

**FIRST AMENDED AND RESTATED
BYLAWS AND RULES AND REGULATIONS
OF
CACHE HIGHLINE WATER ASSOCIATION**

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WHEREAS, the Board of Directors (the “Board”), of Cache Highline Water Association (the “Association”), hereby promulgates these First Amended and Restated Bylaws and Rules and Regulations of Cache Highline Water Association to govern the administration and business affairs of the Association, the issuance and transfer of shares of stock in the Association, the distribution of Association water, the assessment of shares and procedures for the collection of delinquent assessments, and related matters for the purpose of assuring the orderly governance of the Association and a fair and equitable distribution of water to its shareholders.

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NOW, THEREFORE, BE IT HEREBY RESOLVED by the Board that the First Amended and Restated Bylaws and Rules and Regulations by which the Association shall hereafter be governed are as follows:

**ARTICLE I
LEGAL AUTHORITY; CONSTRUCTION; DEFINITIONS**

1. Legal Authority. These Bylaws and Rules and Regulations (“Bylaws”) are promulgated pursuant to and in conformance with the Utah Revised Nonprofit Corporation Act, Utah Code Ann. §16-6a-101 et seq.(the “Act”), and pursuant to specific authority granted to the Board as set forth the Association’s Articles of Incorporation.

2. Construction. Accordingly, the terms and provisions hereof shall be construed in accordance with their usual and customary meanings. As used herein, all words in any gender shall be deemed to include the masculine, feminine, or neuter gender, all singular words shall include the plural, and all plural words shall include the singular, as the context may require.

3. Key Definitions. For the purpose of these Bylaws, the following definitions shall apply:

“Act” shall mean the Utah Revised Nonprofit Corporation Act, Utah Code Ann. §16-6a-101 et seq.(the “Act”)

“Board” shall mean the Board of Directors of the Association as defined in Article V, Section 1 herein.

“Cache Highline System” shall mean, collectively, the Association’s Pressure Pipeline Segments and the Open Canal Segments, which are to be owned, operated, maintained and repaired by the Association, as more particularly defined in Article IX, Section 4 herein.

“Cache Water Restoration Project” shall mean the water improvement project completed in 2014 consisting of a system of box culverts and pressurized irrigation pipelines and related equipment and facilities to replace sections of the Logan Hyde Park Smithfield Irrigation Company and Logan & Northern Irrigation Company canal systems.

“Canal” shall mean, unless otherwise defined, both the remaining open segments of the

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Logan Hyde Park Smithfield Canal and the remaining open segments of the Logan & Northern Canal.

“Delivery Structures” shall mean, collectively, the turn-outs on the Pressurized Irrigation System and the Head Gates on the Open Canal Segment through which water is delivered to shareholders as defined in Article IX, Section 4 herein.

“Logan & Northern Piping and Pressurization Project” shall mean the water improvement project completed in 2016, consisting of the construction and installation of pipeline and related facilities and equipment within an extended reach of the Logan & Northern Canal to facilitate the extension of pressurized irrigation capacity within that portion of the Cache Highline System commencing at 1500 North and extending to 4400 North in Cache County, Utah.

“Open Canal Segments” shall mean those remaining sections of open irrigation Canal not replaced as a part of the Cache Water Restoration Project or the Logan & Northern Piping and Pressurization Project, as defined in Article IX, Section 4 herein.

“Pressure Pipeline Segments” shall mean the box culverts, pipelines, turn-outs and related facilities and improvements installed in connection with the Cache Water Restoration Project and the Logan & Northern Piping and Pressurization Project, as defined in Article IX, Section 4 herein.

“Shareholder System” shall mean all individual irrigation facilities extending from the turn-outs on the Pressure Pipeline Segments and the Head Gates on the Open Canal Segments, into which Association irrigation Water is delivered for transmission and use by one or more shareholders at their respective places of use, which are to be owned, operated, maintained and repaired said shareholders, as more particularly defined in Article IX, Section 4 herein.

“Water Manager” shall mean the official representative of the Association duly authorized by the Board to distribute the water of the Association to the shareholders, as defined in Article IX, Section 4 herein.

ARTICLE II BOOKS AND RECORDS

1. Books and Records. The Association shall keep as permanent records, at its principal office, the following books, records and documents: (a) its Articles of Incorporation; (b) its Bylaws and Rules and Regulations; (c) resolutions adopted by the Board; (d) the minutes of all shareholder’s meetings, for a period of three years; (e) records of all action taken by shareholders without a meeting, for a period of three years; (f) all written communications to shareholders generally as shareholders, for a period three years; (g) a list of the names and business or home addresses of its current directors and officers; (h) a copy of its most recent annual report delivered to the Division of Corporations annually; (i) all financial statements prepared for periods ending during the last three years; (j) minutes of all meetings of the Board; (k) a record of all actions taken by the Board without a meeting; (l) a record of all actions taken by a committee of the Board in place of the Board on behalf of the Association; (m) a record of all waivers of notices of meetings of shareholders and of the Board or any committee of the Board; (n) a record of its shareholders in a form that permits preparation of a list of the name and address of all shareholders in alphabetical order, showing the number of votes each shareholder is entitled to cast; (o) stock transfer records; and (p) appropriate accounting records.

2. Inspection of Records. A director or shareholder is entitled to inspect and copy any of the records of the Association during regular business hours, at the Association’s principal office, so long as

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the director or shareholder gives the Association written demand, at least five business days before the date on which the director or shareholder wishes to inspect and copy the records. A director or shareholder may inspect and copy the records only if the demand is made in good faith, for a proper purpose, the director or shareholder describes with reasonable particularity the purpose and the records the director or shareholder desires to inspect, and the records are directly connected with the described purpose.

**ARTICLE III
MEMBERSHIP; STOCK**

1. Membership and Stock Issuance. Membership in the Association shall be evidenced by the issuance of stock certificates, and shareholders may be referred to as either shareholders or members herein.

(a) Ownership of shares stock of this Association shall be evidenced only by a stock certificate, which shall be in such form as may be adopted by the Board, identifying thereon, among other things, the certificate number, the name of the owner and the number of shares owned, and which shall be signed by the president and secretary.

(b) Certificates of stock shall be issued in numerical order, and each shareholder shall be entitled to a certificate signed by the president and the secretary, or an assistant secretary, certifying to the number of shares owned by said shareholder. In the event any officer who has signed a certificate has ceased to be an officer before the certificate has been delivered, such certificate may, nevertheless, be adopted and issued and delivered by the Association as though the officer who signed such certificate or certificates had not ceased to be such officer of the Association.

(c) Only shareholders of the Association shall be entitled to divert and use water of the Association. Any unauthorized use of water of the Association is strictly prohibited and shall be prosecuted to the full the extent of the law.

2. Holders of Stock. Only registered shareholders shall be entitled to be treated by the Association as the holders in fact of the stock standing in their respective names, and the Association 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.

3. Transfers of Stock. Transfers of stock shall be made only upon the stock transfer records of the Association, kept at the office of the Association, and shall be made in conformance with and subject to the following:

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

(1) a properly endorsed, original stock certificate as shown on the stock records of the Association (see Section 4 of this Article, below, regarding lost or mutilated stock);

(2) a death certificate and other probate records, as necessary to demonstrate a right to the stock by reason of inheritance;

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

(4) any combination of the foregoing.

(b) The Association shall establish, by separate resolution, a stock transfer fee which is to be paid by the shareholder acquiring the stock prior and as a condition to the transfer of the shares on the stock transfer records. The stock transfer fee shall be billed to the acquiring shareholder with the next annual assessment levied on the acquired shares. 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 Association in connection with making the transfer.

4. Lost or Mutilated Certificates. In case of loss or destruction of any certificate of stock, another certificate may be issued in its place upon filing with the Board proof of such loss or destruction including an affidavit, duly sworn, representing that the affiant is the owner of the shares to be transferred; that the original stock certificate or certificates have become mutilated or lost, and that after diligent search the certificate or certificates cannot be found; that the shares of stock represented by the certificate or certificates have not been sold or transferred; that the affiant is requesting that the Association issue new certificates; and that in the event lost stock certificates are later found, the same will be immediately surrendered to the Association for insertion in the stock transfer records. In addition, the Board may require the posting of a satisfactory bond of indemnity to the Association and/or to the transfer agent and registrar of such stock, in such sum as the Board, on a case-by-case basis, may reasonably provide.

5. Leased Shares. Shares of stock of the Association may be leased by any shareholder to any other shareholder or non-shareholder subject to the following:

(a) Any shareholder desiring to lease shares of stock shall, as a condition to authority to lease said shares, provide to the Association, 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 shareholder-lessor;

(2) name and address of the lessee;

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

(4) identification of the Delivery Structures through which the water is to be delivered to the lessee;

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

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

(b) The term of any agreement for lease of shares of stock of the Association shall be for a period not less than a full irrigation season (April 1 through October 31).

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

(d) No stock of the Association shall be leased in denominations of less than one-eighth (1/8) share.

(e) The Association shall bill the shareholder-lessor of any leased stock for all annual and special assessments levied against any leased stock and the shareholder-lessor 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 shareholder-lessor of any leased shares to seek reimbursement, if any, for payment of said assessments from the lessee of the stock.

(f) All voting rights with respect to any leased shares of the Association shall be exercised by the shareholder-lessor of said shares, except by written proxy to the lessee of the stock or otherwise.

(g) The lessee of any stock of the Association shall be subject to and agree to abide by all lawful bylaws and rules and regulations of the Association as a condition to delivery of water.

6. 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 certificates for shares of the capital stock of the Association, not inconsistent with the laws of the State of Utah, the Act, the Articles of Incorporation and these Bylaws.

ARTICLE IV 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 Association 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. 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 Association, 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 33-1/3 percent of the outstanding stock of the Association 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

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special meeting of shareholders shall be given to each shareholder of record entitled to vote, in conformance with the following:

(1) Notice shall be given by mailing written or printed notice of the same at least ten (10) days prior to the meeting. Such notice shall be deemed to be delivered when deposited in the United States Mail, postage prepaid, and addressed to the shareholder's address appearing on the stock transfer records or other records of the Association. Notice may be waived in writing, signed by the shareholder entitled to the notice and delivered to the Association for inclusion within the minutes or for filing with the corporate records. The attendance of a shareholder at a meeting shall constitute a waiver of notice of such meeting, except where a shareholder attends for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

(2) In addition to written notice, notice may but need not be given by publication. If by publication, notice of the meeting shall be published three 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.

(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.

(b) 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 Association property other than in the ordinary course of business, and dissolution of the Association. The Association 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 Association at least 10 days before the Association 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.

(a) Subject to Section 6(b) of this Article, the shareholders present at any annual or special meeting of shareholders, who are entitled to vote, shall constitute a quorum for the transaction of any and all business at the meeting. Once a shareholder is represented for any purpose at a meeting, the shareholder is considered present for quorum purposes for the remainder of the meeting and for any adjournment of the meeting.

(b) Notwithstanding the foregoing, a quorum shall not exist unless a majority of the members of the Association's board of directors then in office are present at the meeting.

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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 stock 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 stock 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) Personal and Proxy Vote. At the meeting of the shareholders, every shareholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such shareholder and bearing a date not more than eleven months prior to said meeting, unless said instrument provides for a longer period.

(c) Manner of Voting. Action on any matter is approved if the votes cast in favor of the action exceed the votes cast opposing the action. Voting at all meetings of shareholders shall be by written ballot, by voice vote or by vote indicated by raise of the hand, as directed by the presiding officer.

(d) Votes Per Share. Each shareholder shall have one vote for each full share, 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.

(e) 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 Association is submitted as requested by the Association.

(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 stock 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.

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(6) Shares of Association stock belonging to the Association 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.

(f) Inspectors of Election. Two inspectors of election shall serve at each meeting of the shareholders at which any vote shall be taken. One board member of the Association and one other person appointed by the Board before or at the meeting shall serve as the inspectors. The inspectors shall receive and take charge of all proxies and shall decide all questions touching upon the qualification of voters, the validity of proxies, 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.

8. No Meetings by Telecommunication. No shareholder shall be allowed to participate in an annual, regular or special meeting of shareholders by, and no meeting shall be conducted through, the use of any means of telecommunication.

9. Action by Written Ballot Without a Meeting.

(a) Any action that may be taken at any annual, regular, or special meeting of Shareholders may, at the sole discretion of the Board, be taken without a meeting if the Association delivers in person, or by mail, a written ballot to every shareholder entitled to vote on the matter.

(b) Such written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action to be decided by written ballot.

(c) Approval by written ballot pursuant to this section shall be valid only when:

(1) the time, as determined under Subsection (j), by which all ballots must be received has passed; and

(2) the number of votes cast in favor of the matter exceeds the number of votes cast against the matter.

(d) Unless otherwise provided in the Act, consistent with the provisions of Section 6 of this Article, the number of votes cast by written ballot shall constitute a quorum for action on the matter.

(e) All solicitations for votes by written ballot shall:

(1) indicate that the number of votes cast by written ballot shall constitute a quorum for purposes of the meeting;

(2) state unless otherwise required by the Act, the matter shall be approved if the number of votes cast in favor of the matter exceeds the number of votes cast against the matter;

(3) specify the time by which a ballot must be received by the Association in order to be counted; and

(4) be accompanied by written information, delivered or mailed with the ballot, sufficient to permit each shareholder casting the ballot to reach an informed decision on the matter.

(f) A written ballot may not be revoked by the shareholder casting the same.

(g) Action taken under this section has the same effect as action taken at a meeting of shareholders and may be described as such in any document.

(h) The shareholders voting list for meeting and action by written ballot without a meeting shall be prepared in conformance with the provisions of Subsection 7(a), Shareholder's Voting List, of this Article.

(i) A written ballot delivered or mailed to every shareholder entitled to vote on the matter or matters therein, may also be used in connection with any annual, regular or special meeting of the shareholders, thereby allowing shareholders the choice of either voting in person or by written ballot delivered by a shareholder to the Association in lieu of attendance at such meeting. Any such written ballot so delivered shall comply with the requirements of Subsection (b) and (c), and shall be counted equally with the votes of shareholders in attendance at any such meeting.

(j) Shareholders shall be provided a fair and reasonable amount of time before the day on which the Association must receive ballots. An amount of time is considered to be reasonable if shareholders are given at least fifteen (15) days from the day on which the notice is mailed..

ARTICLE V BOARD OF DIRECTORS

1. Number, Tenure and Qualifications.

(a) All corporate powers, and the business and affairs of the Association shall be exercised and managed by a governing board of directors (the "Board"). The Board shall initially consist of ten (10) members; however, the number of directors may be modified at any annual meeting or special meeting of the shareholders, except that in no event shall the Board consist of less than five (5) nor more than eleven (11) directors. Each director shall be elected from the shareholders at large to serve for a term of three (3) years, and shall be elected in such a manner as determined by the board so as to provide for staggered terms.

(b) To qualify to serve on the Board, a Director shall be a natural person of 18 years of age or older and either be a shareholder of the Association, be a shareholder of another corporation which is a shareholder of the Association, or an officer or assigned representative of an association or corporation that is a shareholder of the Association. The number of directors may be changed by amendment of these Bylaws by the shareholders or the Board, but no decrease in the number of directors may shorten the term of any incumbent director. If any director shall sell or transfer his stock in the Association, or cease to be a shareholder in any other corporation which corporation is a shareholder of the Association, then said director shall, at once, cease to be a director, and the remaining members of the Board may fill any vacancy occurring in its membership to serve between the date of vacancy and the next annual shareholder's meeting at which directors are elected.

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 Association 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 exercise control of the Association 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 Association as may be deemed

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necessary; (ii) to regulate the transfer of Association stock; (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 Delivery Structures to provide for the storage and delivery of waters to the shareholders of the Association; (v) to regulate the water rights and sources of water supply of the Association and establish rules and regulations for the distribution and delivery of Association water to its shareholders, including the rationing of water in times of scarcity; (vi) to levy assessments on all shares of Association stock and enforce and collect such assessments; (vii) to employ engineers, attorneys, superintendents, and other subordinate officers, agents and laborers as in their judgment the business of the Association may require, prescribe their duties, and provide for their compensation; (viii) to make rules and regulations for the administration and regulation of affairs of the Association; 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 Association 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 Association 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. Regular 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 Association 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 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: (i) votes for the action; or (ii) 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 5 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 Association receives writings describing the action taken, which satisfies the requirements of Subsection (a), signed by all directors, and which is not revoked pursuant to subsection (e).

(d) A writing described in Subsection (c) may be received by the Association by electronically transmitted facsimile or other form of wire or wireless communication providing the Association with a complete copy of the document, including a copy of the signature on the document. An email sent by a director shall satisfy the requirements of a writing for the purpose of this Section in conformance with the provisions of §46-4-202, Utah Code Ann., 2000, which provides that if parties have

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agreed to conduct a transaction by electronic means and a law requires a person to provide, send, or deliver information in writing to another person, the requirement is satisfied if the information is provided, sent, or delivered, as the case may be, in an electronic record capable of retention by the recipient at the time or receipt. The term, "capable of retention" means that the email shall not be processed in such manner as will inhibit the Association from printing or storing the email. All writings, including emails, shall be provided, sent or delivered, as the case may be, to the Association Secretary who, in conformance with the provisions of Article VI. 2(c) shall tabulate the votes, confirm the result of the action taken, and notify the other members of the Board.

(e) A director's right to demand that action not be taken without a meeting shall be considered to have been waived if the Association receives a writing satisfying the requirements of Section this that has been signed by the requisite number of directors and has not been revoked as provided in Subsection (f) herein. Action taken pursuant to this Subsection shall be effective when the last writing necessary to effect the action is received by the Association, unless the writings describing the action taken set forth a different effective date.

(f) If the writing is received by the Association before the last writing necessary to effect the action is received by the Association, any director who has signed a writing pursuant to this Subsection 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.

(g) 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, a majority 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 Association 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 of the Association 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 Association and shall report the same to the Board. All committees shall serve at the pleasure of the Board.

10. Compensation. Compensation 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 a regular or special meeting of the Board 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 qualifies.

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 Association. 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 VI OFFICERS

1. Number, Election and Term of Office. The officers of the Association shall be a President, a Vice-president, a Secretary and a Treasurer. The President and Vice-President shall be elected for a term of one 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 Secretary and Treasurer shall be elected for a term to be determined by the Board in its sole discretion. The Board may also choose additional Assistant Secretaries and Assistant Treasurers. Any two offices (but not more than two) may be held by the same person except the offices of President and Secretary shall not be held by the same person.

2. Duties. The duties of the officers shall be as follows:

(a) President. The President shall be the principal executive officer of the Association and, subject to the control of the Directors, shall have general supervision and control of the business and affairs of the Association. 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 Association thereunto authorized by the Directors all certificates for shares of the Association, as well as any deeds, mortgages, bonds, contracts and other instruments of the Association 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.

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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: (i) keep the minutes of the shareholders' and Board meetings in one or more books provided for that purpose; (ii) see that all notices regarding annual stock assessments, delinquencies and stock sales are duly given in accordance with the provisions of these Bylaws; (iii) receive all writings, including emails, from the individual directors on actions taken by the directors without a meeting, including the tabulation of votes, confirming the result of the action taken, and notify the other members of the Board; (iv) be custodian of the corporate records of the Association; (v) keep a register of the post office address of each shareholder; (vi) have general charge of the stock transfer books of the Association; and (vii) 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.

(d) Treasurer. The Treasurer shall: (i) have the charge and custody of and be responsible for all the funds and securities of the Association from any source whatsoever, and in such capacity shall deposit all such funds in the name of the Association in such banks, trust companies or other depositories as shall be selected in accordance with these Bylaws; (ii) keep regular books of account; (iii) disburse the funds of the Association in payment of the just demands against the Association, or as may be ordered by the Board, taking proper vouchers for such disbursements; (iv) render to the Board from time-to-time as may be required an account of all transactions and of the financial condition of the Association; and (v) in general 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 Association 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.

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 to officers of the Association and the general manager shall be authorized and fixed as determined, from time-to-time, by the Board. The officers and general manager 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 Association.

7. Fidelity Bonds. The Board may, by resolution, require any and all of the officers to give bonds to the Association, 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.

8. Tenure and Removal from Office. The officers of the Association shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board may be removed at anytime, 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)

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days before the same is to take effect, but resignations may be accepted on shorter notice.

**ARTICLE VII
INDEMNIFICATION OF OFFICERS AND DIRECTORS**

1. Indemnification. The Association, as authorized by law, 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 Association at such time owned or may own shares of stock 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 Association, 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 Association'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 Association shall not indemnify a director or officer hereunder in connection with a proceeding by or in the right of the Association in which the director or officer was adjudged liable to the Association; 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 Association 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 Association a written affirmation of the directors or officers good faith belief that the director or officer has met the applicable standard of conduct set forth in Subsection 7.1 of this Article; the director or officer furnishes the Association 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 Association indemnifies or advances expenses to a director or officer under this Article in connection with a proceeding by or in the right of the Association, the Association 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

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agreement, resolution, of the shareholders or otherwise.

**ARTICLE VIII
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 Association, 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 Association, in an amount not to exceed \$250,000. 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 Association shall be authorized to sell, lease, exchange, mortgage and/or pledge all or substantially all of the assets of the Association as and for security for loans, or otherwise, for the purpose of acquiring water, water rights, water stock, sources of water supply, and real and personal property, and for the development of and/or improvements to the Association'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 \$250,000 and/or which requires a pledge of all or substantially all of the assets of the Association as and for security therefor 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 vote of the shareholders at a meeting in which a quorum is present as provided in Article IV, Sections 6 and 7.

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 Association, shall be signed by such officer or officers, agent or agents of the Association and in such manner as shall from time-to-time be determined by resolution of the Directors.

**ARTICLE IX
DISTRIBUTION OF ASSOCIATION WATER**

1. Exclusive Control. The Cache Highline System shall be under the exclusive control and management of the Board, the Water Managers and other employees acting under authority of the Board. Distribution of water to shareholders shall only be made by order of the Board or the Water Managers acting under authority of the Board. In all instances, the Board shall have the responsibility to assure that the water of the Association is used in a beneficial manner, efficiently and without waste.

2. Water Manager. The Board shall appoint and employ one or more water managers (each a "Water Manager"), and such other employees as the Board deems necessary, and shall fix the compensation to be paid to the Water Manager and other employees. A separate Water Manager may be appointed to be responsible for separate segments or sections of the Cache Highline System, and each Water Manager shall have equal authority to perform their duties and responsibilities as set forth below.

(a) Authority. The Water Manager is the official representative of the Association, with the express authority of the Board to distribute the water of the Association equitably, by share, to its shareholders.

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(b) Duties and Responsibilities. The duties and responsibilities of the Water Manager shall include, but not be limited to, the following:

(1) The Water Manager has the duty and responsibility to establish and manage a water turn schedule and a system of shareholder Delivery Structure settings 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 the Delivery Structure settings once established by the Water Manager.

(2) The Water Manager shall be responsible to number each Delivery Structure and to re-paint and otherwise maintain the number on each Delivery Structure as necessary to assure its proper identification.

(3) The Water Manager shall ride the full length of the Cache Highline System on a frequent and regular basis, as necessary, for the purpose of inspecting the Cache Highline System, including the Delivery Structures, setting Delivery Structures and checking turns and usage. More frequent inspections of the Cache Highline System may be required, for safety reasons, depending on the circumstances.

(4) The Water Manager shall read meters as installed throughout the Irrigation System.

(5) The Water Manager shall be responsible for the Blue Stake markings of the underground lines and facilities within the Cache Highline System.

(6) The Water Manager shall meet with the Board on a monthly basis during the irrigation season.

(7) The Water Manager shall submit a written report to the Board at the end of each irrigation season. The report shall include the following information:

(A) a complete log of the Water Manager's activity on the Cache Highline System, including a record of the date, route, starting time and ending time of each trip together with a notation of anything unusual or out of the ordinary discovered thereon;

(B) an itemization of the Delivery Structures and the shares of stock of the Association, including the certificate number and number of shares, assigned to each Delivery Structure;

(C) a list of the responsible persons, including name, address and phone number, assigned to each Delivery Structure;

(D) a list of the names, addresses and phone numbers of those persons to be contacted in the event of an unscheduled or emergency shut-off of the Cache Highline System; and

(E) tables of Delivery Structure settings at each Delivery Structure for each five (5) cfs of change of flow in the canal.

(8) The Water Manager will coordinate with the individual shareholders and cooperate with them to the extent possible, in carrying out the duties and responsibilities of the office.

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(c) Contesting Water Manager Decisions; Appeal. In the event a shareholder shall contest a decision of the Water Manager with regard to the distribution of water, the shareholder shall first attempt to resolve the issue with the Water Manager. In the event the shareholder and the Water Manager are unable to resolve the matter, the decision of the Water Manager may be appealed by the shareholder to the Board, which shall have the final say in all such matters.

3. Distribution; Calculation of Available Flow.

(a) Distribution. Subject to the provisions of Section 6 of this Article, each shareholder in the Association shall be entitled to a flow of water bearing the same ratio to the total flow of water available for distribution to all shareholders as the number of shares owned by him bears to the total number of shares of stock outstanding; provided, however, that this regulation shall not preclude the rotation and use of water among shareholders by agreement and with the consent and approval of the Board. Water shall be distributed to the shareholders only through authorized Delivery Structures installed and maintained in the Cache Highline System. The amount of water distributed to each shareholder at a given Delivery Structure shall be determined according to the shares of stock assigned by said shareholder to that Delivery Structure as hereinafter set forth.

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(b) Calculation of Available Flow. The amount of water available for distribution to the shareholders of the Association shall be calculated by the Water Manager according to the following guidelines:

(1) Water Allocated for Delivery to Shareholders.

(A) When water flows in the canal at a rate of 60 cfs or greater, eighty percent (80%) of the water measured at the Association's diversion shall be available for delivery to the shareholders.

(B) When water flows in the canal at a rate less than 60 cfs, the amount of water available for delivery to the shareholders shall be the amount of water flowing in the canal at the Association's diversion less 12 cfs.

(2) Water Allocated for Shared System Losses. The water not allocated for delivery to shareholders, as described in Subsection (1) above, is allocated to cover system losses within the Cache Highline System, which, consistent with the historical practice of the Association and its predecessors-in-interest, is equally shared by the shareholders regardless of the relative locations of their individual Delivery Structures and places of use of the Association's water supply.

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(c) Theft of Water. 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 shares of Association stock, without the express written approval of the Water Manager, shall constitute theft of the Association's water, and any such action will be prosecuted to the full extent of the law. The Association shall 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.

4. Cache Highline System and Individual Shareholder Systems; Title, Installation, Maintenance and Modification.

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(a) Definitions, Title, Responsibility and Liability.

(1) Cache Highline System. Pursuant to the merger of the Logan & Northern Irrigation Company and the Logan Hyde Park Smithfield Canal Company, the open Canal system belonging to the Logan & Northern Irrigation Company and the open Canal system belonging to the Logan Hyde Park Smithfield Canal Company have been combined into and are now administered as a single irrigation system, as modified by system improvements made in connection with the Cache Water Restoration Project and the Logan & Northern Piping and Pressurization Project, as defined in Subsection (A) below, and all remaining open irrigation canal segments as defined in Subsection (B) below., consisting of:

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(A) all new facilities and equipment newly installed in connection with the Cache Water Restoration Project and the Logan & Northern Piping and Pressurization Project, including: collectively, the box culvert, the new main diversion structure in the Logan River utilized in the diversion of water from the Logan River into the culvert and pipeline system; all pressurized irrigation main pipelines, all water meters, pumps, pump and pressure reducing stations, metering, telemetry and other equipment and facilities related to the newly installed facilities; and all pipeline turn-out structures (each, a “Turn-out”), through which water out of the newly installed pressure irrigation facilities is delivered from the new pipelines to the Individual Shareholder Systems as defined below (collectively, the “Pressure Pipeline Segments”); and

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(B) all remaining sections of open irrigation Canal, including the Canals and related facilities, and all head gates and appurtenant facilities (each, a “Head Gate”), through which water out of the Canal is delivered to the Individual Shareholder’s System as defined below (the “Open Canal Segment”): Cache Highline System

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(c) the Turn-outs and Head Gates being hereinafter referred to individually as a “Delivery Structure” and collectively as “Delivery Structures”.

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(2) Individual Shareholder Systems. Individual Shareholder Systems shall consist of the lateral pipeline in the case of deliveries from the Pressurized Pipeline Segments or the ditch in the case of deliveries from the Open Canal Segments, extending from the point of connection of the same with the Delivery Structure, and all valves, sumps, screens, check dams, pumps, sprinklers, gated pipes and other related equipment and facilities commencing at the coupler on the shareholder’s side of the Delivery Structure used in connection therewith, by and through which Association water is received, carried, applied and utilized by the shareholder for irrigation and stockwatering use on the shareholder’s property (each, a “Shareholder System”), as more particularly defined and depicted as provided in Subsection (3) immediately below.

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(3) Depictions of Line of Demarcation. For purposes of more clearly depicting the line of demarcation between the Cache Highline System and the Individual Shareholder Systems:

(i) With respect to metered water deliveries to shareholders through the Pressurized Pipeline Segments of the Cache Highline System: (x) the Cache Highline System shall include the Association’s main transmission pipeline, the Association’s main shut-off valve, the lateral pipeline extending from the main transmission line to the meter box, and the meter box; and (y) the Individual Shareholder’s System shall include the lateral pipeline extending from the meter box commencing at the point of connection of said line on the shareholder’s side of the meter box at the coupler, the shareholder’s shut-off valve, and all pipelines and facilities as defined in Subsection 4(a)(2) of this Section extending therefrom used by the shareholder in irrigating his property, as depicted in

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EXHIBIT "A" hereto and incorporated by reference herein.

(ii) With respect to unmetered water deliveries to shareholders through the Pressurized Pipeline Segments of the Cache Highline System: (x) the Cache Highline System shall include the Association's main transmission pipeline and the Association's main shut-off valve; and (y) the Individual Shareholder's System shall include the lateral pipeline extending from the Association's main shut-off valve commencing at the point of connection of said line on the shareholder's side of the main shut-off valve at the coupler, and all pipelines and facilities as defined in Subsection 4(a)(2) of this Section extending therefrom used by the shareholder in irrigating his property, as depicted in EXHIBIT "B" hereto and incorporated by reference herein.

(iii) With respect to unmetered water deliveries to shareholders through the Open Canal Segments of the Cache Highline System: (x) the Cache Highline System shall include the Canal and the Head Gate; and (y) the Individual Shareholder's System shall include the lateral pipeline extending from the Head Gate commencing at the point of connection of said line on the shareholder's side of the Head Gate, and all pipelines and facilities as defined in Subsection 4(a)(2) of this Section extending therefrom used by the shareholder in irrigating his property, as depicted in EXHIBIT "C" hereto and incorporated by reference herein.

(4) Association and Shareholder Responsibility and Liability.

(a) The Cache Highline System.

(i) The Cache Highline System shall be owned by the Association, and the Association shall be solely responsible for the operation, maintenance, repair, protection and replacement of said System, at its sole cost and expense.

(ii) The Association shall be responsible and liable for any and all losses, damages, injuries, accidents and claims, of any kind or character, to any person or property, real or personal, including, but not limited to court costs and attorney's fees, arising out of, resulting from or otherwise attributable to the existence and flow of water in and/or water flooding, seeping or otherwise escaping from the Cache Highline System; expressly subject to all laws, immunities, protections, and/or other findings, holdings, rulings, orders, regulations, declarations and pronouncements of non-liability for any such loss, damage, injury, accident or claim as may then be available and extended to the Association under Utah law.

(iii) The Association shall be responsible, at its cost and expense, to obtain and maintain commercial general liability insurance insuring and protecting the Association against liability and claims for losses, damages, injuries, accidents and claims for which the Association is responsible hereunder.

(b) Individual Shareholder Systems.

(i) Each individual Shareholder System shall be owned by such shareholder, and each such shareholder shall be solely responsible for the operation, maintenance, repair, protection and replacement of the same at the shareholder's sole cost and expense.

(ii) Each shareholder shall be responsible and liable for any and all losses, damages, injuries, accidents and claims, of any kind or character, to any person or property, real or personal, including, but not limited to court costs and attorney's fees, arising out of, resulting from

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or otherwise attributable to the existence and flow of water in and/or water flooding, seeping or otherwise escaping from the Shareholder's System.

(iii) Each shareholder shall be responsible, at the shareholder's cost and expense, to obtain and maintain individual or commercial general liability insurance insuring and protecting the Shareholder against liability and claims for losses, damages, injuries, accidents and claims for which the Shareholder is responsible hereunder.

(b) Diversions through Authorized Delivery Structures.

(1) Water shall be delivered by the Association to the Shareholders only through Delivery Structures authorized by the Association. Shareholders shall not divert water from the Pressurized Irrigation System or the Open Canal Segment through any type of valve, structure, pump, siphon, check dam or other device without the express written approval of the Board.

(2) The installation and use of any hidden or otherwise unauthorized Delivery Structure constitutes theft of the Association's water and is prohibited. Offenders will be prosecuted by the Association to the full extent of the law. The Association shall remove any and all Delivery Structures from the Canal which do not have shares of stock assigned to them, and which have not been authorized by the Board, and all costs and expenses incurred by the Association with respect to any such removal shall be paid by the offender as billed by the Company. In the event the offender is a shareholder, the costs and expenses which the shareholder is obligated to pay the Association for the removal shall be billed to said shareholder and be enforced and collected as a special assessment, as defined in Article XII herein, with the next regular annual assessment levied on the shares of said shareholder.

(c) New Delivery Structure Installation Requirements.

(1) Installation.

(A) All Delivery Structures which are installed or modified from and after the effective date of these Bylaws, and all meters and other equipment used in connection with and/or required for operation of the Delivery Structure, shall be acquired and installed or caused to be installed by the Association, at its expense, and shall be owned by the Association, subject to payment by the shareholder to be benefitted from the newly installed or modified Delivery Structure of an installation fee ("Delivery Structure Installation Fee"), to be charged and paid as provided in Subsection (B) below.

(B) The amount of the Delivery Structure Installation Fee to be charged by the Association shall be established and changed from time-to-time as necessary by separate resolution promulgated by the Board. The amount of said fee shall be sufficient to cover all actual out-of-pocket costs incurred by the Association in connection with the acquisition and installation of the new Delivery Structure, including materials and facilities acquisition costs, construction and installation costs, engineering costs, administrative costs, and all other related costs. The Delivery Structure Installation Fee shall be paid by the shareholder for whose benefit the Delivery Structure is being installed, and shall be billed to said shareholder and be enforced and collected as a special assessment, as defined in Article XII herein, with the next regular annual assessment levied on the shares of said shareholder.

(C) All new Delivery Structures to be installed by the Association as provided in this Section shall be constructed and installed on the downhill side of the Open Canal or pressurized pipeline unless application is made by a shareholder for an alternate placement, which application shall be submitted to and considered by the Board pursuant to the requirements of Subsection

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(D) Any Delivery Structures which appear to the Water Manager to be leaking excessively shall be replaced by the Association and a new Delivery Structure shall be installed, subject to all of the requirements of this Section.

(E) Except in the event of an emergency, replacement of any Delivery Structure shall be performed by the Association during the non-irrigation season so as to prevent the loss of irrigation water delivery to the shareholders.

(2) Application and Approval for New Delivery Structures. No existing Delivery Structure shall be modified or replaced, and no new Delivery Structure shall be authorized to be installed on the Cache Highline System without the express written approval of the Board. Persons needing to modify an existing Delivery Structure or desiring to have a new Delivery Structure installed shall first make a written application to the Board, on a form provided by the Board, signed by the applying shareholder. Information required for the application shall include:

(A) the desired location for the Delivery Structure;

(B) the certificate number(s) and number of shares of stock of the Association to be assigned to said Delivery Structure;

(C) a map detailing the location and number of acres to be irrigated through said Delivery Structure;

(D) the desired date of installation of the Delivery Structure;

(E) a written statement of the applying shareholder's agreement to pay the Delivery Structure Installation Fee and to abide by all bylaws and rules and regulations of the Association; and

(G) such other information as the Board may require.

Persons who desire to divert water through more than one Delivery Structure shall be required to make a separate written application for each new Delivery Structure requested or each Delivery Structure to be modified.

(d) Right of Entry; Access. Shareholders shall be required to provide reasonable, free and unobstructed access across and through their property for the purpose of allowing the Water Managers and their duly appointed assistants, and/or other Association officials and contractors while on official business, to access the Association's easements and rights-of-way for the purpose of inspecting, reading, operating, maintaining, repairing and replacing the Association's pipelines, canals, Delivery Structures, meters, and related equipment and facilities situated within the Association's easements.

(e) Rules Applicable to Delivery Structures on the Open Canal Segment. The following rules and regulations shall specifically apply to Delivery Structures on the Open Canal Segment, in addition to the other rules and regulations set forth in these Bylaws.

(1) Shareholders who take delivery of Association water through existing pumps in the Open Canal for irrigation above a canal must provide convenient access to said pump, including,

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without limitation, either a foot bridge across the canal or a path along the upper side of the canal when an established bridge is close by, at the discretion of the Board.

(2) No existing Delivery Structure on the Open Canal Segment shall be allowed to remain in place in such a manner as to hinder or otherwise interfere with the Association's right-of-way along the bank of a canal. In that regard, screening devices used around the inlet to the Delivery Structure shall not obstruct the flow of water in the canal, and in no case shall said screening devices extend more than three feet into the stream flow of the canal.

(3) No shareholder shall place any dam or check in a canal, for any purpose, without the express written approval of the Water Manager. Shareholders who have received approval for the use of a dam or check in a canal shall have the sole and separate responsibility to clean and maintain the same, at the shareholder's expense. In the event a shareholder shall fail to clean and maintain a dam or check as required herein, the Association shall remove the same at the shareholder's cost and expense. Shareholders who maintain dams or checks in a canal shall indemnify and hold the Association harmless from and against any claim, liability or damage to the canal and/or other property, real or personal, of the Association, its shareholders or any other person, and for injury to persons or animals, resulting from or arising out of the shareholder's use and maintenance of said dam or check.

(f) Responsible Persons and User Information.

(1) A responsible person shall be designated for each Delivery Structure, in conformance with the following:

(A) A responsible person shall be designated for each Delivery Structure, and a record of the name of the responsible person, together with said person's address, home and work telephone numbers and the number of the Delivery Structure for which said person is responsible, shall be maintained by the Water Manager. It shall be the duty of the individual shareholder, corporation, association or entity, as the case may be, to notify the Association, in writing, of any changes in the responsible person for a Delivery Structure. Notification of any change in the responsible person shall be provided to the Association prior to March 1 of each year to allow time for training prior to the commencement of the irrigation season.

(B) No water shall be authorized for diversion from any existing or new Delivery Structure unless and until a responsible person has been designated and a current record made of such designation with the Association by the Water Manager. Delivery Structures which do not have a responsible person registered with the Water Manager shall be locked closed and not re-opened until a responsible person has been designated and recorded as provided herein.

(2) In order to provide for the reasonable and orderly conduct of the Association, the responsible persons designated for each Delivery Structure shall, at the request of the Board, provide information relative to the water users and the lands irrigated with water diverted through said Delivery Structure. Such information may include, but is not limited to, the names, addresses and telephone numbers of those persons who divert and use water through the Delivery Structure, a map identifying the location of secondary diversions off of the shareholder's system, if any, and the place of use of the water diverted through the Delivery Structure.

(3) Responsible persons shall be obligated to ensure, to the extent possible, that water diverted through a Delivery Structure is only used by those who own or rent stock of the Association or are rightfully entitled to use water by virtue of membership in another corporation,

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association or entity which is a shareholder of the Association.

5. Association Easement and Right-of-way Encroachments.

(a) The Association owns prescriptive easements and rights-of-way along both sides of the canals within the Open Canal Segments and the pressure pipelines within the Pressure Pipeline Segment, notices of which easements have been duly recorded in the office of the County Recorder, Cache County, Utah.

(b) 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 bridge, fence, pipeline, utility line or other such structure, which extends over, under, into, across or through, or otherwise encroaches upon, the Association's easement and right-of-way for the Pressure Pipeline Segment and the Open Canal Segment (together, the "Association Easement"), without the express written approval of the Board. Any structure extending over, under, across or through a canal within the Open Canal Segment shall also require the express written approval of those cities who utilize the canal for the transportation of storm and runoff water by agreement with the Association (the "Cities"). No such use of the Association Easement shall be authorized except by a specific license agreement from the Association, upon approval of the Cities as required, and no such license agreement shall be granted except upon the following conditions:

(1) The licensee shall first be required to submit to the Board plans and specifications setting forth in detail the proposed use of the Association Easement. 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 licensee upon request by the Board. In the case of canal encroachments, plans and specification shall be required to be submitted to the Cities as well, together with such other information as they may require in order to properly review and consider the proposes use as well.

(2) The licensee 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 damage to the canals or pipelines running within the Association Easement as a result of any such structure, so long as the structure shall remain in place, all at licensee's sole cost and expense. Particularly with respect to bridges or other such structures extending over the top of a canal, a minimum freeboard clearance of at least 24 inches must be provided between the surface elevation of the water in the canal at maximum design capacity of the canal and the bottom of the structure.

(3) The licensee shall be required to indemnify and hold the Association and each of the Cities having rights therein harmless from and against any liability or damage to the canal, pressurized pipeline and/or other property, real or personal, of the Association, its shareholders, and the Cities and their officials, or any other person, and for damage to property, real and personal, and for injury to persons or animals, resulting from or arising out of the licensee's ownership, operation and maintenance of any such structure.

(c) No substance or material, of whatsoever kind or nature, including, without limitation, storm drainage water off of roadways or other developments, shall be introduced into the canal or upon the Association Easement, by any person or entity other than the Cities pursuant to their agreement with the Association, without the express written approval of the Board. Absent authority from the Board, any unauthorized encroachment or introduction of material into the canal or Association Easement is strictly prohibited and any such trespass shall be prosecuted by the Association to the full

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extent of the law.

(d) 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 the canal or pressurized pipeline, or otherwise encroaches upon the Association Easement shall, as of the effective date hereof, be subject to the terms and provisions of this Section 5.

6. Emergency Situations.

(a) In an emergency situation, duly authorized officials, employees, agents and/or contractors of the Association shall have the right of access to the Delivery Structures and other related facilities owned by the shareholders for the purpose of making emergency repairs to the same. All costs and expenses incurred by the Association in making such emergency repairs shall be reimbursed by the shareholders who use the Delivery Structure. The costs and expenses which the shareholder is obligated to pay the Company for the removal shall be billed to said shareholder and be enforced and collected as a special assessment, as defined in Article XII herein, with the next regular annual assessment levied on the shares of said shareholder.

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

7. 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 Manager to terminate water service to said shareholder until the violation is corrected.

**ARTICLE X
CHANGES IN POINT OF DELIVERY, PLACE AND NATURE OF USE OF WATER**

1. Requested Changes Within the Cache Highline System. A shareholder may not change the point of delivery and place of use of the Association's water from one point of delivery on the Cache Highline System (the "Prior Delivery Point") to a new point of delivery on the Cache Highline System (the "New Delivery Point"), without the prior written approval of the Board.

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(a) Factors in Evaluating the Requested Change. 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:

(1) whether the shareholder requesting the change has fully paid all outstanding assessments against the shareholder's stock;

(2) whether there is sufficient capacity and water pressure in the New Delivery Point for the proposed use;

(3) whether sufficient water will remain at the Prior Delivery Point so as to insure the delivery of water with adequate pressure to the other shareholders;

(4) whether there will be increased maintenance costs to the Association and/or its shareholders; and

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

(b) Procedure for Effectuating a Requested Change Within the System. The procedure to be followed by a shareholder requesting a change within the Cache Highline System, and the procedure to be followed by the Board in reviewing and taking action on the request are as follows:

(1) 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 March 1 of the year in which the change is proposed to be made. The application shall contain the following information:

- (a) the name and address of the applicant;
- (b) the certificate number and number of shares to be changed;
- (c) the place of use of water delivered at the Prior Delivery Point;
- (d) the proposed point of delivery and place of use at the New Delivery Point, and the nature of use of Association water proposed at the new place of use; and
- (e) the purpose for which the change is requested.

(2) 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 Association in reviewing and processing the application.

(3) In the event a shareholder desires to change an existing Head Gate on a canal at the Prior Delivery Point and/or the New Delivery Point on the Open Canal Segment, the approval of 50% of the shares receiving water out of said Head Gate at the Prior Delivery Point and/or the New Delivery Point, as the case may be, shall be required to approve the change as a condition precedent to Board approval of the transfer; except that if the shareholder desires to change to a New Delivery Point into a ditch owned and/or used by an incorporated or other business entity, the approval of said entity shall be required as a condition precedent to Board approval of the transfer.

(4) 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 Association for all costs and expenses incurred by the Association in connection with the change.

(5) The applicant, at applicant's sole expense, shall re-construct, install, alter, repair and/or replace any part of the system of the Association 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 Association or other shareholders resulting from the change requested by the applicant.

(6) If in the opinion of the Board, there is a need for the Association's attorneys, engineers or other consultants to review the application to insure that the proposed changes do not adversely affect the Association and/or any other shareholder, then the Association shall provide the applicant with a detailed statement of the costs and fees incurred by the Association in connection with

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such review and the applicant shall be required to pay all such costs and fees as billed by the Association as a condition to being authorized to make the change and receive water delivery at the New Delivery Point.

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

(c) Notwithstanding the foregoing, consistent with the historic practice and prior, on-going agreements between Utah State University (the "University"), and the Association and its predecessor-in-interest, the University shall be authorized, without adherence to the application process set forth in this Subsection 1, to change the point of delivery and nature of use of a portion of the water to which it is entitled under its shares of stock to be used for research and testing at the University's Utah Water Research Laboratory on the Logan River, as requested by the University during temporary periods throughout the irrigation season, subject to and in strict conformance with the terms, conditions, limitations and procedures set forth in the then current Memorandum of Understanding with respect thereto between the University and the Association, as the same shall be amended from time-to-time. Such authority shall only continue so long as written agreements, duly approved by the Association and the University, remain in force and effect. This situation with respect to the use of water by the University for its water research laboratory is a unique situation and nothing herein shall be construed so as to establish a precedent upon which any other shareholder may rely with respect to shareholder changes within the Cache Highline System, and all shareholders, subject to this one exception, shall be obligated to comply with the terms and procedures for change set forth in this Subsection 1.

2. Requested Changes Outside the Cache Highline System or Otherwise Involving a Change in the Underlying Water Rights of the Association. No shareholder shall be permitted to file or cause to be filed with the Utah Division of Water Rights a permanent change application, temporary change application or exchange application involving a change to a point of diversion and place of use outside the Cache Highline System and/or otherwise involving any element of the Association's underlying water rights without the express written approval of the Board and full compliance with the requirements of Section 73-3-3.5 Utah Code Annotated, 1953, as amended (the "Change Statute"), and the following rules and regulations:

(a) Applicable Changes. Proposed changes which require approval of the Board under the provisions of this Subsection 2 include, but are not limited to, the following:

(1) A proposed change to a point or points of diversion different from the Association's authorized point or points of diversion, including proposed changes to a source or sources of water supply different from the Association's authorized source or sources of water supply;

(2) A proposed change to a place of use different from the Association's authorized place of use of water, including proposed changes to a distribution system different from the Association's existing Canal system;

(3) A proposed change to a nature of use of water which is different from the Association's authorized nature of use of water, including, if applicable, a proposed change to a period of use different from the Association's authorized period of use; and/or

(4) Any other proposed change which requires the filing of a permanent or

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temporary change application or exchange application with the Division of Water Rights on the underlying water rights of the Association.

(b) Evaluation Factors. In evaluating the request for a change under this Section 2, the Board shall evaluate all relevant factors pertaining to the change as requested including, but not limited to the following:

- (1) any increased cost to the Association or its shareholders;
- (2) interference with the Association's ability to manage and distribute water for the benefit of all shareholders;
- (3) whether the proposed change represents more water than the shareholder's pro rata share of the Association's water right;
- (4) impairment of either the quantity or quality of water delivered to other shareholders under the existing water rights of the Association, including rights to carrier water;
- (5) whether the proposed change would cause a violation of any statute, ordinance, regulation, or order of a court or governmental agency;
- (6) whether the shareholder has or can arrange for the beneficial use of water to be retired from irrigation within the Association's service area under the proposed change; and/or
- (7) the cumulative effects that the approval of the change application may have on other shareholders or Association operations.

(c) Change Procedure. The procedure to be followed by a shareholder requesting a change under this Section 2, and the procedure to be followed by the Board in reviewing and taking action on the request are as follows:

(1) Written Application. Any shareholder, as a condition to making any change referenced in subparagraph 2 (a) above shall first be required to submit a formal written application for such change with the Board prior to January 1 of the year in which the change is proposed to be made. The Board may provide a standard application form for such purpose.

(A) The application requesting the change shall contain the following minimum information:

- (i) the name and address of the applicant;
- (ii) the quantity of water sought to be changed;
- (iii) the certificate number and number of shares affected by the change;
- (iv) the current point or points of delivery for the Association's water under the shares prior to the change;
- (v) the proposed point or points of diversion for the water under

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the change;

(vi) the current place of use of water under the applicant's stock;

(vii) the proposed place of use, including a legal description of the land upon which the water under the shares is proposed to be used after the change;

(viii) the proposed nature of use and period of use for the water under the shares after the change; and

(ix) an explanation of the proposed change, including the need and purpose for which the change is requested.

(2) Notice of Application.

(A) The Board, within thirty (30) days from the date of receipt of the application, may, but need not, send notice of the request to any or all other shareholders who, in the opinion of the Board, may be affected by the requested change. Such notice shall include a copy of the change request and provide that any affected shareholder may file a written objection to the request within ten (10) days of mailing such notice.

(B) The applicant, and any other shareholder who has filed a written objection to the change proposed in the request, shall receive ten (10) days' written notice of the meeting at which the request is to be considered by the Board, and shall be allowed to attend.

(C) The cost of mailing all notices shall be an additional cost to the Association which shall be paid by the applicant pursuant to the provisions of Subsection (d) of this Section immediately below.

(d) Payment of All Costs and Expenses Associated with the Change. The applicant shall be required to pay all costs and expenses incurred by the Association in connection with the applicant's proposed change, as follows:

(1) The applicant shall pay, as billed by the Association, all costs and expenses relating to the Board's consideration and processing of the application, including, without limitation, all costs and expenses incurred by the Association which are associated with:

(A) all administrative costs and expenses as a result of the requested change, including, without limitation, all legal, engineering and other consultants' fees and costs;

(B) all costs and expenses incurred in connection with the preparation and filing with the State Engineer of any required change or exchange application to effectuate the applicant's requested change;

(C) all costs and expenses incurred in connection with any and all administrative and judicial proceedings in connection with any change or exchange application;

(D) all costs and expenses related in any way to the applicant's diversion of water at the new point of diversion, including, without limitation, the construction, installation, repair, maintenance, and replacement of all facilities, structures, equipment and appurtenances related thereto,

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and on-going inspection and monitoring by the Association as shall be required to assure the shareholder's beneficial use of the Association's water and compliance with all other terms and provisions of this Article and the Application Agreement to be executed as provided in Subsection (e) below;

(E) all costs and expenses associated with the re-construction, alteration, repair, maintenance and replacement of any existing or new Delivery Structure and related facilities of the Association and/or any other shareholder which shall be necessitated in order to avoid or remedy any adverse effect or interference resulting from the change requested by the applicant; and

(F) all costs and expenses incurred in connection with the submittal of proof of appropriation with respect to the change.

(2) All costs and expenses which are required to be paid by applicant in connection with the application for change, as provided in Subsection (1) above, shall be billed to said shareholder and be enforced and collected as special assessments against the shares of stock of the applicant, as defined in Article XII herein, with the next regular annual assessment levied on the shares of said shareholder. .

(3) Simultaneously with the filing of the application for change, the applicant shall surrender to the Board the applicant's share(s) of stock upon which the proposed change is based. The Association shall hold said certificates as security for the payment of all costs and fees for which applicant is responsible as provided in Subsection (d)(1) (A) through (F) above. The certificates shall be returned to the applicant upon payment in full of all such costs and fees.

(e) Application Agreement. As part of the application, the applicant shall be required to enter into an agreement with the Association wherein the applicant shall acknowledge and agree as follows:

(1) Notwithstanding the fact that the applicant may divert and utilize water from a point of diversion and/or at a place of use outside the Association distribution system and outside the authorized place of use of the Association's water supply, and for a purpose other than the purpose for which Association water has historically been used, the applicant, nevertheless, shall:

(A) be and remain a shareholder of the Association and be treated the same as and be subject to and shall agree to abide by the Association's Articles of Incorporation, these Bylaws, as well as any and all other reasonable rules and regulations which may be promulgated by the Board from time-to-time, as applicable, and

(B) continue to pay, and the Company shall have the right and obligation to enforce and collect, all regular and special stock assessments on applicant's share(s) of stock, including, without limitation, the costs set forth in Subsection 2(d) above, as and when the same become due;

(2) The applicant shall be subject to such conditions, and/or limitations that may be reasonably necessary to insure that the change requested by the applicant shall not adversely affect or otherwise interfere with any existing rights of the Association and/or any of its other shareholders.

(3) The applicant shall defend, indemnify and hold the Association, and its directors, officers, employees and consultants harmless from and against any claims, liability or damage

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to any property, real or personal, of the Association, its shareholders or any other person, and for injury to persons or animals, resulting from or arising out of the applicant's change.

(4) The applicant shall pay all costs and expenses which applicant is obligated to pay pursuant to the provisions of this Article, which shall be billed to said shareholder and be enforced and collected as special assessments against the shares of stock of the applicant, as defined in Article XII herein, with the next regular annual assessment levied on the shares of said shareholder.

(f) Action by the Board. No later than 120 days from the date of receipt of a properly submitted application requesting the change, the Board, at a duly-called meeting, shall take action on the application, subject to the following:

(1) The Board shall notify the applicant of its decision in writing which shall be sent to the applicant by regular mail. If the Association fails to respond to the change request within said time, the failure to respond shall be considered to be an approval of the request.

(2) Based on the facts and circumstances of each proposed change, the Association may, by resolution duly adopted by majority vote, approve the change request, approve the change request with conditions or deny the change request, subject to the following:

(A) If the requested change is approved, in connection with the change or exchange application to be filed with the Utah Division of Water Rights, the Board, in its sole discretion, may either require that the Association be a co-applicant with the applicant on such application, or that the applicant may file such application in applicant's own name. With respect to either method, a letter assenting to the change or exchange application shall be signed by the president of the Association as follows:

(i) The letter of assent shall set forth all conditions imposed by the Board in conformance with these regulations and clearly state that the Association's assent to the filing of the change or exchange application is subject to the conditions imposed by the Board and that said conditions are to be included in the State Engineer's memorandum decision and certificate pertaining to the requested change.

(ii) Each condition shall be clearly set forth and include, but not be limited to, as applicable, any required limitations and adjustments that the applicant must make in the quantity of water which the shareholder shall be authorized to divert and use from the shareholder's source of supply outside the System; the bearing of all losses or reductions caused by the change through evaporation, seepage, and percolation; the structuring of proper credits and/or deductions for carrier water or return flow; the duty to take water in turn; the obligation to pay for reorganizing the water distribution program or schedule of the Association so as to adjust for differing flows in the canal and required adjustments to other Association facilities; the modification of Delivery Structures; and any and all other adjustments and modifications to the Cache Highline System, and any Shareholder System, all as may be prescribed by the Board of the Association in its sole discretion.

(iii) The applicant shall attach the letter of assent to the change or exchange application filed with the Utah Division of Water Rights.

(iv) The applicant shall pay all costs, fees and expenses associated with the preparation, filing and prosecution of the change or exchange applications through all administrative and legal proceedings, including costs of appeal.

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(B) If the requested change is denied, the written notice shall contain a brief explanation for the denial.

(3) A change request shall not be denied, absent other factors, if the change can be effectuated such that there is no cost incurred by the Association and neither the Association nor any other shareholder is damaged, adversely affected or impaired, in any way, as a result of the change.

(g) Accomplishing the Change/Exchange. Upon final approval by the State Engineer of the change or exchange application, the applicant, at applicant's sole expense, shall have the responsibility of accomplishing the change or exchange subject to any conditions imposed by the Association and/or the State Engineer.

(h) Extensions. If the Association is a co-applicant on the change or exchange application, all requests for extension of time in which to submit proof filed with the Utah Division of Water Rights shall be co-signed by the president of the Association, unless the Board directs otherwise, in which case the applicant alone may file such a request. If the applicant alone files the change or exchange application, the applicant may file requests for extension of time without further approval of the Association, so long as copies of such requests are sent to the Association.

(i) Notation on Stock Ledger Books. If the State Engineer approves the requested change or exchange, the Secretary shall make a notation thereof on the Association stock record reflecting the change and point of diversion, place or nature of use of the water represented by the shares which are the basis of the change or exchange.

(j) Continued Beneficial Use. Subject to the provisions of Article XI, while the change or exchange is being accomplished, the applicant shall be responsible for continued beneficial use of the water represented by the shareholder's stock at the existing point of diversion and place of use under the shares which are the basis of the change or exchange or by lease or otherwise as approved by the Board in conformance with these Bylaws.

(k) Compliance with Conditions. If the applicant fails to comply with any condition imposed by the Board in its approval of the requested change, either before or after a certificate of change is issued by the State Engineer, the Board may, after written notice to the applicant and after allowing reasonable time to remedy any failure, withdraw its approval of the application and petition the State Engineer for an order canceling the application or certificate, as the case may be; provided, however, the Association shall not withdraw its approval so long as all such conditions are being substantially complied with.

(l) Retirement of Acreage Upon Proof. Upon submittal of proof on any change with the Utah Division of Water Rights, the applicant shall arrange for the retirement from irrigation of the required amount of land within the Association's certificated or decreed service area, if applicable, and shall so notify the Association in writing; whereupon the Association shall inspect and verify the retirement of the land from irrigation.

ARTICLE XI APPORTIONMENT OF WATER RIGHTS LOST BY FORFEITURE

1. Legal Authority. If, upon the issuance of a final decree or interlocutory decree in a quiet title or general adjudication action of a court of competent jurisdiction, it is determined that a portion of the

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water rights owned or held by the Association has been forfeited for non-use under the laws of the State of Utah, the Board, pursuant to Section 73-1.4.5 Utah Code Ann. (2002), shall have the power and authority to apportion such loss or forfeiture to any and all shareholders whose failure to make beneficial use of the water caused the loss or forfeiture of that portion of the Association's water right. The procedure for allocating such forfeiture and loss of water shall generally follow the process set forth in [Section 16-6a-609](#), Utah Code Ann.(2000) and the provisions of this Section, which shall control.

2. **Determination of Forfeiture.** Upon a court finding of forfeiture as set forth in Section 1 above, the Board shall conduct a survey or review of all beneficial uses of water within or without the Association's certificated or decreed service area, as changed from time-to-time by authority of the State Engineer. The survey and review shall attempt to identify those shareholders and the corresponding shares of Association stock owned by each that have caused the loss of the Association's water rights, in conformance with the following:

(a) The survey or review shall include, but not be limited to:

(1) a review of the stock transfer records and other records of the Association;

(2) any reports, notes, or other data relative to the use and delivery of water kept by the Water Manager or other water distribution officials of the Association; and

(3) any records of the State Engineer, including, without limitation, hydrographic surveys, maps, water commissioner reports, and non-use applications or any other relevant data or information.

(b) The Board may retain such experts or consultants as it deems necessary to accomplish the survey and review.

(c) The identification of specific areas of non-use in the findings and decrees of any court shall be deemed conclusive evidence of such non-use.

(d) Shareholders having the longest period of non-use shall be considered first, proceeding to the next oldest in order to allocate the forfeiture among the responsible shareholders.

(e) Any non-use of water by a shareholder occurring after the date of the relevant court decree will not be considered for purposes of the then current allocation of the loss, but may be considered in any future forfeiture loss allocation.

(f) Shares of stock and corresponding beneficial uses which are covered by valid nonuse applications approved by the State Engineer or shares beneficially used through Board approved trading or leasing of shares within the Association's then approved service area shall not be considered as having caused the forfeiture to occur so long as the water thereunder has been beneficially used.

3. **Notice to Shareholders; Opportunity for Hearing.** If a shareholder is identified by the Board as causing, in whole or in part, the forfeiture of any water rights of the Association, the Board shall direct the Association secretary to send each such shareholder written notice of its findings and notifying the shareholder that his or her shares may be subject to cancellation for failure to beneficially use the water and the reasons therefore, subject to the following:

(a) Any such notice shall give the affected shareholder thirty (30) days to file a written

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response to the Board and/or to request a hearing before the Board.

(1) If no response is received, the Board may proceed to take any action it deems reasonable and appropriate relative to canceling all or a portion of the shares of the shareholder to allocate the forfeiture as it deems necessary and appropriate.

(2) If the shareholder files a response and/or requests a hearing, the Board shall schedule the hearing or a meeting to consider the shareholder's written response at the next regular meeting of the Board or at a special meeting of the Board called for that purpose. The Board may schedule the hearing at a later time where the shareholder's response raises issues on which additional information or data is needed.

(b) Notice of any hearing shall be sent to the affected shareholder by regular mail, not less than ten (10) days prior to such hearing.

(c) No shares will be canceled unless and until the Board has taken final action as set forth herein.

4. Cancellation of Shares. After holding a hearing and/or considering an affected shareholder's written response, the Board shall consider all relevant information and data relative to non-use of the water represented by the shares, and may cancel all or part of such shares, as the case may be, if the evidence demonstrates that the water represented by such shares has not been beneficially used and that the non-use of water under said shares has caused a forfeiture of a portion of the Association's water rights. If the Board apportions all or a portion of the forfeiture of the Association's rights to any shareholder as herein provided:

(a) A sufficient number of shares as necessary to account for the water right lost by forfeiture, including necessary transportation or carrier water losses, shall be treated by the Association as shares redeemed by the Association from the shareholder responsible for the loss, and said shares shall be cancelled; whereupon the total number of shares owned by that shareholder shall be reduced accordingly on the records of the Association, and the authorized shares of the Association shall be reduced by the amount of shares that were redeemed and cancelled.

(b) Notice of any such redemption and cancellation shall be sent by the Secretary of the Association to the affected shareholder by certified mail.

(c) The redemption and cancellation of shares of any shareholder pursuant to this Section shall not relieve said shareholder of any liability for unpaid assessments on such stock or debts the shareholder may owe to the Association, including, without limitation, said shareholder's proportionate share of any underlying debt obligations incurred by the Association.

(d) Any judicial proceeding to challenge the cancellation of shares as provided herein shall be commenced within sixty (60) days of the mailing of the notice of such cancellation.

5. Reduction in Delivery Pending Appeal. In making the apportionment, the Association shall reduce the amount of water provided to the shareholder in proportion to the amount of the lost water right during an appeal of a decision that reduced the Association's water rights, unless otherwise ordered by a court of proper jurisdiction.

ARTICLE XII

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STOCK ASSESSMENTS; FEES AND CHARGES; COLLECTION

1. Stock Assessments.

(a) Levy of Assessments. In conformance with the authority of the Utah Share Assessment Act, Utah Code Ann. §16-6-101 et seq., all stock of the Association shall be subject to annual assessment so as to carry out the various purposes of the Association as set forth in the Articles of Incorporation, including, without limitation, the operation, maintenance, repair, modification, replacement and improvement of all the diversion, distribution and storage facilities, together with appurtenances thereto, which are now or may hereafter be owned by the Association. All shares of Association stock shall be fully assessable.

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

(2) Special Assessments.

(A) The Association, 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 Association System, for the construction, reconstruction, repair of, or any improvement to the Association System. The Board shall issue orders levying a special assessment in the same manner as orders levying annual assessments.

(B) At the discretion of the Board, in lieu of separate billing therefore, all fees, charges and cost reimbursements which are required to be paid pursuant to these Bylaws may be levied and imposed as special assessments against the obligated shareholder's stock, and in such case may be assessed and collected as special assessments as provided herein, including, without limitation, those provided for in Articles IX and X herein.

(c) Determination of 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, and subject to the following:

(1) All shares shall be assessed equitably.

(2) Shares having different rights or benefits, if any, may be subject to differing assessments.

(3) Shares may also be assessed on any basis required by any existing or future contract between the United States and the Association, the United States and the shareholders of the Association, and the Association and one or more shareholders of the Association.

(4) 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.

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(d) Assessment Lien. All unpaid regular and special assessments shall constitute a lien against the delinquent stock, 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 stock, and the right of the Association to assess the stock for such assessments shall be paramount and superior to all those liens, claims, charges, or interests.

(e) Assessment Procedure. The procedure for levying and enforcing the collection of assessments against the stock of the Association shall be as follows:

(1) Power to Assess. 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 Cache Highline System, the payment of all outstanding indebtedness of the Association, and payments for any and all other purposes for which the Association is organized in that water year, and shall make and levy a regular assessment against the outstanding stock of the Association in an amount sufficient to generate the necessary revenue.

(2) Contents of Order Levying Assessment. An order levying an assessment shall: (i) specify the amount of the levy on each share; (ii) specify when, to whom, and where the assessment is payable; and (iii) identify the day on which an unpaid assessment becomes delinquent. The date on which an unpaid assessment is considered delinquent shall be at least 30 days after notice of assessment is given as provided in Subsection (4) of this Subsection (e). If assessments are not levied on an equal basis for all shares, the order shall state the equitable basis for the differing assessments.

(3) Notice of Assessment. When the Board levies an assessment, the Secretary shall prepare a notice of assessment, which shall contain: (i) the name of the Association; (ii) the location of the Association's principal place of business; (iii) the date of the meeting at which the Board adopted the order levying the assessment; (iv) a description of the shares assessed, and the amount of assessment per share; (v) the time, place, and manner of payment; (vi) the day on which payment is considered delinquent; (vii) if assessments are not levied on an equal basis, a statement setting forth the equitable basis for the assessments; and (viii) a general statement that the Board may elect various remedies to enforce payment, including the sale of delinquent shares.

(4) Service and Publication of Notice of Assessment. The notice of assessment required by Subsection (3), above, shall be: (i) personally served on each shareholder; or (ii) sent by regular mail to each shareholder at the address shown on the Association's records. Each shareholder is responsible for providing the shareholder's current mailing address to the Association for purposes of this Subsection (4). Unless the Association chooses not to publish (as permitted under Utah Code Ann. Section 16-4206(3)(b)), the Association may publish a notice of assessment once a week for two weeks in a newspaper of general circulation in the location of the Association's principal place of business.

(5) Enforcement of Assessments. Payment of a delinquent assessment may be enforced by the Association in one or more of the following ways: (i) imposition of a late charge, penalty, or interest; (ii) suspension of one or more benefits of share ownership, including the right to vote, to transfer shares, or right to the delivery of water; (iii) sale at public auction of the shares on which payment is delinquent; (iv) sale of the shares to the Association without a public auction; (v) any other enforcement method specified in the Association's articles of incorporation or as authorized under the Act; and (vi) any combination of the above. In an enforcement action, the Association may recover the

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delinquent assessment, any late charge, penalty, or interest, and all costs of collection, including attorney fees. The Board shall follow enforcement procedures set forth herein or as otherwise determined by the Board in a manner consistent with the Board's fiduciary duty to shareholders.

(A) Enforcement by Sale of Shares – Notice and Mailing. The following notice provisions shall apply in the case of public sale and sale to the Association.

(i) Notice of Sale; Form. Upon a determination by the Board to sell shares on which payment of an assessment is delinquent and the adoption of an order to sell the shares, the Secretary shall prepare a notice of sale, including: (1) the name of the Association; (2) the location of the Association's principal place of business; (3) the date on which the assessment order was adopted; (4) a description of the shares on which an assessment is delinquent, including the name of any owner, certificate numbers, and the number of shares represented by any certificate; (5) a description of the amount due and payable with respect to each share on which an assessment is delinquent, including the assessment, any late charge, penalty, or interest, and the estimated costs and expenses of collection; (6) a statement of the date, time, and place of the sale of shares to pay the amount payable if the amount is not paid before the identified date; and (7) a statement as to whether the delinquent shares are to be sold at public auction or directly to the Association.

(ii) Service and Publication of Notice of Sale. The notice of sale required by Subsection (i) above shall be sent by certified mail, return-receipt requested, to each shareholder whose share is subject to sale at the address shown on the Association's records. A shareholder is responsible for providing the shareholder's current mailing address to the Association for purposes of this Subsection (5). The notice required by this Subsection (5) shall be served or mailed at least 15 days, but not more than 30 days before the day on which the sale is to occur. A notice of sale shall be published once a week for two weeks in a newspaper of general circulation in the location of the Association's principal place of business beginning at least 15 days but no more than 45 days before the day on which the sale is to occur.

(iii) Power of Sale. Pursuant to the Act, the service or mailing and publication of the notice of sale required under this Subsection (5) gives the Association power to sell and convey all the shares described in the notice of sale upon which any delinquent assessment or other amount remains unpaid at the time appointed for the sale.

(iv) Extension of Time Specified in Notices. The dates fixed in any notice of assessment or notice of sale may be extended for up to six months by order of the Board entered on the Association's records. No order extending the time for the performance of any act specified in any notice under this chapter is effective unless notice of the extension is published and served in the same manner as the original notice.

(B) Sale at Public Auction. In the event of a public auction, the Secretary or other officer shall sell to the highest bidder, for cash, the number of shares necessary to pay all amounts due on an overdue assessment. Shares shall be sold as whole portions, or if necessary in fractional shares. The auction shall be conducted by open, sealed bid. Proceeds of a sale in excess of the assessment and other amounts due shall be promptly paid to the shareholder whose shares were sold. The person offering at a public auction to pay the highest amount for the smallest number shares (including fractional shares, if necessary), which may not be less than the delinquent assessment and all other amounts payable, is the highest bidder. The shares purchased the highest bidder shall be recorded on the share books of the Association upon payment of the bid amount.

(C) Sale to the Association.

(i) The Association may enforce collection of delinquent assessments by itself purchasing the number of shares necessary to pay all amounts due on an overdue assessment, in whole portions, or if necessary in fractional shares. Upon sale to the Association, the delinquent assessment and all other amounts payable shall be credited as paid in full on the books of the Association and entry of the transfer of the shares to the Association shall be made on the Association's books. Any shares acquired by the Association under this Subsection are subject to redemption by the shareholder for a period of 30 days following the day on which the shares are sold to the Association. If a shareholder exercises its right of redemption, the redemption price will be equal to the amount of the delinquent assessment and all other amounts payable on the day of the sale, plus interest through the day on which the shares are redeemed in the amount determined under Utah Code Ann. § 15-1-4 (2005).

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(ii) Title to any shares purchased by the Association vests in the Association upon expiration of the 30-day redemption period if the right of redemption is not exercised. Shares purchased by the Association are treated as treasury shares and shall be held and disposed of in a manner expressly provided for in the Act. Any shares held by the Association under this Subsection are not assessable.

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(D) Error or Omission in Proceedings; Effect. No assessment is invalidated by: (i) a failure to serve, mail, or publish the notice of sale; (ii) the omission of any information required to be contained in the notice; or (iii) the nonperformance of any act otherwise required to be performed in connection with the sale of shares to enforce payment of an assessment. No sale is valid unless proper notice is given and any material acts of nonperformance are corrected.

(E) Action to Recover Shares Sold; Tender; Limitation of Action. No action may be brought to recover shares sold for a delinquent assessment based on irregularity or defect in the notice of sale or the sale unless the person bringing the action first pays or tenders payment to the Association or to the person holding the shares sold: (i) the amount for which the shares were sold; (ii) the amount of all subsequent assessments levied on the shares; (iii) interest on the amounts identified in clauses (i) and (ii) at the rate determined under Utah Code Ann. § 15-1-4 (2005) from the time; and (iv) any late charges and penalties. No action may be brought to recover shares sold under this part more than six months after the sale of the shares at auction or to the Association.

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(F) Affidavit and Posting of Notice; Evidence. An affidavit made by the Secretary of the Association of the mailing of a notice required by these Bylaws is prima facie evidence of the existence and mailing of the notice. The publication of a notice may be proved by the affidavit of the printer foreman or principal clerk of the newspaper in which the notice was published. The affidavit of the Secretary of the Association or the person responsible for selling shares is prima facie evidence of: (i) the time and place of sale; (ii) the quantity and particular description of the shares sold; (iii) to whom and for what price the shares were sold; and (iv) the fact of the purchase money being paid. The affidavits referenced in this section shall be filed in the Association's office. A copy of an affidavit referenced in this Subsection (F) is prima facie evidence of the facts contained in the affidavit if the affidavit is certified by the Secretary.

2. Fees and Charges. In conformance with the rulemaking authority of the Board, 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 Association and otherwise in carrying out the purposes and objectives of the Association as set forth in the Articles of Incorporation.

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**ARTICLE XIII
CALENDAR YEAR**

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

**ARTICLE XIV
AMENDMENT OF BYLAWS**

Pursuant to the authority of §16-6a-1010 of the Act, 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 Association.

**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 and Rules and Regulations of Cache Highline Water Association this ____ day of _____, ~~2014~~, 2016.

CACHE HIGHLINE WATER ASSOCIATION

By: _____
Its: President

ATTEST:

Secretary

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