

**BYLAWS
OF THE
PINE MEADOW MUTUAL WATER COMPANY**

THE BYLAWS of Pine Meadow Mutual Water Company, a non-profit mutual water company (the "Company"), by which the Company shall be governed, are as follows:

ARTICLE I

OFFICES, PURPOSE, RECORDS AND SERVICE AREA

Section 1.1 Offices. The registered office and principal place of business of the Company is: PO Box 17134, Salt Lake City UT 84117-0134

Section 1.2 Registered Agent. The registered agent of the Company is:

Eric Cylvick, President.

Section 1.4 Purpose. In addition to the general purposes listed in Article IV of the Company's Articles of Incorporation, the Company is committed to improving the Company's assets with the primary objective of providing the facilities and capacity to provide service to all shareholders on a year-round basis just as soon as feasible, considering present and future fiscal and engineering constraints. All decisions regarding the timing, sequence and funding of specific improvements will be made by the Board of Trustees on the basis of professional studies and advice, including the report and analysis of the system prepared by Horrocks Engineers.

Section 1.4 Books and Records. The Company shall keep at its principal place of business the following books and records and any shareholder of record, upon written demand stating the purpose thereof, shall have the right to examine, in person, or by agent or attorney, at any reasonable time or times, for any proper purpose, the same and to make extracts therefrom:

- (a) Its books and records of account.
- (b) Its minutes of meetings of the Board of Trustees and any committees thereof.
- (c) Its minutes of meetings of the shareholders.
- (d) Its record of shareholders which shall give their names and addresses and the number of the shares held by each.

(e) Copies of its Articles of Incorporation and Bylaws as originally executed and adopted together with all subsequent amendments thereto.

Section 1.5 Financial Statements. Upon the written request of any shareholder of the Company, the Company shall mail to such shareholder its most recent annual or quarterly financial statements showing in reasonable detail its assets and liabilities and the results of its operation unless the shareholder has already received the same. Neither the Company nor any Trustee, officer, employee or agent of the Company shall be liable to the shareholder or anyone to whom the shareholder discloses the financial statement or any information contained therein for any error or omission therein whether caused without fault, by negligence or by gross negligence, unless (1) the error or omission is material, (2) the Trustee, officer, employee or agent in question knew of the error or omission and intended for the shareholder or other person to rely thereon to his or her detriment, (3) the shareholder or other persons did reasonably rely thereon, and, in addition, (4) he or she is otherwise liable under applicable law.

Section 1.6 Service Area. The Company shall only serve its stockholders who are the owners of lots within the geographical area in which the Company is authorized by the Utah State Engineer to use its water rights, which area, as of the date hereof, includes all of the lots within all of the phases of the Pine Meadow Subdivisions and other lots, all within the area formerly served by the Pine Meadow Special Service District in Summit County, Utah (["Pine Meadow"]).

ARTICLE II

BYLAWS

Section 2.1 Amendments. These Bylaws may be altered, amended or repealed and new Bylaws adopted by the affirmative vote of a majority of the shares represented at the meeting and entitled to vote, at any meeting of shareholders called for such purpose or at any annual shareholders meeting, except that any amendment of Sections 1.3, 4.3 and 11.2 shall not be effective without the affirmative vote of the following: A majority of the shares represented at the meeting and entitled to vote on the matter and a majority of the shares owned by full-time residents of Pine Meadow represented at the meeting and entitled to vote on the matter. Shares owned by full-time residents of Pine Meadow represented at the meeting and entitled to vote on an amendment shall not be voted twice, but shall be counted both in determining whether a majority of the shares represented at the meeting has approved the matter and whether a majority of the full-time residents has approved the matter. Only those shareholders who execute and deliver to the Company a sworn affidavit confirming their full-time residency in advance of the meeting shall be considered full-time residents for purposes of this section.

Section 2.2 Bylaw Provisions Additional and Supplemental to Provisions by Law. All restrictions, limitations, requirements and other provisions of these Bylaws shall be construed, insofar as possible, as supplemental and additional to all provisions of law applicable to the subject matter thereof and shall be fully complied with in addition to the said provisions of law unless such compliance shall be illegal.

Section 2.3 Bylaw Provisions Contrary to or Inconsistent With Provisions of Law. Any article, section, subsection, subdivision, sentence, clause or phrase of these Bylaws which, upon being construed in the manner provided in Section 2.2 hereof, shall be contrary to or inconsistent with any applicable provision of law, shall not apply so long as said provisions of law shall remain in effect, but such result shall not affect the validity or applicability of any other portions of these Bylaws, it being hereby declared that these Bylaws would have been adopted and each article, section, subsection, subdivision, sentence, clause or phrase thereof, irrespective of the fact that any one or more articles, sections, subsections, subdivisions, sentences, clauses or phrases is or are illegal.

ARTICLE III

MEETINGS OF SHAREHOLDERS

Section 3.1 Place of Meetings. All meetings of the shareholders, annual or special, however called, shall be held at the principal place of business of the Company unless the Board of Trustees designates another place for the meetings, either within or without the State of Utah.

Section 3.2 Annual Meeting. An annual meeting of the shareholders shall be held at or near the second Tuesday of October, the actual date, local time and place of the meeting to be determined by the President or as directed by the Board of Trustees.

Section 3.3 Special Meetings. Special meetings of the shareholders may be called by the Chairman of the Board, the President, the Board of Trustees or the holders of not less than 15 percent of all the shares entitled to vote at the meeting.

Section 3.4 Notice of Shareholders' Meetings. Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States

Mail addressed to the shareholder at his or her address as it appears on the books of the Company with postage thereon prepared.

Section 3.5 Waiver of Notice. Any shareholder may waive notice of any meeting of shareholders, (however called or noticed, whether or not called or noticed and whether before, during or after the meeting) by signing a written waiver of notice or a consent to the holding of such meeting, or an approval of the minutes thereof. Attendance at a meeting, in person or by proxy, shall constitute waiver of all defects of call or notice regardless of whether waiver, consent or approval is signed or any objections are made. All such waivers consents, or approvals shall be made a part of the minutes of the meeting.

Section 3.6 Fixing Record Date for Meetings. The stock books of the Company shall not be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of the shareholders but, in lieu thereof, the date on which notice is given in accordance with Section 3.4 above shall be the record date for those purposes. Such date shall not be more than 50 nor less than 10 days before the date of the meeting. When a determination of shareholders entitled to vote at any meeting of shareholders has been made under this section, such determination shall apply to any adjournment thereof.

Section 3.7 Voting List. The officer or agent having charge of the stock books for shares of a corporation shall make, at least 10 days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of 10 days prior to the meeting, shall be kept on file at the registered office of the Company and shall be subject to inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original stock transfer books shall be prima facie evidence as to who are the shareholders entitled to examine such list or transfer books or to vote at any meeting of shareholders. Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

Section 3.8 Quorum of Shareholders, Vote. The shareholders present in person or represented by proxy shall constitute a quorum at any meeting of the shareholders. The affirmative vote of a majority of the shares represented at the meeting and entitled to vote on the subject shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by the Utah Nonprofit Corporation and Cooperative Association Act, other provisions of these Bylaws or the Articles of Incorporation of the Company. The shareholders present at a duly called or held meeting may continue to do business until adjournment notwithstanding the withdrawal of other shareholders prior to adjournment.

Section 3.9 Voting of Shares. Each share shall have voting rights equal with each other, and each share shall be entitled to one (1) vote at a meeting of shareholders, except to the extent that the voting rights of the shares of any class or classes are limited or denied by the Articles of Incorporation. Treasury shares shall not be voted at any meeting or counted in determining the total number of outstanding shares at any given time.

Section 3.10 Proxies. A shareholder may vote either in person or by proxy executed in writing by the shareholder or by his or her duly authorized attorney in fact. No proxy shall be valid after 11 months from the date of its execution, unless otherwise provided in the proxy, specifically providing a longer length of time for which the proxy is to continue in force, which in no case shall exceed seven years from the date of execution. Any shareholder giving a written consent, or his or her proxy, or his or her transferee or personal representative, or their respective proxies, may revoke the same prior to the time that written consents of the number of shares required to authorize the proposed action have been filed with the Secretary of the Company, but may not do so thereafter.

Section 3.11 Elections of Trustees. At each election for Trustees, every shareholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him or her for each Trustee individually and for whose election he or she has a right to vote. Except as limited by the qualifications set forth in Section 4.3, the candidates receiving the highest number of votes up to the number of Trustees to be elected shall be declared elected. Elections for Trustees need not be by ballot. There shall be no cumulative voting.

Section 3.12 Adjournments. Any shareholders' meeting may be adjourned from time to time by the vote of a majority of the shareholders present at such meeting or represented by proxy thereat. When a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original special meeting. Save as aforesaid, it shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat other than by announcement at the meeting at which such adjournment is taken.

ARTICLE IV

TRUSTEES

Section 4.1 Exercise of Corporate Power. The business and affairs of the Company shall be managed by the Board of Trustees.

Section 4.2 Number. The number of Trustees of the Company shall not be less than three (3) nor more than nine (9). The number to serve each year may be fixed by the stockholders at the annual meeting. The initial board shall consist of five (5) Trustees.

Section 4.3 Constituency of the Board. The Board of Trustees shall be constituted as follows:

(a) If there are three or four Trustees, one Trustee shall be appointed by the Pine Meadow Ranch Homeowners' Association from its board of directors and the remaining Trustees shall be elected at large, with one of the at-large members being a full-time resident of Pine Meadow.

(b) If there are from five to eight Trustees, one Trustee shall be appointed by the Pine Meadow Ranch Homeowners' Association from its board of directors and the remaining Trustees shall be elected at large, with at least two of the at-large members being full-time residents of Pine Meadow.

(c) If there are nine Trustees, one Trustee shall be appointed by the Pine Meadow Ranch Homeowners' Association from its board of directors and the remaining Trustees shall be elected at large, with at least three of the at-large members being full-time residents of Pine Meadow.

Section 4.4 Qualification. If an insufficient number of full-time Pine Meadow residents are willing to serve as Trustees, then the above full-time residency requirements shall be abrogated accordingly. The qualification of full-time residency shall be established in the same manner set forth in Section 2.1, above. The other Trustees need not be residents of Utah or shareholders of the Company. The Trustees need have no other qualifications than that set forth above.

Section 4.5 Compensation. The Board of Trustees shall have authority to fix the compensation of Trustees. Such compensation so fixed shall be reported to the shareholders. Any compensation so fixed shall be for services as a Trustee only, and a Trustee who serves the Company in any other capacity may receive a separate compensation therefore.

Section 4.6 Term. The initial Board of Trustees shall serve until the first annual shareholders' meeting to be held during the calendar year 2000; whereupon, the Board of Trustees shall be constituted as provided in this Section with staggered terms of two years each. Each Trustee shall hold office for the term for which he or she is elected and until his or her successor shall have been elected and qualified.

Section 4.7 Elections. At each annual meeting where the term of a Trustee is expiring, the shareholders shall elect Trustees, provided that if for any reason

said annual meeting or an adjournment thereof is not held or the Trustees are not elected thereat, then the Trustees may be elected at any special meeting of the shareholders called and held for that purpose.

Section 4.8 Vacancies. A vacancy or vacancies in the Board of Trustees shall exist in case of the death, resignation or removal of any Trustees, or if the authorized number of Trustees is increased, or if the shareholders fail, or any annual or special meeting at which any Trustee is elected, to elect the full authorized number of Trustees to be voted for at that meeting. Also, the Board of Trustees may declare vacant the office of a Trustee if he or she is found to be of unsound mind by an order of a court of competent jurisdiction or convicted of a felony or misdemeanor involving moral turpitude or if, within 60 days after notice of his or her election, he or she does not accept the office either in writing or by attending a meeting of the Board of Trustees. Any vacancy occurring may be filled by the affirmative vote of a majority of the remaining Trustees (or a sole remaining Trustee) although less than a quorum. A Trustee elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office, or if there was no predecessor, until the date set under these Bylaws for the next annual meeting and until his or her successor is elected, subject to the constituency requirements of Section 4.3 above. Any vacancy created by reason of the removal of one or more Trustees by the shareholders may be filled by election of the shareholders at the meeting at which the Trustee or Trustees are removed.

Section 4.9 Removal. At a meeting expressly called for that purpose one or more Trustees may be removed by a vote of a majority of the shares entitled to vote at an election of Trustees.

Section 4.10 Regular Meetings. A regular meeting of the Board of Trustees shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of shareholders. The Board of Trustees may provide, by resolution, the time and place, either within or without the State of Utah, for the holding of additional regular meetings without other notice than such resolution.

Section 4.11 Special Meetings. Special meetings of the Board of Trustees may be called by or at the request of the President or any two Trustees. The person or persons authorized to call special meetings of the Board of Trustees may fix any place, either within or without the State of Utah, as the place for holding any special meeting of the Board of Trustees called by them.

Section 4.12 Notice of Special Meetings. Notice of any special meeting shall be given at least three days previously thereto by written notice delivered personally or mailed to each Trustee at his or her business address, or by facsimile or by personal telephone call to the Trustee. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with

postage thereon prepaid. If notice be given by facsimile, such notice shall be deemed to be delivered when the confirmation of successful transmission of the facsimiles is received. Any Trustee may waive notice of any meeting. The attendance of a Trustee at a meeting shall constitute a waiver of notice of such meeting, except where a Trustee attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Trustees need be specified in the notice or waiver of notice of such meeting.

Section 4.13 Quorum. A majority of the number of Trustees fixed by these Bylaws shall constitute a quorum for the transaction of business at any meeting of the Board of Trustees, but if less than a majority of the number of Trustees is present at a meeting, a majority of the Trustees present may adjourn the meeting from time to time without further notice.

Section 4.14 Manner of Acting. The act of the majority of the Trustees present at a meeting at which a quorum is present shall be the act of the Board of Trustees.

Section 4.15 Presumption of Assent. A Trustee of the Company who is present at a meeting of the Board of Trustees at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his or her dissent shall be entered in the minutes of the meeting or unless he or she shall file their written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by certified or registered mail to the Secretary of the Company within two (2) business days after the adjournment of the meeting. Such right of dissent shall not apply to a Trustee who voted in favor of such action.

Section 4.16 Committees. The Board of Trustees by resolution adopted by the majority of the number of Trustees fixed by the Bylaws may designate a committee or committees consisting of not fewer than two Trustees, which committee or committees, to the extent provided in such resolution, shall have and may exercise all the authority therein provided; but the designation of such committee or committees and the delegation thereto of authority shall not operate to relieve the Board of Trustees, or any member thereof, of any responsibility imposed upon it or him or her by law.

ARTICLE V

OFFICERS

Section 5.1 Election and Qualifications. The officers of this Company shall consist of a President, a Vice President, a Secretary and a Treasurer, each of

whom shall be elected by the Board of Trustees at the meeting of the Board of Trustees next following the annual meeting of the shareholders (or at any meeting if an office is vacant) and such other officers, including a Chairman of the Board of Trustees, and assistant officers and agents, as the Board of Trustees shall deem necessary, who shall be elected and shall hold their offices for such terms as the Board of Trustees may prescribe. Any two or more offices may be held by the same person except those of President and Secretary. Any Vice President, assistant Treasurer or assistant Secretary, respectively, may exercise any of the powers of the President, the Treasurer, or the Secretary, respectively, as directed by the Board of Trustees and shall perform such other duties as are imposed upon him or her by the Bylaws or the Board of Trustees.

Section 5.2 Term of Office and Compensation. The term of office for each of said officers shall be one year or until his or her successor is elected, unless he or she shall sooner resign or be removed or otherwise be disqualified to serve. The salary, if any, of each of said officers and the manner and time of the payment of such salaries shall be fixed and determined by the Board of Trustees and may be altered by said Board from time to time at its pleasure.

Section 5.3 Removal and Vacancies. Any officer of the Company may be removed by the Board of Trustees at any meeting whenever in its judgment the best interests of the Company will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights. If any vacancy occurs in any office of the Company, the Board of Trustees may elect a successor to fill such vacancy for the remainder of the unexpired term and until his or her successor is duly chosen and qualified.

Section 5.4. Powers and Duties. The powers and duties of the officers of the Company are as follows:

(a) Chairman of the Board of Trustees. The Chairman of the Board of Trustees, if there be one, shall have the power to preside at all meetings of the Board of Trustees and shall have such other powers and shall be subject to such other duties as the Board of Trustees may from time to time prescribe.

(b) President. The President of the Company shall act as the chief executive officer of the Company and, subject to the control of the Board of Trustees, shall have general supervision, direction and control of the business and affairs of the Company. The President shall have the power and authority:

(i) To preside at all meetings of the shareholders and, in the absence of the Chairman of the Board, or if there be none, at all meetings of the Board of Trustees.

(ii) To call meetings of the shareholders and also of the Board of Trustees to be held at such times and, subject to the limitations prescribed by law or by these Bylaws, at such places as he or she shall deem proper.

(iii) To affix the signature of the Company to all deeds, conveyances, mortgages, leases, obligations, bonds, certificates and other papers and instruments in writing which have been authorized by the Board of Trustees or which, in the judgment of the President, should be executed on behalf of the Company and do not require such authorization and, subject to the direction of the Board of Trustees, to have general charge of the property of the Company and to supervise and control all officers, agents and employees of the Company.

(c) President Pro Tem. If neither the Chairman of the Board, the President, nor the Vice President is present at any meeting of the Board of Trustees, a president pro tem may be chosen to preside and act at such meeting. If neither the President nor the Vice President is present at any meeting of the shareholders, a president pro tem may be chosen to preside at such meeting.

(d) Vice President. In case of absence, disability or death of the President, the Vice President shall exercise all his or her powers and perform all his or her duties. The vice President shall have such other powers and perform such other duties as may be granted or prescribed by the Board of Trustees.

(e) Secretary. The powers and duties of the Secretary are:

(i) To keep a book of minutes at the principal place of business of the Company, or such other place as the Board of Trustees may order, of all meetings of its Trustees and shareholders with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at Trustees' meetings, the number of shares present or represented by shareholders' meetings and the proceedings thereof.

(ii) To keep the seal of the Company and to affix the same to all instruments which may require it.

(iii) To keep or cause to be kept at the principal place of business of the Company, or at the office of the transfer agent or agents, a share register, or duplicate share registers, showing the names of the shareholders and their addresses, the number and classes of shares held by each, the number and date of certificate issues for shares, and the number and date of cancellation of every certificate surrendered for cancellation.

(iv) To keep or cause to be kept at the principal place of business of the Company the books and records required by Section 1.3(b), (c), (d) and (e) above.

(v) To make a proper record of the issuance of shares of stock of the Company.

(vi) To transfer upon the share books of the Company any and all shares of the Company; provided, that so long as the Company shall have one or more duly appointed and acting transfer agents of the shares of the Company, such duties with respect to such shares shall be performed by such transfer agent or transfer agents, and the method of transfer of shares shall be subject to the reasonable regulations of the transfer agent to which the stock is presented for transfer, and also, if the Company then has one or more duly appointed and acting registrars, to the reasonable regulations of the registrar to which the new share is presented for registration; and provided, further, that no share of stock shall be issued unless it has been authorized as provided herein.

(vii) To make service and publication of all notices that may be necessary or proper, and without command or direction from anyone. In case of the absence, disability, refusal or neglect of the Secretary to make service or publication of any notices, then such notices may be served and/or published by the President or a Vice President, or by any person thereunto authorized by either of them or by the Board of Trustees or by the holders of a majority of the outstanding shares of the Company.

(viii) To prepare the voting lists required by Section 3.7 above.

(ix) Generally to do and perform all such duties as pertain to the office of secretary and as may be required by the Board of Trustees.

(f) Treasurer. The powers and duties of the Treasurer are:

(i) To supervise and control the keeping and maintaining of adequate and correct accounts of the Company's properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus and shares. Any surplus, including earned surplus, paid-in surplus and surplus arising from a reduction of stated capital, shall be classified according to source and shown in a separate account. The books of account shall at all reasonable times be open to inspection by any Trustee and by any shareholder as provided in Section 1.3 above.

(ii) To keep or cause to be kept at the registered office of the Company the books and records required by Section 1.3(a) above.

(iii) To have the custody of all funds, securities, evidences of indebtedness and other valuable documents of the Company and, at his or her discretion, to cause any or all thereof to be deposited for the account of the Company with such depository as may be designated from time to time by the Board of Trustees.

(iv) To receive or cause to be received, and to give or cause to be given, receipts and acquittances for moneys paid in for the account of the Company.

(v) To disburse, or cause to be disbursed, all funds of the Company as may be directed by the Board of Trustees, taking proper vouchers for such disbursements.

(vi) To render to the President and to the Board of Trustees, whenever they may require, accounts of all transactions as Treasurer and of the financial condition of the Company.

(vii) Generally to do and perform all such duties as pertain to the office of treasurer and as may be required by the Board of Trustees.

ARTICLE VI

SHARES

Section 6.1. Issuance of Shares. Stock shall be issued, in book entry form, evidencing the shareholders' ownership interest in the legal rights and facilities owned by the corporation and the right to use water pursuant to the water rights held in the name of the corporation on behalf of its shareholders, in conformance with the following:

(a) Except as provided in Article XI, Stock shall only be issued to the owners of lots within Pine Meadow. In the case of condominiums, townhouses and other such multi-family unit projects, one share shall be issued for each single family residence or single family dwelling unit associated with such condominium, or townhouse project, which share shall be appurtenant to and transferred with said residence or unit. In the case of apartments, the number of shares which shall be issued shall be based upon the maximum likely usage of water for all internal and external uses as shall be determined by the Board of Trustees in its absolute discretion, or by mutual agreement.

(b) Each share of stock shall entitle its holder to one connection to the corporation's water distribution system and the delivery of Company water subject to the provisions of the Articles of Incorporation and these Bylaws.

(c) The Company shall not issue shares to any person or entity, unless the Company has adequate water system capacity at the time of issuance of such shares to provide such water service as may be reasonably required by any county, state or other regulatory authority.

(d) The amount of water distributed per share shall be subject to annual adjustment by the Board of Trustees during the course of any given year depending upon the available water supply. In an average year, each shareholder who owns residential land or units connected with said shares shall be entitled, in an average year, to have water delivered through the Company's water system up to a maximum of amount to be set by the Board of Trustees, for each share owned and each unit or lot owned, (or a lesser amount of not less than the amount required under state law, county ordinance, or other regulation for a single residential lot or unit if a Water Service agreement provides such lower amount). Shareholders may use water in excess of the amount that they are entitled to under these Bylaws so long as water is available, but the Company shall not be obligated to provide excess water. The water rights and water system capacity to be owned by the Company shall be based on the amount that the shareholders are entitled to receive pursuant to this Section. The Company shall not be liable for any failure of water service, including, but not limited to, failure of the system, shortages, droughts, acts of God, accidents or other causes which result in the loss of water service.

Section 6.2. Appurtenancy of Shares. Shares of stock, when issued, shall become an appurtenance to the lot upon which it is to be used.

(a) The stock record book of the Company, with respect to each share, shall describe, by lot or unit number, as the case may be, the single residential lot, single family residence or single family unit to which such share is appurtenant. Shares may also be appurtenant to other property on the basis of residential equivalents established by the Company's Board of Trustees.

(b) No person may own more than one share stock for each residence, a residential lot, or residential unit served by the water system. The number of such shares owned by any owner of other property served by the water system shall be determined by the Board of Trustees, or by mutual agreement.

(c) Each share of stock shall be freely transferable with the lot or other property to which it is appurtenant, and must be transferred with said lot or other property. Shares of stock shall not be separated from the lot or other property to which the stock is appurtenant and shall not be transferrable for use on any lot or other property, other than the lot to which it is appurtenant without the express written approval of the Board of Trustees, which approval shall be within the sole and absolute discretion of the Board of Trustees.

ARTICLE VII

ASSESSMENTS AND CONNECTION FEES

Section 7.1 Power to Levy Assessments. The Board of Trustees shall have the power to levy the assessments herein provided, to shut off the water to that residence, lot, unit or property to which the share of stock is appurtenant where an assessment remains unpaid, as herein provided, and to take all steps necessary to collect assessments, including giving public notice of delinquencies and selling at auction any stock with unpaid assessments.

Section 7.2 Annual Assessments. The Board of Trustees, on or before January 31 of each year, shall determine the amount necessary to cover (i) the costs of purchasing, using, leasing or obtaining water, (ii) the costs of operating, improving, repairing and maintaining the water system, (iii) establishing and funding a reserve fund to cover major repairs, improvements and replacement of the water system, (iv) the costs of taxes and insurance on the water system and the Company, and (v) all costs necessary or desirable to enable the Company to perform or fulfill its obligations, functions and purposes under its Articles of Incorporation and Bylaws, and shall make and levy an assessment against the Company's outstanding stock. In the event the Board of Trustees does not timely levy an assessment as provided herein, the level of the prior year's assessment shall apply in the new year. Assessments for basic water usage shall be levied against all shares of stock on a pro rata basis.

Section 7.3 Special Assessments. The Board of Trustees may levy special assessments for the purpose of defraying, in whole or in part, (i) any corporation expenses not reasonably capable of being fully paid with funds generated by regular periodic assessments, (ii) the costs of any unexpectedly required repair or replacement of any part of the water system, (iii) the construction, reconstruction, repair, or any improvement of the water system for the common benefit of all of the properties served by the water system.

Section 7.4 Levy of Assessments, Payment Dates. Assessments on shares of stock shall be levied by the Board of Trustees at a meeting held for that purpose, with the assessments payable in monthly installments, as billed, on or before the last day of each month. The Board of Trustees shall have the power and authority to establish a base usage assessment payable by all stockholders with additional charges to be assessed for usage of water in excess of the base assessment. The order levying the assessment shall specify (i) the amount, (ii) when, to whom and where payable, and (iii) the date on which an unpaid assessment shall be delinquent, which date must not be less than 30 nor more than 60 days from the time the assessment becomes due, provided that all outstanding annual and special assessments shall be delinquent if not paid on or before January 31 of each year. The annual assessment and levy may be modified at any time by the Board of Trustees at a meeting called for that purpose, where such action is reasonably necessary.

Section 7.5 Notice of Levy. Notice of orders of levy, in a form approved by the Board of Trustees, shall be served on all shareholders by personal service or by

mailing in the regular U.S. Mail a copy of the notice to the shareholder's residence, or the most recent address provided by shareholder and recorded on the records of the Company.

Section 7.6 Form of Notice, Interest. The notice referred to in Section 7.5 above shall contain the following information:

- (a) The name of the Company.
- (b) The amount of the assessment(s).
- (c) The date of the assessment(s).
- (d) When, to whom and where payable.
- (e) The date an unpaid assessment becomes delinquent.
- (f) That shares represented by delinquent assessments shall be advertised for sale at public auction.
- (g) That delinquent assessments will bear interest at the rate of 1.5 percent per month and the shareholder shall be responsible for all advertising and collection costs and expenses including attorneys' fees.

Section 7.7 Delinquent Assessments. If any portion of an assessment mentioned in the notice remains unpaid on the day specified therein when the assessment becomes delinquent, the Secretary shall prepare a list of all delinquent stock and shall publish the same in a newspaper of local circulation. The Notice of Delinquency shall be published in a form approved by the Board of Trustees. The Notice of Delinquency shall be published for at least two (2) weeks prior to the date of sale of the stock for delinquent assessments, and the first publication of said notice shall be published at least fifteen (15) days prior to the actual date of the sale of the stock as set forth in the notice. In addition, the Secretary shall also mail an Individual Notice of Delinquency to each of the stockholders identified in the Notice of Delinquency to be published as herein above set forth. The Individual Notice of Delinquency shall be in a form approved by the Board of Trustees. The notice of delinquency may also state that if the assessment is not fully paid within 10 days of the date of the notice, then the Company shall have the right to immediately shut off the water to that residence, lot, unit or property, to which the share of stock is appurtenant and on which the assessment has not been paid, and further that if the assessment remains unpaid on the date set for delinquency, then the shares will be advertised for sale at public auction and the delinquent assessment amount will bear interest at the rate of 1.5 percent per month and the shareholder shall be responsible for all advertising and collection costs and expenses including attorneys' fees.

Section 7.8 Publication. The publication of the Notice of Delinquency shall vest jurisdiction in the Company to sell and convey free and clear title of all stock listed therein for the purpose of paying the past due assessments and all interest, expenses of advertising and sale, and attorney's fees incurred by the Company.

Section 7.9 Sale of Stock. The stock described in the Notice of Delinquency shall be sold to the highest bidder at public auction, upon the date and at the time set forth in the original Notice of Assessment. The Company shall only sell as much stock as is required to cover the amount of all past due assessments and the costs and expenses of sale. The Company is authorized to purchase the shares itself in consideration for all past due assessments. The Company may resell such shares at any time, but only to the owner of the lot to which such shares were appurtenant, or to the successor in interest of such owner, for a price that reflects 110 percent of the amount of the past due assessments (including assessments that would have accrued while the stock is held by the Company), together with accrued interest, expenses of advertising and sale and attorney's fees incurred by the Company. The sale and assignment of stock shall be in a form approved by the Board of Trustees.

Section 7.10 Affidavits of Sale. Upon conclusion of the sale, the Secretary of the Company shall file three (3) affidavits within the corporate records. The first affidavit, entitled "Affidavit of Assessment," shall state that the Secretary mailed the notice of order levying assessments as required by statute. The second affidavit, entitled : "Affidavit of Sale of Stock," shall state that the stock sale occurred at the time and place as set forth in the Notice of Order Levying Assessments and Notice of Delinquency, and set forth the particular quantity of stock sold, for whom and for what price the stock was sold, and acknowledge that the money was paid and received. In addition, the Secretary of the Company shall obtain from the publisher of the newspaper that published the Notice of Delinquency an affidavit, known as a "Proof of Publication," which indicates that the notice was published in the paper, the dates of publication, etc. All three (3) of the aforesaid affidavits shall be in a form approved by the Board of Trustees and shall be maintained with the permanent corporate records. A notice shall also be recorded by the Company in the office of the Summit County Recorder declaring that the stock has been sold, that the lot no longer has an appurtenant water share and is not entitled to the delivery of water, and setting forth the terms on which the share may be repurchased by the lot owner.

Section 7.11 Landlord or Lessor Shall Be Primarily Liable for All Assessments. The legal owner of any rented property being served by the Company shall appear as the record owner of the share of stock and shall be held primarily responsible to the Company for payment of the annual stock assessment.

Section 7.12 Connection Fees. The Board shall have authority to levy and collect a connection fee for new connections to the Company system.

(a) No shareholder shall be allowed to connect onto the Company system, nor take water therefrom, until he or she has paid the required connection fee. The amount of the connection fee shall be determined by the Board of Trustees from time to time by separate resolution of the Board of Trustees.

(b) The Company may allocate out of each connection fee received a reasonable amount for future reservoir construction and deposit that amount into a separate fund for the construction of additional storage and other facilities as may be required by the Company. The remaining fee shall be allocated towards the actual cost of the water meter and the connection.

(c) The water user shall pay for the meter box, shut-off valves, gauges and for the costs incurred in the actual physical connection to the system and the inspection of that connection by the Company's personnel. All meters shall be installed by licensed plumbers.

ARTICLE VIII

SUNDRY PROVISIONS

Section 8.1 Instruments in Writing. All checks, drafts, demands for money and notes of the Company, and all written contracts of the Company, shall be signed by such officer or officers, agent or agents, as the Board of Trustees may from time to time by resolution designate. No officer, agent, or employee of the Company shall have power to bind the Company by contract or otherwise unless authorized to do so by these Bylaws or by the Board of Trustees.

Section 8.2 Fiscal Year. The fiscal year of this Company shall be the calendar year unless otherwise provided for by resolution of the Board of Trustees.

Section 8.3 Shares Held by the Company. Shares in other corporations held in the name of the Company may be voted or represented and all rights incident thereto may be exercised on behalf of this Company by any officer of this Company authorized so to do by resolution of the Board of Trustees.

Section 8.4 Certificates of Stock. Shares may be issued without certificates as allowed by Utah law. As appropriate, the Company may issue to holders of fully paid shares of stock of the Company a certificate or certificates evidencing such shares. If certificates are issued:

(a) Each such certificate shall be either (a) signed by the President or a Vice President and the Secretary or an assistant Secretary of the Company and countersigned by a transfer agent of the Company (if the Company shall then have a transfer agent) and registered by a registrar of the shares of capital stock

of the Company (if the Company shall then have a registrar); or (b) authenticated by facsimile of the signature of the President and the written signature of the Secretary or an assistant Secretary and countersigned by a transfer agent of the Company and registered by a registrar of the shares of the capital stock of the Company.

(b) Where the owner of any certificate for shares of the capital stock of the Company claims that the certificate has been lost, destroyed or wrongfully taken, a new certificate shall be issued in place of the original certificate if the owner (a) so requests before the Company has notice that the original certificate has been acquired by a bona fide purchaser, (b) files with the Company an indemnity bond in such form and in such amount as shall be approved by the President or a Vice President of the Company, and (c) satisfies any other reasonable requirements imposed by the Company. The Board of Trustees may adopt such other provisions and restrictions with reference to lost certificates, not inconsistent with applicable law, as it shall in its discretion deem appropriate.

Section 8.5 Water Shortage Response. The Company shall have the authority to address water shortages as determined by the Board of Trustees and/or the President as hereinafter provided.

(a) Emergency Response. The President of the Company shall have the authority to issue an order prohibiting or limiting the use of water for outside uses and nonessential inside uses in the event of an emergency water shortage resulting from damage to the water system or water system failures. The President shall cause notice of such order to be given to all shareholders who have connections to the water system and such orders shall be effective upon such notice.

(b) Drought Response. The Board of Trustees may address shortages in water supply, including shortages resulting from drought conditions and/or other long-term causes, by imposing water conservation requirements for shareholders connected to the water system. Such conservation requirements may include, by way of example but not by way of limitation: (i) limiting outside watering to certain days of the week and/or certain hours of the day; and/or (ii) prohibiting certain uses. The Board of Trustees shall cause notice of such conservation requirements to be given to all shareholders.

(c) Enforcement. The Board of Trustees may adopt rules for enforcing violations of water shortage response orders or conservation requirements. Such rules may provide for monetary penalties for violations and for discontinuance of water service for serious repeated or continuing violations. No penalties shall be imposed for violations by shareholders who have not been given notice of the water shortage response orders or requirements.

Section 8.6 Water Delivery Agreements. The Company may require all owners of Company stock to enter into water delivery agreements to further define the rights and obligations of the shareholders in connection with the delivery of water from the water system. The water delivery agreements shall provide for the payment by the owner of the costs necessary to extend the water system to the property to which the shares are to be appurtenant. Such water delivery agreements shall in all respects be consistent with the Articles of Incorporation and these Bylaws.

Section 8.7 Meters Required. All uses of water from the Company's system may be metered, as determined by the Board of Trustees, except for fire protection water, which will not be metered.

Section 8.8 One Structure Per Meter. Not more than one structure or building shall be connected to any one water meter without the prior written approval of the Board of Trustees.

Section 8.9 Additions or Improvements to System. Any additions or improvements to the water system shall only be made or accepted by the Company upon approval of the Board of Trustees. The Board of Trustees shall have the right to establish such standards and requirements for additions to the water system as they may deem reasonable and necessary to maintain the engineering integrity and usability of the system.

Section 8.10 Insurance. Company shall carry with standard insurance companies and in amounts determined appropriate by the Board of Trustees to the Bank the following insurance, naming the Bank as an additional insured: (i) worker's compensation insurance and public liability and property damage insurance in respect of all activities in which Company might incur personal liability for the death or injury to an employee or third person, or damage to or destruction of another's property; and (ii) casualty insurance for the replacement value or costs of the water system against loss or damage by risks customarily covered with respect to such water systems.

Section 8.11 Dissolution. In the event of dissolution, each shareholder of the Company shall receive a proportionate share of the Company's property and assets, including gains from the sale of appreciated assets, in proportion to the amount of business done with the Company by each shareholder during the period the assets were owned by the Company, insofar as is practicable.

Section 8.12 Maintenance and Service Contracts. The Board of Trustees shall have authority to enter into written contracts for operation and maintenance of the Company's water distribution system with such individuals, companies or contractors as the Board of Trustees may, in its discretion, deem suitable.

(a) The services to be provided under such contracts may, for guidance, include, but need not be limited to, the following:

(i) Monitor and maintain, on a regular basis, the following facilities and equipment of the Company, and recommend repairs and improvements to the same, as necessary, to the Board of Trustees:

(1) all wells and pumps (including, water depth and flow);

(2) all water storage reservoirs (including flushing the same on a quarterly basis), and all related telemetry, radio and other signaling equipment;

(3) all fire hydrants (including flushing the same); and

(4) all pipelines, valves, water meters and related equipment;

(ii) Read all water meters send all meter readings and calculations to the individual or entity designated by the Company to perform accounting services;

(iii) Monitor water demand for new home construction sites, and purchase and install water meters for each new lot to be served;

(iv) Monitor and report excess water usage on new home construction sites during the construction period;

(v) Take water samples, submit the samples to the appropriate laboratory for analysis in conformance with all applicable State and local law, and give a monthly report of the results of the analysis to the Board of Trustees;

(vi) Meet and cooperate with State and local water officials, submit appropriate reports as required, and immediately report any deficiencies and other notable matters pertaining to the Company's water system and water quality; and

(vii) Perform all other activities and functions as may be required, by the Board of Trustees and otherwise, to effectively and efficiently operate and manage the water system of the Company.

(b) Remuneration and other terms and conditions pertaining to such contracts shall be determined by the Board of Trustees in its sole discretion.

ARTICLE IX

TRUSTEES' CONDUCT

Section 9.1 Interested Parties. No contracts or other transactions between the Company and any other trust, organization or corporation shall in any way be affected or invalidated by the fact that any of the Trustees of the Company are pecuniarily or otherwise interested in, or are trustees, directors or officers of, such other trust organization or corporation.

Section 9.2 Notice of Interest. Any Trustee individually, or any trust, organization or corporation with which any Trustee may be associated, may be a party to or may be pecuniarily or otherwise interested in any contracts or transactions of the Company, provided that the fact that he or she or such trust, organization or corporation is so interested shall be disclosed or shall have been known to the Board of Trustees or a majority thereof.

Section 9.3 Quorum. Any Trustee of the Company who is also a trustee, director or officer of such other trust, organization or corporation or who is so interested may be counted in determining the existence of a quorum at any meeting of the Board of Trustees of the Company which shall authorize any such contracts or transactions with like force and effect as if he or she were not such trustee, director or officer of such other trust, organization or corporation, or not so interested.

ARTICLE X

INDEMNIFICATION

Section 10.1 Judgments. The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that he or she is or was a Trustee, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 10.2 Defense Costs; Application to Court. The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that he or she is or was a Trustee, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Company and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of a duty to the Company unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

Section 10.3 Defense Costs; Successful Defense. To the extent that a Trustee, officer, employee or agent of the Company has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 9.1 or 9.2 of this Article, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

Section 10.4 Authorization. Any indemnification under Sections 10.1 or 10.2 of this Article (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the Trustee, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 10.1 or 10.2. Such determination shall be made by the Board of Trustees by a majority vote of a quorum of the Trustees, or by the shareholders.

Section 10.5 Advancement of Costs. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Company in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in Section 10.4 of this Article upon receipt of an undertaking by or on behalf of the Trustee, officer, employee or agent to repay such amount unless it shall ultimately be determined that he or she is entitled to be indemnified by the Company as authorized herein.

Section 10.6 Survival of Rights. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of shareholders or disinterested Trustees or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office and shall continue as to a

person who has ceased to be a Trustee, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 10.7 Liability Insurance. The Company may purchase and maintain insurance on behalf of any person who is or was a Trustee, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Company would have the power to indemnify him or her against such liability under the provisions of this Article.

ARTICLE XI

SERVICE TO NEW LANDS

Section 11.1 Application for Service to New Lands. No individual, firm, corporation or association shall be permitted to connect onto the Company's water mains, or to receive service from the Company, until a formal written application for service has been received by the Company, and the Company has accepted the application in writing, in conformance with the following:

- (a) The land to be served shall be contiguous to the current service area of the Company.
- (b) The application shall indicate the number of water connections the applicant will require (calculated at the rate of one connection per lot).
- (c) Applicant shall also submit a master plan of developer's proposed development.
 - (i) The Company's engineers shall review the proposed master plan to evaluate the water requirements of the proposed development, and the availability of water rights and source capacity of the Company to service the proposed development. If the Company lacks sufficient water and water rights and water sources capacity to serve the new development, the application for service shall be denied unless the applicant agrees to and does transfer to the Company water and water rights and/or source capacity acceptable to the Company in an amount sufficient to serve applicant's proposed development on a year-round basis.
 - (ii) If sufficient water rights and source capacity are available for year-round service to applicant's development, the Company shall give a letter of commitment or intent to serve applicant's proposed development, indicating

therein that an adequate supply of domestic water is available, and that the Company shall issue to applicant one share for each residential lot subject to compliance with these and all other applicable rules and regulations of the Company by the applicant and his or her successors-in-interest.

11.2 Conditions Precedent to Service to New Developments. Each applicant requesting service to a new development must comply with all of the following conditions precedent in order to obtain water service from the Company.

(a) If the Company lacks water rights to serve the proposed development, applicant must obtain and perfect its own year-round culinary water rights, acceptable to the Company, of sufficient quantity to satisfy current Utah State Engineer and Utah State Department of Environmental Quality requirements and these rules and regulations for applicant's intended development.

(i) Applicant shall transfer to the Company, without cost, and by an appropriate instrument of conveyance acceptable in form to the Company, all water rights comprising applicant's culinary water supply, free and clear of all liens and encumbrances, except as may be expressly approved and accepted by the Company in writing.

(ii) Thereafter, the Company shall be the record owner of the water rights involved, and the water represented thereby. The water shall then be commingled and become a part of the water rights and source of supply of the Company, through which all of its shareholders will be served, including applicant's development.

(iii) Upon conveyance of the water rights, the Company shall issue shares of stock to the applicant in number equal to the number of lots within applicant's intended development to be served, at the rate of one (1) share per lot.

(b) If the company lacks the required well capacity to serve applicant's proposed development, applicant shall transfer to Company a well or other suitable water source. Each water source to be transferred to the Company shall have first been approved as to quality and suitability for culinary use within the Company by the Utah State Department of Environmental Quality prior to the transfer of the same into the Company. The quantity available for use and the producing capacity and drawdown curve of any well to be transferred into the Company shall also be certified by a qualified professional engineer. Title to the well and all easements and appurtenances thereto shall be conveyed by deed and bill of sale, acceptable in form to the Company.

(c) Applicant shall construct at its sole expense, all extensions of and/or improvements to the Company's main water distribution lines required to serve applicant's development.

(i) Applicant shall enter into a standard line extension agreement with the Company, which shall govern the terms and conditions under which said main extensions shall be made by applicant and under which proportionate reimbursement from third parties who might connect onto the extended main line may be obtained. This extension shall be constructed in accordance with the Company engineer's inspection, approval and acceptance in order to insure that the extended system will be compatible with the existing system. Applicant shall carry the extended line to a point prescribed by the Company, in accordance with Company plans and specifications, in order to facilitate the orderly development of the next contiguous tract of land.

(ii) The Company may, in its sole discretion, deem it necessary to construct excess capacity into an extended main line to facilitate and allow anticipated growth in the immediate area. In that case, applicant shall construct said excess capacity into the extended line, in accordance with the Company's plans and specifications, and at applicant's sole expense; provided, however, that the Company, through the provisions of the line extension agreement required by this section, shall provide for the proportionate reimbursement to the applicant for the costs of engineering, construction and expansion of this excess line capacity, in accordance with a separate cost participation agreement.

(iii) Other third parties may subsequently connect to an extended main line. The Company shall require these third parties to pay a proportionate share of the original costs of constructing this extended main line. The Company, in accordance with the line extension agreement required by this section, shall make proportionate reimbursement to the applicant who constructed the extended main line from these funds.

(d) Applicant shall construct at its sole expense the water delivery system within the development parcel, including any required lift stations, storage, treatment and other appurtenant facilities to serve applicant's proposed development. These lines and facilities shall be constructed in accordance with plans and specifications approved by the Company. Lift stations and storage facilities shall be placed at an elevation which will be compatible with any lift stations, storage facilities and pressure zones already existing or which may now or later be proposed as part of the Company's water distribution and storage system.

(e) Applicant shall fully encase all wells and equip each well as required to serve its development, in conformance with all federal, state and local laws and regulations, at its sole expense. If applicant's water supply originates in springs or other surface supplies, applicant will perform all development work necessary and obtain at applicant's expense all required easements above the spring to protect the water source and insure the culinary quality of the water withdrawn from it. In the event treatment facilities are required, applicant shall construct and install the same at its sole expense.

(f) Where possible, provision shall be made for the construction of all extension and distribution lines within public or community streets and easements. However, where the extensions must cross private property where easements do not already exist, applicant shall obtain, at applicant's sole expense, all required and necessary easements for all distribution and main line extensions, and appurtenant facilities, and title to any required storage or well sites, along with the perpetual rights of ingress and egress for operation, maintenance, repair and replacement of the same and convey the same, without cost, to the Company.

(g) Upon compliance with all of the foregoing terms and conditions, applicant shall convey to the Company, free and clear of all liens and encumbrances except for those specifically agreed to in writing by the Company, by a conveyancing instrument acceptable to the Company, the following items pertaining to the new development:

(i) any extension of the Company's main water distribution lines;

(ii) the water distribution system and all appurtenant facilities specifically including but not limited to any well and well equipment, pumps, lift stations, and storage facilities;

(iii) title to all storage and well sites, together with any and all easements and appurtenances in connection therewith; and all pipeline easements and rights-of-ways;

(iv) all required water and water rights.

ARTICLE XII

SAVINGS CLAUSE

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

ARTICLE XIII

EFFECTIVE DATE

These Bylaws shall be in full force and effect from and after a state of passage and adoption by the Board of Trustees of the Pine Meadow Mutual Water Company.

CERTIFICATE OF ADOPTION

These Bylaws were adopted by the shareholders at a special meeting of the shareholders on October 25 , 1999. 62 shares of stock were represented at the meeting by attendance and by proxy. 38 shares, including more than a two-thirds majority of the resident shareholders represented at the meeting, voted in favor of the Bylaws and 0 shares voted against the Bylaws.

President

Secretary