

UNIFORM RULES AND REGULATIONS FOR SNAKE CREEK MUTUAL WATER COMPANY

WHEREAS, the Board of Directors of Snake Creek Mutual Water Company deems it necessary, for the orderly administration of said corporation, to adopt a uniform policy regarding the distribution of water to its shareholders, the issuance and transfer of shares of stock in the corporation, assessments of shares, and collection policies and procedures regarding delinquent assessments, and to assure the use of water in conformance with the rights granted by the Utah Division of Water Rights, and the continued maintenance of the system in conformance with all applicable rules and regulations of the Utah State Department of Environmental Quality, Division of Drinking Water.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the Board of Directors of Snake Creek Mutual Water Company, as follows:

SECTION 1: TITLE

This Resolution shall be entitled the Uniform Rules and Regulations for Snake Creek Mutual Water Company (hereinafter the "Company").

SECTION 2: PURPOSE

This Resolution has been adopted for the purpose of promoting the orderly operation and administration of the Company's water distribution system, and to establish a uniform set of rules and regulations by which the operation and administration of the Company shall be governed to insure that the Company's water distribution systems and water rights will not be over extended to the detriment of the shareholders and that the Company operates in compliance with all applicable rules and regulations of the Utah State Department of Environmental Quality, Division of Drinking Water.

SECTION 3: STOCK

3.1 Membership:

Membership in the Company shall be evidenced by the acquisition of Company stock.

- (a) Ownership of stock of this Company shall be evidenced only by a stock certificate, which shall be in such form as may be adopted by the Board of Directors, having shown thereon, among other things, the certificate number, the name of the owner, the number of shares owned, and the number of the lot to which the stock is appurtenant, and which shall be signed by the president and secretary and have the Company seal impressed thereon.
- (b) The stock of the Company shall represent a right to use a quantified proportional part of the total water rights of the Company, during no more than six accumulated months in a twelve-month period, together with a right to use a proportional part of the common water system of the Company, heretofore constructed and to be constructed by the Company.

3.2 Classes of Stock:

The stock of the Company is authorized to be issued in three Classes, Class A, Class B, and Class C. Each person owning lots in the K & J1 and K & J2 subdivisions, shall be entitled to hold Class A, B or C stock in the Company, at the rate of one (1) share per lot owned, as follows:

- (a) Class A stock shall be issued to lot owners who have paid the Corporation's then applicable connection fee and capital improvement fee and who have cabins connected to the Corporation's water system.
- (b) Class B stock shall be issued to lot owners who have paid the Corporation's then applicable connection fee and capital improvement fee and do not have cabins connected to the Corporation's water system.

- (c) Class C stock shall be issued to lot owners who have paid the Corporation's then applicable capital improvement fee, and who have not paid the then applicable connection fee and who do not have cabins connected to the Corporation's water system.

3.3 Conversion of Shares:

- (a) At such a time as those holders of Class B stock build a cabin or otherwise commence to use water on the lot to which the share is appurtenant, said lot owner's Class B stock may be converted into Class A stock according to the following formula: one Class B share shall be required to be rendered for cancellation upon the stock records of the Company, in exchange for which, one Class A share shall be issued.
- (b) At such a time as the holder of Class C stock pays the then applicable connection fee for the lot, said owner's Class C stock may be converted into Class B stock. Upon construction of a cabin and the commencement of water on said lot, then said Class B stock may be converted into Class A stock, according to the following formula: one Class C share shall be required to be tendered for cancellation upon the stock records of the Company, in exchange for which, one Class B share or one Class A share shall be issued, as applicable.

3.4 Appurtenance to Land:

To facilitate more effective management and control of water delivery and to protect the Company and its shareholders, Class A, B, and C stock shall be issued for a connection on a specific lot and shall be deemed to be an appurtenance to said lot. Neither Class A, Class B nor Class C shares shall be separately conveyed or otherwise transferred away from any such lot without the express written approval of the Corporation.

- (a) Each Class A and Class B certificate shall provide for the description of the lot (by lot number as shown on the applicable subdivision plat) upon which the water represented by each said certificate is to be used.
- (b) Such stock may not be separately conveyed or otherwise transferred by any shareholder from said lands identified in connection with said stock and attach as an appurtenance for use on any other land without the express written approval of the Board of Directors, subject to the following:
 - (1) All costs and expenses incurred by the Company or any other shareholder as a result of any such conveyance or transfer shall be paid, as a condition to the approval of such a conveyance or transfer, by the shareholder requesting the same.
 - (2) Such conveyances and transfers shall be considered by the Board on a case-by-case basis, and approval shall not be unreasonably withheld.
 - (3) In cases where stock for any reason has been transferred to the Company or sold for non-payment of assessments, the stock may be sold and reissued with such restrictions as the Board of Directors deems proper to fully protect the Company and its shareholders.
 - (4) All transfers and conveyances shall be in compliance with all applicable provisions of other sections, hereof.

SECTION 4. ASSESSMENTS

4.1 Assessments:

All shares of stock, including Class A, Class B and Class C shares, issued by the Corporation shall be subject to assessment so as to carry out the various purposes of the Corporation as set forth in these Articles of Incorporation, in conformance with the following:

- (a) Assessments may be levied on other than an equal and pro-rata basis at the discretion of the Board of Trustees, it being the purpose and intent of this provisions that Class B and class C stock shall be assessed at a lower rate than Class A stock.
- (b) The annual assessment shall be due and payable annually or in monthly installments, at the discretion of the Board.

4.2 Collection of Delinquent Assessments:

The procedure for levying and enforcing the collection of assessments against the stock of the Company shall be as follows:

- (a) The Board of Directors, on or before the annual meeting of shareholders each year, shall determine the amount necessary to pay in full as the same become due, all costs of construction, improvement, operation, maintenance, repair, and replacement of all equipment and facilities of the Company, the payment of all outstanding indebtedness of the Company, and payments for any and all other purposes for which the Company is organized, and shall make and levy an assessment therefore against the outstanding stock of the company.
- (b) The Board of Directors shall issue an order to the shareholders levying the annual assessment. The order shall specify the amount of each assessment per share, and the date, to whom, and when the assessment is to be payable. The order must also fix the day, not less than thirty (30) nor more than sixty (60) days from the time of making the order, but subsequent to the full term of the Notice of Assessment, after which the unpaid assessment shall be deemed delinquent. The Board shall also set a date for the sale of delinquent stock, which shall be not less than fifteen (15) nor more than sixty (60) from the date the stock is declared delinquent.
- (c) The Company shall give formal notice to the shareholders of the order levying the annual assessment. The secretary shall issue the notice in the form attached hereto as Exhibit "A". The notice may be served personally upon each shareholder or by mail at the shareholder's residence or place of business if the residence is not known.
- (d) All assessments shall be paid upon the date specified in the notice. If the assessment, or a portion thereof remains unpaid on the date specified in the notice when the stock shall be deemed delinquent, the Secretary shall prepare a Notice of Delinquency which shall contain a list of all delinquent stock and shall publish the same in a newspaper of local circulation. The Notice of Delinquency shall be published in the form attached as Exhibit "B". The Notice of Delinquency shall be published for at least two (2) weeks prior to the date of sale of the stock for delinquent assessments, and the first publication of said notice shall be published at least fifteen (15) days prior to the active date of the sale of the stock as set forth in the notice. In addition, the Secretary shall also prepare and mail an Individual Notice of Delinquency to each of the shareholders identified in the Notice of Delinquency to be published as hereinabove set forth. The individual Notice of Delinquency shall be in the form attached hereto as Exhibit "C".
- (e) Pursuant to the provisions of U. C. A. paragraph 16-4-15 (1953), as amended, the publication of the Notice of delinquency shall vest jurisdiction in the Company to sell and convey free and clear title of all stock listed therein for the purpose of paying the past due assessments and all expenses of advertising and sale incurred by the Company.
- (f) The stock described in the Notice of delinquency shall be sold to the Company upon the date and at the time set forth in the original Notice of Assessment; whereupon, the past due assessment on said stock shall be cancelled. The shares acquired by the Company shall be held in the corporate name as treasury shares. As treasury shares, such stock shall not be subject to further assessment. The Company may, however, resell such shares at any time at current market prices in accordance with the provisions of the Articles of Incorporation. The sale and assignment of stock shall be in the form attached hereto as Exhibit "0".
- (g) Upon conclusion of the sale, the secretary of the Company shall prepare and file in the permanent corporate records three affidavits, as follows:
 - (1) The first affidavit, *entitled* "Affidavit of Assessment", shall state that the secretary mailed the notice of order levying assessments as required by statute. A form for the Affidavit of Assessments is attached hereto as Exhibit "E".
 - (2) The second affidavit, entitled "Affidavit of Sale of Stock", shall state that the stock sale occurred at the time and place as set forth in the Notice of Order Levying Assessments and Notice of Delinquency, and set forth the registered owner of the stock sold, the certificate number, number of shares, class of shares and amount paid. A form for the Affidavit of Sale of stock is attached hereto as Exhibit "F".

4.2 Collection of Delinquent Assessments, continued:

- (g) (3) In addition, the secretary of the Company shall obtain from the publisher of the newspaper that published the Notice of Delinquency an affidavit, known as a "Proof of Publication", which indicates that the notice was published in the paper, the dates of publication, etc.

- (h) The Company shall not, and cannot, by law legally, make an assessment against any share while a portion of the previous assessment against such shares remains unpaid unless:
 - (1) The powers of the Company have been exercised, as set forth above, for the purpose of collecting the previous unpaid assessment; or,
 - (2) The collection of such previous assessment has been enjoined or otherwise restrained.
- (i) In addition, the Company may suspend water service for non-payment of any assessment. The Company shall be required to give five (5) day's written notice prior to any suspension of service.

SECTION 5. DISTRIBUTION OF WATER

5.1 Use of Water:

Shareholders shall have the right, pursuant to their shares, to use water of the Corporation, in the quantity determined by the Board of Trustees of the Corporation and subject to these Uniform Rules and Regulations, as follows.

- (a) In compliance with the Company's water rights, as defined at the Utah Division of Water Rights, the Company is authorized to divert water throughout the year to provide water to its shareholders for part-time (seasonal or recreational) indoor family use, and no other use shall be authorized or permitted. Full-time domestic use is prohibited.
- (b) Use of water for irrigation of any kind, or for a business, does not comply with the Company's authorized use of water. The Company will use the Wasatch County Code definition of "business," which includes all activities within the corporate limits of the county carried on for the business of gain or economic profit.
- (c) Violators will reimburse the company for all costs, including equipment and services associated with mitigating and/or resolving any violation.

5.2 Manager and Employees:

The Board of Directors shall appoint and employ a manager and such other employees, if any, as the Board of Directors deems necessary, and shall fix the compensation to be paid to such manager and employees. The diversion, distribution and storage facilities, and all other related facilities of the Company, shall be under the exclusive control and management of the Board of Directors, and the manager and other employees acting under authority of said Board. Distribution of water to shareholders shall only be made by order of the Board of Directors or by such manager and other employees as may be designated and acting under authority of the Board.

5.3 Flow Entitlement:

Each shareholder of Class A, Band C stock shall be entitled to a flow of water bearing the same ratio to the total flow of water available for distribution to all shareholders as the number of shares owned by him bears to the total number of shares of stock outstanding; provided, however, that this regulation shall not preclude the rotation and use of water among shareholders by agreement and with the consent and approval of the Board of Directors. Each share of class A stock shall be entitled to one ¾ inch (three-fourth inch) connection to the Company's water system.

5.4 Service to Individual Structures Pursuant to Class A Stock:

Each Class A shareholder requesting culinary service shall make formal written application to the Company for service, in a form provided by the Company, and shall agree therein to comply with these Rules and Regulations. Service shall be provided in conformance with the following:

- (a) Each Class A shareholder requesting culinary water service (pursuant to said shareholder's Class A stock) from the Company system shall pay, at the time of making application the following fees as herein after described:
 - (1) a connection fee at the then current rate,
 - (2) a capital improvement fee at the then current rate, and

5.4 Service to Individual Structures Pursuant to Class A Stock, continued:

- (a) (3) a \$200 deposit.

- (b) Upon receipt of the connection fee, the capital improvement fee and the deposit, the Company shall thereupon make the necessary connection to the water distribution system, or, alternatively, authorize the shareholder to have a private, licensed plumbing contractor make the connection to the culinary line. No water shall be delivered through the water system until the Company has inspected the connection and approved the same. Upon acceptance by the Company, the deposit shall be refunded to the shareholder. In the event the shareholder commences to use water prior to the inspection and approval, the deposit shall be forfeited. A shut-off valve on the service lateral shall be installed at the tee-connection at the property line or other convenient point as approved by the Company.
- (c) The Company's obligation for operation and maintenance of the Company water shall terminate at the system side of the shut-off valve. The shareholder shall be responsible for the maintenance of all such service laterals on the property side of the shut-off valve. The shut-off valve shall remain the sole property of the Company, and the Company shall have the obligation to maintain and repair the same.
- (d) Each shareholder shall immediately report in writing to the Company's business email or USPS address the sale of the shareholders' property. Immediately upon receipt of this written notice, the Company shall close the shut-off valve and terminate water service to the unit or facility. The subsequent purchaser of the property shall be required to make formal written application for renewed service on a form provided by the Company and shall agree to comply with these and all other lawfully adopted Rules and regulations. The subsequent purchaser shall present to the Company the properly endorsed stock certificate entitling him to water service from this Company and shall request that the certificate be properly transferred into his ownership upon the books of the Company.
- (e) The subsequent purchaser shall pay the Company a \$50.00 resumption of service fee, to cover the costs incurred by the water company in reestablishing water service to the particular unit involved. Upon compliance with all of the foregoing terms and conditions of this subsection, water service shall be restored to the premises. 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 pro-rated amount of the stock assessment, if any, from the prior owner. The Company will not undertake the obligation or responsibility to determine the pro-rated amount nor will it endeavor to collect the same from the prior owner of the property receiving the water service.

5.5 Connection Fee.

No water shall be taken from the system until the required connection fee has been paid to the Company. The amount of the connection fee shall be determined, from time to time, by the Board of Directors by separate resolution.

5.6 Capital Improvement Fee.

No water shall be taken from the system until the required capital improvement fee has been paid. The capital improvement fee shall be paid in addition to the connection fee and is to be used by the Company for future capital improvements to the system. The amount of the capital improvement fee shall be determined, from time to time, by the Board of Directors by separate resolution.

5.7 One Structure Per Connection.

Not more than one structure or building shall be connected to the system without the prior written approval of the Board of Directors. All connections shall conform to the water company's standard specifications.

5.8 Vacant Lots.

Application for water service will be accepted from holders of Class B or Class C shares who own vacant lots. Such applications from Class C stock holders shall be accompanied by the required connection fee at the then current rate, which shall entitle the shareholder to a culinary connection.

The shares shall be subject to the standard Class A and Class B assessments for operations and maintenance as provided in these Rules and Regulations.

5.9 Ownership of Water System.

The Company shall hold title for and on behalf of its shareholders to all water rights, all main transmission lines, all delivery or distribution lines and connections from the water mains to the

property line of each individual shareholder-water, including the shut-off valve, in those development areas served by the Company. The Company 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 water service line from the property side of the valve to the premises being served. The Company shall not accept or bear any responsibility for any leaks or damages caused by leakage on the shareholders side of the shut-off valve. The Company shall have no obligation to repair or maintain the service lateral on the shareholder's side of the shut-off valve.

The Company may, without incurring liability to the shareholder, make emergency repairs to any service lateral, in order to mitigate damage, prevent waste of water, and to prevent contamination of the water supply. Any such emergency repairs shall be at the shareholder's sole expense. Any unauthorized tampering with the water system of the Company, including, without limitation, the company's spring, storage reservoir, valves, controls, flow controls and hydrants is strictly prohibited and shall be considered a violation of these Rules and Regulations for purposes of Section 9 hereof.

5.10 Change in the Place of Use of Water.

The place of use of water represented by the shares of stock in the Company or, in other words, the service area of the Company, is fixed at any given time by the Company" water rights of record in the office of the Utah State Engineer. In the event any shareholder desires to establish a place of use of the water on lands which are situated outside the then current service area of the Company, the shareholder desiring to establish such use shall, first obtain written approval of the change by the board of Directors. The Company shall thereupon file, at the shareholder's sole expense, the necessary change applications therefore with the State Engineer. Upon approval of the change by the State Engineer and the expiration of any appeal period with regard thereto, the shareholder shall thereupon be required to design, construct, install and maintain all pipelines, valves, storage tanks and any and all other additional facilities as may reasonably be required to accomplish the delivery of water to said shareholder pursuant to such a change without impairment in the manner, quantity or quality of water to be distributed by the Company to its other shareholders. The Company expressly reserves the right to protest such a proposed change or to refuse to deliver water under this or any such circumstance which will unreasonably interfere with the storage and distribution of its water to the remaining shareholders of the Company.

SECTION 6. SALE OR TRANSFER OF SHARES; RESTRICTIONS

6.1 Transfer of Shares.

Shares of stock may be transferred upon the books of the Company; provided, however, that no share of stock shall be transferred if any assessments or other charges regularly made thereon are and remain unpaid. Transfers of stock shall be subject to the following:

The Company secretary, or such agents or employees of the Company as the Board of Directors may designate, shall cause existing certificates to be cancelled and new certificate issued when requested to do so by the owner of the shares or his/her transfer agent, and when presented with one or more of the following:

- (a) a properly endorsed original stock certificate as shown on the books of the Company;
- (b) a verified affidavit stating that the original certificate or certificates have become lost and requesting that the Company issue new certificates as directed in said affidavit;
- (c) certified probate orders or other documents which demonstrate a right to the stock by reason of inheritance;
- (d) deeds signed by the owner of record of the stock in which the intent of the grantor to transfer the stock to the grantee in the deed is clearly and expressly set forth therein; or
- (e) any combination of the above which in the opinion of the Board of Directors is sufficient to justify the transfer of title of said shares.

6.2 Restrictions on Transfer.

Class A, Band C shares are to be tied as an appurtenance to the lots of the shareholders upon which they are to be used as hereinabove set forth.

- (a) Each said share shall be freely transferable with the lot to which it is appurtenant and must be transferred with said lot.
- (b) Stock shall not be separated from the lot to which it is deemed an appurtenance and transferred for use on any property other than that described on each certificate without the express approval of the Board of Directors of the Company.

SECTION 7. LINE EXTENSIONS

7.1 Line extensions off of the Company's system shall only be allowed to be made by shareholders to serve their own property, and in conformance with the following:

- (a) A written application in the form prescribed by the Company shall first be submitted by said shareholder and approved by the Company, which approval shall not be unreasonably withheld.
- (b) Prior to construction, said shareholder and the Company shall enter into a written line extension agreement which shall govern the terms, conditions and provide for payment of all costs and for reimbursement in connection with such extension. The said line extension agreement shall require, among other things that:
 - (1) the line extension and all facilities related thereto and required to serve said shareholder's property shall be constructed by the shareholder, at his sole expense;
 - (2) the line extension and all facilities related thereto shall be constructed in accordance with plans and specifications previously approved in writing by the Company's engineer, and shall be subject to the Company's engineer's inspection, approval and acceptance in order to ensure that the extended system will be compatible with the Company's existing system;
 - (3) upon completion and acceptance by the Company's engineer, said shareholder shall, at no cost or expense to the Company, transfer said line extension and all facilities related thereto to the Company, by appropriate documents of conveyance in form acceptable to the Company; and
 - (4) upon such transfer, the Company shall thereafter own, operate, maintain, repair and replace said extension and related facilities in the same manner and with the same priority as with all other Company facilities. The parties acknowledge and agree that said shareholder's cost of construction of line extensions and facilities related thereto shall be recovered by said shareholder through the sale of individual lots or otherwise, and not by reimbursement from the Company.

7.2 The foregoing provisions of this section 7 shall apply only to main line extensions and related facilities and not to individual service laterals extending off the Company's system.

SECTION 8. SERVICE TO NEW LANDS

8.1 Application for Service to New Lands by Developers.

No individual, firm, corporation or association shall be permitted to connect onto the Company's culinary water system, or to receive therefrom, until a formal written application for service has been received by the Company, and the Company has accepted the application in writing.

- (a) The application shall indicate the number of culinary water connections which applicant will require, and whether the connections are for residential, multifamily, or recreational.
- (b) Applicant shall also submit a master plan of developer's proposed development.
 - (1) The Company's engineers shall review the proposed master plan to evaluate the culinary water requirements of the proposed development, and the availability of water rights and source capacity of the Company to service the proposed development. If the Company lacks sufficient water and water rights and water sources capacity to serve the new development, the application for service shall be denied unless the applicant agrees to and does transfer to

8.1 Application for Service to New Lands by Developers, continued:

- (b) (1) the Company acceptable water and water rights and/or source capacity in an amount sufficient to serve applicant's proposed development subject to the Utah Division of Water Rights requirements to provide water to its shareholders for part-time (seasonal or recreational) indoor family use.
- (2) If sufficient water rights and source capacity are available to serve applicant's development, the Company shall give a letter of commitment or intent to serve applicant's proposed development, indicating therein that an adequate supply of culinary water is available; and, that the Company shall issue stock to the applicant in the amount required pursuant to and otherwise in conformance with the provisions of these Rules and Regulations.

8.2 Conditions Precedent to Service to New Development.

Each applicant requesting service to a new subdivision, planned unit development or recreational development must comply with all of the following conditions precedent in order to obtain culinary water service from the Company.

- (a) If the Company lacks water rights to serve the proposed development, applicant must obtain and perfect its own rights of sufficient quantity to satisfy current Utah Division of Water Rights requirements to provide water to its shareholders for part-time (seasonal or recreational) indoor family use.
 - (1) Applicant shall transfer to the Company, without cost, and by appropriate instruments of conveyance acceptable in form to the Company, all water rights comprising applicant's water supply, free and clear of all liens and encumbrances, except as may be expressly approved and accepted by the Company.
 - (2) Thereafter, the Company shall appear as the record owner of the water rights involved, and the water represented thereby. The water shall then be commingled and become a part of the water rights and supply of the Company, through which all of its shareholders will be served, including applicant's development.
 - (3) If the Company lacks the required source capacity to serve applicant's proposed development, applicant shall transfer to the Company a well or other suitable water source. Each water source to be transferred to the Company shall have first been approved as to quality by the Utah State Division of Drinking Water prior to the transfer of the same into the Company, and the quantity available for use and the producing capacity and drawdown curve of any well to be transferred into the Company shall also be certified by a qualified professional engineer. Title to the well and all easements and appurtenances thereto shall be conveyed to the Company by appropriate instruments of conveyance, acceptable in form to the Company.
- (b) (1) Applicant shall construct at its sole expense, all extensions of the Company's main culinary water distribution lines required to serve applicant's development. Applicant shall enter into a standard line extension agreement with the Company, in conformance with the provisions of these Rules and Regulations, which shall govern the terms and conditions under which said main extensions shall be made by applicant in obtaining proportionate reimbursement from third parties who might connect onto the extended main line. This extension shall be constructed in accordance with the Company's specifications, and shall be subject to the Company's engineer's inspection, approval and acceptance in order to ensure that the extended system will be compatible with the existing system.
- (2) The Company may, in its sole discretion, deem it necessary to construct excess capacity into an extended main line to facilitate and allow anticipated growth in the immediate area. In that case, applicant shall construct said excess capacity into the extended line, in accordance with the Company's plans and specifications, and at applicant's expense; provided, however, that the Company, through the separate line extension agreement required by this section, shall provide for the proportionate reimbursement of the applicant for the costs of engineering, construction and expansion of this excess line capacity. The Company may, in its discretion, participate in the construction and payment on a pro rata basis, in accordance with a separate cost participation agreement.

- (3) Other third parties may connect to an extended line. The Company shall require these third parties to pay a proportionate share of the original costs of constructing this extended main line. The Company, in accordance with the line extension agreement required by this section,

8.2 Conditions Precedent to Service to New Development, continued:

- (b) (3) shall make proportionate reimbursement to the applicant who constructed the extended main line from these funds.
- (4) Applicant shall carry the extended line to a point prescribed by the Company, in accordance with plans and specifications, in order to facilitate the orderly development of the next contiguous tract of land.
- (c) Applicant shall construct at its sole expense the culinary water delivery systems within the development parcel, including any required lift stations, storage, treatment and other appurtenant facilities to serve applicant's proposed development. These lines and facilities shall be constructed in accordance with plans and specifications approved by the Company. Lift stations and storage facilities shall be placed at an elevation which will be compatible with any lift stations, storage facilities and pressure zones already existing or which may now or later be proposed as part of this water distribution and storage system.
- (d) Applicant shall fully encase all wells and equip each well as required to serve its development, and at its sole expense. If applicant's water supply originates in springs or other surface supplies, applicant will perform all development work necessary and obtain at applicant's expense all required easements above the spring to protect the water source and insure the culinary quality of the water withdrawn from it. In the event treatment facilities are required, applicant shall construct and install the same at its sole expense.
- (e) Where possible, provision shall be made for the construction of all extensions and distribution lines within public streets and easements. However, where the extensions must cross private property, applicant shall obtain at applicant's sole expense all required and necessary easements for all distribution and main line extensions, and appurtenant facilities, and title to any required storage or well sites, along with the perpetual rights of ingress and egress for operation, maintenance, repair and replacement of the same and convey the same, without cost, to the Company.
- (f) Upon compliance with all of the foregoing terms and conditions, applicant shall convey to the Company, free and clear of all liens and encumbrances except for those specifically agreed to in writing by the Company, by a conveyancing instrument acceptable to the Company, the following items:
 - (1) Any extension of the Company's main culinary water distribution lines.
 - (2) The culinary water distribution systems within applicant's development, and all appurtenant facilities specifically including but not limited to any well and well equipment, pumps, lift stations, storage facilities, and any required treatment facilities.
 - (3) Title to all storage and well sites, together with any and all easements and appurtenances in connection therewith; and all pipeline easements and rights-of-ways.
 - (4) All water and water rights as required by this section.
- (g) The issuance of shares of stock shall be conditioned upon applicant's full compliance with all of the conditions precedent of this Section. In the event applicant fails to comply with these conditions, the shares shall be returned by applicant and cancelled upon the books of the Company. Any water and water rights, well, water systems and appurtenances conveyed to the Company by applicant shall be re-conveyed to applicant, and the commitment of service letter will be retracted. The retraction shall then be filed with the appropriate County Planning Commission.

SECTION 9. VIOLATION

In addition to any other remedies provided herein, the Company may suspend water service to any shareholder who is in violation of any provision of the Articles of Incorporation, Bylaws, or these Uniform Rules and Regulations. The Company shall give the shareholder ten (10) days written notice of its intent to suspend service. Within the ten-day period, the shareholder shall be required to cure the violation or

send written notice to the Board requesting an opportunity to appear before the board to show cause why water service should not be terminated. If the shareholder fails to cure the violation or otherwise contact the Board within said period, water service to the shareholder shall be terminated. As a condition of reconnection to the System, violators will reimburse the company for all costs, including equipment and services associated with mitigating and/or resolving any violation.

SECTION 10. AMENDMENTS

These Rules and Regulations may be changed, amended and/or repealed from time to time by appropriate action of the Board of Directors. No exceptions to these rules will be permitted without the prior written approval of the Board of Directors.

SECTION 11. EMERGENCY SITUATIONS

In times of water shortage due to drought or any other natural or man-made condition or occurrence, the Company shall have full authority to declare a water emergency and to ration or otherwise regulate the distribution and use water from the Company's sources of water supply.

SECTION 12. SAVINGS CLAUSE

If any section, sub-section, sentence, clause or phrase of this Resolution 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 this Resolution, which shall remain binding, and enforceable against the against the shareholders of the Company.