

**BYLAWS  
AND RULES AND REGULATIONS  
OF  
NORTH LOGAN SPRINKLING COMPANY**

**WHEREAS**, the governing Board of directors (the “Board”), of North Logan Sprinkling Company (the “Company”), deems it necessary to adopt these bylaws and uniform rules and regulations pertaining to the administration and business affairs of the Company, the issuance and transfer of shares of stock in the Company, assessment of Company shares and procedures for the collection of delinquent assessments, and related matters for the purpose of assuring the orderly governance of the Company, and the fair and equitable distribution of water to the Company’s shareholders.

**NOW, THEREFORE, BE IT HEREBY RESOLVED** by the Board that the bylaws and rules and regulations by which the Company shall be governed are as follows:

**ARTICLE I  
LEGAL AUTHORITY**

These Bylaws and Rules and Regulations, as amended from time-to-time (“Bylaws”), are promulgated pursuant to and in conformance with the Utah Revised Nonprofit Corporation Act, §16-6a-101 et seq., Utah Code Ann. (the “Act”), and pursuant to authority granted to the Board as set forth in the Articles of Incorporation of North Logan Sprinkling Company (the “Articles”).

**ARTICLE II  
BOOKS AND RECORDS**

**1. Books and Records.**

- a. The Company shall keep as permanent records:
  - (1) minutes of all meetings of its shareholders and the Board;
  - (2) a record of all actions taken by the shareholders or the Board without a meeting;
  - (3) a record of all actions taken by a committee of the Board in place of the board of directors on behalf of the Company; and
  - (4) a record of all waivers of notices of meetings of shareholders and of the Board or any committee of the Board.
- b. The Company shall maintain appropriate accounting records.
- c. The Company shall maintain a record of its shareholders in a form that permits preparation of a list of the name and address of all shareholders:
  - (1) in alphabetical order, and
  - (2) showing the number of votes each member is entitled to vote.

d. The Company shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time. The Secretary shall provide for an electronic back-up of the records required to be maintained by it herein.

e. The Company shall keep a copy of each of the following records at its principal office:

(1) the Articles;

(2) these Bylaws;

(3) resolutions adopted by the Board relating to the characteristics, qualifications, rights, limitations, and obligations of shareholders or any category of shareholders;

(4) the minutes of all shareholders' meetings for a period of three years;

(5) records of all action taken by shareholders without a meeting, for a period of three years;

(6) all written communications to shareholders generally as shareholders for a period of three years;

(7) a list of the names and business or home addresses of its current directors and officers;

(8) a copy of its most recent annual report delivered to the State Division of Corporations;

(9) all financial statements prepared for periods ending during the last three years; and

(10) a comprehensive map setting forth the following:

(a) the Company's irrigation water distribution system, showing the location of primary distribution pipelines, laterals and risers; and

(b) the shareholder properties irrigated with water delivered through the system, and the respective irrigated acreage and shares appurtenant to the irrigated acreage.

## **2. Inspection of Records.**

a. A director or shareholder is entitled to inspect and copy any of the records of the Company described in Subsection 2.1(e) herein:

(1) during regular business hours;

(2) at the Company's principal office; and

(3) if the director or shareholder gives the Company written demand, at least five business days before the date on which the shareholder wishes to inspect and copy the records.

b. In addition to the right to inspect the records described in Subsection 1(e) as authorized in Subsection 2(a), a director or shareholder is additionally entitled to inspect and copy any of the other records of the Company [i.e. in addition to those described in Subsection 1(e)]:

- (1) during regular business hours;
- (2) at a reasonable location specified by the Company; and
- (3) at least five business days before the date on which the shareholder wishes to inspect and copy the records, if the director or shareholder: (A) meets the requirements of Subsection (c) below; and (B) gives the Company written demand.

c. A director or shareholder may inspect and copy the records described in Subsection 2.2(b) above only if:

- (1) the demand is made: (A) in good faith; and (B) for a proper purpose;
- (2) the director or shareholder describes with reasonable particularity the purpose and the records the director or shareholder desires to inspect; and
- (3) the records are directly connected with the described purpose.

d. For purposes of this section:

(1) "shareholder" includes: (A) a beneficial owner whose stock interest is held in a voting trust; and (B) any other beneficial owner of a stock interest who establishes beneficial ownership; and

(2) "proper purpose" means a purpose reasonably related to the demanding shareholder's or director's interest as a shareholder or director.

e. A director's or shareholder's agent or attorney has the same inspection and copying rights as the director or member.

f. The right to copy records hereunder includes, if reasonable, the right to receive copies made by photographic, xerographic, electronic, or other means. The Company may impose a reasonable charge covering the costs of labor and material for copies of any documents provided to the requesting director or shareholder. The charge may not exceed the estimated cost of production and reproduction of the records.

### **ARTICLE III MEMBERSHIP; STOCK**

**1. Membership.** The shareholders of the Company shall be its members, and may be referred to as either shareholders, stockholders or members. Each shareholder in the Company must be a shareholder in good standing in the Cache Highline Water Association and be entitled to receive water under the shareholder's shares in said association. In the event a shareholder in the Company shall forfeit or otherwise lose its shares in Cache Highline Water Association, the shareholder's shares in the Company shall be forfeited on the books and records of the Company.

#### **2. Issuance of Stock.**

a. The Company shall issue shares of the capital stock of the Company as evidencing membership therein. Company stock shall be issued in a single class. The aggregate number of shares which the Company shall be authorized to issue is 1,000 shares, each share having no par value.

b. Shares shall be issued to each member at the rate of one (1) share of Company stock per one (1) share of stock of Cache Highline Water Association (“Cache Highline”), owned by each member.

c. Each share of Company stock shall represent and secure to the owner thereof, the rights set forth in this Article, which rights may be exercised in conformance with the Articles of Incorporation and these Bylaws.

**3. Entitlement Pursuant to Shares.** Each share of Company stock shall represent an interest in and right to the delivery of each shareholder’s water supply, as hereinafter defined, from and through the water distribution system of the Company as defined in Article X herein (the “Company System”), pursuant to the terms, conditions and restrictions set forth in the Articles, these Bylaws, and all applicable laws governing the use of water. The water supply to be delivered by the Company to each shareholder shall be that water which each shareholder is entitled to receive as a shareholder in Cache Highline.

**4. Appurtenance.** To facilitate more effective management and control of the Company’s water supply, to facilitate water delivery, and to protect the Company and its shareholders, each shareholder’s share or shares in the Company shall be deemed to be appurtenant to the lot or property upon which water under each share of Company stock is being used as of the effective date of these Articles, and may only be separated from the lot or property to which it is deemed appurtenant and transferred in conformance with the provisions of Article III, Section 7 herein.

**5. Holders of Shares.** Only registered shareholders shall be entitled to be treated by the Company as the holders in fact of the shares standing in their respective names, and the Company shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided by the laws of the State of Utah.

**6. Transfers of Shares.**

a. No share of stock shall be separated from the lot or property to which it is deemed appurtenant and transferred for any use on any other lot or property without the express prior written approval of the Board.

b. Transfers of shares shall be made only upon the shares transfer records of the Company, kept at the office of the Company, and shall be made in conformance with and subject to the following:

(1) In order to effectuate a transfer of shares upon the shares transfer records of the Company, the shareholder requesting the transfer shall present to the Board such documentation as shall be legally sufficient, in the opinion of the Board and the Company’s legal counsel, to justify the transfer of title to the shares, including, but not limited to the following documents, as applicable:

(a) the certificates representing the shares to be transferred, duly endorsed by the transferor of the shares to the transferee;

(b) a death certificate and other probate records, as necessary to demonstrate a right to the shares because of inheritance;

(c) deeds signed by the record owner of the shares in which the intention of the owner to transfer the shares to the grantee named in the deed is clearly and unequivocally set forth; or

(d) any combination of the foregoing.

(2) Upon satisfaction of these conditions, the Secretary shall be authorized to update the stock register and transfer records of the Company, and issue a new share certificate in the name of the transferee in conformance with the provisions of Article III, Section 2.

(3) The Company may establish, by separate resolution, a stock transfer fee which is to be paid by the shareholder requesting the transfer prior and as a condition to the transfer of the shares on the stock transfer records of the Company. The amount of the fee shall be sufficient to cover all actual out-of-pocket costs, including printing costs, administrative costs, and legal costs, if any, incurred by the Company in connection with effectuating the transfer.

**7. Leased Shares.** Shares of the Company may be leased by any shareholder to any other shareholder or non-shareholder subject to the following:

a. Any shareholder desiring to lease shares shall, as a condition to receiving Board authorization, provide to the Company, in writing, no later than March 1 of any year in which said shares are to be leased, a written lease agreement or written authorization confirming the lease of said shares, including, but not necessarily limited to, the following information:

(1) name and address of the owner of the shares to be leased;

(2) name and address of the lessee;

(3) certificate number and number of shares to be leased;

(4) identification of the headgate and pipeline within the Company's Water Distribution System through which water is currently being delivered to the lessor;

(5) identification of the headgate and pipeline within the Company's Water Distribution System through which the water is proposed to be delivered to the lessee;

(6) the term of such lease agreement;

(7) a provision to the effect that the lessee of said shares shall be subject to and agrees to abide by all lawfully adopted by-laws and rules and regulations of the Company; and

(8) such other information as may be required by the Board.

b. The term of any agreement for lease of shares of the Company shall be for a period not less than one (1) year. Any expenses incurred by the Company in connection with any such lease agreement shall be reimbursed to the Company by the lessor/shareholder as billed by the Company.

c. The lessee of said shares shall have no right to sub-lease all or any portion of the shares leased by lessee.

d. The Company shall bill the owner of record of the shares to be leased for all annual and special assessments levied against any leased shares and the owner of the shares shall have the sole

responsibility to pay said assessments as and when the same shall become due. It shall be the sole responsibility of the owner of any leased shares to seek reimbursement, if any, for payment of said assessments from the lessee of the shares.

e. All voting rights with respect to any leased shares of the Company shall be exercised by the owner of said shares, unless the shareholder authorizes the lessee to vote said shares by proxy.

f. The lessee of any shares of the Company shall be subject to and agree to abide by these and all other bylaws and rules and regulations of the Company as a condition to delivery of water.

**8. Rules.** The Board shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer, conversion and registration of the capital shares of the Company, not inconsistent with the laws of the State of Utah, the Articles and these Bylaws.

#### **ARTICLE IV VOTING RIGHTS**

**1. Voting Rights.** With respect to all matters required to be submitted to a vote of the shareholders of the Company, each shareholder shall have equal voting rights with each other and each share shall be entitled to one (1) vote or a corresponding fractional vote in the case of a fractional share, registered in the shareholder's name on the books of the Association. If a stock certificate stands of record in the name of two or more persons, only one person may vote the share and that share shall still be titled to only one vote or the fraction thereof in the case of fractional shares. All members holding shares of Company Stock shall constitute a single voting group. There shall be no cumulative voting.

**2. Record Ownership.** The books and records of the Company shall determine who is the record owner of each share and therefore entitled to vote such share.

#### **ARTICLE V SHAREHOLDER'S MEETINGS**

**1. Place of Meetings.** All meetings of the shareholders shall be held at such place as shall be determined from time-to-time by the Board, and the place at which such meeting shall be held shall be stated in the notice and call of the meeting.

**2. Annual Meeting.** An annual meeting of the shareholders of the Company shall be held at such time and on such date as shall be stated in or fixed in accordance with a resolution of the Board, but no later than March 31st of each year. The failure to hold an annual or regular meeting at the time and date determined shall not affect the validity of any corporate action. The business for the meeting shall include, but not be limited to, the following: (a) calling the meeting to order, (b) proof of notice of the meeting, (c) reading of the minutes of the previous annual meeting, (d) report of officers, (e) report of committees, if any, (f) election of directors, and (g) miscellaneous business.

**3. Special Meetings.** Special meetings of the shareholders, for any purpose or purposes, including emergencies, unless otherwise prescribed by state law, may be called by the president of the Company, or in the event of his failure or refusal to act, by a majority vote of the Board, and shall be called at any time by the president or vice president, or the secretary or treasurer, upon the request of shareholders owning not less than thirty-five percent (35%) of the outstanding shares of the Company entitled to vote at such meeting. Business transacted at all special meetings shall be confined to the subjects stated in the call of the meeting.

#### **4. Notice of Meetings.**

**a. Time and Manner of Notice.** Notice of the date, time and place of any annual or special meeting of shareholders shall be given to each shareholder of record of the Company entitled to vote, in conformance with the following:

(1) Notice shall be given by:

(a) email to shareholders who have provided email addresses to the Secretary and authorized notice by email, no fewer than 10 days before the shareholder's meeting;

(b) first class mail no fewer than 10 days before the shareholder's meeting;

(c) other than first class or registered mail, no fewer than 30 days, nor more than 60 days before the shareholder's meeting; or

(d) publication in the newspaper of general circulation in Cache County, two separate times, with the first of the publications being no more than 60 days before the meeting and the last publication being no fewer than 10 days prior to the meeting.

(2) Notice may be waived in writing, signed by the shareholder entitled to the notice and delivered to the Company for inclusion within the minutes or for filing with the corporate records.

(3) An emergency meeting may be called using the most reasonable means of notice possible, including notice communicated in person, by telephone, by any form of electronic communication, including fax or e-mail, by mail, by private carrier or any combination of the above.

(a) Contents of the Notice. The notice may include any matter or matters to be approved or discussed and shall include a description of any matter or matters that must be approved by the shareholders or for which approval is sought in connection with conflict of interest transactions, indemnification of directors and officers, amendments to the articles of incorporation and bylaws, merger plan, sale of Company property other than in the ordinary course of business, and dissolution of the Company. The Company shall give notice of a matter a shareholder intends to raise at the meeting if requested in writing to do so by a person entitled to call a special meeting and the request is received by the secretary or president of the Company at least 10 days before the Company gives notice of the meeting.

**5. Record Date.** The Board may fix in advance a date, not exceeding thirty (30) days preceding the date of any meeting of shareholders, as a record date for the determination of the shareholders entitled to notice of and to vote at any such meeting. If a record date is not established for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, the date on which notice of the meeting is mailed shall be the record date. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

**6. Quorum.** Unless otherwise expressly provided herein or in the Act, at any annual or special meeting of shareholders, shareholders entitled to vote who are present at the meeting or represented by proxy shall constitute a quorum for action on any matter,. Once a shareholder is represented for any purpose at a meeting, including the purpose of determining that a quorum exists, the shareholder is considered present for quorum purposes for the remainder of the meeting and for any adjournment of the meeting.

## 7. Voting at Meetings.

**a. Shareholder Voting List.** A complete list of the shareholders entitled to vote at the ensuing election, arranged in alphabetical order and sequentially numbered with a number for each shareholder, showing the address of each shareholder entitled to notice of and to vote at the meeting, and the number of voting shares held by each, shall be prepared by or at the direction of the Secretary who shall have charge of the shares ledger and be filed in the office where the election is to be held, at least two (2) days before every election. The shareholder voting list shall, during normal business hours and during the proceedings of the election, be open to the examination of any shareholder. 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 shares transfer record shall be prima facie evidence as to the shareholders entitled to examine such list or transfer record or to vote at the meeting of shareholders.

**b. Voting in Person or by Written Proxy.** Each vote at any annual or special meeting of the shareholders shall only be by personal vote or by written proxy. A member may appoint a proxy by signing a proxy form either in person or by their attorney-in-fact.

**c. Manner of Voting.** Voting at all meetings of shareholders shall be by voice vote, by vote indicated by raise of the hand, by written ballot, or as may be otherwise directed by the presiding officer.

### **d. Voting of Shares by Fiduciaries.**

(1) Shares held by an entity may be voted by an officer or duly authorized agent of the entity, and evidence of such fiduciary status acceptable to the Company is submitted as requested by the Company.

(2) Shares held by an administrator, executor, guardian, or conservator may be voted by him either in person or by proxy without a transfer of such shares into his name.

(3) Shares standing in the name of a trustee may be voted by him either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name as transferee.

(4) Shares standing in the name of a receiver may be voted by such receiver, and shares held by, or under the control of a receiver, may be voted by such receiver without the transfer thereof into his name, if authorization to do so is contained in an appropriate order of the court by which such receiver was appointed.

(5) A shareholder whose shares are pledged shall be entitled to vote such shares until the shares shall have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred, unless the pledgee and pledgor otherwise agree. The pledgee must provide evidence of such agreement to the Company prior to the record date to be entitled to vote.

(6) Shares belonging to the Company ("Treasury Shares"), or held by it in a fiduciary capacity, shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding shares at any given time.

**e. Inspectors of Election.** Two inspectors of election shall serve at each meeting of the shareholders at which any vote shall be taken. The secretary of the Company and one or more other person appointed by the Board before or at the meeting shall serve as the inspectors. If the Secretary is up



for election, the Board will appoint another Board member to be an inspector in lieu of the Secretary. The inspectors shall receive and take charge of all proxies and written ballots received prior to the record date, and shall decide all questions touching upon the qualification of voters, the validity of proxies, the validity of written ballots, and the acceptance and rejection of votes. In case of a tie vote by the inspectors on any question, the presiding officer shall decide the matter.

## **ARTICLE VI BOARD OF DIRECTORS**

### **1. Number, Qualifications and Tenure.**

a. The exercise of all corporate powers and business affairs of the Company shall be exercised and managed by the Board of not less than three (3) nor more than eleven (11) directors, with the initial Board to consist of seven (7) directors, to be elected by the shareholders of the Company at each annual shareholder's meeting as provided herein. Directors shall be elected in conformance with the following:

Two (2) directors shall be elected by only those shareholders whose water is distributed through the Head Gate #82 Distribution System, as defined in Article X herein;

Two (2) directors shall be elected by only those shareholders whose water is distributed through the Head Gate #82-1 Distribution System, as defined in Article X herein; and

Three (3) directors shall be elected by all of the Company shareholders at large.

b. Each director must be a natural person of 18 years of age or older and be a shareholder in the Company.

c. Directors shall be elected for a term of four (4) years, and shall hold office until their successors are elected and qualify. Board elections shall be called and conducted in such a manner as to provide for staggered terms of the members of the Board.

**2. General Powers.** In addition to the powers and authorities which by these Bylaws and the Articles are expressly conferred upon it, the Board may exercise all such powers of the Company and do all such lawful acts and things as are not by statute, the Articles, or these Bylaws directed or required to be exercised or done by the shareholders. Without limiting the general powers of the Board to govern and exercise control of the Company as set forth above, the Board shall have the power, among other things: (i) to buy, sell, exchange, or dispose of the real and personal property of the Company as it may deem necessary; (ii) to regulate the transfer of Company shares; (iii) to prescribe the duties of its officers, agents, and employees, and fill all vacancies in the Board caused by an increase or decrease in the number of members of the Board, by death, by resignation or otherwise; (iv) to locate and construct wells, pipelines, dams, reservoirs, canals, ditches, head gates and diversions to provide for the storage and delivery of waters to the shareholders of the Company; (v) to regulate and deliver that quantity of water which each shareholder is entitled to receive as a shareholder in Cache Highline, including the rationing of such water supply as directed by Cache Highline in times of scarcity; (vi) to levy assessments on all shares of Company shares and enforce and collect such assessments; (vii) to employ engineers, attorneys, superintendents, Water Masters and other subordinate officers, agents and laborers as in their judgment the business of the Company may require, prescribe their duties, and provide for their compensation, if any; (viii) to make rules and regulations for the administration and regulation of affairs of the Company; and (ix) to have and exercise any and all such express and implied powers as shall be necessary or

convenient to effect any or all of the purposes for which the Company is organized so long as such actions are not inconsistent with the Articles, these Bylaws or the Act.

**3. Regular Meetings.** Regular meetings of the Board shall be held on a regular basis at the principal office of the Company or at such other place or places within or without the State of Utah, and on such dates and times as the Board may from time-to-time designate. Regularly scheduled meetings of the Board may be held without notice.

**4. Special Meetings.** Special meetings of the Board may be called at any time by the President, or in his absence, by the Vice President, or by any two directors, to be held at the principal office of the Company or at such other place or places, within or without the State of Utah, as the directors may from time-to-time designate. Notice of any special meeting shall be given at least five (5) days previously thereto by written notice mailed to each director at said director's home or business address, or personally by email or by telephone. If mailed, such notice shall be deemed to have been delivered when deposited in the United States Mail so addressed, postage prepaid. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

**5. Action Without a Meeting.**

a. Any action required or permitted to be taken at a Board meeting may be taken without a meeting if each and every director in writing either votes for the action; or votes against the action or abstains from voting and waives the right to demand that action not be taken without a meeting.

b. Action is taken under this section only if the affirmative vote for the action equals or exceeds the minimum number of votes that would be necessary to take the action at a meeting at which all of the directors then in office were present and voted.

c. An action taken pursuant to this Section 5 is not effective unless the Company receives a written document satisfying the requirements of subsection a. of this Section 5, signed by all directors, and which is not revoked pursuant to subsection d. of this Section 5. The writing may be received by electronically transmitted email, facsimile or other form of wire or wireless communication providing the Company with a complete copy of the document, including a copy of the signature on the document. A director's right to demand that action not be taken without a meeting shall be considered to have been waived if the Company receives a writing satisfying the requirements of this subsection c. that has been signed by the requisite number of directors and not revoked pursuant to subsection d. of this Section 5. Action taken pursuant to this section shall be effective when the last writing necessary to effect the action is received by the Company, unless the writings describing the action taken set forth a different effective date.

d. If the writing is received by the Company before the last writing necessary to effect the action is received by the Company, any director who has signed a writing pursuant to this Section 5 may revoke the writing by a writing signed and dated by the director describing the action and stating that the director's prior vote with respect to the writing is revoked.

e. An action taken pursuant to this Section 5 has the same effect as an action taken at a meeting of directors and may be described as an action taken at a meeting of directors in any document.

**6. Quorum.** At any meeting of the directors, four (4) members of the directors in office immediately prior to the beginning of the meeting shall constitute a quorum for the transaction of

business, but if less than said number is present at a meeting, a majority of the directors present may adjourn the meeting from time-to-time without further notice.

**7. Manner of Acting.** Each director shall be entitled to one (1) vote on all matters brought before the Board. If a quorum is present when the vote is taken, the affirmative vote of the majority of the directors present at a meeting shall be the act of the Board.

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

**9. Committees.** Standing or temporary committees may be appointed from time-to-time from among the members of the Board or from among the shareholders, and the Board may invest such committees with such power as it may see fit, subject to such conditions as may be prescribed by such Board. An Executive Committee may be appointed by resolution passed by a majority of the whole Board and shall have all the powers provided by the Act, except as specially limited by the Board. All committees so appointed shall keep regular minutes of the transactions of their meetings, and shall cause them to be recorded in books kept for that purpose in the office of the Company and shall report the same to the Board of directors. All committees shall serve at the pleasure of the Board.

**10. Compensation.** Compensation, if any, to directors for their service on the Board may be authorized and fixed as determined from time-to-time by the Board. Directors shall be reimbursed, with approval of the Board, for any actual and reasonable expenses incurred by a director in the performance of his duties as a director. Members of special or standing committees may likewise be reimbursed upon approval of the directors.

**11. Vacancies.** All vacancies in the Board, whether caused by resignation, death or otherwise, may be filled by a majority vote of the remaining directors attending an annual or special meeting called for that purpose, even though less than a quorum be present. A director thus elected to fill any vacancy shall hold office for the unexpired term of his predecessor, and until his successor is elected and qualified.

**12. Removal of Directors.** The shareholders may remove one or more directors elected by them, for cause. A director or directors may be removed only at a meeting called for the purpose of removing that director or those directors and if the meeting notice states that the purpose, or one of the purposes, of the meeting is removal of a director or directors. A director or directors may only be removed if the number of votes cast to remove the director or directors would be sufficient to elect the director at a meeting to elect directors. A director elected by the Board to fill the vacancy of a director elected by the shareholders may be removed for cause only by the shareholders, and not by the Board.

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

## ARTICLE VII OFFICERS

**1. Number, Election and Term of Office.** The officers of the Company shall be a President, a Vice-president, and a Secretary/Treasurer, who shall be elected and appointed for a term of one (1) year by the directors at their first meeting after the annual meeting of shareholders, and who shall hold office until their successors are elected and qualify. The office of Secretary/Treasurer may be held by the same person. Those persons to serve in the office of President and Vice-president shall be elected from among the membership of the Board. The person who serves in the office of Secretary/Treasurer may, but need not be, a member of the Board, and if not a member of the Board, the Secretary/Treasurer shall be appointed by the Board and not elected. The Board may also choose additional Assistant Secretaries and Assistant Treasurers.

**2. Duties.**

The duties of the officers shall be as follows:

**a. President.** The President shall be the principal executive officer of the Company and, subject to the control of the directors, shall have general supervision and control of the business and affairs of the Company. The President shall, when present, preside at all meetings of shareholders and directors. He may sign or countersign, with the secretary or any other proper officer of the Company thereunto authorized by the directors any deeds, mortgages, bonds, contracts and other instruments of the Company as authorized by the Board, and shall perform all such other duties as are incident to his office or are properly required of him by the Board.

**b. Vice-president.** In the absence of the President, or in the event of his death, inability or refusal to act, the Vice-president shall perform and exercise the duties and functions of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice-president shall perform and discharge such other and further duties as may be assigned from time to time by the Board.

**c. Secretary.** The Secretary shall keep the minutes of the shareholders' and Board meetings in one or more books provided for that purpose, see that all notices regarding annual shares assessments, delinquencies and shares sales are duly given in accordance with the provisions of these Bylaws, be custodian of the corporate records and of the seal of the Company, keep a register of the post office address of each shareholder, have general charge of the shares transfer books of the Company and in general, perform all duties incident to the office of secretary and such other duties as from time-to-time may be assigned by the president or the Board; and perform all duties incident to the office of Secretary and such other and further duties as from time to time may be properly required by the Board. It shall be the ongoing responsibility of each shareholder to provide current address information to the Secretary.

**d. Treasurer.** The Treasurer shall have the charge and custody of and be responsible for all the funds and securities of the Company from any source whatsoever, and in such capacity, shall deposit all such funds in the name of the Company in such banks, trust companies or other depositories as shall be selected in accordance with these Bylaws, shall keep regular books of account, shall disburse the funds of the Company in payment of the just demands against the Company, or as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the Board from time-to-time as may be required an account of all transactions and of the financial condition of the Company; and perform all duties incident to the office of Treasurer and such other and further duties as from time-to-time may be properly required by the Board.

**3. Absence or Inability to Act.** In the case of absence or inability to act of any officer of the Company and of any person herein authorized to act in his place, the Board may, from time to time, delegate the powers or duties of such officer to any other officer or any director or other person whom it may select.

**4. Vacancies.** Vacancies in any office arising from any cause may be filled by the directors at any regular or special meeting of the Board.

**5. Other Officers.** The Board may appoint such other officers and agents as it shall deem necessary or expedient, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time-to-time by the Board.

**6. Compensation.** Compensation, if any, to officers of the Company shall be authorized and fixed as determined, from time-to-time, by the Board. The officers shall be reimbursed, with approval of the Board, for any actual and reasonable expenses incurred by an officer in the performance of his or her duties as an officer and general manager of the Company.

**7. Fidelity Bonds.** The Board may, by resolution, require any and all of the officers to give bonds to the Company, with sufficient surety or sureties, conditioned for the faithful performance of the duties of their respective offices, and to comply with such other conditions as may from time-to-time be required by the Board of directors.

**8. Tenure and Removal from Office.** The officers of the Company shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board may be removed at any time, with or without cause, by the affirmative vote of a majority of the whole Board.

**9. Resignation.** Any officer may resign his office by giving the Board notice in writing thirty (30) days before the same is to take effect, but resignations may be accepted on shorter notice.

## **ARTICLE VIII INDEMNIFICATION OF OFFICERS AND DIRECTORS**

**1. Indemnification.** To the fullest extent authorized by law, the Company shall indemnify and defend any and all persons who may serve or who have served at any time as directors or officers, or both, or who, at the request of the Board, may serve or at any time have served as directors or officers or both, of any other corporation in which the Company at such time owned or may own shares of shares or of which it was or may be creditor, and their respective heirs, executors, administrators, successors, representatives and assigns against any and all expenses and amounts paid upon judgments or pursuant to decrees, including, but not limited to, counsel fees, court costs and amounts paid in settlement (before or after suit is commenced), actually and reasonably incurred by such person in connection with the defense, discharge or settlement of any claim, action, suit or proceeding (whether civil, criminal, administrative or other) in which they, or any of them, are, or may be, involved in or made parties, or a party, or which may be asserted against them, or any of them by reason of being, or having been, directors and officers, or a director or an officer of the Company, or of such other corporation (whether or not such person is a director or officer at the time of incurring the obligation to pay such expense, judgment or decree). No officer shall be liable for negligence or misconduct in the performance of his or her duty to such corporation if he, she or they acted in good faith; the director or officer reasonably believed that the director's or officer's conduct was in, or not opposed to, the Company's best interests; and in the case of any criminal proceeding, the director or officer had no reasonable cause to believe the director's conduct was unlawful. The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that the director or officer did not meet

the standard of conduct described herein. Notwithstanding the foregoing, the Company shall not indemnify a director or officer hereunder in connection with a proceeding by or in the right of the Company in which the director or officer was adjudged liable to the Company; or in connection with any other proceeding charging that the director or officer derived an improper personal benefit, whether or not involving action in the director's or officer's official capacity, in which proceeding the director or officer was adjudged liable on the basis that the director or officer derived an improper personal benefit.

**2. Advance of Expenses.** The Company shall pay for or reimburse the reasonable expenses incurred by a director or officer who is a party to a proceeding in advance of final disposition of the proceeding if the director or officer furnishes the Company a written affirmation of the director's or officer's good faith belief that the director or officer has met the applicable standard of conduct set forth in Subsection 1 of this Article; the director or officer furnishes the Company a written undertaking, executed personally or on the director's or officer's behalf, to repay the advance, if it is ultimately determined that the director or officer did not meet the standard of conduct; and a determination is made that the facts then known to those making the determination would not preclude indemnification hereunder. The required undertaking shall be an unlimited general obligation of the director or officer; need not be secured; and may be accepted without reference to financial ability to make repayment.

**3. Notice to Shareholders.** If the Company indemnifies or advances expenses to a director or officer under this Article in connection with a proceeding by or in the right of the Company, the Company shall give written notice of the indemnification or advance to the shareholders in conformance with the requirements of the Act.

**4. In Addition to Other Rights.** The indemnification provided for in this Article shall be in addition to all other rights to which the person indemnified may be entitled under any law, bylaw agreement, resolution, of the shareholders or otherwise.

## **ARTICLE IX CONTRACTS, LOANS, CHECKS AND DRAFTS**

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

**2. Loans.** The Board, upon resolution duly adopted, shall have the authority to incur indebtedness on behalf of the Company, in an amount not to exceed \$10,000. Any loans or indebtedness in excess of that amount shall be incurred by the Company only upon a majority vote of shareholders of the Company. The Board shall be authorized to issue notes, bonds, and/or make and perform contracts with the United States, the State of Utah and other governmental entities and agencies and/or private lenders, pursuant to which the Company shall be authorized to sell, lease, exchange, mortgage and/or pledge all or substantially all of the assets of the Company as and for security for loans, or otherwise, for the purpose of acquiring real and personal property, and for the development of and/or improvements to the Company's water diversion and canal systems and related appurtenances and equipment or otherwise for the purpose of attaining or furthering any of its lawful purposes and objectives; provided, however, that no such note, bond, contract or other evidence of indebtedness which exceeds \$10,000 and/or which requires a pledge of all or substantially all of the assets of the Company as and for security therefore shall be authorized or valid unless: (i) the Board shall adopt a resolution recommending the same to the shareholders and directing that the resolution be submitted to a vote at a meeting of shareholders having voting rights, which may be either an annual or special meeting, (ii) written notice of such meeting shall have been duly given in conformance with the requirements of these Bylaws, and (iii) said resolution

shall be approved by a majority vote of all the shareholders in person or by proxy at a meeting in which a quorum is present.

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

## **ARTICLE X DISTRIBUTION OF COMPANY WATER**

**1. The Company Water Distribution System.** The Water Distribution System of the Company (collectively, the “Company System”), shall consist of the following components:

**a. Headgate No. 82 Distribution System.** Headgate No. 82, the water distribution pipeline extending therefrom, all lateral distribution pipelines extending off of the main distribution line, all risers off of the main and lateral distribution pipelines thereon, including all water control valves and meter assemblies, if any, attached to the risers (collectively, a “Riser”), and all pumps, pump stations, storage reservoirs, water tanks, and any and all other facilities and equipment utilized in the delivery of water to the individual irrigation system of each of the shareholders being served through this component of the Company System; and

**b. Headgate No. 82-1 Distribution System.** Headgate No. 82-1, the water distribution pipeline extending therefrom, all lateral distribution pipelines extending off of the main distribution line, all Risers off of the main and lateral distribution pipelines thereon, and all pumps, pump stations, storage reservoirs, water tanks, and any and all other facilities and equipment utilized in the delivery of water to the individual irrigation system of each of the shareholders being served through this component of the Company System.

**2. Exclusive Control.**

a. The Company System shall be under the exclusive control and management of the Board. Distribution of water to shareholders shall only be made by order of the Board except as otherwise delegated as provided in Subsection 3 of this Article. In all instances, the Board shall have the responsibility to assure that the water delivered by the Company through its system is used in an efficient manner and without waste.

b. All Risers shall be installed by the shareholders pursuant to Company specifications and requirements under the direction and supervision of the Company. All costs and expenses incurred by the Company inspecting and supervising the installation of a Riser including engineer fees, and all other costs and expenses incurred in connection therewith, shall be reimbursed by the shareholder requesting the same, as billed by the Company. Any such billing shall constitute a special assessment against the shares of the shareholder and shall be collected as such.

c. The Company shall not deliver water through any Riser unless and until the user of that Riser shall own and maintain the Cache Highline stock which is assigned to said Riser. The Company shall lock down or remove any and all Risers which do not have Cache Highline shares assigned to them.

**3. Water Master.** The Board may appoint a Water Master (“Water Master”), and such other contractors as the Board deems necessary to distribute water to the shareholders, who shall act under

authority of the Board, and shall fix the compensation to be paid to the Water Master and other contractors. If appointed, the Water Master shall have the following duties:

**a. Authority.** The Water Master shall be the official representative of the Company, with authority to distribute the water of the Company equitably, by share, to its shareholders, subject to the provisions of the Articles, these Bylaws and such other rules and regulations as may be promulgated by the Board from time to time.

**b. Duties and Responsibilities.** The duties and responsibilities of the Water Master shall include the following:

(1) The Water Master shall have the duty and responsibility to establish and implement a water turn schedule and manage the Company System in order to effectuate the equitable distribution of water to the shareholders. The shareholders shall be subject to and agree to abide by the water turn schedule and Riser settings established by the Water Master. The Water Master will coordinate with the individual shareholders and cooperate with them to the extent possible, in carrying out the duties and responsibilities of the office.

(2) The Water Master shall inspect the various components of the Company System on a regular basis, as necessary, and shall check compliance with the water turn schedule and overall water usage. More frequent inspections of the Company System may be required, for safety reasons, depending on the circumstances.

(3) The Water Master shall meet with the Board at such intervals as directed, from time-to-time by the Board, especially during the irrigation season. The Water Master shall provide such reports and other information as shall be requested by the Board.

**c. Appeal of Water Master Decisions.** In the event a shareholder shall contest a decision of the Water Master with regard to the distribution of water, the shareholder shall first attempt to resolve the issue with the Water Master. The final decision of the Water Master may be appealed by a shareholder to the full Board which shall have the final say in such matters.

**d. Water Master an Independent Contractor.** The Water Master shall perform all services on behalf of the Board and the Company as an independent contractor, and not as an agent or employee of the Company.

#### **4. Distribution of Water.**

**a. Irrigation Water Entitlement.** Subject to the provisions of Subsection 7 of this Article (Emergency Situations), each shareholder in the Company shall be entitled to a flow of water bearing the same ratio to the total flow of water available for distribution to all shareholders of as the number of shares owned by him bears to the total number of shares of Company stock outstanding; provided, however, that this regulation shall not preclude the rotation and use of water among shareholders by agreement and with the consent and approval of the Water Master. In the event a shareholder in the Company shall forfeit or otherwise lose its shares in Cache Highline Water Association, the shareholder's shares in the Company shall be forfeited and said shareholder shall have no right to the distribution of water through the Company System.

**b. Distribution Through Authorized Risers.** Water shall be distributed to the shareholders through the Company System only through authorized Risers installed and maintained in connection with the Company System as provided herein. The amount of water distributed to each



shareholder at a given Riser shall be determined according to the number of Cache Highline Shares assigned by said shareholder to that Riser as hereinafter set forth.

**5. Diversions - Title, Installation, Maintenance and Modification.**

**a. Title.**

(1) Company System. All components of the Company System used by the Company in the distribution and delivery of Company water to the shareholders up to the Riser shall be solely owned by the Company and shall be operated, maintained, repaired and replaced by the Company, at its sole cost and expense. No shareholders shall take delivery of water through the shareholder's Riser from the Company System without the express written approval of the Board or the Water Master.

(2) Shareholder Systems. Each irrigation system used by a shareholder for obtaining delivery of water from a Riser, including the Riser, and all associated, pipelines, laterals, pumps, motors, sumps, screens, and any and all other equipment and facilities related thereto extending from the shareholder's side of the Riser shall be installed by said shareholder (the "Shareholder System"). The Shareholder System shall be solely owned by each said shareholder and shall be operated, maintained, repaired and replaced by said shareholder at said shareholder's sole cost and expense.

**b. Information and Maintenance of Risers and Shareholder Systems.**

(1) Riser Personal Information. Each Riser shall have a person designated as being the responsible person for that Riser, and the name and phone number for each responsible person shall be maintained by the Company. Where title to the Cache Highline shares assigned to a Riser is in the name of a single shareholder, that shareholder shall be the responsible person. In those instances where said title is in the name of a corporation, association or entity, then such corporation or association or entity shall appoint the person to be designated as the responsible person for the Riser.

(2) Access to Shareholder Systems. Shareholders shall provide convenient access to their respective Shareholder System for inspection by Company officials. No Shareholder System shall be installed in such a manner as to hinder or otherwise interfere with any Company right-of-way or easement utilized in connection with the Company System.

(3) Maintenance of Shareholder Systems. Shareholders shall be obligated to maintain their Shareholder System in good repair so as not to waste water and to prevent damage from leaking water originating with said Shareholder System. Shareholder Systems which appear to the Water Master to be leaking excessively must immediately be repaired or replaced by the shareholder(s) owning the Shareholder System. In each such a case, the Water Master shall identify the Shareholder System in need of repair, and the name(s) of the shareholder(s) owning the same, and the President of the Company shall notify the person responsible for the system, as hereinafter set forth, of the requirement to repair or replace the system. Subject to the next sentence, if the Shareholder System is not properly repaired or replaced within one (1) week from the date of notice, the Company shall have authority to terminate water service to said shareholder. In the event of an emergency which, in the Company's discretion, is deemed to be a threat to the safety of any person or property or to the integrity of any portion of the Company System, the Company shall have the authority to immediately terminate water service.

The installation and use of any hidden Riser by a shareholder shall constitute a trespass on the Company System and is prohibited as set forth in Paragraph 5 of this Article.

**6. Taking Water Out of Turn; Theft of Water.** In the distribution of Cache Highline water through the Company System to the shareholders, the Company shall be deemed the agent of each shareholder for the purpose of administering and enforcing the quantity of water to be delivered to each shareholder based upon said shareholder's stock in Cache Highline. To the extent possible, the delivery of water is to be managed so that no shareholder's interest in his Cache Highline water supply is diluted vis-a-vis the entitlement of any other shareholder. Accordingly, the taking of water by any shareholder out of turn or exceeding the amount of water to which the shareholder is entitled pursuant to the shareholder's Cache Highline shares, without the express written approval of the Water Master, shall constitute theft of water and a trespass against the Company System, and such action may be prosecuted under authority of State law. The Company shall have authority to withhold the delivery of water to any shareholder who is caught taking water out of turn or otherwise taking water to which he is not entitled until such time as the Board is assured that the unlawful taking of water has been terminated and will not continue.

**7. Encroachments upon the Company System.**

a. No person, corporation, association or entity, public or private, shall be authorized to construct, install or place any structure, including, but not limited to, any garage, carport, driveway, patio, corral, bridge, fence, pipeline, utility line or other similar structure, which extends over, under, into, across or through any part or portion of the Company System, or which otherwise encroaches upon any easement or right-of-way in connection with the Company System, without the express written approval of the Board. No such use shall be authorized except by specific grant of easement or written license from the Company, and no such easement or license shall be granted except upon the following conditions:

(1) The grantee shall first be required to submit to the Board plans and specifications setting forth in detail the proposed use. Such other and further information as shall be necessary, in the discretion of the Board, to properly review and consider said proposed use shall be submitted promptly by the grantee upon request.

(2) The grantee shall agree to construct and install any such structure, and to own, operate, maintain, repair and replace the same, in good working order, and to repair any part or portion of the Company System damaged as a result of any such structure, so long as the structure shall remain in place, all at grantee's sole cost and expense.

(3) The grantee shall indemnify and hold the Company harmless from and against any liability or damage to the Canal, lateral, ditch, pipeline and/or other property, real or personal, of the Company, its shareholders or any other person, and for injury to persons or animals, resulting from or arising out of the grantee's ownership, operation and maintenance of any such structure.

b. Absent authority from the Board, any unauthorized encroachment onto the Company System or associated easement or right-of-way of the Company is prohibited, and any such trespass may be prosecuted by the Company to the full extent of the law.

c. Any person, corporation, association or entity, public or private, which owns, operates and maintains any existing structure which extends over, under, into, across or through any part or portion of the Company System or otherwise encroaches thereon, shall, as of the effective date hereof, be subject to the terms and provisions of this Subsection 7.

## **8. Emergency Situations.**

a. In an emergency situation, duly authorized officials, employees, agents and/or contractors of the Company shall have the right of access to any Shareholder System for the purpose of making emergency repairs to the same. All costs and expenses incurred by the Company in making such emergency repairs shall be reimbursed by the shareholders as billed by the Company. Any such billing shall constitute a special assessment against the shares of the shareholder collectible in conformance with the provisions of these Bylaws pertaining to special assessments.

b. In times of water shortage due to drought or any other natural or man-made condition or occurrences, the Company shall have the full right and authority to declare a water emergency, and to ration or otherwise regulate the distribution and use of Cache Highline water, as directed by Cache Highline, to the shareholders until the emergency situation has been alleviated.

**9. Violations.** In the event any shareholder shall violate any provision of these Bylaws, or other lawfully adopted regulation promulgated by the Board as authorized herein, the Board may authorize the Water Master to terminate water service to said shareholder until the violation is corrected, and may pursue such other contractual and other remedies as the Board may have at law or in equity.

## **ARTICLE XI**

### **CHANGE IN POINT OF DELIVERY, PLACE AND NATURE OF USE OF WATER**

**1. Requested Changes “Within” the Company System.** A shareholder may not add a Riser or change the point of delivery and place of use of the Company’s water from one Riser within the Company System (the “Prior Delivery Point”) to a new and/or different Riser within the Company System (the “New Delivery Point”), without the prior written approval of the Board. In evaluating the request for such a change, the Board shall consider all relevant factors pertinent to the requested change including, but not limited to, the following:

a. whether the shareholder requesting the change has fully paid all outstanding assessments against the shareholder’s shares;

b. whether there is sufficient capacity and water pressure in the New Delivery Point for the proposed use;

c. whether sufficient carrier water will remain at the Prior Delivery Point to ensure the delivery of water to other shareholders on the Canal, ditches or pipelines involved;

d. whether there will be increased maintenance costs to the Company and/or its shareholders; and

e. whether such a change will, in any way, impair, adversely affect or otherwise interfere with any existing rights of the Company and/or any of its shareholders.

**2. Procedure for Effecting the Requested Change Within the System.** The procedure to be followed by a shareholder requesting a change within the Company System, and the procedure to be followed by the Board in reviewing and taking action on the request are as follows:

a. Any shareholder, as a condition to making such a change shall first be required to submit a formal written application for such change to the Board prior to January 1 of the year in which the change is proposed to be made. The application shall contain the following information:

- (1) the name and address of the applicant;
- (2) the number of shares to be changed;
- (3) the place of use of water delivered at the Prior Delivery Point;
- (4) the proposed point of delivery and place of use at the New Delivery Point, and the nature of use of Company water proposed at the new place of use; and
- (5) the purpose for which the change is requested.

b. The applicant shall be required to pay a non-refundable application fee in such amount as may be determined from time-to-time by separate resolution of the Board to cover administrative costs incurred by the Company in reviewing and processing the application.

c. The Company shall only authorize a new Riser to be installed if the installation may be made and water delivered therefrom without impairing or otherwise interfering with the Company's ability to deliver water to any shareholder through an existing Riser, based upon the review of the application and recommendation of the Company's engineer.

d. All new Risers shall be installed by the Company and/or its contractors, under Company specifications. All costs and expenses incurred by the Company in reviewing the application, including engineer review fees, installation, and all other costs and expenses incurred in connection with the new Riser, shall be reimbursed by the shareholder requesting the same, as billed by the Company. Any such billing shall constitute a special assessment against the shares of the shareholder collectible in conformance with the provisions of these Bylaws pertaining to special assessments.

e. The applicant, at applicant's sole expense, shall pay all costs of constructing and installing the Shareholder's System and related facilities at the New Delivery Point, including reimbursing the Company for all costs and expenses incurred by the Company in connection with the change.

f. The applicant, at applicant's sole expense, shall re-construct, install, alter, repair and/or replace any part of the system of the Company and related facilities used in connection with the delivery of water to the applicant in connection with the Prior Delivery Point so as to avoid or remedy any adverse effect or interference to the Company or other shareholders resulting from the change requested by the applicant.

g. If in the opinion of the Board, there is a need for the Company's attorneys, engineers or other consultants to review the application to ensure that the proposed changes do not adversely affect the Company and/or any other shareholder, then the Company shall provide the applicant with a detailed statement of the costs and fees incurred by the Company in connection with such review and the applicant shall be required to pay all such costs and fees as billed by the Company.

h. The applicant shall defend, indemnify and hold the Company, and its directors, officers, employees and consultants harmless from and against any claims, liability or damage to any property, real or personal, of the Company, its shareholders or any other person, and for injury to persons or animals, resulting from or arising out of the applicant's change.

i. All fees, costs and expenses which are required to be paid by the applicant in connection with the application for change as provided herein shall be deemed to be a special assessment against the applicant's shares of shares, collectible in conformance with the provisions of these Bylaws pertaining to special assessments.

## **ARTICLE XII SHARES ASSESSMENTS; FEES AND CHARGES; COLLECTION**

### **1. Shares Assessments.**

#### **a. Levy of Assessments.**

(1) Annual Regular Assessments. All shares of the Company shall be subject to annual assessment to carry out the purposes and objectives of the Company as set forth in the Articles, including, without limitation, its obligation to operate, maintain, repair, modify, replace and improve the Company System, as now owned or which may hereafter be owned by the Company.

(2) Special Assessments. The Company, by separate resolution, may levy special assessments for the purpose of defraying, in whole or in part, any extraordinary expenses not reasonably capable of being fully paid with funds generated by annual regular assessments, the costs of any unexpectedly required repair or replacement of any part of the Company System, and for the construction, reconstruction, repair of, or any improvement to the Company System. The Board shall issue orders levying a special assessment in the same manner as orders levying annual assessments.

**b. Determination of Assessments.** All shares shall be assessed equitably. Shares with different rights or benefits, as determined by the Board, may be subject to differing assessments. The amount of the regular assessment shall be determined annually by the Board and the amount of any special assessment shall be determined if and when needed, in conformance with these Bylaws and applicable laws of the State of Utah regarding the levy of assessments. All assessments shall be due and payable as hereinafter set forth, except that special assessments shall be authorized and be due and payable as necessary in the discretion of the Board, as provided below.

**c. Assessment Lien.** All unpaid assessments shall constitute a lien against the delinquent Company shares, which shall have priority over any mortgage, lien, pledge, sales contract, escrow contract, lease, conditional or unconditional transfer, or any other encumbrance, lien, claim, attachment, execution, or other charge or interest in or upon or deemed or claimed to be against the shares, and the right of the Company to assess the shares for such assessments shall be paramount and superior to all those liens, claims, charges, or interests.

**d. Assessment Procedure.** The procedure for levying and enforcing the collection of assessments against the shares of the Company shall be as follows:

(1) The Board, on or before March 1 of each water year, shall determine the amount necessary to pay in full, as the same become due, all administrative costs, costs of construction, improvement, operation, maintenance, repair, and replacement of the Company System, the payment of all outstanding indebtedness of the Company, and payments for any and all other purposes for which the Company is organized in that water year, and shall make and levy a regular assessment against the outstanding shares of the Company in an amount sufficient to generate the necessary revenue.

(a) The Board shall give to each shareholder a formal written notice levying the annual regular assessment. The notice shall specify the amount of each assessment per share, and the

date, to whom, and date upon which payment of the assessment is due. The secretary shall issue the notice in the form attached as EXHIBIT "A" hereto. The notice shall be mailed to each shareholder or designated person at the address of said shareholder as set forth in the Company's records.

(b) All annual regular assessments shall be deemed delinquent after the due date set forth in the notice levying the annual regular assessment. Special assessments shall be due as determined by the Board at the time of their levy and be deemed delinquent after the due date. Any delinquencies after the due date for any regular or special assessment will accrue interest at the rate of 1.5% per month until paid. Delinquent shares shall be sold as provided herein. The date for the sale of delinquent shares shall be fixed at a date and time to be established by the Board following the delinquency date.

(2) The Company shall not deliver water to any shareholder who is delinquent in the payment of any regular or special assessments as of the date of delinquency, without express authorization from the Board.

(3) If any assessment, or a portion thereof remains unpaid after the due date specified in the notice, the secretary shall thereafter prepare a Notice of Delinquency and Sale which shall contain a list of all delinquent shares, and the date time and place at which delinquent shares shall be sold as provided herein. The Notice of Delinquency and Sale shall be published in the form attached as EXHIBIT "B" hereto. The Notice of Delinquency shall be published in a newspaper of local circulation, once each week for at least two (2) weeks prior to the date of sale of the delinquent shares, the first publication of which shall be at least fifteen (15) days prior to the actual date of the sale of the delinquent shares as set forth in the notice. In addition, the secretary shall also prepare and mail an Individual Notice of Delinquency and Sale to each of the shareholders identified in the Notice of Delinquency and Sale to be published as hereinabove set forth. The Individual Notice of Delinquency and Sale shall be in the form attached as EXHIBIT "C" hereto.

(4) Pursuant to the provisions of U.C.A. 16-4-15 (1961), the publication of the Notice of Delinquency shall vest jurisdiction in the Company to sell and convey a perfect title to all shares listed therein upon which any portion of any regular or special assessment or expenses of advertising remains unpaid at the hour appointed for the sale, subject however to assessments subsequently levied; however, the Company shall sell no more of the shares than is necessary to pay the assessments due and expenses of advertising and sale, including interest, late fees and charges, and attorney's fees, incurred by the Company.

(5) On the day, at the place and at the time appointed in the Notice of Delinquency and Sale, the Board, in its discretion, may determine to sell the shares at public auction, or in lieu of public auction, the Board may determine to have the Company itself purchase the delinquent shares, subject to the following:

(a) In the event the Board determines to sell the shares at public auction, only so many shares of delinquent shares as shall be necessary to pay the past due assessment and charges thereon shall be sold (which may be less than the total shares owned by the delinquent shareholder). The shares shall be sold to the highest bidder, for cash. The person offering to accept the least number of shares in exchange for said offeror's payment of the total assessment and expenses due shall be deemed to be the highest bidder. (For example, if person A offers to accept 3 shares in exchange for A's payment of the total past due assessment and expenses, and person B offers to accept 2 shares in exchange for B's payment of the total past due assessment and expenses, person B shall be the high bidder.) The shares purchased shall be transferred to the highest bidder on the shares transfer records of the Company upon payment by the high bidder of said assessment and expenses.

(b) In the event no one purchases the shares at public auction, or in the event the Board determines to have the Company purchase the delinquent shares, the Board may have the Company, through the secretary or other officer, make a credit bid for the shares and purchase the delinquent shares at the amount of the delinquent assessment and expenses due; whereupon, the amount of the assessment and expenses shall be credited as paid in full, and entry of the transfer of the shares to the Company shall be made on the shares transfer records of the Company. Shares purchased by the Company are subject to redemption for thirty (30) days following the sale, during which time the shareholder may redeem the shares for the amount of the delinquent assessment, together with interest, any penalties and the Company's costs of sale. All purchases of shares by the Company for delinquent assessments shall vest the legal title to said shares in the Company, and the shares so purchased shall become treasury shares. Thereafter, if the shares are not redeemed, the Company may resell such shares at any time at current market prices in accordance with these bylaws. While the shares remain the property of the Company, they are not assessable. The form of Sale and Assignment of Shares, to be used under either of the above scenarios, shall be in the form attached as EXHIBIT "D" hereto.

(c) If the delinquent shares are purchased at public auction by a member of the Board or by an officer of the Company for his or her own account, the shares remain subject to redemption by the shareholder for a period of thirty (30) days following the sale, during which time, the shareholder may redeem the shares for the amount of the delinquent assessment, together with interest, any penalties and the Company's costs of sale. If the shares are not redeemed, title shall vest in the purchasing Board member or officer of the Company.

(6) Upon conclusion of the sale, the Secretary of the Company shall prepare and file, in the permanent corporate records, three affidavits to document the sale, as follows:

(a) The first affidavit, entitled "Affidavit of Assessment", shall state that the Secretary mailed the notice of order levying assessments as required herein. A form for the Affidavit of Assessments is attached as EXHIBIT "E" hereto.

(b) The second affidavit, entitled "Affidavit of Sale of Shares", shall state that the shares sale occurred at the time and place as set forth in the Notice of Order Levying Assessments and Notice of Delinquency and Sale, and set forth the particular quantity of shares sold, to whom and for what price the shares was sold, and acknowledge that the money was paid and received. A form for the Affidavit of Sale of Shares is attached as EXHIBIT "F" hereto.

(c) In addition, the Secretary of the Company shall obtain a "Proof of Publication" affidavit from the publisher of the newspaper that published the Notice of Delinquency and Sale indicating that the notice was published in the paper, the dates of publication, etc.

**2. Fees and Charges.** The Board, by separate resolution, may, from time-to-time, levy such fees and charges, other than and in addition to regular and special assessments, as it may deem necessary for the administration of the Company and otherwise in carrying out the purposes and objectives of the Company as set forth in the Articles of Incorporation.

**ARTICLE XIII  
CALENDAR YEAR**

The Company shall operate on a calendar year basis, January 1 through December 31.

**ARTICLE XIV  
AMENDMENT OF BYLAWS**

These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board in conformance with the applicable provisions of the Act.

**ARTICLE XV  
SAVINGS CLAUSE**

If any section, sub-section, sentence, clause or phrase of these Bylaws 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 XVI  
EFFECTIVE DATE**

These Bylaws shall be in full force and effect from and after the date of passage and adoption by the Board.

WE HEREBY CERTIFY that the foregoing is the original or a true and correct copy of the Bylaws adopted by North Logan Sprinkling Company this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

NORTH LOGAN SPRINKLING COMPANY

By: \_\_\_\_\_

President

ATTEST:

\_\_\_\_\_  
Secretary



**NORTH LOGAN SPRINKLING COMPANY**

**STOCK ASSESSMENT NOTICE**

<u>DESCRIPTION</u>	<u>RATE PER SHARE</u>	<u>NO. OF SHARES</u>	<u>AMOUNT DUE</u>

Annual Assessment:

Past Due Amounts:

TOTAL DUE \$

Regular assessments are due and payable to the corporation, in full, at the address set forth above, on or before March 1, 20\_\_\_. Interest at the rate of 18% per annum will be charged on all past due amounts. Any stock upon which any assessment remains unpaid on the above date will be delinquent and advertised for sale at public auction, and unless payment in full, plus interest, is made before will be sold on a date to be fixed by the board of directors to pay the delinquent assessment, together with the cost of advertising and expense of sale.

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ACCOUNT OF:

Shareholder No. \_\_\_\_\_ Invoice No. \_\_\_\_\_

Please include the above Invoice No. on your check.

**EXHIBIT "A"**

**NORTH LOGAN SPRINKLING COMPANY**

NOTICE OF DELINQUENCY AND SALE  
[FOR PUBLICATION]

**NOTICE**

There are delinquent upon the following described stock of the North Logan Sprinkling Company, on account of assessments levied on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, (and assessments levied previously thereto, if any) the several amounts set opposite the names of the respective shareholders as follows:

<u>Name of Shareholder</u>	<u>Number of Shares</u>	<u>Amount of Assessment</u>

In accordance with laws of the State of Utah and the order of the board of directors made on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, so many shares of such stock as may be necessary to pay the delinquent assessment thereon, together with the costs of advertising and expenses of the sale, will be sold at on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, at \_\_\_\_\_, at the hour of \_\_\_\_m.

DATED this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Secretary

**EXHIBIT "B"**

**NORTH LOGAN SPRINKLING COMPANY**

INDIVIDUAL NOTICE OF DELINQUENCY AND SALE

(Name)  
(Address)

**NOTICE**

According to the records of North Logan Sprinkling Company, (the "Company"), the assessment levied on your stock in the Company has not been paid. 16-4-1, et seq., Utah Code Annotated, (1953), as amended, sets forth the procedure for collecting delinquent assessments on stock in non-profit corporations. This section requires that the Secretary of the Company shall cause to be published, in a newspaper of general circulation in the area, a Notice of Delinquency and Sale specifying the name of the shareholder, number of the certificate of stock, number of shares it represents, and the amount due thereon. The law further provides that upon publication of notice in accordance with the provisions of the statute, the Company shall have the right to sell and convey clear title to all or part of the stock listed in the Notice of Delinquency and Sale for the purpose of recouping the assessment and all expenses of advertising and sale.

Please be advised that the Notice of Delinquency and Sale has been published, and that unless your past due assessment is immediately paid in full, your stock, or so much thereof as may be necessary to pay the delinquent assessments, together with the cost of advertising and expenses of sale, shall be sold as provided by law. The sale of said stock shall be held by the Company on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, at the hour of \_\_\_\_\_ .m., at \_\_\_\_\_ . In lieu of public auction, the Board may determine to have the Company purchase the delinquent stock for the amount of the past due assessment plus incurred expenses.

It is imperative that the Company take immediate action to collect all delinquent assessments in order to insure the continued operation and maintenance of the Company's extensive irrigation water distribution system.

**NORTH LOGAN SPRINKLING COMPANY**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT "C"**

**NORTH LOGAN SPRINKLING COMPANY**

SALE AND ASSIGNMENT OF STOCK

FOR VALUE RECEIVED, \_\_\_\_\_ North Logan Sprinkling Company (the "Company"), hereby bargains, sells, conveys, transfers and assigns to \_\_\_\_\_ (the "Transferee"), the following share(s) of stock:

<u>Certificate Number</u>	<u>Number of Shares</u>

The Company hereby irrevocably constitutes and appoints \_\_\_\_\_ (Secretary of the Company), Attorney-in-Fact, to transfer said stock on the books of the Company with full powers of substitution in the premises.

The Transferee hereby agrees to abide by and obey all lawful bylaws and rules and regulations of the Company now or hereafter adopted by the Company's board of directors as a condition to receiving water from the Company.

The transferred stock has been properly registered in the stock register and transfer records of the Company in the name of the Transferee and a statement of ownership shall be sent to the Transferee.

DATED this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**NORTH LOGAN SPRINKLING COMPANY**

By: \_\_\_\_\_  
President

**TRANSFEEE:**

\_\_\_\_\_

**EXHIBIT "D"**

**NORTH LOGAN SPRINKLING COMPANY**

AFFIDAVIT OF ASSESSMENTS

STATE OF UTAH        )  
                              : ss.  
COUNTY OF CACHE )

The undersigned, \_\_\_\_\_, being first duly sworn upon oath deposes and says:

1. That he/she is the Secretary of North Logan Sprinkling Company a nonprofit mutual water corporation.
2. That on the \_\_\_ day of \_\_\_\_\_, 20\_\_, I mailed or caused to be mailed the Notice of Levy of Annual Assessment to each shareholder of the Company, postage prepaid, addressed to each shareholder at his place of residence, or principal place of business in those instances where such shareholders place of residence was not known, all in accordance with the Bylaws and Rules and Regulations of the Company.

**NORTH LOGAN SPRINKLING COMPANY**

By: \_\_\_\_\_  
Secretary

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
NOTARY PUBLIC

**EXHIBIT "E"**

**NORTH LOGAN SPRINKLING COMPANY**

AFFIDAVIT OF SALE OF STOCK

STATE OF UTAH        )  
                                  : ss.  
COUNTY OF CACHE )

The undersigned, \_\_\_\_\_, being first duly sworn upon oath deposes and says:

1. That he/she is the Secretary of the North Logan Sprinkling Company, a nonprofit mutual water corporation (the "Company").

2. That on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, at \_\_\_\_m., at the principal business office of the Company, in accordance with the Notice of Levy of Annual Assessment and Notice of Delinquency and Sale, the following shares of stock were sold by the North Logan Sprinkling Company for the amount of the unpaid assessments, together with interest, costs and attorney's fees, equal to \$ \_\_\_\_\_.

<u>Name of Shareholder</u>	<u>Number of Shares</u>	<u>Amount of Assessment/Expenses</u>

3. That the money in the amounts set forth above was paid to and has been received by the Company.

**NORTH LOGAN SPRINKLING COMPANY**

By: \_\_\_\_\_  
Secretary

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
NOTARY PUBLIC

**EXHIBIT “F”**

## **Addendum**

### **Shares Required for Subdivided lots**

12 January, 2018. The Directors of the NLSC passed a motion to add an Addendum to the By-Laws. Any subdivided lot, one acre or less, would require a minimum of one share of stock in the North Logan Sprinkling Company and thus one share of stock in the Cache Highline Water Association.