

BYLAWS
OF THE
PARADISE IRRIGATION AND RESERVOIR COMPANY

ADOPTED _____, 2020

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SECTION 1 – NAME AND SEAL

The name of this non-profit mutual benefit water company is the Paradise Irrigation and Reservoir Company (hereinafter the “**Company**”). The Company may also have a common seal consisting of a circle having its name, “The Paradise Irrigation Company” in the circumference.

SECTION 2 - DURATION

The period of duration of the Company will be perpetual.

SECTION 3 - PURPOSE

The Company is a mutual benefit non-profit irrigation corporation which operates an irrigation water distribution system on behalf of its stockholders (“**Stockholders**”). The Company may engage in any act or activity allowed by law in accordance with the provisions of the Company’s Articles of Incorporation (the “**Articles**”), as amended, and the Utah Revised Non-Profit Corporation Act, which is found at Title 16, Chapter 6a of the Utah Code (collectively, the “**Act**”).

SECTION 4 - FISCAL YEAR

The fiscal year of the Company will be from January 1st to December 31st of each year.

SECTION 5 - PRINCIPAL OFFICE AND REGISTERED AGENT

In accordance with the Articles, the physical location of the principal place of business may be changed from time to time by the Board of Directors (the “**Board**”) so long as it is located within the City of Paradise, County of Cache, State of Utah. The Company’s principal place of business is currently located at PO Box 57, Paradise, UT 84328 and its registered agent is Jason Summers.

SECTION 6 - STOCK

- A. CLASSES OF STOCK.** As required in the Articles, the Company will issue Stock for the below classes. Each share of Stock, regardless of class, is equal to 3.0 acre-feet of water.¹
1. Class A (“Streamflow Stock”): Stock issued on the basis of the Company’s streamflow water rights that are diverted from any source other than a well.
 2. Class B (“Reservoir Stock”): Stock issued on the basis of the Company’s reservoir shares in the Porcupine Reservoir Company that are diverted from any source other than a well.

¹ An acre-foot is equal to 325,851 gallons. Thus, each share is equal to 977,553 gallons.

3. Class C (“Streamflow Well Stock”): Stock issued on the basis of the Company’s streamflow water rights that the Utah Division of Water Rights has authorized to be diverted from a well.
4. Class D (“Reservoir Well Stock”): Stock issued on the basis of the Company’s reservoir shares in the Porcupine Reservoir Company that the Utah Division of Water Rights has authorized to be diverted from a well.

B. APPURTENANCY. Effective as of the date these Bylaws are executed, Stock may not be sold, conveyed, or transferred apart from any applicable appurtenant land served by the Stock without prior approval from the Board as provided in Section C(7). For Stock owned or held by a “public water supplier,” as that term is defined in applicable law, the Stock will be considered appurtenant to those portions of the public water supplier’s service area that are within the Company’s service area. Additionally, the Company will not recognize “**Appurtenant Stock**” that has been transferred or conveyed separately from the appurtenant land or service area after the execution of these Bylaws without Board approval, and such Stock will be null and void. These appurtenancy requirements will not apply to Stock that was not appurtenant to any land prior to the effective date of these Bylaws (“**Non-Appurtenant Stock**”), provided that Non-Appurtenant Stock will become Appurtenant Stock if said Stock is transferred or changed for use on a specific parcel or to public water supplier water system.

C. TRANSFER OF STOCK.

1. General Requirements: All of the Company’s Stock is transferable on the books of the Company only in accordance with these Bylaws and the Company’s policies. The Company will not recognize any Stock that is transferred without the Board’s approval and such Stock is null and void. Transfers involving any change that requires the approval of the Utah State Engineer will also be governed by Section 16 of these Bylaws.
2. Fractional Shares: Beginning on the effective date of these Bylaws, share transfers must be for at least ½ of a share or 1.5-acre feet for reservoir shares.
3. Transfer Request Process: In processing transfer requests, the Board will adhere to the policy attached and incorporated as **Addendum A**, which will supersede and replace any previously adopted transfer policies. The Board may revise the policy attached as Addendum A as needed separately from any amendments to these Bylaws.
4. Transfer Fees: The Board may require fee or deposits to process certificate change requests, which the Board will adopt in a policy that it may change from time to time in its sole discretion and pursuant to the Act. Any applicable fees or deposits and all past due balances must be paid before a change can be made and the

Company will not process a transfer request if any party to the transfer owes money to the Company.²

5. Stockholder Responsibilities: It is the Stockholder's responsibility to bring transfers of Stock to the attention of the Company. Until all applicable steps are taken, the owner of Stock as recorded on the Company's books remains legally responsible to the Company for payment of all obligations owed to the Company and the Company will not recognize Stock transfers the Board has not approved.
6. Over-issue: In the event of an over-issue in which the Company issues a certificate in excess of a Stockholders' underlying shares, it is the Stockholder's responsibility to bring the over-issue to the attention of the Company. The Company will not recognize over-issued certificates and the Board is authorized to take any and all necessary action allowed by law to correct an over-issue that may occur.
7. Appurtenancy: A Stockholder may petition the Board in writing for authorization to convey Stock separately from any applicable appurtenant land. The Board may, in its discretion, grant such a petition if the Board determines and finds that approval of the petition will:
 - a. Not result in the improper use or enlargement of the Company's water rights or reservoir Stock;
 - b. Not result in an over-issue of the underlying Stock;
 - c. Not violate any applicable laws, regulations, or order or policy of the Utah State Engineer;
 - d. Be in the best interests of the Company and its Stockholders; and
 - e. Comply with the Company's Articles, these Bylaws, and other applicable Company policies.

The Stockholder will bear the burden of proof in satisfying these elements.

- D. CLASS CONVERSION PETITIONS.** Any Stockholder may petition the Board in writing to reclassify the Stockholder's Stock if the Stockholder believes the Stock has been improperly classified or if there has been a change of circumstances that warrant a new classification. In petitioning the Board for a reclassification, the Stockholder will provide any information the Board may reasonably require to review the petition. If the Board determines that a re-classification is warranted, it will issue a new certificate with the correct class and retire the prior certificate pursuant to the applicable provisions of these Bylaws and any applicable Company policies.

² Utah Code Ann. § 16-4-301.

- E. DESCRIPTION OF STOCK CERTIFICATES.** Stock certificates must be of such form and device as the Board may direct, provided that the form must:
1. Express on its face the certificate number;
 2. The date of issuance;
 3. The class of Stock;
 4. The number of shares the certificate represents;
 5. The name of the person and/or entity to whom the certificate is issued;
 6. As applicable, the parcel numbers of the appurtenant land or appurtenant public water supplier service area;
 7. The applicable voting district of the Stock; and
 8. Any other information the Board deems necessary.
- F. STOCK TRANSFER BOOKS.** The Company will maintain separate certificate books for each of its classes of Stock. Each separate book must contain a margin on which the Company can enter the certificate number, class of Stock, date of issuance, number of shares, the name of the person expressed in the corresponding certificate, the appurtenant land, and any other condition(s) or restriction(s) placed thereon. Each year, the President and Secretary will prepare a list of the Stock transfers that occurred during the preceding year, which the Directors will audit annually. Any Stockholder may also request to inspect the Stock transfer books.
- G. CONDITIONS AND RESTRICTIONS ON STOCK.** The conditions and restrictions for the different classes of Stock are set forth in Article 8 of the Articles.
- H. LOST, STOLEN, OR DESTROYED CERTIFICATES.** If a Stockholder claims that a certificate has been lost, stolen, or destroyed, the Company will follow the procedures set forth in the policy attached as **Addendum B** when processing any requests to replace the certificate. The Board may revise the policy attached as Addendum B separately from any amendments to these Bylaws.
- I. STOCKHOLDER OF RECORD.** The Company will treat the holder of record according to the Stock transfer books of the Company of any share as the holder in fact thereof, and will not be bound to recognize any equitable claim or other claim to, or interest in, such share on the part of any other person, whether or not the Company will have express or other notice thereof, except as expressly provided by the laws of this State.
- J. SHARE CERTIFICATE VERIFICATION AND UPDATE.** The Company will adhere to the policy attached as **Addendum C** to verify and update share certificates. The Board

may revise the policy attached as Addendum C separately from any amendments to these Bylaws.

- K. REPLACEMENT CERTIFICATE FORM.** Requests to replace a share certificate will be made using the form attached as **Addendum D**. The Board may revise the form as needed separately from any amendments to these Bylaws.

SECTION 7 - STOCKHOLDERS

- A. ANNUAL MEETINGS.** The Company will hold its annual at a date and time selected by the Board in March of each year, or at such other day in March as the Board may determine with ten (10) to thirty (30) days advance written notice of the date, time, and place of said meeting. Failure to hold the annual meeting as appointed herein will not impair in any way any of the Company's corporate rights and any missed meeting may be held thereafter with ten (10) to thirty (30) days advance written notice of the date, time, and place of said meeting. The order of business at all annual meetings of the Stockholders, and at all special meeting as applicable, will be as follows:

1. Roll Call;
2. Reading of the notice of the meeting;
3. Reading of the minutes of the preceding meeting and approval thereof;
4. Secretary's report on the number of shares of Stock present in person or by proxy;
5. President's business report;
6. Presentation of the Annual Review on the financial condition of the Company;
2. Report from Board members;
3. Compensation Plan for Directors and Officers
8. Unfinished business;
9. New Business; and
10. Election of Directors.

- B. SPECIAL STOCKHOLDER MEETINGS.** Special Meetings of the Stockholders of the Company may be held as necessary when properly called and upon proper notice of the date, time, and place of such meetings.

- C. CALLING SPECIAL STOCKHOLDER MEETINGS.** The President, with the approval of the Board, may call any special meeting of the Stockholders by written request.

Stockholders representing no less than one-tenth of the outstanding Stock of the Company entitled to vote may also direct the President to call a special meeting for a specified purpose or purposes, so long as the Stockholders give the President a written request specifying the purpose(s) of the special meeting and a date, time, and place for the meeting that is reasonable under the circumstances.

- D. PLACE OF STOCKHOLDER MEETINGS.** The Board may designate any place within Cache County, Utah, as the place for the holding of any meeting called in accordance with these Bylaws. Where possible, the Board will strive to hold all Company meetings at the town hall in Paradise, Utah.
- E. SPECIAL STOCKHOLDER MEETING NOTICE.** Written or printed notice stating the place, day, the hour of the meeting, and, in case of a special Stockholder meeting, the purpose or purposes for which the meeting is called, shall unless otherwise prescribed by statute, be delivered not less than ten (10) days nor more than fifty (50) days before the date of the meeting, either personally or by first-class mail, by or at the direction of the President, or the Secretary, or the officer authorized by the Board, or other persons authorized to call the meeting, to each Stockholder of record entitled to vote at the meeting.
- F. MAILING NOTICE.** The Secretary will prepare and issue all meeting notices. The mailing of such notices will be deemed to be delivered when deposited in the United States mail, addressed to the Stockholder at their address as it appears on the Company's Stock transfer books, and with postage provided thereon.
- G. WAIVER OF NOTICE.** Whenever any notice is required to be given, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, will be equivalent to the giving of such notice. Attendance of a Stockholder at any meeting will constitute waiver of notice of such meeting except where such Stockholder attends a meeting for the express purpose of objecting to the transacting of any business at that meeting because the meeting is not lawfully called or convened, and where said purpose is duly announced on the record of the meeting.
- H. VOTING LIST AND STOCKHOLDER OF RECORD DATE.** The Company officer or agent having charge of the Stock transfer books for shares of the Company will make, at least ten (10) days before any Stockholder meeting, a complete list of the Stockholders entitled to vote at such meeting, arranged in alphabetical order, with the address and the number of shares pertaining to each Stockholder, which will be subject to inspection by any Stockholder at any time during the whole time of the meeting. The Stock transfer books will be prima facie evidence as to the list of Stockholders who are entitled to vote at the meeting. The Company's Stock transfer books will also be closed for ten (10) days prior to the meeting, meaning that the Company will not approve transfers of Stock during this time period. If, under emergency conditions, the Stock transfer books cannot be closed for ten (10) days prior to the meeting, the record date must be fixed for the determination of Stockholders entitled to vote at such a meeting of Stockholders as the date on which notice of the meeting is mailed.

For the purpose of determining Stockholders entitled to receive notice of any meeting of Stockholders, or in order to make a determination of Stockholders for any other proper purpose, the Company's Stockholders as they are then listed on the stock transfer books must be the stockholders of record and said books must be closed for that event and the record date for that event must be the date on which said books were closed.

- I. VOTING.** Each Stockholder entitled to vote in accordance with the terms and provisions of the Articles and these Bylaws, will be entitled to one vote per share of Stock upon each matter submitted to a vote, in person or by proxy. Upon the demand of any Stockholder, the vote for Directors and upon any question before the meeting will be by ballot. All elections for Directors will be decided by plurality vote; all other questions will be decided by majority vote except as otherwise provided by the Articles or the laws of the State of Utah. Cumulative voting will not be allowed. The voting rights of Stockholders who have been deemed to be delinquent in the payment of their assessments or other outstanding amounts owed to the Company will be suspended until such time as any amounts owing have been paid.³
- J. PROXIES.** Votes may be cast in person or by written, authorized proxy. Each proxy must be executed in writing by the Stockholder or the Stockholder's duly authorized attorney and filed with the Secretary of the Company at least twenty-four (24) hours before the time of the meeting. The proxies must be filed in writing or by email with the Secretary of the Company. No proxy will be valid after the expiration of eleven (11) months from the date of its execution unless the proxy includes a specific duration. Every proxy is revocable at the discretion of the person executing it or of his or her personal representative(s) or assign(s). Please see addendum F for proxy form.
- K. VOTING BY CERTAIN TYPES OF STOCKHOLDERS.** Special voting rules and procedures apply to certain types of Stockholders as follows:
1. Corporate Stockholders. Stock held in the name of a corporation may be voted by such officer, agent, or proxy as the Bylaws of such corporation may prescribe, or, in the absence of such provision, as the governing body for such corporation may determine.
 2. Representative Stockholders. Stock held by a personal representative, administrator, executor, guardian, or conservator may be voted either in person or by proxy without a transfer of such Stock into his or her name. Stock held in the name of a Director may be voted by the Director either in person or by proxy, but no Director will be entitled to vote shares held by the Director without a transfer of such shares into that Director's name.
 3. Stockholders in Receivership. Stock held in the name of a receiver may be voted by that receiver, and shares held by or under the control of a receiver may be voted by that receiver without the transfer thereof into the receiver's name if authority so

³ *Id.* § 16-4-301.

to do be contained in an appropriate Order of the court by which that receiver was appointed.

4. Stockholders of Pledged Stock. A Stockholder whose shares are pledged will be entitled to vote those shares of Stock until the shares have been transferred into the name of the pledgee and, thereafter, the pledgee will be entitled to vote the shares of Stock so transferred.
5. Treasury Stock. Shares of Stock in this Company belonging to the Company or held by it in a fiduciary capacity must not be voted, directly or indirectly, at any meeting, and must not be counted in determining the total number of outstanding shares at any given time.

L. WRITTEN CONSENT BY STOCKHOLDERS. Any action required or permitted to be taken at a meeting of the Stockholders may be taken without a meeting, without prior notice, and without a vote, if a consent in writing, setting for the action so taken, is signed by the holders of outstanding Stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

M. QUORUM. The Stockholders present in person or by proxy at any duly called meeting of the Stockholders will constitute a quorum, which will exist if a majority of the outstanding shares in the Company are represented at the meeting. Except as otherwise provided herein or in the Articles, a majority vote of the Stockholders will be the action of the Stockholders on that matter, to the maximum extent allowed by law.

If less than a majority of the outstanding shares of Stock is represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Stockholders to leave less than a quorum.

N. PRESUMPTION OF ASSENT. A Stockholder who is present at a meeting of the Stockholders at which action on any corporate matter is taken will be presumed to have assented to the action taken unless that Stockholder's dissent is entered in the minutes of the meeting or unless he or she files written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or forwards such dissent, by registered or certified mail, to the Secretary of the Company immediately after the adjournment of the meeting. Such right to dissent must not apply to a Stockholder who voted in favor of such action.

SECTION 8 - BOARD OF DIRECTORS

- A. COMPOSITION OF THE BOARD.** The Board will consist of seven (7) Directors elected by the Company's Stockholders in accordance with the election process set forth in the Company's Articles. As provided in the Articles, the Board will consist of one Director elected at-large and two (2) Directors each from the following voting districts as defined in Article 9 of the Articles: the North Voting District, the South Voting District, and the Paradise Town Voting District.
- B. ELECTION OF DIRECTORS.** Elections to select the Company's Directors will be held at each annual meeting of the Company. In each year, three Directors will be elected, one being from each of the voting districts. In the odd numbered years, following the election of one Director from each voting district, the additional at-large Director will also be elected by popular vote from all Stockholders. The at-large Director may be from any voting district. In every election of Directors, voting will be by voting district as set forth in the Company's Articles and each voting district will elect one Director who owns Stock that pertains to that voting district. Each Stockholder will be entitled to the same number of votes as the combined number of shares of Stock the Stockholder owns in the applicable voting district. The person receiving the highest number of votes in each district will be elected. If there is a failure to elect the necessary Director(s) at an annual meeting, the Board or President must call and give notice of a special meeting of the Stockholders for the purpose of electing the necessary Director(s).
- C. TENURE AND QUALIFICATIONS OF DIRECTORS.** Pursuant to the Articles, each Director will hold office for a term of two (2) years and thereafter until a successor must have been duly elected and qualified. The qualifications for a Director include ownership of at least one share of Company Stock. A Stockholder who is delinquent in their assessments or any other amounts owing to the Company is ineligible for election to the Board. If a Director is elected and then subsequently becomes delinquent in paying their assessments or other amounts owing to the Company, the Board will provide the delinquent Director with a written notice and deadline by which the delinquent Director will become current. If the delinquent Director is unable to pay the amounts owing by the stated deadline: (1) the delinquent Director's voting privileges on the Board will be suspended until such time as the delinquent Director pays the amounts owing; (2) the Board may, in its sole discretion and by a majority vote of the Board strip a delinquent Director from any officer positions they may hold; and (3) the delinquent Director may be removed pursuant to Section E.
- D. POWERS AND DUTIES OF DIRECTORS.** The Board will have the following powers and duties:
1. Control and general management of the affairs, finances, and business of the Company;
 2. Act in all cases as a regularly convened Board and to adopt such rules necessary for the conduct of meetings and the management of the Company as may be deemed

proper, so long as such rules are not inconsistent with these Bylaws, the Articles, and the laws of the State of Utah;

3. Keep a complete record of the Company's minutes, acts, and proceedings of the Stockholders, showing in detail the assets and liabilities of the Company and generally the condition of its affairs;
4. To supervise all officers, agents, and employees and see that their duties are properly performed;
5. To cause to be issued to the Stockholders in proportion to their several interests, certificates of Stock, not to exceed the amount provided in the Articles;
6. To hire and appoint such water masters, employees, and other assistants and to establish their compensation as the Board deems necessary or expedient, provided that the Board must require a written contract for each employee or assistant not to exceed one year and subject to sooner termination at the election of the Board for any water master, employee, or other assistant employed by the Company;
7. To make assessments of all Stock at least annually, together with any special assessments required to operate and meet the financial needs of the Company and as necessary to fulfill its purposes, as stated in the Articles, as amended; and
8. Set the amount of compensation, if any, for the Board, and if necessary, the Secretary, and the Treasurer.

E. RESIGNATION AND REMOVAL OF DIRECTORS. Any officer or Director of the Company may resign his/her office by first giving thirty (30) days' notice to the Board, although the Board may accept such resignation upon shorter notice. Any officer of the Company may be removed for conduct prejudicial to the interests of the Company by a majority vote of the Directors. The Stockholders may remove and replace any Director for conduct prejudicial to the interests of the Company at a duly called meeting of the Stockholders by a majority vote of the Stock present and represented at the meeting.

F. VACANCIES. Upon the resignation, removal, or death of a Director, the Board will hold a special meeting of the Stockholders, duly noticed, to elect an interim Director from the same voting district as the departing Director. The interim Director will be elected by a majority of the Stock present and represented at the special meeting. Once elected, the interim Director will hold office for the remainder of the unexpired term of his or her predecessor until the next annual meeting.

G. BOARD VOTING. At all meetings of the Board, each Director has one (1) vote. The act of a majority of the Directors present at a meeting at which a quorum is present must be the act of the Board.

- H. QUORUM.** As provided in the Articles, a simple majority of the Directors will constitute a quorum and be authorized to do business and exercise the powers of the Company. If a quorum is convened, a majority of those present may agree upon an exercise the powers of the Company.
- I. REGULAR BOARD MEETINGS.** The Board will meet at least quarterly on dates and times determined by the Board, provided that the Board must give proper and reasonable notice of the change in the meeting date pursuant to Section 8(K) below. For the month in which the annual meeting is scheduled to take place, the Board may hold its regular meeting for that month immediately following and at the same location as the annual meeting of the Stockholders without providing notice. The Board may also provide by resolution the time and place for additional regular meetings without any notice other than that given by such a resolution.
- J. SPECIAL BOARD MEETINGS.** Special meetings of the Board may be called by the President, by the Vice President in the President's absence, or by a majority of the Directors. Any ten (10) Stockholders of the Company may also call a meeting of the Board by submitting a written request to the Board. The written requests required herein must describe the general purpose(s) of the requested meeting. In consultation with the Board, the President will fix a time and place for the meeting that is reasonable under the circumstances.
- K. NOTICE OF BOARD MEETINGS.** Meetings of the Board, regular or special, may be held upon such notice as the Board may prescribe by resolution, which may include notification through electronic means. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice or any waiver of notice of such meeting, provided that the means of the notice given will be entered in the minutes of the next Board meeting and the approval of such minutes shall be conclusive upon the question of notification.
- L. WAIVER OF NOTICE.** Whenever any notice is required to be given, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, will be equivalent to the giving of such notice. Attendance of a Director at any meeting will constitute waiver of notice of such meeting except where such Director attends a meeting for the express purpose of objecting to the transacting of any business at that meeting because the meeting is not lawfully called or convened.
- M. PRESUMPTION OF ASSENT.** A Director who is present at a meeting of the Board at which action on any corporate matter is taken will be presumed to have assented to the action taken unless that Director's dissent is entered in the minutes of the meeting or unless he or she must file written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or must forward such dissent, by registered or certified mail, to the Secretary immediately after the adjournment of the meeting. Such right to dissent will not apply to a Director who voted in favor of such action. If a vote by the Board is not unanimous, the individual votes of the Directors must be recorded in the minutes of the meeting.

SECTION 9 - OFFICERS

- A. **ELECTION OF OFFICERS.** Each year, within thirty (30) days following the annual meeting during which new Directors are elected, the Directors will elect from their membership the President, Vice-President, and Treasurer, who must each own class of Stock based on the Company's streamflow rights. The Directors will also elect one of their own to serve as the Secretary or, at their discretion, may hire a Stockholder or Non-Stockholder to serve as Secretary or Treasurer. The Secretary and the Treasurer may not be the same person.
- B. **DUTIES OF OFFICERS.** The duties and powers of the officers of the Company are as follows:
1. President. The President will be the principal executive officer of the Company and, by and with the consent of the Board, will have the following duties:
 - a. Direct the affairs of the Company, subject to the advice of the Directors;
 - b. Sign all contracts and other instruments in writing that the Board has previously approved;
 - c. When duly authorized, review for correctness and sign or countersign all certificates of Stock, checks, notes, drafts, or bills of exchange, warrants or other orders from the Treasurer for the payment of money duly drawn;
 - d. Act as the chair of the Board and preside at all meetings of the Board and all meetings of Stockholders, both annual and special;
 - e. Call the Directors to meet when the President deems necessary and ensure that proper notice of the meeting is provided;
 - f. Appoint and remove, employ and discharge, and fix the compensation of all employees and agents of the Company other than the duly appointed officers, subject to the prior approval of the Board;
 - g. Ensure that the books, reports, statements and certificates required by the statutes are properly kept, made, and filed according to law;
 - h. Enforce the Articles and these Bylaws and perform all the duties incident to the position and office and which are required by law;
 - i. Prepare an annual budget and prepare or cause to be prepared an annual financial report in consultation with the Treasurer;
 - j. Perform any other task specifically authorized in the Articles and these Bylaws; and

k. Faithfully perform the duties appertaining to the office of President.

2. Vice-President. Perform the duties of the President in the absence of the President, countersign all checks with the President, and perform such other actions as the Board may authorize and direct.

3. Secretary. The Secretary will perform the following duties and the Company may contract for commercial/professional services to hire a Secretary or assist the Secretary in performing any of these duties:

- a. Serve as the clerk of the Board and ensure that accurate minutes are kept of the meetings of the Board and of the meetings of Stockholders in appropriate books;
- b. Make tickets and schedules designating the time when each Stockholder may use water;
- c. Give and serve all notices of the Company as duly directed by the President or Vice President, except as otherwise provided herein;
- d. Serve as custodian of the Company's records and of the corporate seal and affix the latter when required, with the authority to designate custodian operations and duties to applicable staff subject to oversight by the President and the Board;
- e. Assist the Treasurer as needed in preparing and issuing assessments in accordance with the levies made by the Board the recording and depositing of the assessments collected;
- f. Exhibit at all reasonable times the Company's financial books and accounts to any Director or Stockholder of the Company upon written application to the Board at the office of the Company at a mutually agreed-upon date and time during business hours;
- g. Keep a proper Stock ledger in credit and debit form showing the number of shares issued to and transferred to each Stockholder and the date of such issuance and transfer;
- h. Countersign with the President all certificates of Stock as the Board may authorize and direct;
- i. At each regular meeting, render a statement at each regular Board meeting regarding any requested or proposed share transfer and make the Stock ledge available for inspection by the Board;
- j. Sign orders to the Treasurer for the amounts authorized by the Board;

- k. Present to the Board at their meetings all communications addressed to the Secretary officially, by the President, or any officer or Stockholder of the Company; and attend to all correspondence and perform all duties incident to the office of Secretary;
 - l. Prepare and present a yearly report of the condition of the business of the Company at each annual meeting of the Stockholders and the Board;
 - m. Perform such other reports and duties as are from time to time assigned by the President or the Board;
 - n. Perform any other task specifically authorized in these Bylaws; and
 - o. Faithfully perform the duties appertaining to the office of Secretary.
3. Treasurer. The Treasurer will perform the following duties and the Company may contract for commercial/professional services to assist the Treasurer in performing any of these duties.
- a. The care and custody of all the funds and securities of the Company and the payment of money, which must be authorized for payment by Secretary only upon orders from the Board as signed by the President;
 - b. Prepare and issue assessments in accordance with the levies made by the Board.
 - c. Receive, record, and deposit all incoming assessments, payments, and any other funds in the name of the Company in such bank or banks, trust company or trust companies, or safe deposit vaults as the Board may designate;
 - d. Receive all fees, invoices, and other expenses the Company incurs and, prepare payments for the President and the Secretary to countersign, as the Board may authorize.
 - e. Render a statement of the conditions of the finances of the Company at each regular meeting of the Board and at such other times as may be required, as well as a full financial report at the annual meeting of the Stockholders;
 - f. Keep correct books of account of all its business and transactions and such other books of account as the Board may require consistent with the Bylaws;
 - g. The Treasurer will also perform such other duties as are from time to time assigned by the President or the Board;

- h. Perform any other task specifically authorized in these Bylaws;
- i. Issue delinquency notices; and
- j. Faithfully perform the duties appertaining to the office of a Treasurer.

SECTION 10 - EXPENDITURES AND ACCOUNTING

- A. PURCHASING AGENT(S).** The Board will designate a member or members of the Board to serve as the Company's purchasing agent(s). Said purchasing agent(s) may include the Secretary. No other individual(s) will make expenditures on behalf of the Company.
- B. HANDLING OF FINANCIAL MATTERS.** No contract, loan, or other such obligation will be executed in the name of, or on behalf of, the Company by any officer or agent of the Company unless specifically authorized to do so by a resolution of the Board, which authorization may be general or limited to specific conditions or circumstances. All contracts, loans, checks, notes, evidences of indebtedness, and other such documents must be signed by the officers as specified in these Bylaws or by such persons as the Board may from time to time designate in such manner as will be determined by the Board. All funds of the Company not otherwise employed must be regularly deposited to the credit of the Company in such financial institution(s) as the Board may designate.
- C. PRIOR AUTHORIZATION.** Prior authorization from the Board must be required for a purchasing agent to make any expenditures over \$2,000.00, provided that prior Board approval will not be required for emergencies that threaten public health, welfare, or safety. The Board may authorize a purchasing agent to make routine purchases without prior approval for items such as payroll checks, if the checks are prepared in accordance with a schedule approved by the Board, and routine expenditures, such as utility bills, payroll-related expenses, supplies, and materials. All expenditures made by the purchasing agent will be reviewed and approved by the Board subsequent to the purchase.
- D. CHECKS.** All Company checks must be signed by both the President and the Vice President or, in their absence, a second Board member must sign the check.
 - 1. The signing of blank checks is prohibited.
 - 2. All entries in the Company checkbook must be entered the day the corresponding expenditure is made, be clearly written, and include an explanatory notation.
- E. CASH PAYMENTS.** Payments must not be made from cash on hand other than from a properly established petty cash fund.
- F. CREDIT CARDS.** The Board must re-approve all open credit card accounts annually.

- G. RECORDS.** All money coming into the Company's account must be recorded in the Company's accounting records.
- H. REVIEW.** The Treasurer and the Secretary will review the Company checkbook(s) along with all deposits, expenditures, and other applicable financial records on a monthly basis to ensure compliance with the Company's annual budget and to identify irregularities, inconsistencies, or conflicts. In consultation with the Secretary, the Treasurer must report to the Board on the results of these monthly reviews during the Board's regular meetings.
- I. ANNUAL BUDGET AND FINANCIAL REVIEW.** The President will prepare an annual budget prior to the beginning of each fiscal year. The President will also prepare, or cause to be prepared by a qualified certified public accountant, an annual financial review on the financial condition of the Company at the end of each fiscal year. Said review must also include a risk assessment regarding the Company's policies and internal controls. The President or his designee must present this report to the Stockholders at the annual meeting. The President will consult with the Treasurer in preparing the annual budget and financial review, but will have ultimate decision-making authority over the preparation and content of the annual budget and financial report.
- J. AUDITS.** Each Stockholder, at the Stockholder's own expense, will have the right to hire an independent certified public accountant to audit the Company's financial and Stock records once per year, provided that the Stockholder must pay all of the costs associated with the audit and must reimburse the Company for any costs the Company may incur as a result of the audit, including staff time. To obtain reimbursement from the Stockholder, the Company will provide the Stockholder with an itemized statement detailing the expenses it incurred as a result of the audit and provide the Stockholder with sixty (60) days to pay the amount owing or agreed-upon payment terms the Board deems acceptable. In the event that a Stockholder fails to satisfy the requirements of this Section, the Company must follow the delinquency provisions set forth in Section 17(C).
- K. BONDS OF OFFICERS.** The following officers of the Company will give the Company the following bonds to help assure the faithful discharge of their duties, provided that the Board may modify these amounts as needed or require other reasonable forms of assurance:
1. Secretary: five hundred (\$500.00) dollars;
 2. Treasurer: one thousand (\$1,000.00) dollars;
 3. Head Watermaster and Sub-Watermasters: such sums as the Board may require.
 4. Any other officer or employee of the Company: such sums as the Board may require.

The Board will approve all bonds.

SECTION 11 - COMPENSATION

- A. COMPENSATION OF DIRECTORS AND OFFICERS.** At each annual meeting, the Board will propose a compensation plan for the Directors and Officers, which the

Stockholders must approve by a majority vote. The Board may, however, determine the compensation for the Secretary and Treasurer without Stockholder approval if those positions are filled by appointees rather than elected Directors. If the Shareholders are unable to approve a compensation plan at the annual meeting, the Board may hold additional special Stockholder meetings as needed.

- B. REIMBURSEMENT OF EXPENSES.** By resolution of the Board, the Directors may be paid their expenses, if any, of attendance at each meeting of the Board, and the officers may be paid a reasonable stipend for their services. No such payment will preclude any Director from serving the Company in any other capacity and receiving compensation therefore.
- C. COMPENSATION OF EMPLOYEES AND CONTRACTORS.** By resolution of the Board, the Company may hire employees and/or contract with independent contractors and may authorize the payment of appropriate compensation to the same. If the offices of Secretary and Treasurer are held by non-Director appointees, such individuals may be treated as employees or independent contractors, as determined by the Board.

SECTION 12 - SERVICE AREA

As currently constituted, the Company's Service Area includes the territory serviced by its canal and pipeline systems. The Board may from time to time change, enlarge, or reduce, the territory that is to be serviced by the Company, i.e., the Company's service area. The Company will not reduce its service territory if the reduction would cause the discontinuance of service to a Stockholder presently being served without the approval of said Stockholder and if said Stockholder is current on its accounts with the Company.

SECTION 13 - WATER DISTRIBUTION AND USE

- A. DELIVERIES.** Deliveries of water to Company Stockholders will be in accordance with their respective Stock, less any losses due to seepage, evaporation, necessary operation and maintenance, and/or other emergency, and force majeure. It is the responsibility of the Stockholders to provide or arrange for the conveyance of water from the Company owned and operated ditches and delivery facilities to their respective places of use.
- B. SHORTAGES.** In the event of a water shortage resulting from drought or any other natural or man-made condition or occurrence, the Board will have the authority and the right to declare a water emergency, and to regulate and ration the distribution and use of water to the Stockholders until the Board determines that the water emergency has been resolved.
- C. WATER USE RESTRICTIONS.** To ensure compliance with the Company's water rights and to prevent against overuse, Stockholders will comply with the following limitations.
 - 1. Definitions: The following definitions will apply for this Section:

- a. “Commercial Agriculture Watering” means the use of water for the production of crops or livestock for sale, excluding residential gardens.
 - b. “Non-Commercial Agriculture Watering” means any watering that is not used for the production of crops or livestock for sale, including but not limited to the use water to irrigate laws, landscape, and residential gardens.
2. Limitations for Commercial Agriculture Watering: Commercial agriculture watering is limited to more than twenty-four (24) hours for each period of fourteen (14) consecutive days (e.g., 1.71 hours per day or twelve (12) hours per week).
3. Limitations for Non-Commercial Agriculture Watering: Non-commercial agriculture watering is limited to twelve (12) hours for each period of seven (7) consecutive days (e.g., six (6) hours of watering during two days a week or three (3) hours of watering during four a per week).⁴
4. Violations: Failure to comply with the above limitations will result in the following:
 - a. A written notice for the first offense that gives the Stockholder ten (10) days to remedy the offense.
 - b. A written notice imposing a \$100.00 fine of the second offense, which will be due an payable within thirty (30) days and subject to interest at the rate of 18% per year from the date of the delinquency.
 - c. A written notice terminating the Stockholder’s use of water for the remainder of the irrigation season (April 1 through October 31) effective as of the date of the notice.
5. Form and Delivery of Notices: All notices issued under this Section will include the name of the Stockholder, be addressed to the Stockholder, describe the nature of the offense, and describe the next penalty the Stockholder will receive if the offense is not remedied. Such notices will be deemed to be delivered as of the date the Company mails the notice to the Stockholder’s address of record as contained in the Company’s record.
6. Appeals and Extensions: Stockholders who receive a notice under this Section, may appeal the violation to the Board, provided that such appeals must be in writing and must set forth the Stockholder’s reasoning for why the violation was in error. The Board will hear the appeal at the next Board meeting and will not terminate a Stockholder’s use of water until hearing the appeal.

⁴ Each share of Stock has historically equaled three (3) acre-feet of water. An acre-foot is equal to 325,851 gallons. Therefore, a residential sprinkler running at 50 gallons per minute would use 36,000 gallons during the 12 hours (720 minutes) authorized in this provision or about 11% of the three acre-feet (977,663 gallons) represented by one share.

D. METERING.

1. Meters Required for New, Non-Agricultural Connections For Pressurized Secondary Systems: Beginning on the effective date of the Bylaws and pursuant to Utah Code Ann. § 73-10-34, any person or entity installing a new connection to any pressurized secondary water system owned or operated by the Company will install a meter for each connection (e.g., one meter per lot in a residential subdivision) at their sole cost and expense and at no cost to the Company if the connection will be used for a non-agricultural use; namely, a residential, commercial, industrial, or institutional use, as those terms are defined in statute.⁵ The Board will determine the required specifications for the meters by policy and will not deliver water to the new connection until it has determined that these requirements have been satisfied.
2. Annual Reports: Pursuant to Utah Code Ann. § 73-10-34, the Company will submit an annual report to the Utah Division of Water rights on or before March 31 of each year describing:
 - a. The number of acre-feet of pressurized secondary water the Company supplied to residential, commercial, industrial, and institutional uses during the preceding 12-month period;
 - b. The number of secondary water meters within the Company's service area;
 - c. A description of the Company's service area;
 - d. The number of connection in each of the following categories through which the Company supplies pressurized secondary water: residential, commercial, industrial, and institutional;
 - e. The total volume of water the Company receives from its sources; and
 - f. The dates of service during the preceding 12-month period in which the Company supplied pressurized secondary water.
3. Additional Metering Requirements: The Board may enact any policies needed to implement metering requirements imposed by law or regulation or that it deems otherwise necessary.

⁵ Per Utah Code Ann. § 73-10-34: (1) a residential use "includes a single-family or multi-family home, apartment, duplex, twin home, condominium, or planned community;" (2) commercial use means "a secondary water user that is a place of business" that does not include "a multi-family residence, an agricultural user, or a customer that falls within the industrial of institutional classification;" (3) an industrial use means "a secondary water user that manufactures or produces materials;" and (4) an institutional use means "a secondary water user that is dedicated to public service, regardless of ownership [including] a school, church, hospital, park, golf course, and government facility."

SECTION 14 - EMERGENCIES

In an emergency, duly authorized officials, employees, agents and/or contractors of the Company will have the right to access the Stockholders' diversion works and other related facilities to make emergency repairs to the same. The affected Stockholders will reimburse the Company for all reasonable and necessary costs and expenses that the Company may incur in making any such emergency repairs to the Stockholders' diversion works and related facilities, provided that the Company will give the affected Stockholders an itemized statement of the costs the Company has incurred in making emergency repairs. Upon receipt of such itemized statement, a Stockholder will have sixty (60) days to pay the amount owing in full or to establish installment payments pursuant to terms and conditions that are acceptable to the Board in its sole discretion. If a Stockholder fails to satisfy the requirements of this Section, the Company must follow the delinquency provisions set forth the Articles and these Bylaws.

If the Company makes emergency repairs to diversion works, facilities, infrastructure, real property, and any other property that the Company itself owns, the Company will account for the costs of such repairs through the assessment process set forth in Section 17.

For the purposes of these Bylaws, the term "emergency" will refer to a situation that poses an immediate risk to health, life, property, or the environment that requires urgent intervention or mitigation to prevent the situation from worsening.

SECTION 15 - EXPANSION OF WATER SYSTEM

The issuance of new Stock to provide additional water service can only occur if the following requirements are met:

1. The Board must determine that there is sufficient capacity in the system to provide the requested additional service;
2. The Board must determine that the provision of the requested additional service will not be detrimental to the interests of the Company and/or its Stockholders as a group;
3. The title to sufficient water rights to cover the requested additional service, with approved points of diversion and places of use that are consistent with the Company's system and service area, must be conveyed to the Company; and
4. A fee representing a proportionate share of the value of the existing facilities must be paid to the Company.

Upon compliance with these requirements and upon resolution of the Board approving the same, the appropriate number of new shares of Stock must be issued. The appropriate number of new shares will be determined in a manner that maintains the right to the same quantity of water per share that existed before the issuance of the new shares and the addition of the new water

rights. The new Stockholders will bear the cost of any additions or changes to the Company's facilities needed to provide the additional service.

SECTION 16 - CHANGE APPLICATIONS

- A. ADHERENCE TO LAW AND POLICY.** The Company will comply with all applicable laws and regulations, including but not limited to Section 73-3-3.5, and follow the policy and process set forth in **Addendum E** when processing change applications sought by Shareholders to change the point of diversion, the place of use, the period of use, the nature of use of a share certificate, and any other change or modification requiring approval from the State Engineer. The Board may revise the change application policy in Addendum E separately from any amendments to these Bylaws.
- B. SERVICE AREA LIMITATIONS.** Class A and Class C Stock, which are based on the Company's streamflow water rights, will not be changed for use outside of the Company's service area. The Board may approve a change application that will divert or use Class B and Class C Stock, which are based on the Company's reservoir water rights, outside of the Company's service area if the change application complies with the change application policy. Notwithstanding these provisions, the Board may authorize change applications that seek to convert the point of diversion for any class of Stock to an underground well if the well is located on a parcel of land that is directly adjacent to the Company's service area. The Board may also, in its discretion, authorize the use of any class of shares in a water marketing or water banking program authorized under Utah law.
- C. CARRIER WATER REQUIREMENTS.** Any change application that converts a share of Stock that has been diverted from the Company's irrigation distribution systems to an underground well must dedicate 33% of the water associated with the change application to the distribution system of origin, with a minimum dedication of at least 1.0 acre-foot. The purpose of this provision is to ensure that the converting Stockholder's proportionate share of carrier water remains in the distribution system, avoid impairing the Company's water rights and other Stockholders, and comply with the Company's return flow obligations. Shares dedicated to carrier water cannot form the basis of further diversion and cannot be changed to other uses.
- D. MINIMUM NUMBER OF SHARES REQUIRED FOR UNDERGROUND WELLS.** All change applications filed with the Board after the effective date of these Bylaws that seek to convert Stock that is currently diverted from the Company's irrigation distribution systems to an underground well must be based on at least 1.0 share of Stock to prevent against overuse and to ensure compliance with the Company's water rights.

SECTION 17 – ASSESSMENTS

- A. ASSESSMENTS.** The Company will assess the Stockholders of the Company that use and divert water from any particular distribution system, ditch, or lateral of said irrigation system in such amounts needed to pay for all necessary labor and material used in making repairs and improvements on said particular ditch or lateral; and also with their

proportionate share of the necessary labor and material used to make necessary repairs and improvements on the main channel or canal and diverting dam of said irrigation system. The Company will also have the authority to make other special assessments necessary for any and all other purposes pertaining to Company business, as the Board may from time to time determine consistent with the Company's Articles. The Secretary will send out notices of all assessments levied by the Board to the Stockholders before the end of the first quarter of each year, and the Treasurer will collect said assessments from the Stockholders.

- B. NOTICE OF ASSESSMENT.** The notice of assessment may be given either personally to each Stockholder and/or by mail addressed to the address of record for each Stockholder. It is the express duty of each Stockholder to timely notify the Company of any address changes. No other means of providing notice is required. The notice of assessment should contain substantially the following information:

PARADISE IRRIGATION AND RESERVOIR COMPANY
PO Box 57
Paradise, UT 84328

NOTICE OF ASSESSMENT

At a meeting of the Board of Directors at held on _____, an assessment of (amount) per share was levied on the Stock of the Company, payable to the Treasurer of the Company on or before _____. Any Stock upon which this assessment may remain unpaid on the _____, will be delinquent and may be advertised for sale at public auction at the sole discretion of the Board, and unless payment is made before will be sold on the (day appointed) to pay the delinquent assessment and all accrued interest at the rate of 18% per year from the date of delinquency, together with the cost of advertising and expense of sale.

(Signature of Treasurer)

If assessments are not levied on an equal basis for all shares within the same class, the notice of assessment will also state the equitable basis for the differing assessments pursuant to Utah Code Ann. § 16-4-204 or the applicable successor statute.

- C. DELINQUENCY.** All assessments will be due and payable to the Treasurer of the Company on a date set by the Board each year. If any portion of the assessment mentioned in the notice of assessment remains unpaid on a date selected by the Board each year in which the assessment is made, the Stock will be declared to be delinquent as of that day. The Board may enforce payment of for a delinquent assessment pursuant to applicable law, including but not limited to those remedies that the Board may impose in accordance with its fiduciary duty to its Stockholders as authorized under Utah Code §16-4-301(3)(a)(ii), and any other remedies available under the Utah Share Assessment Act, Utah § 16-4 et seq. or successor statute. If the Stock is permanently tied or dedicated to a particular parcel, the remedy available to the Company may include termination of water deliveries based on the delinquent Stock, provided that the Company must serve the delinquent Stockholder with

written notice of its intent to terminate water deliveries at least ten (10) days before termination, and the recording of a notice of lien on the property to which the Stock has been tied or dedicated in the amount of the delinquency and associated collection costs. If so directed by the Board of Directors, the Secretary must give notice that the Stock is delinquent either personally to the delinquent Stockholder and/or by certified mail return-receipt requested at least fifteen (15) days but no more than (30) days before a share is to be sold to the address of record for such Stockholder. The notice of delinquency should contain substantially the following information:

PARADISE IRRIGATION AND RESERVOIR COMPANY
address

NOTICE OF DELINQUENCY

The assessment levied by the Board of Directors on (date) on certain shares of Company Stock for which you are the owner of record has not been paid in full by the due date of (date) and therefore said shares of Stock are delinquent. More specifically, the (no. of shares) shares of Class __ Stock represented by Stock Certificate No. ____are delinquent in the amount of \$(amount), plus accrued interest. Therefore, in accordance with the applicable laws of the State of Utah and the Company's Articles and Bylaws, as many shares of such Stock as are necessary will be sold at (place of sale) on the ____ day of _____, _____, at the hour of _____, in order to pay the above-referenced delinquent assessments and all accrued interest thereon at the rate of 18% per year from the date of delinquency, together with the cost of advertising and expense of sale, unless such amounts are paid in full by the close of business on the day prior to said sale.

(Signature of Treasurer)

- D. NOTICE OF SALE.** Pursuant to Article 25 of the Articles, the Board will have the power to advertise and sell that portion of the Stock of the delinquent Stockholder as may be needed to pay the delinquent assessment, together with the costs of advertising and the expenses of the sale. The notice of the sale when published in a daily newspaper will be published for two (2) weeks previous to the day of sale; when published in a weekly or semiweekly paper it must be published in each issue thereof for two weeks previous to the day of sale. The first publication of all delinquent sales must be at least fifteen (15) days prior to the day of sale. The notice of delinquency should contain substantially the following information:

PARADISE IRRIGATION AND RESERVOIR COMPANY
PO Box 57, Paradise, UT 84328
NOTICE OF SALE OF DELINQUENT STOCK

The assessments on the following described shares of Company Stock are delinquent in the amount indicated, exclusive of accrued interest and costs of advertising and sale.

<u>Name</u>	<u>Certificate No.</u>	<u>No. of Shares</u>	<u>Amount</u>
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Therefore, in accordance with the applicable laws of the State of Utah and the Company’s Articles and Bylaws, so many shares of such Stock as may be necessary will be sold to the highest qualified bidder over the minimum bid at the (particular place) on the _____ day of _____, _____, at the hour of _____, to pay the delinquent assessments thereon and all accrued interest thereon at the rate of 18% per year from the date of delinquency, together with the cost of advertising and expense of sale, unless such amounts are paid in full by the close of business on the day prior to said sale. Bidders must be able to utilize the water represented by these shares in accordance with the Articles and Bylaws of this Company.

(Name of Secretary)

- E. **JURISDICTION TO SELL SHARES.** By giving the notices of delinquency and sale as required by these Bylaws, the Company acquires jurisdiction to sell and convey a perfect title to all of the Stock described in said notices upon which any portion of the assessment, any accrued interest, or any expenses of advertising remains unpaid at the close of business on the day before the sale, along with any assessments subsequently levied. However, the Company will not sell any more shares of such Stock than is necessary to pay the assessments due and expenses of advertising and sale. The sale of such Stock must be in increments of full shares first and then a pre-existing fractional share of no less than a half share, if any.
- F. **PURCHASE OF DELINQUENT SHARES BY COMPANY.** The Company, through the President, may make an opening minimum bid at the sale of delinquent shares in the amount of the assessment, the accrued interest, and the expenses due. Thereafter, the Company, if authorized by the Board, may enter higher bids as so authorized. If no bidder offers the amount of the assessments and expenses due, the Company, through the President, is hereby authorized to bid in and purchase said shares at the amount of the assessment and expenses due. If the Company is the highest bidder, the amount of the assessment, interest, and expenses must be credited as paid in full on the Company’s books and entry of the transfer of the Stock to the Company must be made on the books thereof. While the Stock remains the property of the Company, it is not assessable, nor will any dividends be declared thereon, but all assessments and dividends must be apportioned upon the Stock held by the Stockholders of the Company. Such Stock may be subsequently sold at a fair market value to a qualified buyer or buyers in accordance with the Company’s Bylaws. The transfer of entry of said Stock upon the books of the Company must be held in abeyance for a period of three (3) months, during which time the former owner may redeem upon the Stock by paying to the Company a sum equal to the amount the Company

paid to purchase the Stock together with a penalty of 10 percent (10%) of the purchase price, plus the expenses the Company incurred in advertising and selling the Stock.

- G. PROCEEDS IN EXCESS OF THE DELINQUENCY.** The Board will promptly pay any proceeds realized from the sale of a delinquent share that are in excess of the delinquency to the Stockholder whose shares were sold. In seeking to pay the excess proceeds, the Board must comply with the notice requirements of Utah Code § 67-41-501, or any applicable law or successor statute. If the Stockholder of record cannot be found after the Board has provided proper notice to the Stockholder's address of record, the Board must report the amount owing to the Utah Treasury's Office in accordance with the requirements set forth in the Utah Unclaimed Property Act, Utah Code § 67-4a *et seq.* Pursuant to Utah Code § 67-4a-403, reports on unclaimed property identified during the twelve (12) months preceding June 30 must be filed with the Treasurer before November 1.
- H. EXTENSION OF TIME SPECIFIED IN NOTICES.** The dates set forth in any notice of assessment, notice of delinquency, or notice of sale served or published according to the provisions hereof may be extended from time to time by motion and order of the Board entered on the records of the Company for any period or periods aggregating not more than six (6) months, but no order extending the time for the performance of any act specified in any notice will be effective unless a new notice is timely served or published reflecting the extension.
- I. ERRORS OR OMISSIONS IN PROCEEDINGS.** No assessment is invalidated by a failure to give the notices provided for herein, nor by the nonperformance of any act required in order to enforce payment of the same, but in case of any substantial error or omission in the course of proceedings for collection, the defective proceedings, except the levying of the assessment, are void and notice must be begun anew for that proceeding and all subsequent proceedings.
- J. ACTIONS TO RECOVER STOCK SOLD.** No action will be sustained to recover Stock sold for delinquent assessment upon the ground of irregularity or defect of the notice of the sale or defect or irregularity in the sale, unless the person seeking to maintain such action first pays or tenders to the Company or to the person holding the Stock sold the sum for which the same was sold, together with all subsequent assessments which may have been paid thereon, or in the case of Stock sold to the Company, all subsequent assessments levied upon the outstanding Stock of the Company, and interest on such sums from the time they were paid or payable; and no such action will be sustained unless the same is commenced by the filing of a complaint within six (6) months after such sale was made.
- K. AFFIDAVIT OF NOTICE PROVIDED.** Affidavits made by the applicable Board member of personal service or of the mailing of notices will be prima-facie evidence thereof. The publication of notices relating to assessments may be proved by the affidavit of the printer foreman or principal clerk of the newspaper in which the same were published; and the affidavit of the Secretary or auctioneer will be prima-facie evidence of the time and place of sale, of the quantity and particular description of the Stock sold, and to whom and for what price, and of the fact of the purchase money being paid. The

affidavits must be filed in the office of the Company and copies of the same certified by the Secretary thereof will be prima-facie evidence of the facts stated therein.

SECTION 18 - INDEMNIFICATION

Any person made a party to or involved in any civil, criminal, or administrative action by reason of the fact that this person or his or her testator or intestate is or was a Director, officer, or employee of the Company, or of any other Company where such service was at the request of the Company, will be indemnified by the Company against expenses reasonably incurred by him or her or imposed on him or her in connection with or resulting from the defense of such action and in connection with or resulting from any appeal thereon, except with respect to matters as to which it is adjudged in such action that such officer, Director, or employee was liable to the Company, or to such other corporation, for negligence or misconduct in the performance of his or her duty. As used herein, the term "expense" includes all obligations incurred by such person for the payment of money, including without limitation attorney's fees, judgments, awards, fines, penalties, and amounts paid in satisfaction of judgment or in settlement of any such action, except amounts paid to the Company or such other corporation by him or her.

A judgment or conviction whether based on plea of guilty or nolo contendere or its equivalent, or after trial, will not of itself be deemed an adjudication that such Director, officer or employee is liable to the Company, or such other corporation, for negligence or misconduct in the performance of his or her duties. Determination of the rights of such indemnification and the amount thereof may be made at the option of the person to be indemnified pursuant to procedure set forth, from time to time, in the Bylaws, or by any of the following procedures:

1. Order of the Court or administrative body or agency having jurisdiction of the action;
2. Resolution adopted by a majority of the quorum of the Board without counting in such majority any Directors who have incurred expenses in connection with such action;
3. If there is no quorum of Directors who have not incurred expense in connection with such action, then by resolution adopted by a majority of the committee of Stockholders and Directors who have not incurred such expenses appointed by the Board;
4. Resolution adopted by a majority of the quorum of the Directors entitled to vote at any meeting; or
5. Order of any Court having jurisdiction over the Company.

Any such determination that a payment by way of indemnity should be made will be binding upon the Company. Such right of indemnification will not be exclusive of any other right which such Directors, officers, and employees of the Company and the other persons above mentioned may have or hereafter acquire, and without limiting the generality of such statement,

they will be entitled to their respective rights of indemnification under any Bylaw, Agreement, vote of Stockholders, provision of law, or otherwise in addition to their rights under this Section. The provisions of this Section will apply to any Stockholder of any committee appointed by the Board as fully as though each person had been a Director, officer or employee of the Company.

SECTION 19 - INSURANCE

The Company will maintain reasonable amounts of errors and omissions liability insurance on the officers, Directors, and employees of the Company. The Company will also maintain a reasonable amount of general liability insurance on its real property and all water distribution facilities, with a minimum coverage level of one million dollars.

SECTION 20 - CANAL AND RIGHT-OF-WAY ENCROACHMENTS, RELOCATIONS, AND RELATED ISSUES

- A. ENCROACHMENT AND RELOCATIONS:** No person or entity of any kind, public or private, may use or construct, install, locate, or place any structure of any kind in, over, under, across, or through the Company's canal system and right-of-way, without the express written approval of the Board as provided through an encroachment or use agreement ("canal agreement") or license. The Board will only approve the use of, or encroachment upon the Company's canal system or right-of-way through the specific grant of an easement or license on forms provided by the Company if the party seeking to use or encroach upon the Company's canal system or right-of-way complies with the provisions of Utah Code Ann. § 73-1-15 and § 73-1-15.5 or the applicable successor statute.
- B. LAND USE PLANNING COORDINATION:** Pursuant to Utah Code §§ 10-9a-211 and 17-27a-211, or any applicable successor statutes or regulations, the Board must ensure that Cache County, and each municipality in which the Company operates, has on file the following information regarding the Company:
1. Current mailing address and phone number;
 2. A contact name; and
 3. A general description of the location of each canal owned or operated by the Company that is located within the land use planning authority's jurisdiction.

If the above information changes after the Board has provided it to the applicable land use authorities, the Board must provide the correct information within thirty (30) days of the change.

- C. COORDINATION WITH STATE ENGINEER:** Pursuant to Utah Code § 73-5-7, or any applicable successor statutes or regulations, the Board of Directors will inform the State Engineer in writing as soon as practically possible of any changes regarding the following:

1. The alignment of a canal or ditch;
2. The Company's contact information;
3. The maximum flow capacity of the Company's water conveyance system;
4. The use of the Company's water conveyance system for flood or storm water management, if applicable; and
5. A management plan adopted and reported to the Division of Water Resources pursuant to Utah Code § 73-10-33.

D. TRESPASS: The Board must prosecute any unauthorized use, encroachment, or trespass upon the Company's canal system and right-of way to the full extent of the law, unless the Board determines in its sole discretion that prosecution is not in the best interests of the Company or its Stockholders.

SECTION 21 - AMENDMENTS TO THE BYLAWS

These Bylaws may be amended as set forth in Article 22 of the Company's Articles, which require the Board or the owners of a majority of the outstanding Stock to submit changes to the Bylaws at a regular or special meeting of the Company and require a majority vote of the Stock in attendance at a duly noticed meeting of the Stockholders to approve such changes.

SECTION 22 - SEVERABILITY CLAUSE

If any provision of these Bylaws, or the application of any provision to any person or circumstance, is held invalid, the remainder of the Bylaws will be given effect without the invalid provision or application.

[Execution on Following Page]

DULY ADOPTED by the Board and a majority vote of the shares of the Company present or represented by proxy at the meeting of the Stockholders held this ____ day of _____, 2020.

Paradise Irrigation and Reservoir Company

By: _____
President

CERTIFICATE OF SECRETARY

I do hereby certify:

1. That I am the duly appointed and acting Secretary of the Paradise Irrigation and Reservoir Company, a Utah nonprofit corporation; and

2. That the foregoing Bylaws, comprised of twenty-nine (29) numbered pages (excluding the cover page and the table of contents) and Addenda A, B, C, D, and E constitute the Bylaws of this Company as duly adopted by its Board and by a majority vote of the Company's Stockholders at their respective meetings duly noticed and held on the ____ day of _____, 2020.

_____, Secretary

Addendum A

PARARADISE IRRIGATION AND RESERVOIR COMPANY

SHARE TRANSFER REQUEST POLICY

_____ **2020**

1. All share transfer requests will be made in writing by the person or entity requesting the new certificate, using the attached form. The Stock certificate must be presented first to the Company's President or Secretary, who will then present the proposed Stock transfer to the Board of for its approval.
2. The Board will review all transfer requests at a regularly scheduled Board meeting or other Board meeting called in accordance with the Company's Articles and these Bylaws, provided that the Company will not issue any new certificates without the Board's prior approval.
3. The Board of Trustees will not approve a share transfer request or issue a new certificate until:
 - a. Verifying the validity and ownership of the shares in question;
 - b. The original share certificate has been properly and fully executed on the back by the Stockholder of record and surrendered to the Company;
 - c. Determining whether the transfer will require a change on the class of Stock (e.g., the Stock has previously been diverted from the Company's distribution system but will now be diverted from a well);
 - d. All assessments and other payment due to the Company pertaining to the shares requested for transfer have been paid in full, provided that the Company will not process a transfer request if any party to the transfer owes any money to the Company; and⁶
 - e. Conditioning its approval upon such terms and conditions agreed upon by the purchaser and the Board.

⁶ Utah Code Ann. § 16-4-301.

4. After the Board has approved a Stock transfer, the Secretary will prepare a new certificate for the appropriate class, as determined by the Board. The new certificate must be countersigned by both the President (or other Director authorized by the Board) and the Secretary. The signing of the certificate must be properly witnessed and the name of the new owner must be included in the space provided. In the case of a transfer by an authorized agent, a copy of the duly executed and acknowledged power of attorney must be deposited with the President.
5. The Secretary will cancel the surrendered certificate after the Company has issued a new certificate and will retain the cancelled certificate as a voucher.
6. If the original certificate cannot be located and/or the shareholder of record is unable to execute the original share certificate or is no longer the rightful owner of the shares, the Company will follow the process set forth in Utah Code Ann. § 70A-8-409.1(5) and the Company's Policy for Replacing Lost Share Certificates to determine whether to issue a replacement certificate.
7. The Secretary will fully update the stock ledger in credit and debit form immediately after the Board has approved a share transfer and the Company has issued a new certificate.
8. The Board of Trustees will review the stock ledger at each of its regular meetings to verify the accuracy of the ledger and to correct errors or mistakes, if needed.
9. No transfer will be made upon the books of the Company within ten (10) days immediately preceding the annual meeting of the Stockholders.
10. A Stockholder may petition the Board in writing for authorization to convey Stock separately from any applicable appurtenant land. The Board may, in its discretion, grant such a petition if the Board determines and finds that approval of the petition will:
 - a. Not result in the improper use or enlargement of the Company's water rights or reservoir Stock;
 - b. Not result in an over-issue of the underlying Stock;
 - c. Not violate any applicable laws, regulations, or order or policy of the Utah State Engineer;
 - d. Be in the best interests of the Company and its Stockholders; and
 - e. Comply with the Company's Articles, these Bylaws, and other applicable Company policies.

The Stockholder will bear the burden of proof in satisfying these elements.

PARADISE IRRIGATION AND RESERVOIR COMPANY

SHARE TRANSFER INSTRUCTIONS AND FORM

Approved _____, 2020

The Company's articles of incorporation and bylaws require the Board of Directors to approve all transfers of stock. Before the Company can issue a new certificate in your name, the articles and bylaws require you to surrender the original certificate to the Company. The original certificate must be also be fully and properly endorsed by the owner of record. The Board will not approve a certificate transfer request until all outstanding assessments or other amounts owing to the Company are paid in full, nor will it issue new certificates until verifying that the shares are valid and that the person transferring the shares is the rightful owner of the shares. If the original certificate is not available or the shareholder of record is no longer the rightful owner of the shares or cannot endorse the original certificate, the Company will follow the process set forth in Utah Code Ann. § 70A-8-409.1(5) and its share replacement policy to determine whether to issue a replacement certificate to you.

To request a share transfer, please provide the following information and return the completed and signed form along with any applicable documentation to: Paradise Irrigation Company, PO Box 57, Paradise, Utah 84328.

If you have any questions, please contact our secretary at paradiseirrigationsecretary@hotmail.com or by phone at (435) 754-8910. For questions about your account balance please contact our treasurer via phone at (435) 994-2452.

REQUIRED INFORMATION

1. **Stock Certificate No:** _____
 2. **Number of Shares to Transfer** _____ **and Class(es) of Stock** _____
 3. **Person or entity transferring shares to you:**
 - a. Name: _____
 - b. Address: _____
 - c. Telephone number: _____
 - d. Email address (if available) _____
 4. **Person or Entity Requesting Transfer (New Shareholder):**
 - a. Your name: _____
 - b. Your address: _____
 - c. Your telephone number: _____
 - d. Your email address (if available) _____
 5. **Transfer fee - \$50.00 – please enclose check to Paradise Irrigation and Reservoir Company and reference your certificate number on the check.**
 6. **Current Account balance due – Please include any current balance due on your account, transfer requests will not be processed until all accounts are current including transferring person/entity.**
 7. **Please enclose the following documentation:**
-

- a. The original certificate, fully endorsed by the shareholder of record.
or
- b. If the original certificate is not available or the shareholder of record is unable to endorse the certificate, please enclose any documentation showing that you are the rightful owner of the affected share through purchase, gift, inheritance, foreclosure, bankruptcy, reorganization, etc., including but not limited to transfer letters, sales contracts, or other documents. If the shares are being transferred as part of a real estate transfer, a review of the title records of the underlying property may also be needed. The Company will review this information to determine whether it can issue a replacement certificate pursuant to Utah Code Ann. § 70A-8-409.1(5).

By signing below, I certify that all information provided in this form is true and accurate to the best of my knowledge, and to provide additional information or documentation that the Company may reasonably require to process this share transfer request.

Signature

Date

Print name

Title (if signing for entity)

Addendum B

PARADISE IRRIGATION AND RESERVOIR COMPANY

POLICY FOR REPLACING LOST SHARE CERTIFICATES

_____ 2020

In the event the Paradise Irrigation and Reservoir Company (the “**Company**”) receives a request to replace a lost or stolen share certificate, the Company must follow the procedures set forth in this Policy, which is based upon Section 70A-8-409.1 of the Utah Code, before issuing a replacement share certificate.

SECTION I - DEFINITIONS

The following definitions set forth in Section 70A-8-303 and Section 70A-8-409.1(1) of the Utah Code will govern the application of this Policy:

- A. Affected Share.** The share represented by a share certificate that is lost, destroyed, or wrongfully taken.
- B. Distribution Area.** The geographic area where the Company distributes water.
- C. Original Share Certificate.** A share certificate that is alleged to be lost, destroyed, or wrongfully taken.
- D. Person.** Includes the following:
 - 1. an individual;
 - 2. a corporation;
 - 3. a business entity;
 - 4. a political subdivision of the state, including a municipality;
 - 5. an agency of the state; or
 - 6. an agency of the federal government.
- E. Protected Purchaser.** A purchaser of a certified or uncertified security, or an interest in the security, who:

1. gives value;
 2. does not have notice of an adverse claim to the security;
 3. obtains control of the security; and
 4. pays, or whose predecessors in interest paid, an assessment levied against the share of Stock for at least four (4) of the immediate past seven (7) years by the Company, or has used, or whose predecessors in interest have used, either directly or indirectly, the water available under the share of Stock issued by the Company for at least four (4) of the immediate past seven (7) years.
- F. Replacement Share Certificate.** A share certificate issued pursuant to this Policy to replace a share certificate that is lost, destroyed, or wrongfully taken.
- G. Share Certificate.** A certificated share of Stock in the Company.

SECTION II – PROCESS

- A. Requests for Replacement Share Certificates.** A person making requests for replacement share certificates must make such requests in writing in the attached form to the Company's address of record, and must provide a physical address, telephone number, and other applicable contact information for the Company to use in corresponding with the person.
- B. Review of Request.** The Company must issue a replacement certificate to the person claiming to be the owner of the original share certificate if the Company complies with the other Subsections of this Section and the following:
1. The person requesting a replacement certificate represents to the Company in writing that the original share certificate is lost, destroyed, or wrongfully taken;
 2. The person satisfies one of the following requirements:
 - i. The person is the registered owner of the affected share and the Company has not received notice that the share certificate has been acquired by a protected purchaser; or
 - ii. The person is not the registered owner of the affected share but the person establishes ownership of the affected share, including by presenting to the Company written documentation that demonstrates to the reasonable satisfaction of the Company that the person is the rightful owner of the affected share through purchase, gift, inheritance, foreclosure, bankruptcy, or reorganization.
 3. The assessments to which the affected share is subject are paid current;

4. The person requesting the replacement share provides indemnification satisfactory to the Company against liability and costs associated with issuing a replacement certificate;⁷ and
5. The person satisfies any other reasonable requirement imposed by the Company.

C. Required Notices. Upon receipt of a request to replace a lost or stolen share certificate and satisfaction of the requirements in Section II(B) of this Policy, the Company must take the following steps to provide notice of the request:

1. Publication. The Company must publish written notice of the request at least once a week for three (3) consecutive weeks in a newspaper of general circulation in the area that reasonably includes the Company's distribution area and as required in Section 45-1-101 of the Utah Code. In publishing such notice, the Company must ensure that:
 - i. There are at least seven (7) days between each publication date; and
 - ii. Publication must begin no later than twenty (20) days after the date on which the Company receives a request for a replacement share certificate.
2. Posted Notice. The Company must post written notice in at least three (3) conspicuous places within its distribution area no later than twenty (20) days after the date on which the Company receives a request for a replacement share certificate.
3. Notice by Mail. No later than twenty (20) days after the date on which the Company receives a request for a replacement share certificate, the Company must mail written notice to:
 - i. The last known address of the owner of the affected share shown on the records of the Company;
 - ii. Any person who, within the five (5) year period immediately preceding the day the written notice is mailed, has paid an assessment levied against the effected share; and
 - iii. Any person that has notified the Company in writing of an interest in the affected share, including financial institutions.

D. Form of Notices. Notices the Company issues pursuant to Section II(C) of this Policy must include the following information:

⁷ Such indemnity does not require an indemnity bond pursuant to Section 70A-8-409.1(5), upon which this Policy is based.

1. Identity. Identify the person requesting a replacement share certificate.
2. Process for Objections. An explanation that an interested person may file an objection with the Company and that such objections must:
 - i. State the basis for the objection to the claim of ownership of the affected share;
 - ii. Identify a person that the objecting person believes has a stronger claim of ownership to the affected share; and
 - iii. Be accompanied by written evidence that reasonably documents the basis of the objection to the claim of ownership.
3. Process for Issuing Replacement Share Certificates. Explain that unless a written notice of objection to the issuance of a replacement share certificate is filed within 60 days after the last day of publication under Section II(C)(1) of this Policy, including a written notice of objection from a protected purchaser:
 - i. The Company will issue a replacement share certificate to the person requesting that the replacement share certificate be issued; and
 - ii. The Company will permanently cancel the original share certificate in its records.

E. Objections. If the Company receives a notice of objection within the 60-day period described in Section II(D)(3) of this Policy, the Company may review the disputed claim and take one of the following actions:

1. Deny. Deny in writing the objection to the claim of ownership and issue a replacement share certificate to the person requesting the replacement share certificate;
2. Accept. Accept in writing a claim of ownership asserted by an objection and issue a replacement share certificate to the person the objecting person asserts owns the affected share;
3. Interpleader Action. File an interpleader action in accordance with Utah Rules of Civil Procedure, Rule 22, joining the person(s) claiming an interest in the affected share and depositing a replacement share certificate with the court; or
4. Stockholder Resolution. Require the persons claiming an interest in the affected share to resolve the ownership dispute.

- F. Issuance of Decisions Regarding Replacement Share Certificates.** The Company must make all decisions regarding whether to approve or deny the issuance of a replacement share certificate in writing and must deliver its written decision to:
1. The person requesting a replacement share certificate;
 2. A person who files a notice of objection pursuant to this Policy under Section II(E) of this Policy; and
 3. Any other person the Company determines is involved in the request for a replacement share certificate.

SECTION III – GENERAL PROVISIONS

- A. Effect of Determinations Made Under this Section.** Pursuant to Section 70A-8-409.1(5)(k), decisions by the Company under this Policy to grant or deny requests for replacement share certificates are considered to be final and conclusive determinations of ownership of a disputed replacement share certificate.
- B. Protected Purchasers.** A protected purchaser's failure to make a written notice of objection within the sixty (60) day period described in Sections II(D) and II(E) of this Policy eliminates any claim of the protected purchaser.
- C. Reimbursement of Company Costs.** Pursuant to Section 70A-8-409.1(5)(i) of the Utah Code, the person requesting the replacement share certificate must reimburse the Company for the costs the Company has reasonably incurred in processing the person's request for a replacement certificate, including legal and other professional fees and the costs the Company incurs in responding to notices of objections filed pursuant to Section II(E) of this Policy.
- D. Costs and Attorney Fees Incurred Pursuant to the Share Replacement Process.** The prevailing person and the Company, if it acts in good faith, are entitled to receive from the non-prevailing person the costs of resolving a dispute regarding the issuance of a replacement share certificate pursuant to the process set forth in Section II of this Policy, including reasonable attorney fees when attorney fees are necessary pursuant to Section 70A-8-409.1(5)(h) of the Utah Code.
- E. Court Orders and Agreements.** Upon receipt, the Company must act in accordance with a written agreement acceptable to the Company between the persons who claim interest in the affected share, or a court order declaring ownership in the affected share.

SECTION IV – COURT PROCEEDINGS

- A. Judicial Review.** Pursuant Section 70A-8-409.1(6) of the Utah Code, decisions by the Company to approve or deny requests for replacement share certificate pursuant to this Policy are subject to de novo judicial review in the Fourth District Court of Utah. A person

may not seek judicial review more than thirty (30) days after the day on which the written decision is delivered under Section II(F) of this Policy. If no action for judicial review is taken within the thirty (30) day period, absent fraud, the issuance of a replacement share certificate or the decision not to issue a replacement share certificate will be final conclusive evidence of ownership of the affected share pursuant to Section 70A-8-409.1(6)(c).

- B. Costs and Attorney Fees Incurred as a Result of Court Action.** In a judicial action brought under Section IV(A) of this Policy, the prevailing person, as determined by court order, is entitled to payment by a non-prevailing person of the costs of successfully defending the prevailing person's ownership claim and reasonably attorney fees. Pursuant to Section 70-A-409.1(6)(d)(ii), an award of costs or attorney fees may not be granted against the Company if the Company acts in good faith.

Addendum C

PARADISE IRRIGATION AND RESERVOIR COMPANY

SHARE CERTIFICATE VERIFICATION AND UPDATE POLICY

Adopted _____, 2020

1. This Share Certificate Verification and Update Policy (“**Policy**”) has been adopted to further Paradise Irrigation and Reservoir Company’s (“**Company**”) ability to determine how much water is allocated to each Stockholder, maintain complete and up-to-date records about the number of shares issued to each Stockholder, and prevent the Company from over allocating water to its Stockholders through over issuing shares in the Company that exceeds the amount of water available pursuant to the Company’s water rights.
2. This Policy applies to all Stockholders of the Company and to any and all persons who receive water from the Company.
3. If a person or entity receives water from the Company but is not listed as the record owner of the applicable share certificate in the Company’s records, the Board of Directors (“**Board**”) will meet to:
 - a. Consider all of the relevant facts and circumstances as to why the person or entity has not verified their ownership or requested a replacement certificate pursuant to the Company’s policies;
 - b. Determine whether the Stockholder’s failure to verify their ownership of the applicable certificate or request a replacement certificate justifies the Board terminating water deliveries to the person or entity and whether the Company should no longer consider the person or entity to be a Stockholder; and
 - c. Document the facts and circumstances considered and the rationale underlying the Board’s determination.
4. If the Board determines pursuant to Paragraph 3 that grounds exist to stop water deliveries and to stop considering the person or entity to be a Stockholder, the Company will provide a written notice (the “**First Notice**”) to the person or entity requesting that they verify their ownership of the applicable certificate or request a replacement certificate by completing the form attached to this policy and complying with all applicable Company policies. The notice required by this paragraph will:

- a. Be sent via first class mail or certified mail to the last address of record for the person or entity shown in the Company's records;
 - b. Provide the person or entity no less than 15 days to:
 - i. Verify their ownership;
 - ii. Request a replacement certificate;
 - iii. Appeal the First Notice by submitting a written explanation as to why the notice is incorrect;
 - iv. Request in writing a meeting with the Board to explain why the First Notice is incorrect; or
 - v. Request in writing an extension of time to respond, which the Company President may grant or deny in his or her sole discretion.
 - c. Warn the person or entity that if they do not respond within the time allotted in the First Notice, that the Company will stop all water deliveries and will not consider the person or entity to be a Stockholder of the Company until such time as they verify their ownership of the applicable certificate or request a replacement certificate.
 - d. Notify the person or entity that if the Company stops water deliveries and no longer considers them to be a Stockholder, that they will be responsible for paying any outstanding dues, assessments, or fees that pertain to any water that they received pursuant to Utah Code Ann. § 16-6a-609.
5. If a person or entity files an appeal or requests a meeting with the Board pursuant to Paragraph 4(b), the Board will consider the matter at its next meeting or may hold a special meeting, provided that the Board will take reasonable steps to consider the matter on a date and time when the person or entity is available. In considering a written appeal or a person or entity's verbal explanation as to why a First Notice is incorrect, the Board will consider all relevant facts and circumstances and will render a decision as to whether additional information is needed to verify the person or entity's ownership of an applicable certificate. The Board will provide the person or entity with a written explanation of its decision. If the Board determines to cease water deliveries and to no longer consider the person or entity to be a Stockholder in the Company, it will provide notice of such a decision pursuant to the process in Paragraph 6.
6. If a person or entity fails to respond in a timely manner to the First Notice issued pursuant to Paragraph 3, the Company will send a final written notice (the "**Final Written Notice**")

to the last address of record for the person or entity shown in the Company's records, which will:

- a. State that the person or entity has not responded to the First Notice;
 - b. State that effective as of the date of the Final Notice, the Company will no longer deliver water to the person or entity or consider them to be a Stockholder in the Company until they have verified their ownership of an applicable certificate or requested and received a replacement certificate pursuant to the Company's applicable policies; and
 - c. Notify the person or entity of the dollar amount of any outstanding dues, assessments, or fees that pertain to any water that they received prior to the effective date of the Final Notice and inform them that they are required to pay such amounts owing pursuant to Utah Code Ann. § 16-6a-609.
7. The Company will resume water deliveries and will consider a person or entity to be a Stockholder once they verify their ownership of any applicable certificate or request and receive a replacement certificate pursuant to the Company's policies, provided that such persons and entities must pay any and all outstanding dues, assessments, or fees before the Company will deliver water or consider them to be a Stockholder.

Addendum D

Request for Replacement Certificate	Paradise Irrigation and Reservoir Company 8797 South Bridger Blvd. Paradise, Utah 84328
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In accordance with the Company's Share Certificate Exchange Policy, the undersigned requests that the Company issue a replacement certificate(s).

Contact Information

Name:	Telephone:
Address:	Fax:
	E-mail:

Please provide the certificate number(s) of every water certificate you own or believe you own or that is in your possession.

If you are not shown as the owner of this certificate on the records of the Company, please provide a detailed description of your claim to ownership of the certificate. Attach additional pages, if necessary, and attach all documents that evidence your ownership.

Signature of Requesting Member		Date	
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Addendum E

PARADISE IRRIGATION AND RESERVOIR COMPANY

CHANGE APPLICATION POLICY **_____ 2020**

The Paradise Irrigation and Reservoir Company (the “**Company**”) must follow the procedures set forth in this Policy and Sections 73-3-3, 73-3-3.5, and any other applicable provisions of the Utah Code, which are incorporated herein, when processing Stockholder requests for change applications to change the point of diversion, the place of use, the period of use, and/or the nature of use of a share certificate.

SECTION I – APPLICATIONS TO THE COMPANY

- A. Proposed Change Application.** Any Stockholder/applicant (“**Stockholder**”) proposing to change the point of diversion, the place of use, the period of use, and/or the nature of use of a share certificate must prepare a proposed change application on forms furnished by the State Engineer. The proposed change application must include:
1. The Stockholder’s name;
 2. The water right description, including the water right number that pertains to the shares at issue in the application;
 3. The water quantity at issue in the application;
 4. The applicable stream or water source;
 5. If applicable, the point on the stream or water source where the water is diverted;
 6. If applicable, the point to which it is proposed to change the diversion of the water;
 7. The place, nature, period, and extent of the currently approved use;
 8. The place nature, period and extent of the proposed use;
 9. Any proposed change to the storage of water;
 10. The certificate number of the Stock affected by the change; and

11. A description of the land proposed to be retired from irrigation in accordance with Section 73-3-3 of the Utah Code, if the proposed change in place or nature of use of the water involves a situation where the water was previously used for irrigation.
- B. Submission of Change Application to Company.** The Stockholder must provide the proposed change application along with a refundable \$1,000 Change Deposit to the Company by personal delivery with a signed receipt, certified mail, or electronic mail with confirmation of receipt.
- C. Change Deposit.** A Change Application will not be considered complete unless and until the Stockholder files a refundable \$1,000 Change Deposit, which the Company will use to pay for its costs in reviewing a Change Application. If the Company receives a change application without the Change Deposit, it will notify the Stockholder in writing within thirty (30) days of receiving the change application of the need to submit a Change Deposit. The notice must also inform the Stockholder that the Company will not process the change application until the Change Deposit has been paid. The Company will refund any unused portion of the Change Deposit and may require the Stockholder to reimburse the Company for any documented expenses the Company incurs in reviewing and processing the Change Application that exceed the Change Deposit.
- D. Additional Information:** Within thirty (30) days of receiving a change application, the Company must request in writing any additional, reasonable information it may require to review and process a change application. The request must give the Stockholder thirty (30) days to provide the additional information. The applicant/Stockholder can request in writing additional time to provide the request, which the Company will have the sole discretion to grant. The Company and the Stockholder must cooperate in supplying information relevant to preparing the application and making any necessary corrections.
- E. Bylaw Requirements:** The Board will not approve change applications that do not comply with Section 16 or other applicable provisions of the Company's Bylaws. Among other requirements, the Board will not approve change applications to underground wells that do not involve at least 1.0 share (3.0 acre-feet) and do not dedicate 33% of the water at issue to the water distribution system of origin, provided that a minimum dedication of at least 1.0 acre-feet for carrier water is required.
- F. Water Company Review:** The Board must review proposed change applications at a duly called Board Meeting. In reviewing a proposed change application, the Board must consider:
1. whether the proposed change application complies with the requirements of Section E above;
 2. whether an increased cost to the Company or its Stockholders will result from the proposed change;

whether the proposed change will interfere with the Company's ability to manage and distribute water for the benefit of all Stockholders, including but not limited to transfers of water from one of the Company's voting divisions to another if the transfer will be detrimental to any Stockholder.

3. whether the proposed change represents more water than the Stockholder's proportionate share of the Company's right;
4. whether the proposed change would create preferential access to use of particular Company water rights to the detriment of other Stockholders;
5. whether the proposed change will impair the quantity or quality of water delivered to other Stockholders under the existing water rights of the Company, including rights to carrier water;
6. whether the proposed change violates a statute, ordinance, regulation, or order of a court or government agency;
7. if applicable, whether the Stockholder has or can arrange for the beneficial use of water to be retired from irrigation within the Company's service area under the proposed change;
8. the cumulative effects that the approval of the change application may have on other Stockholders or Company operations; and
9. whether the Stockholder paid the \$1,000 Change Deposit or provided additional information requested by the Company.

G. Water Company Response: Within one-hundred-twenty (120) days of receiving the proposed change application, the Company must respond to the Stockholder in writing and must notify the Stockholder of its decision. The Company's response must state whether the Company:

1. consents to the proposed change;
2. consents to the proposed change, subject to certain reasonable conditions, which the Company must describe in its response; or
3. declines to consent to the proposed change and describes the reasons why the Company declines to consent to the proposed change in accordance with the considerations set forth in Section 1(E) of this Policy.

H. Untimely Response by the Company: If the Company fails to timely respond to a change application within the one-hundred-twenty (120) days set forth in Section 1(F) of this Policy, the Company must be deemed to have consented to the proposed change application

and the Stockholder may file the change application with the State Engineer pursuant to Section 73-3-3.5(3)(c) of the Utah Code.

I. Conditions and Costs:

1. The Company may impose certain reasonable conditions to mitigate concerns about a proposed change application. Such conditions may include but are not limited to requirements for change applications that seek to divert water from wells for year-round domestic uses that require a certain amount of water to remain in the Company's distribution system(s) to ensure sufficient carriage water.
2. The Company may not withhold consent if any potential damage, liability, or impairment to the Company, or its Stockholders can be reasonably mitigated without cost to the Company.
3. The Company may not unreasonably withhold approval or impose unreasonable conditions for its approval.

J. Change Application Approval Agreement: If the application is approved, the Company and the Stockholder must execute a change application approval agreement, requiring the Stockholder to continue to pay all applicable assessments on the share affected by the change and setting forth any special conditions and requirements that the Board may require for the change.

K. Requests for Reconsideration to the Company: Within thirty (30) days after the Board has made its initial decision, the member requesting the change or any Director may, by written request to the Secretary, ask that the initial decision be reconsidered at another duly noticed and called meeting. The decision of the Board upon reconsideration must be final on the issue.

L. Stockholder Challenge of Company Action on Change Application: Pursuant to Section 73-3-3.5(5) of the Utah Code, the following procedures must apply to Company decisions to deny or impose conditions on a change application sought by a Stockholder.

1. The Stockholder may file an action in district court in accordance with Section 73-3-3.5 of the Utah Code, seeking court review of:
 - i. the reasonableness of the conditions the Company has imposed for its consent or its reasons for declining consent; and
 - ii. a final order from the court allowing the Stockholder to file the proposed change application with the State Engineer.
2. In situations in which the Company consents to the proposed change application but imposes conditions to which the Stockholder does not agree, the Stockholder may file the change application with the State Engineer as provided in Section II of

this Policy, without waiving the Stockholder's right to contest conditions set by the Company.

1. A Stockholder may file an action in district court seeking court review of the reasonableness of the conditions imposed by the Company for giving consent during or after the completion of the proceeding before the State Engineer commenced under Section II of this Policy.

L. Buyout: By mutual written agreement only, and when the shares at issue will rely upon a different diversion and delivery system, the Company and the Stockholder may negotiate a buyout from the Company that may include a pro rata share of the Company's existing indebtedness assignable to the shares.

SECTION II – APPLICATIONS TO THE STATE ENGINEER

If a change request approved by the Board requires the filing of a change application with the State Engineer's Office, the Stockholder will file the change application in the name of the Company with the State Engineer. The Stockholder will also prosecute the change application, pay all associated costs, and provide any information and evidence needed to prosecute the change application. The Company will not be obligated to pursue any requests for reconsideration or appeals. If the Stockholder pursues a request for reconsideration or an appeal, it will do so at its own cost and will pay any and all costs incurred by the Company's involvement therein. If the State Engineer approves the change application, the Stockholder may file requests for extensions of time to submit proof of beneficial use under the application without the Company's involvement.

SECTION III – FAILURE TO COMPLY

If, after a proposed change application has been approved by the State Engineer and gone into effect, a Stockholder fails to substantively comply with a condition imposed by the State Engineer pursuant to Section 73-3-3.5(9) regarding the payment of assessments, or any condition reasonably imposed by the Company and agreed to by the Stockholder, the Company must provide the Stockholder with written notice of the failure to comply. Such notice will give the Stockholder ninety (90) days to remedy the failure to comply. If the Stockholder fails to remedy the failure to comply within ninety (90) days after the Company gives notices, the Company may, in its sole discretion, petition the State Engineer to order a reversal of the change application approval pursuant to Section 73-3-3.5(12).

Addendum F

PARADISE IRRIGATION AND RESERVOIR COMPANY

PROXY VOTING FORM

_____ 2020

1. Name of shareholder(s): _____
2. Address: _____
3. Phone number: _____
4. Email address: _____
5. Certificate number(s) # _____
6. Number of votes (only one vote for each share owned) _____
7. The undersigned shareholder(s) of Paradise Irrigation and Reservoir Company appoint(s) _____ as their proxy, with full power of substitution, and authorizes said proxy to represent and to vote all of the voting shares of the undersigned for any and all Company matters as indicated in this form and to the extent permitted by law to shareholders of the Company, as if the undersigned were present.
8. Please check ONE of the following:

☐ my proxy is only authorized to vote for me at the following meeting(s): _____

☐ my proxy is authorized to vote for me at all Company meetings in which I am entitled to a vote for 11 months following my execution of this form.

Signature: _____ **Date:** _____

Once completed and signed, please mail this form to the Company's Secretary at Paradise Irrigation Company, PO Box 57, Paradise, Utah 84328 or email it to paradiseirrigationsecretary@hotmail.com. For this form to be valid, you must file it with the Secretary at least 24 hours before the start-time of any meeting in which you want your proxy to vote.