

003701

WATER WELL PURCHASE AGREEMENT

THIS WATER WELL PURCHASE AGREEMENT (hereinafter "Agreement") is made and entered into as of the 5th day of March, 2010, by and between Tremonton City, a body corporate and politic of the state of Utah, (the "Buyer"), and David Z. Thompson (the "Seller"), and the Cedar Ridge Water Company.

RECITALS:

A. Seller is the current owner of record of the Sixteen Inch (16") Cedar Ridge Water Well and possesses the exclusive operational rights to the same Water Well located in or near Deweyville, Utah, which currently services the Cedar Ridge Subdivision.

B. Buyer desires to purchase the Water Well and the exclusive operational right to the Water Well to provide culinary water for the residents of Tremonton City.

C. Buyer and Seller have reached an understanding as to the terms of their Agreement relative to the purchase of the Water Well and the exclusive operational right to the Water Well subject hereof and wish to memorialize the same as set forth below.

NOW, THEREFORE, in consideration of the above promises, the mutual covenants and consideration hereinafter set forth and other good and valuable consideration, Buyer and Seller agree as follows:

ARTICLE I

WATER WELL TO BE PURCHASED

1.01 Water Well Purchase. Seller hereby agrees to sell, transfer and convey to Buyer, free and clear of any lien or encumbrance, and Buyer hereby agrees to purchase the Sixteen Inch (16") Water Well (Hereinafter "Water Well"), related facilities, and the exclusive operational rights to the Water Well of Seller, which Water Well is more particularly and legally described in Exhibit "A" of this Agreement.

A. Buyer's obligation to purchase the Water Well is expressly conditional upon Buyer's ability to obtain necessary and required permits from any governing state agency, Buyer's ability to procure all necessary easements to transport and pipe the water so produced to Buyer's water system at a delivery point defined in Exhibit "B" of this Agreement, Buyer's ability to obtain the necessary water rights from the State of Utah, and any other currently foreseeable conditions, which would inhibit Buyer's ability to use the Water Well for its intended purpose of providing culinary water to the residents of Tremonton City. In the event that any such condition mentioned in Section 1.01(A) of the Agreement is not met, by July 31, 2010, upon Buyer's sole determination, the Agreement, in whole or in part, may be made void.

1. Should the Buyer choose to void the Agreement, Buyer hereby agrees to return all of Seller's property to the state it was in as of January 1, 2010.

1.02 Delivery of Easement to Water Well. At execution of the Agreement, Seller shall deliver to Buyer a clean and unencumbered easement to the Water Well and its surrounding geographic area, described in Exhibit "C" to this Agreement.

1.03 Liabilities Not Assumed. Buyer does not nor shall it be construed as having assumed any liability or obligation of Seller, including but not limited to taxes or other charges applicable, imposed upon or arising out of the transfer of the Water Well subject to this Agreement, any product liability relating to the Water Well sold or repaired by Seller prior to execution of the Agreement, any costs, any obligations or debts incurred by or through Seller, or any obligations or liabilities of Seller with Water Well suppliers, users, customers, or other third parties, incurred prior to the date of this Agreement. Seller agrees to indemnify and hold Buyer harmless from and against any and all claims, causes of action, losses, liability and/or damages (including attorney's fees and costs) relating to any liability or obligation of Seller, incurred prior to the date of this Agreement. Seller's obligations under this Section 1.03 shall not extend to any of the debts or obligations incurred by Buyer, whether incurred prior or subsequent to this Agreement.

ARTICLE II

PURCHASE PRICE AND OBLIGATIONS OF BUYER

2.01 Purchase Price. Subject to the terms and conditions of this Agreement and in exchange for the Water Well, covenants and warranties provided by Seller herein. Buyer agrees to pay to Seller the sum of One Hundred and Ninety Thousand Dollars (\$190,000.00) payable as follows:

A. Sixty-Three Thousand, Three Hundred Thirty-Three Dollars (\$63,333.00) on or before December 31, 2009.

B. Sixty-Three Thousand, Three Hundred Thirty-Three Dollars (\$63,333.00) on or before July 31, 2010.

C. Sixty-Three Thousand, Three Hundred Thirty-Four Dollars (\$63,334.00) on or before January 31, 2011.

ARTICLE III

TERMS ASSOCIATED WITH WATER SERVICE TO CEDAR RIDGE WATER COMPANY

3.01 Cedar Ridge Water Company Service. Buyer hereby agrees to provide water and water service from the Water Well to the Cedar Ridge Water Company. Said water will be piped to the Cedar Ridge Water Company water facilities. Buyer shall own and maintain the pipeline from the Water Well to the Cedar Ridge Water Facilities (See Exhibit "D"). Seller will then use the water piped to Cedar Ridge Water Company facilities to distribute water to the customers of the water company.

A. Buyer will install, provide, and bear the financial obligation of a direct pipeline from the Water Well to the aforementioned water facilities located on Seller's property at the Delivery Point described in Exhibit "D".

B. Buyer will install, provide, and bear the financial obligation of a water meter for the direct pipeline referenced in Section 3.01(A) of the Agreement. Said meter will be used to determine the amount of water usage by the Cedar Ridge Water Company.

C. Buyer will charge a water usage rate to the Cedar Ridge Water Company based on the amount of water used, as measured by the installed water meter. The rate at which Buyer shall charge the Cedar Ridge Water Company shall be based on a prorated share of the operations and maintenance costs, including any electricity costs associated with the pumping of the water to the Seller's private water facilities. Buyer shall reserve the right to amend water usage charges to the Cedar Ridge Water Company, as needed, and to be determined by the costs associated with operation, maintenance, any Cedar Ridge Water Company water use in excess of its allotted water rights, and electricity of the Water Well attributed to providing water to the Cedar Ridge Water Company. Any increases in water charges by Buyer shall be preceded by written notice to Seller at least thirty (30) days prior to the rate increase.

1. Notice as required in Section 3.01(C), shall be sent by Buyer to Seller, at the following address:

David Z. Thompson
12435 North Hillcrest Drive
Deweyville, Utah 84309

2. Section 3.01(C) shall survive after the execution of the Agreement and the aforementioned date of July 31, 2010. Additionally, other agreements may be created to further define the terms and relationship between Buyer and the Cedar Ridge Water Company.

D. Buyer will continue to operate the well and provide the Cedar Ridge Water Company its allotment of water. In the event that the subject well loses sufficient water production to provide water for Tremonton City and the Cedar Ridge Water Company, the parties hereby agree to form a joint venture, including joint financial obligations, to seek alternative sources of water production.

3.02 Limitations on Use and Scope of Cedar Ridge Water Company. Future use of the delivered water by the Cedar Ridge Water Company shall be limited to residential customers only. Excepting those instances of commercial use described in Section 3.03(C), The Cedar Ridge Water Company is strictly prohibited from providing future water service to any commercial, industrial, agricultural, or otherwise non-residential customer or client.

3.03 Cedar Ridge Water Company Maximum Connection. The Cedar Ridge Water Company shall be limited to the existing thirty-three (33) water connections and a maximum of fifty-six (56) future water connections. Said connection maximum of Eighty-Nine (89) total connections and Ninety (90) Equivalent Residential Units (hereinafter "ERU") shall include future residences of the Cedar Ridge Subdivision, subsequent and additional phases of the Cedar

Ridge Subdivision, and the real property (Parcels No. 05-020-0008 and 05-020-0012), or any subdivision thereof.

A. For purposes of the Agreement, a "connection" shall be limited to a single family residence, indoor and outdoor water requirements, as the quantity set forth by the Utah Division of Water Rights and the Utah Division of Drinking Water, for indoor water use, animal rights and an irrigated subdivision lot, which will then be set as the equivalent of a Cedar Ridge ERU. Any multi-family residences shall require a separate "connection" for each unit, all of which shall count against the fifty-six (56) connection maximum.

B. Six (6) residential connections shall be allotted to Seller's real property (Parcels No. 05-020-0008 and 05-020-0012), or any subdivision thereof, and shall count against the total maximum of fifty-six (56) residential water connections for the Cedar Ridge Water Company. Said six (6) residential connections from the Cedar Ridge Water Company allotment shall serve as consideration for a subsequent and separate easement agreement, in which there shall be no compensation from the Buyer for the acquisition of the Tremonton City Pipeline easement, by and between Tremonton City, Jon Z. Thompson and McAlden Thompson.

C. At execution of the Agreement there are thirty-two (32) residential water users and one (1) commercial water user to be supplied by Cedar Ridge Water Company. Seller hereby agrees that the commercial water connection shall never use water in excess of two (2) Cedar Ridge ERUs.

3.04 Forfeiture of Unused Connections. Any future, residential water connection to be supplied by Cedar Ridge Water Company in excess of those specifically contemplated and enumerated in section 3.03 of the Agreement, and not to exceed fifty-six total residential water connections, shall be forfeited by Seller if the residential lots associated with the future water connections are not approved by the governmental entity having jurisdiction and recorded in the Office of the Recorder for the County of Box Elder by July 31, 2025.

3.05 Water Rights Requirements. The Cedar Ridge Water Company shall maintain and/or obtain sufficient water rights to allow Buyer to pump the required water for delivery to the Cedar Ridge Water Company for the existing and future residential water connections serviced by the Cedar Ridge Water Company. Buyer's obligation to provide water to the Cedar Ridge Water Company is contingent upon Cedar Ridge Water Company's maintaining sufficient water rights.

3.06 Water Source Protection. Seller shall record appropriate easements and in the form of Covenants, Conditions, and Restrictions, a water source protection restrictive covenant to provide notice to current and future customers of the Cedar Ridge Water Company of Buyer's ownership interest in the subject Water Well and the restriction on use within the water source protection zone in favor of Buyer.

ARTICLE IV
OBLIGATIONS, REPRESENTATIONS AND WARRANTIES OF SELLER

As an inducement to Buyer to enter into this Agreement, Seller hereby makes the following representations, warranties and covenants, all of which shall survive the execution of the Agreement and the aforementioned date of July 31, 2010:

4.01 Authority of the Seller. Seller hereby represents to Buyer that Seller has full authority to comply and fulfill its obligations covenanted herein, including, but not limited to, those obligations associated with the Cedar Ridge Water Company.

4.02 Authorization of the Seller. The Seller has full power and authority to enter into and to perform its obligations under this Agreement. The execution and delivery of this Agreement by the Seller and the performance of the transactions contemplated hereby have been duly and validly authorized by the Seller, and this Agreement is binding upon and enforceable against the Seller in accordance with its terms.

4.03 No Conflict. The execution and delivery of this Agreement by the Seller, and the performance of its obligations hereunder, (a) are not in violation or breach of, and will not conflict with or constitute a default under, any of the terms of governing documents of the Seller or any note, debt instrument, security instrument or other contract, agreement or commitment binding upon the Seller or its assets; (b) will not result in the creation or imposition of any lien, encumbrance, equity or restriction in favor of any third party; and (c) will not conflict with or violate any applicable rule, law, regulation, judgment, order of decree of any government, governmental instrumentality or court having jurisdiction over the Seller or its assets.

4.04 Exclusive Ownership of Water Well and Absence of Liens. Seller has exclusive ownership to all of the Water Well, free and clear of any liens, encumbrances, mortgages, lease equities, claims, covenants and restrictions.

4.05 Compliance with Laws. To Seller's knowledge after due inquiry, Seller has not in the past utilized the Water Well in violation of any law, ordinance or regulation of any governmental agency or entity.

4.06 No Violation. The execution of this Agreement and compliance with its terms by Seller will not result in any breach or violation of any contract, agreement, judgment, order or regulation to which the Seller or the Water Well may be subject.

4.07 No Adverse Proceedings. There are no legal, administrative or other proceedings involving the Water Well or to which the Water Well may be subject.

4.08 No Protest. Seller hereby agrees to refrain from any protest, formal or informal, to Buyer's application for additional water rights from the State of Utah.

ARTICLE V
ADDITIONAL RIGHTS AND OBLIGATIONS OF SELLER

5.01 Recorded Covenants, Conditions and Restrictions. The Seller hereby agrees to provide Buyer, at or before execution of the Agreement, a copy of the currently recorded Covenants, Conditions, and Restrictions associated with the Cedar Ridge Subdivision.

5.02 Assignment Clauses and Notice Requirement. The Agreement and the covenants and obligations contained herein, shall be assignable to any future owner, heir, assignee, purchaser, developer, or leasee of the Cedar Ridge Water Company or Seller's real property associated with the Agreement.

ARTICLE VI
ADDITIONAL RIGHTS AND OBLIGATIONS OF BUYER

6.01 Right to Assign Agreement. The Buyer shall have the right, exercised in writing, to assign its rights under this Agreement to a corporation, limited liability company, governmental entity or other business entity. Upon such assignment the assignee shall have all of Buyer's rights hereunder and shall thereby assume all of Buyer's obligations hereunder.

6.02 Control. Buyer shall have exclusive control of the Water Well immediately at the date of execution of the Agreement.

6.03 Equipment Retention. Any existing equipment (including but not limited to electrical wiring, pumps, motors, wiring and electrical equipment) which is removed and/or replaced by Buyer shall be delivered to Seller as property retained by Seller.

ARTICLE VII
INDEMNIFICATION

7.01 Indemnification of Buyer by Seller. Buyer and Seller agree that Buyer assumes no liabilities, of whatsoever nature, of Seller. In this respect, Seller agrees to indemnify and hold Buyer harmless from and against all claims, causes of action and damages (including attorney's fees and costs) relating to any acts or omissions of Seller, its employees and/or agents or relating to or arising from the Water Well before execution of the Agreement. Seller also agrees to indemnify and hold Buyer harmless from and against all damage or loss (including attorney's fees and costs) incurred by Buyer as a result of Seller's breach of any one or more of the covenants, representations or warranties set forth herein.

7.02 Indemnification of Seller by Buyer. Buyer agrees to indemnify and hold Seller harmless from and against all claims, causes of action and damages (including attorney's fees and costs) relating to any acts or omissions of Buyer, its employees and/or agents or relating to or arising from the Water Well from and after execution of the Agreement.

ARTICLE VIII

MISCELLANEOUS

8.01 Non-Fiduciary Relationship. The parties hereto expressly disclaim and disavow any partnership, joint venture or fiduciary status or relationship between them and expressly affirm that they have entered into this Agreement as independent contractors and that the same is in all respects an "arms-length" transaction.

8.02 Attorney's Fees. In the event that any party hereto shall be in default or breach of this Agreement, said party shall be liable to pay all reasonable attorney's fees, court costs and other related collection costs and expenses incurred by the non-defaulting or non-breaching party in prosecuting its rights hereunder.

8.03 Further Instruments. The parties hereto agree that they will execute any and all other documents or legal instruments that may be necessary or required to carry out and effectuate all of the provisions hereof

8.04 Waiver. A waiver by any party of any provision hereof, whether in writing or by course of conduct or otherwise, shall be valid only in the instance for which it is given, and shall not be deemed a continuing waiver of said provision, nor shall it be construed as a waiver of any other provision hereof

8.05 Amendments. This Agreement may be amended at any time upon unanimous agreement of the parties hereto, which amendment(s) must be reduced to writing and signed by all parties in order to become effective.

8.06 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their heirs, personal representatives, successors and assigns.

8.07 Preparation of Agreement. The parties hereto acknowledge that they have both participated in the preparation of this Agreement and, in the event that any question arises regarding its interpretation, no presumption shall be drawn in favor of or against any party hereto with respect to the drafting hereof

8.08 Separate Counterparts. This Agreement may be executed in several identical counterparts, each one of which shall be considered an original and all of which when taken together shall constitute but one instrument.

8.09 Incorporation of Recitals and Exhibits. The above recitals and all exhibits attached hereto are incorporated herein by this reference and expressly made a part of this Agreement.

8.10 Complete Agreement. This Agreement together with any addenda and attached exhibits constitutes the entire Agreement between the parties and supersedes and replaces any and all prior negotiations, representations, warranties, understandings, contracts, or agreements between the parties. This Agreement cannot be changed except by the express written agreement of all parties.

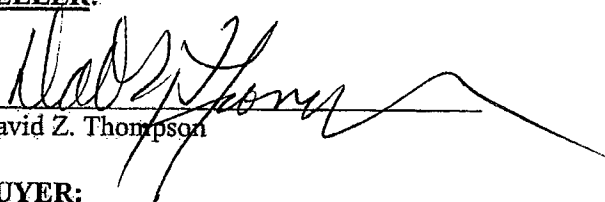
8.11 Seller's Disclosure. As of the date of execution of the Agreement, Seller hereby certifies, under penalty of perjury, that he is unaware of any defects with the Water Well that would inhibit or prohibit Buyer from using the Water Well for its intended use of distributing culinary water to the residents of Tremonton City.

8.12 Survival of Terms. Any term in the Agreement that is intended by its nature to survive the execution date of the Agreement and the aforementioned date of July 31, 2010, shall so survive.

8.13 Mutual Agreement on Language of Additional Documents. Seller and Buyer hereby agree that the language used in any additional documents having any relationship with the Agreement, including, but not limited to, easements, covenants, conditions, restrictions, and notices shall be mutually agreed upon by both Seller and Buyer. Seller and Buyer further agree that consent to mutual language shall not be unreasonably withheld.

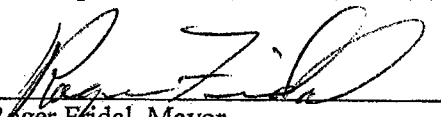
IN WITNESS WHEREOF, the parties have hereunto signed their names on the day and year first above written.

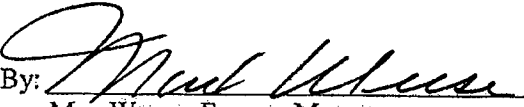
SELLER:

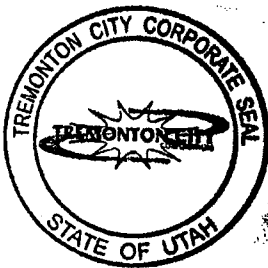

David Z. Thompson

BUYER:

TREMONTON CITY,
A Body Corporate and Politic of the State of Utah

By: 
Roger Fridal, Mayor

By: 
Max Weese, Former Mayor



CEDAR RIDGE WATER COMPANY

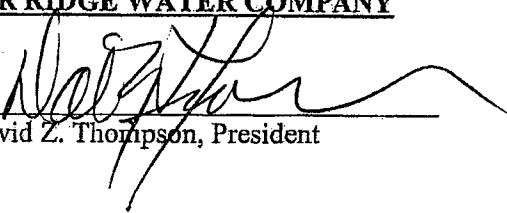
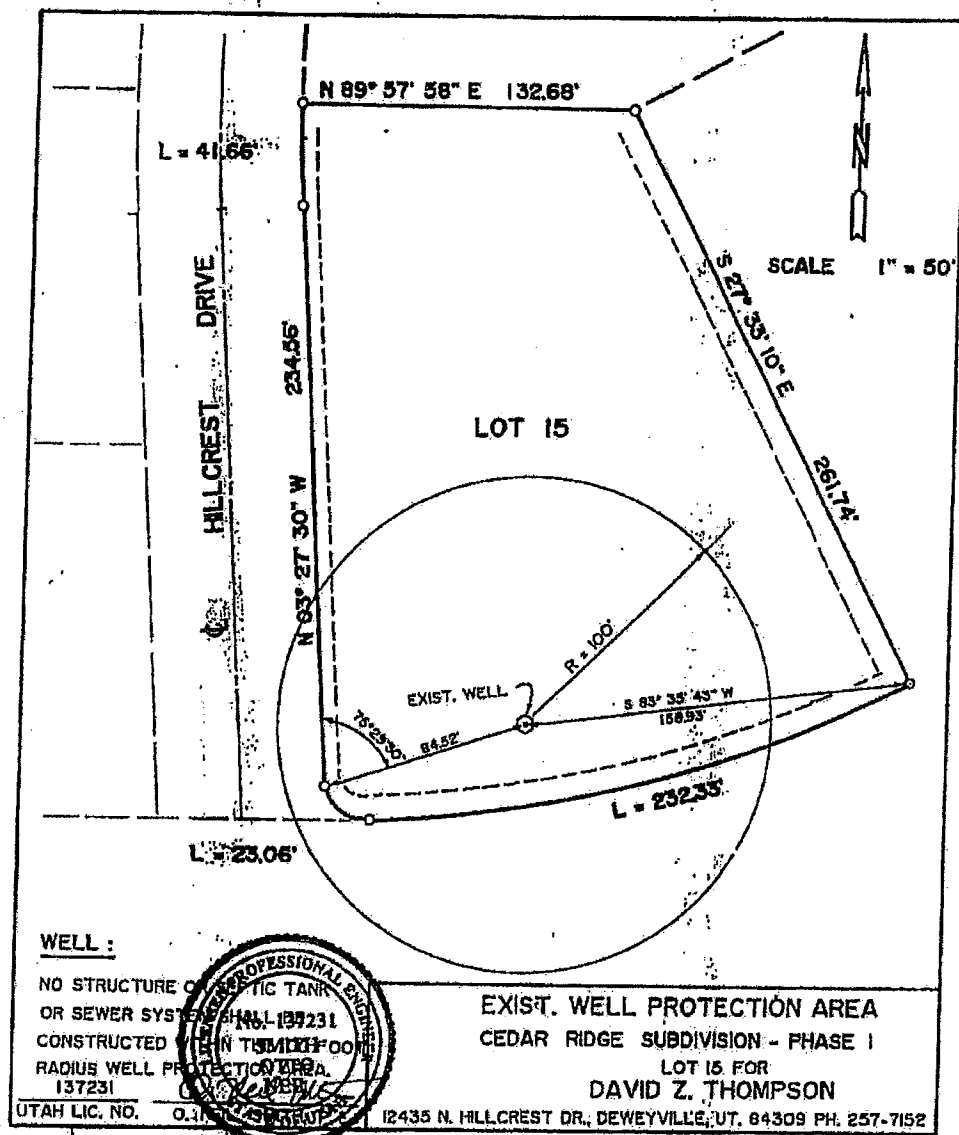
By: 
David Z. Thompson, President

EXHIBIT A





CONSULTING ENGINEERS

1716 East 5500 South
South Ogden, Utah 84403 (801) 476-9757

TREMONTON CITY CORPORATION
POINT OF DELIVERY TO TREMONTON CITY

EXHIBIT "B"

SHEET

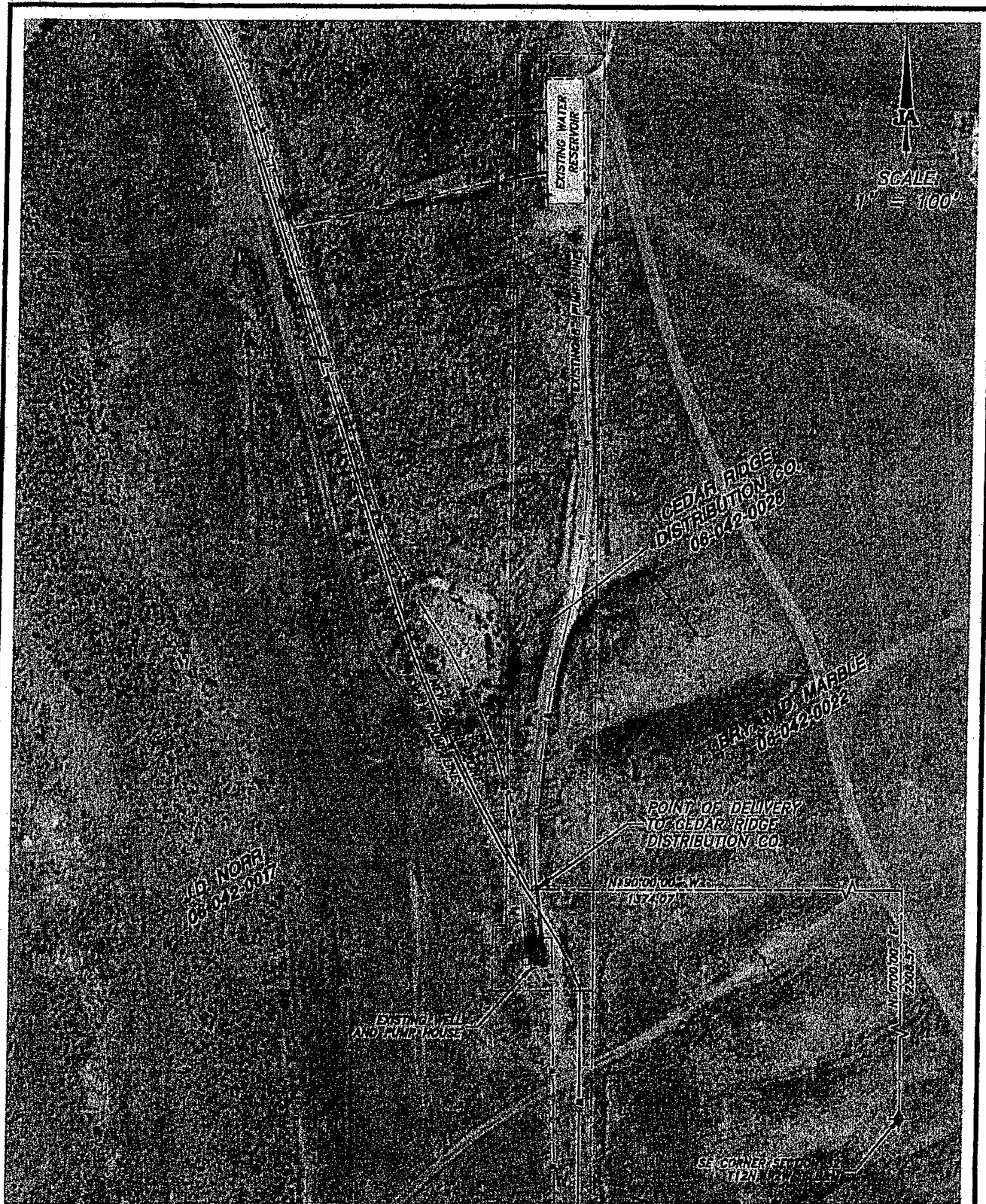
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OF 1 SHEETS

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EXHIBIT C

Beginning at the south east corner of lot 15 of said subdivision and running 131.57 feet along a 512.10 foot non-tangent radius curve to the right having a central angle of $14^{\circ}43'14''$ to the true point of beginning; thence continuing 100.77 feet along a 512.10 foot radius curve to the right having a central angle of $11^{\circ}16'29''$; thence 23.08 feet along a 15.00 foot radius curve to the right having a central angle of $88^{\circ}08'51''$; thence N $3^{\circ}27'30''$ W 42.16 feet; thence N $86^{\circ}32'31''$ E 106.54 feet; thence S $12^{\circ}49'57''$ E 51.29 feet to the point of beginning. Containing 6,146 sq. ft. / 0.14 ac.



CONSULTING ENGINEERS

1718 East 5600 South
South Ogden, Utah 84403 (801) 478-5767

TREMONTON CITY CORPORATION
POINT OF DELIVERY TO CEDAR RIDGE DISTRIBUTION CO.

EXHIBIT "D"

SHEET

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OF 1 SHEETS