shareholder to vote so long as the individual asserting the right to vote shows as a shareholder entitled to the issuance of certificates of stock on the stock transfer books.

All elections for directors and all other questions voted upon shall be decided by a simple majority vote, except as may be otherwise provided by the Articles of Incorporation or by the statutes of this State.

#### 10. ORDER OF BUSINESS.

The order of business at all meetings of the stockholders shall be as follows:

1. Roll call
2. Proof of notice of meeting or waiver of notice
3. Reading of minutes of preceding meeting
4. Reports of Officers
5. Reports of Committees
6. Election of directors (as required)
7. Unfinished Business
8. New Business

### ARTICLE III - BOARD OF DIRECTORS

#### 1. GENERAL POWERS.

The business and affairs of SWDC shall be managed by its Board of Directors. The directors shall in all cases act as a board, and they may adopt such rules and regulations for the conduct of their meetings and the management of SWDC, as they may deem proper, not inconsistent with the Articles of Incorporation, these By-Laws, contractual obligations of SWDC, and the laws of this State.

## 2. NUMBER, TENURE AND QUALIFICATIONS.

The number of directors of SWDC shall be no less than three and no more than six with one director to be elected for a six-year term by the shareholders at each annual meeting. The current directors and the expiration of their term include:

<u>Name</u>	<u>Term Expires Annual Meeting</u>
Lawrence R. Knowles	1997
Roger J. Sanders	1998
Lawrence Robinson	1999
Leon H. Saunders	2000
Allan M. Metos	2001
Jerry W. Dearing	2002

Each director shall hold office until his successor has been elected and duly qualified.

## 3. REGULAR MEETINGS.

A regular annual meeting of the directors shall be held without other notice than this By-law immediately after, and at the same place as, the annual meeting of stockholders. The directors may provide, by resolution, the time and place for the holding of additional regular meetings without other notice than such resolution.

## 4. SPECIAL MEETINGS.

Special meetings of the directors may be called by or at the request of the president or by any member of the Board of Directors. The person or persons authorized to call special meetings of the directors may fix the place for holding any special meeting of the directors called by them.

## 5. NOTICE.

Notice of any special meeting shall be given at least 15 days previously thereto by written notice delivered personally, or by telecopy or mailed to each director at his business address or at

such other address as he may notify the secretary in writing. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telecopy, such notice shall be deemed to be delivered when the telecopy is transmitted. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

#### 6. QUORUM.

At any meeting of the directors, a majority of the directors present at the meeting shall constitute a quorum for the transaction of business, but if less than said number is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. A director shall be deemed present at a meeting if he attends in person or by telephone.

#### 7. MANNER OF ACTING.

The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the directors, unless otherwise required by the Articles or by law.

#### 8. NEWLY CREATED DIRECTORSHIPS AND VACANCIES.

Newly created directorships resulting from an increase in the number of directors, as may be determined by the shareholders pursuant to an amendment of the Articles of Incorporation, and vacancies occurring on the Board for any reason may be filled by a vote of a majority of the directors then in office, although less than a quorum exists, in the event the vacancy occurs or new directorship is created other than at the time of a shareholder meeting. A new director or a director elected or appointed to fill a vacancy by the Board shall be elected or appointed to hold office until the next meeting of shareholders at which directors are to be elected. If elected by the shareholders said director shall serve for the unexpired term of his predecessor, if filling a vacancy, or for the term stated by the resolution creating a new directorship, if a new director.

#### 9. REMOVAL OF DIRECTORS.

Any or all of the directors may be removed for cause by vote of the stockholders or by action of the Board. Directors may be removed without cause only by vote of the stockholders.

#### 10. RESIGNATION.

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

#### 11. COMPENSATION.

Compensation may be paid to any of the directors for their service as a director of SWDC but the amount of such compensation shall be paid equally to all directors.

#### 12. PRESUMPTION OF ASSENT.

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

### ARTICLE IV - OFFICERS

#### 1. NUMBER.

The officers of SWDC shall be a president, vice president, secretary and treasurer, each of whom shall be elected by the directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the directors.



## 2. ELECTION AND TERM OF OFFICE.

The officers of SWDC shall be elected by the directors at the annual meeting or at a special meeting called for that purpose, and shall be elected for a term of two years. Each officer shall hold office until his successor shall have been duly elected and qualified, or until his death or until he shall resign or shall have been removed in the manner provided by the Articles of Incorporation and these By-laws.

## 3. REMOVAL.

Any officer or agent elected or appointed by the directors may be removed in accordance with Article XI of the Articles of Incorporation.

## 4. VACANCIES.

A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by appointment of the directors at any regular or special meeting for the unexpired portion of the term.

## 5. PRESIDENT.

The president shall be the principal executive officer of SWDC and, subject to the control of the directors, shall in general supervise and control all of the business and affairs of SWDC. He shall, when present, preside at all meetings of the stockholders and of the directors. He may sign, with the secretary or any other proper officer of SWDC thereunto authorized by the directors, certificates for shares of SWDC, any deeds, mortgages, bonds, contracts, or other instruments which the directors have authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the directors or by these By-Laws to some other officer or agent of SWDC, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the directors from time to time.

## 6. VICE-PRESIDENT.

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

## 7. SECRETARY.

The secretary shall keep the minutes of the stockholders' and of the directors' meetings in one or more books provided for that purpose, see that all notices regarding annual stock assessments, delinquencies and stock sales are duly given in accordance with the provisions of these By-Laws or in accordance with the laws of the State of Utah, be custodian of the corporate records and of the seal of SWDC, keep a register of the post office address of each stockholder, have general charge of the stock transfer books of SWDC and in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the president or by the directors. The secretary may serve simultaneously as another officer other than president.

## 8. TREASURER.

If required by the directors, the treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the directors shall determine. He shall have charge and custody of and be responsible for all funds and securities of SWDC; and give receipts for monies due and payable to SWDC from any source whatsoever, and deposit all such moneys in the name of SWDC in such banks, trust companies or other depositories as shall be selected in accordance with these by-laws and in general perform all of the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the president or by the directors. The treasurer may serve simultaneously as another officer other than president.

## 9. SALARIES.

The salaries of the officers shall be fixed from time to time by the directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of SWDC. All salaries shall be reasonable and shall be commensurate with the duties and time spent by such officer.

## ARTICLE V - STOCK

### 1. APPURTENANCY OF STOCK.

A. Class A (development) stock shall become appurtenant to the land upon which it is intended for use once SWDC commitments are made thereon. Thereafter such stock shall pass as an appurtenance to the land upon transfer or sale of the property or any portion thereof. Upon approval of development plans or recordation of subdivision plat plans, SWDC shall restrict the use of said shares of stock supporting such endeavor for use on the project and as security for any performance obligations SWDC may have.

B. Class B (use) stock, Class C (irrigation) stock, and Class D (snowmaking) stock shall be appurtenant to the land upon which it is placed to use with each stock certificate stamped with the legal description of such appurtenancy.

### 2. ASSESSMENTS.

All assessments, whether under Class A, B, C or D, may be made on other than a pro rata basis where actual costs of water delivery, attorneys and engineering fees, underlying water use charges, or the like result in increased costs being borne by SWDC for work, deliveries, charges, etc. directly attributable to a particular shareholder. Those shareholders for whom the increased costs are incurred shall be responsible for paying the increased costs incurred by SWDC, with such costs becoming part of their shareholder assessment. All assessments shall be levied and collected at the times, in the amounts, and in the manner provided by law and as the Board of Directors may direct.

A. Class A (development) shares are not chargeable with the general assessment for operation and maintenance of system facilities, but are subject to special assessment as provided in the Amended and Restated Articles of Incorporation, which provide for assessment of:

(i) Those holding costs incurred to maintain the applicable water rights in good standing or such other needed or requested work, e.g. attorney's fees, engineering fees, etc.

(ii) Any special assessments or contract charges associated with the underlying water rights supporting such Class A shareholder's water use, e.g., Davis and Weber County Canal Company stock assessment or Weber Basin Water Conservancy District charge.

B. Class B (use) stock is fully assessable as follows:

(i) Class B shares will not be subject to general assessment until said shares are placed into use or activated by the owner thereof calling for delivery of water. In lieu of the general assessment, SWDC will impose a stand-by fee as set forth in Article V, Section 4(B) below.

(ii) Upon activation, the Class B shares will bear a general assessment for the operation, maintenance, repair and replacement of the water distribution system, including charges attributable to the underlying water right which supports shareholder's water use, e.g. Davis and Weber Counties Canal Company stock assessment or Weber Basin Water Conservancy District charge, for all late fees, resumption of use fees, additional pumping fees, and other fees which may be imposed under Article V, Section 2 hereof, and for all administrative and other costs incurred by SWDC, including engineering and attorney(s) fees.

(iii) For special assessments involving requested or necessary work involving specific shares and not fairly attributable to all shareholders.

C. Class C (irrigation) stock is not subject to the general assessment, but is responsible for special assessments as follows:

(i) For all charges attributable to the underlying water right which supports shareholder's water use, e.g. Davis and Weber Counties Canal Company stock assessment or Weber Basin Water Conservancy District contract charge.

(ii) For all late fees, resumption of use fees, etc. which may be imposed.

(iii) For operation and maintenance of the irrigation system, if applicable.

(iv) For a proportionate share of SWDC's administrative costs fairly allocable to managing the water use under the Class C (irrigation) stock.

(v) For all attorneys and engineering fees fairly attributable to efforts performed by SWDC benefiting or involving the subject irrigation stock.

D. Class D (snowmaking) stock is not subject to general assessment, but is responsible for special assessments as follows:

(i) For all charges attributable to the underlying water right which supports shareholder's water use, e.g. Davis and Weber Counties Canal Company stock assessment or Weber Basin Water Conservancy District charge.

(ii) For all late fees, resumption of use fees, etc. which may be imposed.

(iii) For operation and maintenance of the irrigation system, if applicable.

(iv) For a proportionate share of SWDC's administrative costs fairly allocable to managing the use under the Class D (snowmaking) stock.

(v) For all attorneys and engineering fees fairly attributable to efforts performed by SWDC benefiting or involving the subject snowmaking stock.

### 3. DELINQUENCIES.

Delinquent accounts shall be subject to levy and foreclosure in the manner provided for in the Delinquency Policy established and adopted by the Board of Directors, and as provided by law.

## 4. FEES.

A. Connection Fees.

(i) Residential Connection Fee. A residential connection fee shall be assessed to cover costs of installation, connection and contingency on each residence connected onto the SWDC system. The amount of the fee as of date of adoption hereof shall be determined as set forth in "Exhibit A", which is attached hereto and which may be amended from time to time by the Board of Directors.

(ii) Commercial Connection Fee. Commercial connection fees shall be charged to cover costs of installation, connection and contingency on the basis set forth in the attached "Exhibit A" and which may be amended from time to time by the Board of Directors.

B. Stand-By Fee. Because SWDC must be capable of providing water service to Class B users upon demand, a stand-by fee shall be imposed upon inactive Class B shares as set forth in Exhibit "A", to cover company expenses in maintaining system capacity (water rights, source capacity, storage facilities, pump stations, infrastructure) on call. Stand-by fees may be amended from time to time by the Board of Directors.

C. Additional Pumping Fees. Due to the expansion of the water system into areas of higher elevation, and the determination that it is inappropriate for all shareholders of SWDC to pay for the additional pumping costs to these special areas, all areas incurring pumping charges in excess of a single pump shall pay fees as set forth in "Exhibit A" attached hereto and which may be amended from time to time by the Board of Directors.

D. Conversion Fee. A conversion fee as set forth in "Exhibit A", attached hereto and which may be amended from time to time by the Board of Directors, shall be assessed against all shares converted from Class A to Class B stock. This conversion fee will enable SWDC to have sufficient funds at the end of the year of conversion to pay its water rights assessments to

both the Weber Basin Water Conservancy District and the Davis and Weber Counties Canal Company without drawing from its working capital sources, as well as offset administrative costs.

E. Stock Transfer Fee. Any reissuance of a Class B certificate shall carry with it a fee as set forth in Exhibit "A". This fee is to offset the administrative costs of reissuing share certificates.

F. Water Development Fee. SWDC shall have the authority to enter into contracts with shareholders who construct new water distribution facilities for the imposition of a water development fee upon those or other shareholders at the time of conversion of said shareholders' Class A shares to Class B shares. The water development fee will be used to help said shareholders recover the costs of facilities not otherwise recoverable by other fees and shall be used by SWDC to help secure any repayment obligation on the water distribution facilities contributed by the shareholder.

5. METERS REQUIRED.

All uses of water from SWDC's system shall be metered, except for fire protection water, which will not be metered.

6. ONE STRUCTURE PER METER.

Not more than one structure or building shall be connected to any one meter without the prior written approval of SWDC.

7. VACANT LOTS.

Application for water service will be accepted from shareholders who own vacant lots and present the requisite number or portion thereof of Class A Development Shares required to meet the contemplated use. Such applications shall be accompanied by the required connection and other fees at the then current rate, which shall entitle the shareholder to have a meter installed for servicing of his premises and the conversion of his shares to Class B (use) shares.

8. SUMMIT WATER DISTRIBUTION COMPANY TO HOLD TITLE TO WATER SYSTEM.

SWDC shall hold title for and on behalf of its shareholders to all reservoirs, wells, pumps, pumphouse, pressure reduction valves, treatment plants, main distribution lines, delivery and service lateral lines and connections from the water mains to the curb stop of each individual shareholder-water user, including the meter, outside readout, curb-stop valve box and shut-off valve, and any other facilities constituting the water system. SWDC shall maintain, repair and replace the same in perpetuity. Each individual shareholder shall own and shall bear the sole responsibility for repair, upkeep and maintenance of the service lateral from the property side of the curb stop box and shut-off valve to the premises being served excluding the water meter and outside readout. SWDC shall not accept nor bear any responsibility for any leaks or damages caused by leakage on the water user side of the shut-off valve; and SWDC shall have no obligation to repair, replace or maintain the service lateral on the shareholder's side of the shut-off valve. SWDC may, without incurring liability, make emergency repairs to service laterals, in order to mitigate damage, prevent waste of water, and to prevent contamination of the water supply, but any such repairs shall be at the shareholder's sole expense.

9. SERVICE TO INDIVIDUAL STRUCTURES.

Each individual shareholder requesting domestic water service shall make formal written application to SWDC for service, on a form provided by SWDC, and shall comply with the following:

- A. No lot owner/shareholder shall be permitted to connect onto SWDC's system or receive water service until a formal written application for service has been received and



accepted by SWDC. The application shall be on a form provided by SWDC and shall provide that each lot owner/shareholder shall comply with the rules and regulations and by-laws of SWDC.

B. Each lot owner/shareholder requesting service shall surrender the requisite number, or portion thereof, of shares of Class A Development Stock for conversion to Class B (use) stock sufficient to meet the proposed use, and shall pay the stock transfer fee.

C. Each shareholder requesting service shall pay, at the time of making the application, the connection fee required at the then current rate.

D. SWDC's obligation for operation and maintenance of service laterals shall terminate at the street side of the shut-off valve. The shareholder shall be responsible for the maintenance of the service lateral from the property side of the shut-off valve to the meter installed within the structure receiving water service. The meter itself, the meter gauges and the shut-off valve shall remain the sole property of SWDC and SWDC shall have the obligation to maintain and repair the same.

E. In the event of a sale or transfer of ownership of a residence or other unit, each such selling or buying shareholder shall immediately report, in writing, to SWDC's business office, the sale of the residential dwelling unit or other unit. Immediately upon receipt of this written notice, SWDC shall either terminate or administratively suspend water service to the unit or facility until compliance with the following is obtained:

(1) The new owner, on a form provided by SWDC, agrees to comply with SWDC's rules, regulations and by-laws in the use of water.

(2) A properly endorsed transfer letter or share certificate, together with the stock transfer fee, is presented to SWDC transferring ownership of the share certificate from the previous owner to the new owner.

(3) The new owner pays any resumption of use fees which may be applicable to cover the costs incurred by SWDC in re-establishing water service to a particular unit.

(4) All past due stock assessments attributable to said stock certificate are fully paid.

SWDC shall not reissue or transfer ownership of stock certificates until all of the above listed items are accomplished. Upon compliance with the terms and conditions of this subsection, water service shall be restored to the premises and the stock transfer accomplished. The subsequent purchaser shall, as a shareholder, be subject to annual stock assessments. It shall be the burden and responsibility of each subsequent purchaser to obtain the prorated amount of the stock assessment, if any, from the prior owner. SWDC will assist in determining the prorated amount but will not endeavor to collect the same from the prior owner of the share certificate. The assessments are levied against the stock certificate — not individual owners — and will be collected accordingly.

10. LANDLORDS OR LESSORS SHALL BE HELD PRIMARILY LIABLE FOR ALL ASSESSMENTS.

The legal owner of any rented property being served by SWDC shall appear as the record owner of the share of stock representing that water connection within SWDC, and shall be held primarily responsible to SWDC for payment of the annual stock assessment.

11. METER READERS AND METER MAINTENANCE.

Shareholder-water users shall not hinder or obstruct in any way the ability of the authorized company personnel to gain entry to a shareholder's structure or premises, upon reasonable notice, and at a reasonable time of day, for the purpose of periodic meter reading and maintenance of the water meters. The cost of removing any physical obstructions may be charged to the shareholder, and SWDC, upon notice, may discontinue the delivery of water to the shareholder without liability

in the event the shareholder denies SWDC's personnel access to the water meter. The delivery of water shall not be resumed until SWDC has been provided with the required access to the water meter.

## 12. EXPANSION OF WATER DELIVERY SYSTEM.

The Board of Directors may establish such rules and regulations as they deem appropriate for expansion of SWDC's water delivery system, including the issuance of stock. Any such expansion shall be consistent with the Articles and contracts of SWDC. The Board of Directors may also approve entering into such contracts as may be deemed appropriate to protect the investment of the shareholder(s) incurring the cost of such expansion. Said agreement shall specifically identify the pipelines, storage facilities, source capacity, water rights, etc. being contributed by said shareholder and establish shareholders' rights therein. In recognition of the fact that certain shareholders have assumed significant risks and undertaken substantial uncompensated efforts in planning, inspecting, constructing and creating the existing system capacity, including excess system capacity and system efficiencies, SWDC, as approved by the Board of Directors, may protect their investment of time, effort and risk by, among other things, reserving the excess system capacity for such shareholders' benefit and agree to protect their interests in the event of dissolution, sale, condemnation, or the like. The protections granted may include, but are not limited to, contractual reservations of excess capacity for the contributing shareholder(s), and a commitment to obtain fair market value or replacement value for all such excess system capacity, water sources, water rights facilities, etc. in the event of sale, condemnation or the like.

## 13. EMERGENCY SITUATIONS.

In times of water shortage the Board of Directors of SWDC shall have full authority to declare a water emergency, and to ration or otherwise regulate the distribution and use of water

from SWDC's system. Such action by the Board of Directors may include a moratorium on new water connections until the emergency has been alleviated.

14. SAVINGS CLAUSE.

If any section, subsection, sentence, clause or phrase of these By-laws is for any reason held to be invalid by a court of law, such determination shall not affect the validity of the remaining portions of these By-laws, which shall remain binding and enforceable against the shareholders of SWDC.

15. EFFECTIVE DATE.

These By-laws shall be in full force and effect from and after the date of passage and adoption by the Board of Directors of SWDC.

16. CONTRACTS, LOANS, CHECKS AND DEPOSITS.

Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of SWDC, and such authority may be general or confined to specific instances.

Loans. Any indebtedness incurred on behalf of SWDC will require the unanimous consent of the Board of Directors.

Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of SWDC, shall be signed by such officer or officers, agent or agents of SWDC and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Deposits. All funds of SWDC not otherwise employed shall be deposited from time to time to the credit of SWDC in such banks, trust companies or other depositories as the Board of Directors may select.

## 17. FISCAL YEAR.

The fiscal year of SWDC shall begin on the 1st day of January in each year and end on December 31st each year.

## 18. SEAL.

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of SWDC and the words, "Corporate Seal."

## 19. WAIVER OF NOTICE.

Unless otherwise provided by law, whenever any notice is required to be given to any stockholder or a director of SWDC under the provisions of these By-Laws or under the provisions of the Articles of Incorporation, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

## 20. AMENDMENTS.

The power to adopt, amend or repeal By-Laws shall be vested in the governing board. No By-Laws pertaining to the ability of SWDC to assume debt, issue bonds, mortgage its property, sell or transfer any major asset or modify the allocation of SWDC source or source capacity, shall be adopted, repealed or amended, without having first received the unanimous consent of all of the directors, and, in no event shall any By-Law so adopted be inconsistent with the Articles of Incorporation of SWDC; notwithstanding the foregoing, no by-law which requires approval of shareholders shall be amended or changed without receiving the approval of such number of shareholders.

These By-Laws are duly adopted by the unanimous vote of the Board of Directors this

\_\_\_\_ day of \_\_\_\_\_, 1996.

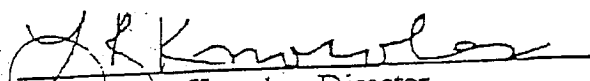
SUMMIT WATER DISTRIBUTION COMPANY

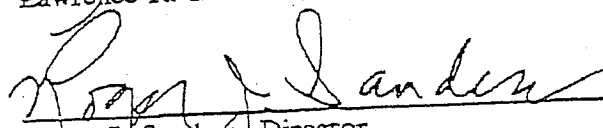
ATTEST:

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Secretary

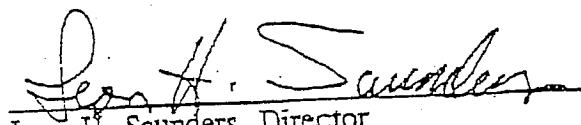
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Lawrence Robinson, Director

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Jerry W. Dearing, Director

  
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Lawrence R. Knowles, Director

  
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Roger J. Sanders, Director

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Allan M. Metos, Director

  
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Leon H. Saunders, Director

RULES AND REGULATIONS  
FOR THE EXPANSION OF SUMMIT WATER DISTRIBUTION COMPANY'S  
WATER DELIVERY SYSTEM

WHEREAS, it is in the best interests of SUMMIT WATER DISTRIBUTION COMPANY ("SWDC") and its shareholders to allow the expansion of the company's water delivery system, to include new sources of water supply and water rights, additional water storage facilities, and increased pipeline capacity, which will benefit existing shareholders by increasing fire flow protection, drought resistance, dependability of supply, etc.; and

WHEREAS, the resulting increase in the number of shareholders connecting onto the system will also allow SWDC to obtain the economies of scale that result from an increased shareholder base; and

WHEREAS, there is a need to adopt uniform criteria for expanding SWDC's water delivery system and to establish some general parameters under which such expansion may be accomplished.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Summit Water Distribution Company as follows:

Section 1. Title. This resolution shall be entitled "Rules and Regulations for the Expansion of Summit Water Distribution Company's Water Delivery System".

Section 2. Purpose. This resolution has been adopted for the purpose of promoting the orderly expansion of the company's water distribution system, and to establish general parameters upon which expansion will be considered and the basis upon which it will be allowed to occur.

Section 3. Revocation of Prior Rules and Regulations. SWDC hereby revokes all previous Rules and Regulations and adopts the following Rules and Regulations for the Expansion of SWDC's water delivery System.

Section 4. Existing Rights. All expansions or modifications to the existing water delivery system must be done so as not to interfere with existing shareholder rights or the contractual rights and responsibilities of SWDC. SWDC's water rights, water source capacity, storage facilities and pipeline capacity ("Water Works") belong to its shareholders and SWDC has contractual rights and responsibilities – both to its shareholders in general by virtue of its corporate charter and with individual shareholders who have contributed said Water Works to SWDC – which must be respected.

Section 5. Conditions of Expansion. Any expansion or increased use of SWDC's water distribution system must address all of the following conditions precedent to be considered for approval:

5.1 The proposed expansion must not result in a duplication of SWDC infrastructure or negatively impact existing shareholders or existing delivery facilities. All requests will be reviewed with the long term interests of SWDC in mind and shall take into consideration the potential for system growth beyond the specific request and the potential need for additional storage, increased pipeline capacity, water rights, source capacity, looped system, etc. in granting any approval. The additional safety, dependability of service, impact on the environment, and other considerations that lend themselves to the proper operation of the company shall also be considered.

5.2 Water Rights. The request must be initiated by an existing shareholder holding sufficient water shares (water rights) to meet the needs of the proposed expansion. Said shares should be freely transferable for use at the proposed site, e.g. ability to use existing pipelines to transport water, use of storage facilities, State Engineer approval, etc. State Engineer approval for the particular undertaking shall be the minimum, but not the exclusive, standard for SWDC to consider in approving the undertaking.

5.3 Water Sources. There must be sufficient water source capacity in terms of quality and quantity to meet the needs of the intended use, together with the necessary easements to access, operate, maintain, repair and replace the diversion facilities located thereon. In determining the water source needs of a particular undertaking, SWDC will employ the standards developed by the Utah Division of Drinking Water, together with its experience in delivering water to undertakings of a similar nature.

5.4 Pipeline Capacity. There must be adequate pipeline capacity, together with the necessary appurtenant facilities to meet the needs of the intended use. SWDC shall require that ductile iron pipe be used as the only appropriate pipe for water mains on the system, unless otherwise specifically agreed to by the Board of Directors.

5.5 Storage Capacity. There must be sufficient storage capacity and the necessary appurtenant structures to meet the needs of the intended use under standards established by the Utah Division of Drinking Water.

5.6 Costs. Any modifications made to the existing system shall be paid for by the shareholders desiring system modification and shall not become a general obligation of SWDC unless otherwise specifically agreed to in writing by SWDC's Board of Directors.

5.7 Board of Director Consent. There must be a majority consent of the Board of Directors.



5.8 Payment of an application fee as determined by the Board of Directors. The application fee shall include monies to cover all or a portion of the administrative time incurred by SWDC employees in reviewing the project plan, together with any legal and/or engineering costs associated with the expansion, including, but not limited to, payment for review of the development plan and payment of the legal costs associated with preparation of the development agreement.

Section 6. Approval of Expansion. If SWDC is satisfied that Applicant can, and has, met all of the conditions precedent to expansion set forth in Section 5 above, it may undertake negotiations for such expansion under conditions set forth in Section 7 below.

Section 7. Conditions of Approval. The conditions of approval shall be set forth in an agreement entered into with the shareholder proposing the expansion and shall address the following:

7.1 The conditions of expansion set forth in Section 5 above.

7.2 The satisfactory completion of the work required to meet the conditions of approval. A completion bond may be required.

7.3 All costs and necessary actions associated with expansion or increased use of the SWDC system shall be the responsibility of the shareholder proposing the expansion, including legal and engineering fees whether incurred by SWDC, the owner(s), or developer(s). This would include, but not be limited to, the dedication of (i) water rights, (ii) water sources, (iii) pipeline capacity, (iv) storage capacity, and (v) any necessary easements, regulatory approvals, e.g., State Division of Drinking Water, State Engineer, etc., and equipment needed to properly incorporate the modifications into the existing system.

7.4 In the event SWDC is required to provide letters to the County Planning Department committing to service a particular project, then the shareholder for whose benefit the commitment letter is given shall dedicate sufficient water rights, source capacity, storage and pipeline capacity to the project and agree to have SWDC hold and restrict its stock shares and other entitlements accordingly. The shares of stock so restricted shall thereafter become appurtenant to the project and shall pass as an appurtenance thereto upon sale or conveyance.

7.5 All design and material specifications shall be subject to SWDC's continuing inspection, approval and acceptance.

7.6 SWDC shall be indemnified against any and all causes of action or claims which arise before the new facilities are accepted and conveyed into SWDC and which result from or involve the modifications being made, including but not limited to construction and testing.

7.7 SWDC's responsibility for operation, maintenance and replacement of any portion of the water system ends at the curbside of each structure. In the event that there is no curbside, SWDC's responsibility ends at the edge of the easement or fifteen (15) feet from the asphalt, whichever is less.

7.8 Unless otherwise specifically agreed to in writing, all new facilities, water rights, water sources, easements, etc. shall be transferred and conveyed to SWDC free and clear of all liens and encumbrances and in a form acceptable to SWDC. All such facilities shall be warranted to be free of defects for one year after transfer to SWDC.

7.9 SWDC shall definitively establish, at the time of conveyance or such other time as may be appropriate, the rights contributor holds in the contributed facilities and the extent to which they will be protected and reserved for use by the shareholder making the change. Upon request, SWDC may enter into a line extension, reimbursement, or development agreement with such person or entity which will protect such person's rights in the contributed facilities, the uses to be made of such facilities, and the reimbursement of costs associated with any excess capacity constructed therein. The system capacity being protected for contributor is not limited by contributor's shareholder interest in the company, but will be independently established based on the facilities contributed. General parameters for protection of applicant's rights in the line extensions, water rights, source capacity, and system improvements are:

(a) Main Line Pipeline Extensions:

(i) Reimbursement agreements may provide for up to 400% of line extension costs, including engineering and legal costs, or 100% of said costs plus interest at 10%, compounded annually, whichever is greater.

(ii) Line extension agreements shall be limited to a term of forty (40) years.

(iii) The recommended charge on third party connections to extended lines is \$1,000 per acre foot of water delivered through said line. However, in recognition of the fact that SWDC typically does not participate in the costs of extending the line or assume the risks associated with such construction activity, including potential repayment, SWDC will only impose the \$1,000 per acre foot charge on third party usage with the consent of the parties who took the risks and paid the costs of such endeavor. The capacity of the extended line may be reserved for the use and benefit of the party(s) who incurred the cost and assumed the risk of the endeavor in the same manner as SWDC reserves storage capacity for the benefit of those who construct such capacity.

(b) Water Storage Facilities and Pump Stations:

Storage capacity shall be reserved for the exclusive use of the party who contributed such capacity to SWDC. At such time as SWDC is asked to make commitments to service particular projects, the requisite capacity to meet the needs of the projects' intended uses will be reserved by SWDC for that particular use and will not otherwise be made available to contributor. Excess capacity over and above the needs of contributor will be held and allocated as contributor may direct. SWDC shall not otherwise commit the storage capacity so reserved without the advance written consent of contributor. Operation and maintenance expenses on the new storage capacity will be paid for by SWDC unless otherwise agreed.

(c) Other System Improvements:

Unless otherwise specifically agreed to in writing, there shall be no rights of reimbursement on other facilities contributed to SWDC. However, reimbursement agreements on Booster (pump) Stations and other facilities may be entered into on facilities which will benefit new developments beyond the needs of contributor's particular project. Terms of reimbursement shall be similar to those established for main pipeline extensions set forth in subparagraph (a) above.

(d) Source Capacity and Water Rights.

SWDC shall reserve contributed source capacity and water rights as may be required by the proposed expansion. Excess capacity and water rights will be reserved for the contributing shareholder either by way of issuance of shares or by agreement.

(e) Third-Party Connections.

Third-party use of contributed facilities shall be allowed as agreed upon by SWDC and contributor.

(f) Sale, Condemnation, Dissolution, Etc., of Company System.

SWDC shall cooperate with the party/shareholders who created and contributed system works to SWDC and expend reasonable efforts to protect their rights in the contributed facilities, water rights, sources of water supply, etc., in the event of sale, dissolution, condemnation, or the like of the SWDC system. Such protection includes an obligation to seek the Fair Market Value or replacement value of the excess capacity so contributed. No such agreement shall diminish contributors' rights of reimbursement or other entitlements contributor(s) may hold in SWDC.

7.11 SWDC shall not be obligated to deliver any water to Applicant unless and until the facilities contemplated by the proposed expansions are complete and approved by SWDC.

7.12 Source Development. In order to determine that a source developed and contributed to SWDC is capable of producing the volumes needed for the developments committed thereto, testing of the source is to be for a minimum of seventy-two (72) hours, with all tests reviewed by SWDC representatives. This testing time is not to include the initial well development pump test.

7.13 Applicant cannot sell shares of SWDC stock to individual lot owners requiring water service until all the conditions of approval have been satisfied, including the completion of the distribution lines and system.

Section 8. Issuance of Shares. Upon the satisfactory completion of the work contemplated by the proposed expansion, or upon the transfer of water rights and water source capacity into SWDC, SWDC may issue such shares or fractions of shares as may be warranted. Actual share certificates need not be issued until the designation of appurtenancy is made under the by-laws. Applicant need not complete construction of the water distribution facilities needed to service his/her project before the issuance of SWDC stock shares, but will not be entitled to delivery of water under those shares until such facilities are completed and fully operational.

Section 9. Fees: SWDC will impose fees as set forth in the by-laws.

Paragraph 10. Counterparts. This resolution may be executed in counterparts.

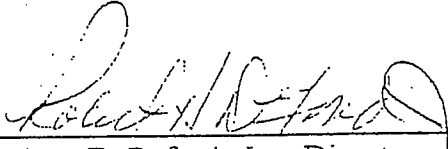
Paragraph 11. Effective Date. This resolution shall be in full force and effect from and after the date of passage.

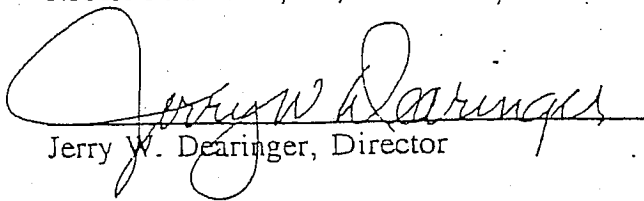
PASSED AND UNANIMOUSLY ADOPTED this 3rd day of November, 1994.

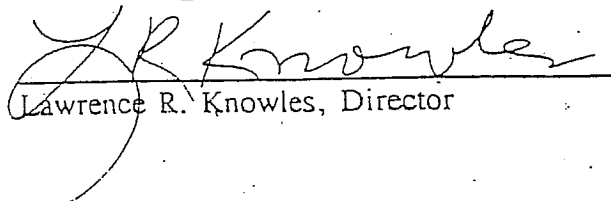
SUMMIT WATER DISTRIBUTION COMPANY

ATTEST:

Secretary

  
Robert F. Deford, Jr., Director

  
Jerry W. Dearing, Director

  
Lawrence R. Knowles, Director