

AMENDED BYLAWS

OF

MIDWAY IRRIGATION COMPANY

**(Approved By Stockholders at Annual Meeting January \_\_, 2019)**

**ARTICLE 1**  
**[Corporate Name]**

The name of this Company is Midway Irrigation Company.

**ARTICLE 2**  
**[Corporate Purposes]**

This Company is organized and formed as a nonprofit Company for the purpose of water ownership, development, diversion, storage, distribution or use within the Company's historic service area, including but not limited to receiving, maintaining, and administering real or personal property, or both, and, subject to the restrictions and limitations set forth in the Articles of Incorporation and these Bylaws. In addition, the Company may engage in any and all lawful activities, and may pursue such other purposes as from time to time determined by the Board of Directors and as allowed by the Utah Revised Nonprofit Corporation Act, Title 16, Chapter 6a of the Utah Code.

Without limiting the generality of the foregoing, it is expressly contemplated that the Company will have the powers and perform the duties of a nonprofit Company created under the Utah Revised Nonprofit Corporation Act, Title 16, Chapter 6a of the Utah Code for the purpose of water development, diversion, storage, distribution or use within the Company's historic service area.

**ARTICLE 3**  
**[Controlling Law]**

1. The Company shall be governed by and shall have all of the powers, duties and responsibilities of a nonprofit Company created under the Utah Revised Nonprofit Corporation Act, Title 16, Chapter 6a of the Utah Code for the purpose of water ownership, development, diversion, storage, distribution or use within the Company's historic service area.

2. As used in these Bylaws and the Company's Articles of Incorporation, the terms "Board of Directors" and "Directors" shall have the same meaning as the terms "Trustees" or "Board of Trustees" used in prior versions of the non-profit corporation code (i.e. the Utah Nonprofit Company and Co-operative Association Act, Utah Code Ann. 16-6-8 et seq.).

3. As used in these Bylaws and the Company's Articles of Incorporation, the terms "stockholders" shall have the same meaning as the term "members" as used in the Utah Revised Nonprofit Corporation Act, Title 16, Chapter 6a, et seq.

**ARTICLE 4**  
**[Corporate Seal & Offices]**

1. The seal of the Company shall be circular in form and shall bear on its outer edge the words "Midway Irrigation Company" and in the center the words and figures "Corporate Seal 2000 State of Utah." The Board of Directors may change the form of the seal or the inscription thereon at its pleasure.

2. The principal office of the Company shall be in the County of Wasatch, Midway City, Utah. The Company may also have offices at such other places as the Board of Directors may from time to time appoint or the purposes of the Company may require.

**ARTICLE 5**  
**[Board of Directors]**

The affairs of the Company shall be managed by its Board of Directors, subject to the provisions of the Articles of Incorporation, these Bylaws, and all other applicable law. The complete management of the business and affairs of the Company shall be vested in the Board of Directors.

**ARTICLE 6**  
**[Number, Qualifications and Election of Directors]**

1. The Board of Directors shall consist of a President and six Directors.
2. At the annual meeting, the stockholders shall elect two Directors who will serve for three years.
3. At the annual meeting, the stockholders shall elect a President who will serve for one year as the Company's President and as a Director, with all the duties and rights of a Director.
4. To be eligible to be a President or a Director, a person must be twenty-one years of age or older, and be an owner of Company stock or be the agent of the owner of Company stock. Stock ownership will be determined from the stock ownership records of the Company at the time of the election.
5. The President or a Director shall hold office and may exercise all powers of the office until a duly qualified successor has been selected.
6. The number of Directors of the Company may only be changed by an amendment to the Articles of Incorporation approved by stockholders. If the number of Directors is decreased by amendment, each Director in office shall serve until his or her term expires, or until his or her resignation or removal as herein provided.

7. The Company shall compensate Directors for time spent on Company business at the rate set by the Board. In addition, the Company shall reimburse a Director for all reasonable expenses incurred on behalf of the Company.

**ARTICLE 7**  
**[Company Projects Involving Directors]**

1. A Director who has an interest in any Company project shall disclose the nature and extent of the interest to the Company's Board of Directors, as soon as the Director has knowledge of the interest. The following interests must be disclosed: (a) any present or future interest, direct or indirect, in any project; (b) any present or future interest, direct or indirect, in any property included in or planned to be included in any project; (c) any contract or proposed contract relating to any project; or (d) any other transaction or agreement with the Company.

2. The Director making the disclosure must describe to the Board, with particularity, the nature and extent of his interest at a Board meeting. The particulars of the disclosure will be entered into the Board's minutes for the meeting at which the Director made the disclosure.

3. After a disclosure of interest, the Director may participate in any discussions concerning proposed Company action on the property, contract, transaction, or agreement in which he has an interest, but the Director may not vote on any such action proposed by the Company.

4. Subject to the disclosure and voting restrictions of this Article, a Director may be interested directly or indirectly in any contract relating to or incident to the operations of the Company. However, the Company shall not give any Director preferential treatment in any project, in any contract, or in any proposed contract of the Company. Any transaction in which a

Director may be directly or indirectly interested in any capacity shall be an arm's length transaction.

**ARTICLE 8**  
**[Resignation of Directors]**

Any Director may resign at any time by giving at least ten (10) days written notice of such resignation to the President or Secretary of the Board of Directors.

**ARTICLE 9**  
**[Removal of Director]**

1. Pursuant to this Article of the Bylaws, the Board of Directors may remove a Director, including the President: (a) for neglect of duty, (b) for misconduct in office, (c) for nonfeasance, malfeasance, or misfeasance, (d) for conduct detrimental to the interests of the Company, (e) for lack of sympathy with its objects, or (f) for refusal to render reasonable assistance in carrying out its purposes.

2. Before the Board may remove a Director, the Board shall comply with the following procedures:

2.1 The Board, at a Regular Meeting or a Special Meeting, must hold a hearing and give the Director notice of the hearing and a copy of the charges.

2.2 At the request of the affected Director or of a majority of the Board, notice of the hearing will be given to stockholders.

2.3 At the hearing, the Board must give the Director an opportunity to be heard in person or by counsel.

3. At the removal hearing, the Board may, in its sole and absolute discretion, permit the Director an opportunity to present evidence in the form of documents or testimony.

4. After the removal hearing, the Board shall give the Director and the stockholders written notice of the Board's decision and the reasons for the decision.

**ARTICLE 10**  
**[Board Vacancies]**

The Board of Directors shall fill any Board vacancy, including the President, whether created by resignation, removal, or increase in the number of Directors, by an affirmative vote of a majority of the remaining Directors, even if the vacancy leaves less than a quorum of the Board of Directors.

**ARTICLE 11**  
**[Board of Director Meetings]**

1. Regular Meetings. Regular meetings of the Board of Directors shall be held on the first Monday of each month at 4:00 p.m. at the Midway City Offices, for the transaction of such business as may properly come before the meeting. The President, in his/her sole discretion, may cancel, postpone, or re-schedule regular meetings provided that he/she provides each Director with 24 hours notice of the cancellation, postponement or re-scheduling.

2. No notice need be given of Regular Meetings except as provided in this Article of the Bylaws.

3. Failure to hold a Regular Meeting shall not affect the validity of any otherwise valid action taken by the Board.

4. Special Meetings. The President may, by written notice, call a special meeting at any time and shall call a special meeting upon receipt of a written request of three or more Directors. At the special meeting, the Board may, to the extent permitted by law, transact any business described in the President's written notice or in the Directors' written request.

5. The President's written notice or the Directors' written request shall be delivered to each Director by hand-delivery or email at each Director's business or home address or email address at least twenty-four hours prior to the Special Meeting.

6. Emergency Special Meetings. If unforeseen matters of an emergency or urgent nature arise, the President or the Vice President, in the President's absence, may call an Emergency Special Meeting of the Directors to consider such unforeseen matters. Neither the President or the Vice President, in the President's absence, shall convene an emergency special meeting unless (a) an attempt has been made to notify all of the Directors of the Emergency Special Meeting and of the issues to be addressed and (b) a majority of all members of the Board of Directors affirmatively votes to hold the meeting.

7. A meeting of the Board may be continued to another date and time upon an affirmative vote of the Directors present provided that a quorum is present.

8. Any Director may waive in writing any notice of a meeting of the Board of Directors required to be given by these Bylaws or other applicable law, or any defect of such notice, if any. The attendance of a Director at any meeting shall constitute a waiver of notice of the meeting by the Director, except when a Director attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called, noticed, or convened.

9. Each Director shall provide the Board Secretary with his current business and home mailing and street addresses, telephone numbers and email address. The Board Secretary shall not disclose the Director's home address, telephone number or email address to the public. Notice required by these Bylaws, the Articles of Incorporation, or law, shall be satisfied by notice provided to these addresses, telephone numbers or facsimile numbers.

**ARTICLE 12**  
**[Stockholder Access to Board Meetings]**

1. Except as provided in Article 13, stockholders may attend Board of Directors meetings.
2. Unless otherwise required by law, the Board of Directors need not, but may, permit stockholder comment at its meetings.
3. Nothing in this Article prohibits the Board from directing the removal of any person who willfully disrupts a meeting to the extent that orderly conduct is seriously compromised.

**ARTICLE 13**  
**[Executive Sessions in Board Meetings]**

1. For the reasons listed in Article 13 ¶ 2 below, the Board may hold a meeting closed to stockholders upon approval of two-thirds of the Directors.
2. The Board may close a meeting for any reason that the Board deems appropriate to protect the interests of the Company or its stockholders including:
  - 2.1 discussion of the character, professional competence, or physical or mental health of an individual;
  - 2.2 discussion of employee relations;
  - 2.3 discussion of legal matters including potential or pending litigation; or
  - 2.4 discussion of the sale, purchase, exchange, or lease of property including real estate, personal property or water rights.
3. The Board may vote during an Executive Session. The Board's minutes however shall describe the Board's action taken during the Executive Session and identify the Directors

voting for, against, or abstaining from the measure. The Board may keep the minutes confidential upon two-thirds vote of the Directors present during the Executive Session.

#### **ARTICLE 14** **[Officers]**

1. The Company's officers shall be the President, Vice President, Secretary, and Treasurer.

2. The stockholders shall elect the President at the annual meeting as provided in Article 6.

3. Each year, the Vice President shall be the Director who has been a member of the Board for the longest time. The Vice President shall serve until replaced by his/her successor.

4. The Company's Manager shall serve as the Company's Secretary and Treasurer.

5. President. The President shall have and exercise general charge and supervision of the affairs of the Company and shall do and perform such other duties as may be assigned to him or her by the Board of Directors. The President shall preside at all meetings of the Board of Directors; provided that in his or her absence from a meeting duly called at which there is otherwise present a quorum of Directors, the Vice President or a temporary President chosen by the Directors present shall preside at such meeting.

6. Vice President. At the request of the President, or in the event of his or her absence or disability, the Vice President shall perform the duties and possess and exercise the powers of the President; and to the extent authorized by law, the Vice President shall have such

other powers as the Board of Directors may determine and shall perform such other duties as may be assigned to him by the Board of Directors.

7. Secretary. The Secretary shall have charge of such books, documents and papers as the Board of Directors may determine and shall have the custody of the corporate seal. He/she shall keep the minutes of all meetings of the Board of Directors. He/she may sign with the President or Vice President, in the name and on behalf of the Company, any contracts or agreements authorized by the Board of Directors, and when so authorized or ordered by the Board of Directors, he/she may affix the seal of the Company. He/she shall in general perform all the duties incident to the office of Secretary, subject to the control of the Board of Directors, and shall do and perform such other duties as may be assigned to him or her by the Board of Directors.

8. Treasurer. The Treasurer shall have the custody of all funds, property and securities of the Company, subject to such regulations as may be imposed by the Board of Directors. He/she may be required to give bond for the faithful performance of his/her duties in such sum and with such sureties as the Board of Directors may require. When necessary or proper he/she may endorse on behalf of the Company for collection checks, notes and other obligations, and shall deposit the same to the credit of the Company at such bank or banks or depository as the Board of Directors may designate. He/she shall sign all receipts and vouchers together with such other officer or officers, if any, as shall be designated by the Board of Directors. He/she shall sign all checks of the Company and all bills of exchange and promissory notes issued by the Company, except in cases where the signing and execution thereof shall be

expressly designated by the Board of Directors or by these Bylaws to some other officer or agent of the Company. He/she shall make such payments as may be necessary or proper to be made on behalf of the Company. He/she shall enter regularly, on the books of the Company to be kept by him/her for that purpose, a full and accurate account of all monies and obligations received and paid or incurred by him/her for or on account of the Company; and he/she shall exhibit such books at all reasonable times to any Director upon request at the offices of the Company. He/she shall, in general, perform all the duties incident to the office of Treasurer, subject to the control of the Board of Directors.

**ARTICLE 15**  
**[Conduct of Board Meetings]**

1. Four (4) Directors, including the President, shall constitute a quorum for the purpose of conducting the business of the Company and exercising its powers and for all other purposes. When a quorum is in attendance, action may be taken by the Directors upon a vote of the majority of the Directors present except as otherwise provided in these Bylaws, the Company's Articles, or applicable law. If less than four (4) Directors appear at a meeting, the meeting shall be deemed adjourned 15 minutes after the time the meeting was to commence unless a quorum is reasonably expected to be present within a reasonable time.

2. Resolutions adopted or actions taken by the Board of Directors shall be set forth in the Board's minutes.

3. Resolutions authorizing the execution of any kind of contract or other document shall identify the Director or Directors who may sign on behalf of the Company and shall require

that the Company's seal be placed on the contract or document before the execution binds the Company.

4. If the resolution does not identify the person signing for the Company, the President, Vice President or a Director may sign and affix the Corporate seal.

**ARTICLE 16**  
**[Financial Reports and Accountings]**

The Board of Directors shall present at the annual meeting of stockholders, a budget for the year and a financial report showing in reasonable detail the following: (a) the assets and liabilities of the Company as of the end of the year immediately preceding the annual meeting; and (b) a general statement of the transactions and conditions of the Company.

**ARTICLE 17**  
**[Banking Transactions]**

1. All monies and funds of the Company not otherwise employed or invested shall be deposited from time to time to its credit in such banks or trust companies or with such bankers or other depositories as the Board of Directors may select or as from time to time may be selected by any officer or agent authorized to do so by the Board of Directors.

2. All checks of the Company shall be signed by two Directors or a Director and the Company Manager. All expenditures shall receive prior approval by a majority of a quorum of the Board of Director, except as provided in this Article.

3. In an emergency that requires an immediate expenditure, two Directors may approve an expenditure not to exceed \$1,000. If the Board does not meet, two Directors may approve an expenditure not to exceed \$1,000 to avoid a finance charge.

4. Endorsements for deposit to the credit of the Company, in any of its duly authorized depositories, shall be made in such manner as the Board of Directors from time to time may determine.

**ARTICLE 18**  
**[Agents and Representatives]**

The Board of Directors may appoint such employees, agents, or representatives of the Company with such powers and to perform such acts or duties on behalf of the Company as the Board of Directors may see fit, so far as may be consistent with these Bylaws, to the extent authorized or permitted by law. In addition, the Board of Directors may employ at reasonable compensation such other persons as it deems appropriate, whose duties shall be as the Board of Directors may designate.

**ARTICLE 19**  
**[Company Manager]**

1. The Board by a vote of four directors shall select a Company Manager who shall serve on an at-will basis at the Board's pleasure. No Director shall be eligible to serve as Company Manager except as a temporary appointee. The compensation of the Company Manager shall be determined by the Board.

2. The Board, solely for the benefit of the Company, shall conduct an annual review of the Company Manager's performance. This review or the absence of a review or the results of

the review shall not create an implied or expressed contract and shall not alter the Company Manager's at-will status.

3. The Company Manager shall have general supervision over the administration of the Company's business and affairs, but at all times subject to the direction of the Board of Directors.

4. The Company Manager shall serve as the Company's Secretary and Treasurer. In that capacity, the Company Manager shall keep the records of the Company and act as secretary of the meetings of the Directors for the purpose of taking written minutes and recording all votes. In meetings where the Company Manager is absent or excused, the President shall appoint a temporary taker of minutes. The Company Manager shall keep a record of the proceedings of the meetings of the Directors in a journal of proceedings to be kept for such purpose. The Company Manager shall keep in safe custody the seal of the Company and may affix the seal to all contracts and instruments authorized to be executed by the Directors.

5. The Company Manager shall properly care and account for funds of the Company and shall deposit the same in the name of the Company in such bank or banks as the Directors may designate. The Company Manager shall keep regular books of accounts showing receipts and expenditures. He shall give an accounting of such receipts and expenditures and of the financial condition of the Company to the Directors at each regular meeting, and at all other times, when requested by a Director.

6. The Company Manager shall have no authority or power to bind the Company to any type of contract, obligation, bond, note or evidence of indebtedness, unless the Board of Directors expressly authorizes in advance.

7. Unless otherwise designated by the Board, the Company Manager shall also serve as the Water Master. The Board may appoint a Water Master separate from the Company Manager if it so chooses.

8. The Company Manager shall perform such other duties and functions as may from time to time be required by the Directors.

9. The Company Manager shall not have a direct or indirect interest in any project of the Company that would have to be disclosed by a Director under Article VII of these Bylaws.

10. The Company Manager, at the Company's expense, shall provide a bond in a sum set by the Board conditioned upon his faithful performance of his duties as Secretary, Treasurer, and Company Manager.

11. Historically the Water Master has been the Company Manager. In the future should these positions be separated, the Water Master shall have the following authority and obligations:

- 11.1 Assure that all shareholders receive their allotted water;
- 11.2 Maintain all ditches, pipes, and physical facilities of the Company;
- 11.3 Scheduling and enforcing rationing as passed by the Board;
- 11.4 Service calls from shareholders regarding physical facilities.

**ARTICLE 20**  
**[Contracts]**

Unless authorized in a written resolution approved by the Board, no one shall have any power or authority to bind the Company to any contract, to pledge the Company's credit or assets, or to make the Company liable for any obligation.

**ARTICLE 21**  
**[Loans]**

1. Unless authorized by a written resolution approved by the Board, the Company, the Company's Officers, a Director, the Company Manager, or an employee:

1.1 does not have the authority to loan or advance any Corporate asset.

1.2 does not have authority to execute or issue in the name of the Company any negotiable paper or other evidence of its obligation under any loan or advance.

1.3 does not have authority to mortgage, pledge, hypothecate, or transfer any property of the Company, as security for the payment of any loan, advance, indebtedness, or liability of the Company or for any other purpose.

2. Notwithstanding any other provisions of these Bylaws or a Board resolution to the contrary, no loan shall be made by the Company to any of its Directors, officers or employees.

**ARTICLE 22**  
**[Transfer of Corporate Assets]**

Unless authorized by a written resolution approved by the Board, the Company, a Director, Company Manager, or employee does not have the authority to mortgage, pledge, hypothecate, or transfer any property of the Company for any other purpose.

**ARTICLE 23**  
**[Fiscal Year]**

The fiscal year of the Company shall commence on January 1 of each year and end on December 31 of each such year.

**ARTICLE 24**  
**[Indemnification]**

1. Subject to the notice requirements of Article 24, ¶ 2 below, the Company shall and does hereby indemnify and hold harmless each person and his or her heirs and administrators who shall serve at any time as a Director, President or Vice President of the Company to the fullest extent allowable under Utah law from and against any and all claims, judgments, and liabilities to which such persons shall become subject, by reason of his or her having heretofore or hereafter been a Director, President or Vice President of the Company or by reason of any action alleged to have been heretofore or hereafter taken or omitted to have been taken by him as such Director, President or Vice President and shall reimburse any such person for all legal and other expenses reasonably incurred by him in connection with any such claim or liability. This indemnification does not apply to intentional, malicious or willful acts or omissions of the Director, President or Vice President.

2. A Director, President or Vice President shall immediately provide the Company notice of any claim or potential claim for which the Company may be required to indemnify the Director, President or Vice President under Article 24 ¶1 above. Such notice shall be given to a member of the Board of Directors not involved in the claim or potential claim. The Company shall have the power to defend such person from all such claims or potential claims and the Director, President or Vice President shall fully co-operate with the Company in the defense of the claim. Failure of the Director, President or Vice President to give notice or to assist in the defense as provided herein shall relieve the Company of its obligation to indemnify under Article 24, ¶ 2.

3. The right of any person to be indemnified shall be subject always to the right of the Company by the Board of Directors, in lieu of such indemnity, to settle any such claim, action, suit or proceeding at the expense of the Company by the payment of the amount of such settlement and the costs and expenses incurred in connection therewith.

4. The rights accruing to any person under this Article shall not exclude any other right to which he/she may lawfully be entitled, nor shall anything herein contained restrict the right of the Company to indemnify or reimburse such person in any proper case, even though not specifically provided for herein or otherwise permitted.

5. The indemnification herein provided shall not be deemed exclusive of any other right to indemnification to which any person seeking indemnification may be entitled under the law, the Articles of Incorporation, any Bylaw, agreement, vote of disinterested Directors, or otherwise, both as to action taken in his or her official capacity and as to action taken in any other capacity while holding such office. It is the intent hereof that all Directors, the President and Vice President be and hereby are indemnified to the fullest extent permitted by the laws of the State of Utah and these Bylaws.

6. The indemnification herein provided shall continue as to any person who has ceased to be a Director, President or Vice President for actions taken while they were a Director, President or Vice President and shall inure to the benefit of the heirs, executors and administrators of any such person.

7. The Board of Directors may, in its discretion, direct that the Company purchase and maintain insurance on behalf of any person who is or was a Director, President, Vice President, officer, employee or agent of the Company.

**ARTICLE 25**  
**[Shares of Stock & Stockholders]**

1. There shall be four classes of stock defined as follows:

Class A: Class A stock shall consist of all Company stock that entitles the stockholder to receive water for agricultural and irrigation purposes.

Class B: Class B stock shall consist of all Company stock that has been converted from traditional agricultural and irrigation uses to municipal, culinary, and commercial uses and that entitles the stockholder to receive water for use for municipal, culinary, and commercial purposes.

Class C M&I: Class C M&I stock shall consist of all Company stock that is held by persons entitled to receive water from the Bonneville Unit of the Central Utah Project for municipal and industrial purposes.

Class C Supplemental Agriculture: Class C Supplemental Agricultural stock shall consist of all Company stock that is held by persons entitled to receive water from the Bonneville Unit of the Central Utah Project to be used for supplemental agricultural uses.

Class D Domestic: Class D stock shall consist of all Company stock that has been converted to domestic/culinary use and transferred into individual wells owned privately within the historic service area of the Company.

Class F: Class F stock shall consist of all Company stock issued in exchange for Foreign Water, as this term and process is defined in Article 26 below.

Class I Island Ditch: Class I stock shall consist of shares issued in exchange for water rights 55-11506 and 55-11507 currently held by the Island Ditch Irrigation Company.

2. Class A Water Stock: The original aggregate number of shares of Class A Stock

which the Company shall be authorized to issue is 3499 shares. That number may be decreased,

from time to time, as Class A Water Stock shares are converted to Class B Water Stock Shares. Each share of Class A Stock shall represent and secure to the owner thereof said owner's proportionate share of the use of the waters and water rights of the Company represented by the Class A Stock, subject to and in conformance with the Bylaws, Rules, Regulations and Policies of the Company (the "Bylaws, Rules, Regulations and Policies"). Each shareholder's proportionate share shall be equal to that proportion of the water available to the Company for distribution which the number of shares owned by said shareholder bears to the total number of shares issued, subject to and in conformance with the Bylaws, Rules, Regulations and Policies.

2.1 The Class A Stock of the Company shall be issued in a single class of stock, denominated as Class A stock, but the amount of stock so issued may be changed from time to time as additional Class A shares are converted to Class B shares.

2.2 The holders of Class A Stock shall be entitled to utilize the Company's water supply as delivered by the Company at the shareholder's point of delivery for all uses authorized pursuant to the Company's water rights in conformance with and subject to the Bylaws and Rules and Regulations.

2.3 Each share of Class A Stock shall have equal voting rights with each other, and each shareholder shall be entitled to cast one vote for each share of Class A Stock owned on any matter presented to the shareholders for a vote. All members holding shares of Class A Stock shall constitute a single voting group.

3. Class B Municipal, Culinary and Commercial Water Stock: The aggregate number of shares of Class B Stock which the Company shall be authorized to issue is limited to those shares of Class A Water Stock that are converted, pursuant to Company Rules and Regulations, from Class

A water stock to Class B water stock. Each share of Class B Municipal, Culinary and Commercial Water Stock shall represent the right to receive 3 acre feet (subject to natural flow of the sources, and any reduction ordered by the Utah State Engineer in approved change applications) on an average year of the Company's water rights as calculated pursuant to the Class A Water Stock calculation.

3.1 The Class B Stock of the Company shall be issued in a single class of stock, denominated as Class B stock, but the amount of stock so issued may be changed from time to time as additional Class A shares are converted to Class B shares.

3.2 The holders of Class B Stock shall be entitled to utilize the Company's water supply as delivered by the Company at the new municipal, culinary or commercial point of delivery as approved by the Company, for all municipal, culinary or commercial uses authorized pursuant to the Company's water rights in conformance with and subject to the Bylaws and Rules and Regulations.

3.3 Each share of Class B Stock shall have equal voting rights with each other, and each shareholder shall be entitled to cast one vote for each share of Class B Stock owned on any matter presented to the shareholders for a vote. All members holding shares of Class B Stock shall constitute a single voting group.

4. Class C M&I Stock and Class C Supplemental Agricultural Water Stock. The issuance of Class C M&I Stock and Class C Supplemental Agricultural Stock shall require an existing shareholder of Class A stock to present an executed Stock Subscription Contract For Bonneville Unit, Central Utah Project Irrigation Water, to the Midway Irrigation Company board that establishes the number of Class C shares the stockholder is entitled to, the location where the

Class C water will be used, and the agreement of the stockholder that the Class C stock shall be appurtenant to the lands set forth in the Subscription Contract, that it shall not be transferred or assigned separate and apart from the land for which it was initially subscribed, and that if the landowner changes, the Subscription Contract will only be assigned to the new land owner if the land owner is a holder of Class A water shares in Midway Irrigation Company. Each share of Class C Stock shall represent the right to one acre foot of Central Utah Project irrigation water received by the shareholder pursuant to the shareholder's Agreement with Wasatch County Special Service Area No. 1 ("WCSSA Agreement"), unless the amount is established otherwise in the Subscription Contract. The Class C stockholder shall be assessed on an annual basis for any and all costs associated with the delivery of the CUP Project Water through the Midway Irrigation Company system, including but not limited to ongoing operation and maintenance costs, and administrative costs. The only right accruing to owners of Class C Stock is the right to receive CUP Project Water through the Company's distribution system upon the payment of all of the Company's costs related to the CUP Project Water. Class C stock shall have no voting rights. Should the Subscription Contract lapse, all rights associated with the Class C stock shall lapse as well. The Company shall annually assess Class C Stock for its costs, including overhead, related to the distribution of CUP water. If a stockholder fails to pay the Class C Stock assessment, the Company may pursue its remedies against the Class C Stock and the stockholder's Class A stock as provided in Article 27.

5. Class D Domestic Water Stock: Class D Domestic Water Stock are shares issued to represent water transferred into private culinary wells. Class D Domestic Water Stock shall have no voting rights. All Class D Domestic Water Stock holders shall be required to have a totalizing

meter installed on their well, and to allow Company agents to check the meter to assure usage stays within the transferred water right.

6. Class F Foreign Water Stock: The Company has, or intends to issue, Class F Foreign Water Stock (“Class F Stock”) as a means to provide for the acceptance of Foreign Water Rights into the Company’s system, and also as a means to assure Foreign Water Rights holders in the Company pay their proportionate share of system costs, and on-going operations and maintenance. The rights and obligations of Class F Foreign Water Stock are as set forth in Article 26 below.

7. Class I Island Ditch Water Stock: The Company has, or intends to issue, Class I Island Ditch Water Stock (“Class I Stock”) as a means to provide for the acceptance of water rights held by the Island Ditch Irrigation Company into the Company’s system; to assume the management and delivery of the Island Ditch water rights through the Company’s system; and to assure Class I shareholders in the Company pay their proportionate share of system costs, and on-going operations and maintenance. Historically water rights 55-11506 and 55-11507 were held by the Company but were allowed to be separated from the Company to form the Island Ditch Irrigation Company. Given the limited number of shareholders that still remain in the Island Ditch Irrigation Company, there is a desire to dissolve the Island Ditch Irrigation Company, and to have the water rights transferred back into the name of the Company, and to issue Midway Irrigation Company shares for these water rights. In order to transfer the Island Ditch water rights back to the Company, Island Ditch shareholders shall be required to: 1) dissolve Island Ditch Irrigation Company; 2) sign an agreement transferring all rights, title and interest held in Island Ditch canals, prescriptive easements, rights of way, water lines, and water rights to Midway Irrigation Company;

3) file and obtain approval of a change application with the state engineer adding the turn-out at the River Ditch as a point of diversion; 4) agree that none of the Island Ditch water rights can be transferred into the Company's culinary sources (i.e. Mahogany Spring and Gerber Spring); 5) agree that the Board shall have discretion in granting requests to move the Island Ditch water rights into any other source within the Company if it is not Provo River; 6) sign an agreement that Class I stock shall be assessed operation and maintenance costs uniquely associated with the delivery of the water associated with Class I shares, as well as assessed for the system generally if deemed necessary by the Company board. If issued, one share of Class I stock shall be issued for every three acre feet of water rights 55-11506 and 55-11507.

8. Obligation of Company to Shareholders Generally. The Company Manager, under the supervision and with the approval of the Board, and also with the aid of the Water Master, shall so arrange the distribution of the water belonging to the Company, as to give each stockholder his/her proper portion of water.

9. Notice Requirements. Stockholders are responsible for providing the Company's Secretary with his/her current business and home mailing and street addresses. Notice required by these Bylaws, the Articles of Incorporation, or law, shall be satisfied by notice provided to these addresses.

10. Proxy Votes. Stockholders may vote by proxy. A proxy shall be submitted to the Company prior to voting, identifying the shareholder, the number of shares, and a notarized signature of the shareholder authorizing a specific person to vote the shares.

**ARTICLE 26**  
**[Foreign Water]**

1. Compliance with Utah Code Ann. § 73-1-7. Midway Irrigation Company's policy on accepting Foreign Water into its system is that the Company has no obligation to accept water into its system, subject to the requirements of Utah Code Ann. § 73-1-7 (Enlargement for joint use of ditch), which is adopted herein by reference in its entirety. Unless otherwise required by law, Midway Irrigation Company shall have no duty, nor obligation to accept Foreign Water into its system, and may impose whatever requirements it desires on the applicant should the Company agree to allow Foreign Water into its system.

2. Definition of Foreign Water. Foreign Water Rights are defined as any water rights, water shares, or other titled or certificated forms of water ownership: a) that is not owned by the Company as part of its historical water rights; b) has not been historically delivered through the Company's water system; 3) has not been put to beneficial use within the Company's historical service area; and/or 4) requires an approved change application from the State Engineer in order to be diverted into and delivered through the Company's system.

3. Historic Service Area. Midway Irrigation Company's historic service area includes approximately 3500 acres, beginning at the bridge over Provo River on River Road, and including most of the land to the west of the Provo River from the River Road Bridge turn-out to the banks of Deer Creek Reservoir. The western boundary of the service area goes to the foothills of the Wasatch Mountains. There are, however, several areas west of the Provo River that have not been historically serviced by the Company (i.e. Island Ditch and portions of the

river bottoms). Should Class I shares be issued by the Company, the Island Ditch service area will be added into the historic service area of Midway Irrigation Company.

4. Criteria for Acceptance of Foreign Water by Midway Irrigation Company.

Historically the Company has never accepted Foreign Water into its system, and has no obligation to do so, subject to the requirements of Utah Code Ann. § 73-1-7. The aggregate number of shares of Class F Stock which the Company shall be authorized to issue shall be determined, on a case by case basis, or from time to time, by the Company, according to the Rules, Regulations, Bylaws and Policies of the Company, as well as existing Utah Code and system capacity. No Foreign Water shall be accepted by the Company, nor shall any shares of Class F Stock be issued by the Company, without strict compliance with the Rules, Regulations, Bylaws and Policies of the Company.

In considering an application for Foreign Water, the Company shall assess if the Foreign Water will harm its system, its capacity to manage its system, or its shareholders. Subject to these restrictions, the Midway Irrigation Company Board will consider requests to allow Foreign Water to be used in the Company's water system based on the following requirements:

4.1 The applicant must complete an application on a form approved by the Board.

4.2 The applicant must provide satisfactory title documentation of the ownership of the foreign water.

4.3 The applicant must provide evidence to the Company's satisfaction of the historical places of use and points of diversion of the foreign water.

4.4 The applicant must provide evidence to the Company's satisfaction that the foreign water can be used safely, efficiently and acceptably in the Company's water system, based on (but not limited to) the following considerations:

4.4.1. The time of year the water is available.

4.4.2. The quality, mineral content and temperature of the water.

4.4.3. Return flow and transportation loss requirements.

4.4.4. The ability of existing facilities in use by the Company to service the proposed use of foreign water.

4.4.5. The impact that use of the foreign water may have on the Company's existing sources and delivery mechanisms.

4.4.6. The elevation of the proposed source in relation to the Company's current sources.

4.4.7. The need for treatment of the foreign water.

5. Company Approval. The Company shall have no obligation to issue Class F Stock, and reserves the right to deny any application, and/or to negotiate an Agreement with the applicant to assure necessary infrastructure or added costs of accepting the Foreign Water Rights into the Company system are covered by the applicant.

6. State Engineer Approval. Foreign water will not be accepted by Midway Irrigation Company unless that water has been approved to be used in the Company's water system in sufficient quantity and quality to serve the use for which the water is intended. The applicant must obtain approval from the Utah State Engineer's Office for change applications

authorizing the change in point of diversion, changing the type of use (if necessary), and/or changing the quantity of use necessary for the proposed development.

7. Facilities and Appurtenances. It is the Company's policy that any wells, tanks, delivery systems and/or other appurtenances necessary to import Foreign Water, or necessary to allow appropriate management of the water once it is in the system, shall be designed, constructed, and maintained solely at the expense of the applicant, and shall be subject to Company approval and inspection. At its option, the Company shall have the right to require the applicant to deed ownership of the infrastructure to the Company as part of the approval process. The applicant shall provide to the Company title insurance for said transfers.

8. Expenses. The applicant must pay all expenses incurred by the Company in investigating, processing and deciding upon the applicant's request, including but not limited to legal, engineering, and consultant fees.

9. Foreign Water Buy-In Fee. If approved, prior to allowing any Foreign Water into Midway Irrigation Company's system, the applicant must pay to Midway Irrigation Company an amount commensurate with the portion of the system capacity the Foreign Water user proposes to use. For example, if the applicant applies to bring 100 acre feet into the Company's system, and the total acre feet owned by the Company is 10,000 acre feet, then the applicant would be purchasing the right to use .01 % of the system's capacity. The Board shall establish the valuation of the entire system at the time of the application. Should the applicant disagree with the evaluation, the applicant shall have the right to conduct its own valuation, but shall be required to pay all costs associated with the valuation, and must obtain approval of the evaluator from the Board. Applicant shall be required to pay any and all costs associated with considering

the application, including the costs of conducting a system valuation. For purposes of example only, if the valuation of the Company is assessed at 25 million, then based on the example above, the applicant would be required to pay 1% of that, or \$250,000.00 as a Buy-In Fee. Upon receipt of payment of the Buy-In Fee, and approval of the application, the Company shall issue the appropriate number of shares of Class F stock to the applicant, and applicant shall deed its water rights to the Company.

10. System Upgrade Costs Unique to Foreign Water. Should the acceptance of Foreign Water create the need for system improvement necessary to deliver the Foreign Water, the Company shall have the right to negotiate an agreement with the applicant prior to accepting the Foreign Water into the system requiring the applicant to pay for and/or install any necessary system improvements. The improvements shall be built to specifications agreed to by the Company, and the Company shall have the right to inspect and approve all improvements. Once the improvements are completed, the applicant shall deed ownership of the improvements to the Company.

11. Foreign Water Transport Fee. Should the acceptance of Foreign Water create unique delivery issues for the Company, the Company shall have the right to negotiate an agreement with the applicant prior to accepting the Foreign Water into the system requiring the applicant to pay any additional costs associated with transporting or delivering the Foreign Water. For example, there may be on-going costs to run and maintain a pump house that does not benefit the entire system, but just the applicant's development. The purpose of the Foreign Water Transport Fee is to recover any and all ongoing maintenance costs, management costs, delivery costs, and insurance costs that are directly and uniquely related to and/or caused by the

acceptance and delivery of the Foreign Water in the Company's system. The Foreign Water Transport Fee shall be set by the Board on an annual basis. The applicant shall pay the Foreign Water Transport Fee on an annual basis, on all lots, whether developed or not, until developed lots are sold to individuals. At the time of the sale of a lot to an individual, the Foreign Water Transport Fee will be charged directly to the homeowner, and will no longer be the responsibility of the Applicant. Applicant shall have the obligation to provide proof that disclosure of the nature of the Foreign Water is included on the recorded plat so that property owners will have notice of the unique costs associated with their water rights.

12. Title to Foreign Water. In order to protect the Company's system and shareholders, if approved, the applicant must contractually agree and demonstrate that the Foreign Water is legally and irrevocably tied to the land it is proposed to be used on, to avoid situations where a landowner or developer could sell the water and the land separately. This may be accomplished by restrictive deed, etc., but must be in a form approved and accepted by the Company. Midway City may hold title to Class F stock as part of the subdivision approval process.

13. Assessment of Class F Stock. The Company shall have the right to annually assess Class F Stock for all costs, including operation and maintenance, uniquely related to the management and delivery of the Foreign Water. The Company shall also have the right to annually assess Class F stock its proportionate share of the operation and maintenance of the entire system generally, in a manner similar, but not necessarily equal to Class A assessments. Special assessments may be issued to Class F Stock for operation and maintenance of infrastructure installed that uniquely serves the Class F Stock, or that makes it possible to accept Class F Stock

into the Company system. If a stockholder fails to pay any Class F Stock assessments, the Company may pursue its remedies against the Class F Stock as provided in the Bylaws.

14. Use of Foreign Water Within the System. The Company shall have discretion to determine and decide how the Foreign Water will be used and/or accounted for in the Company's water system, subject to industry standards of system management and control.

15. Rights of Class F Shareholders. If issued, Class F Foreign Stock shall be **non-voting stock**. Holders of Class F Stock shall not be allowed to hold positions on the Board. The ownership of each share of Class F Stock, and the right to use water pursuant thereto shall be subject to the terms, conditions, rights, preferences and limitations specified in the Rules, Regulations, Bylaws and Policies of the Company and any Agreement entered into between the Company and the applicant at the time the Class F Stock is issued.

16. Type of Use of Foreign Water. If a developer does not have sufficient Midway Irrigation Company water to meet the needs of his/her project and proposes to use Foreign Water to meet these needs, it is the Company's requirement that the Foreign Water be used first to meet all of the culinary needs of the project. All culinary sources owned by the Company are already fully allocated to existing Class A and Class B shares. As such, Foreign Water will need to be transferred into a source other than those owned by the Company. These sources may include the well owned by Midway City (subject to City approval), or a culinary source developed by the applicant (subject to agreement with the Company not to protest such well application). Foreign Water will only be accepted for irrigation purposes if the applicant can show the existing Midway Irrigation Company shares associated with the project are insufficient to meet the outdoor watering needs of the project.

**ARTICLE 27**  
**[Assessments]**

1. At any Regular or Special Meeting of the Board of Directors, the Board shall adopt a resolution levying an assessment or assessments against the shares of stock.

2. The Board shall have the power to assess different amounts to different classes of stock or to assess some classes of stock and not others.

3. The Board shall not levy an assessment while a portion of a previous assessment remains unpaid, unless: (a) the Company has attempted to collect the previous assessment as provided in these Bylaws and in Title 16, Chapter 4 of the Utah Code; or (b) the collection of such previous assessment has been enjoined or restrained.

4. The Board resolution levying an assessment shall: (a) state the amount of assessment on each share of stock, (b) state when, to whom and where the assessment is payable, (c) fix the day on which the unpaid assessment shall be delinquent, which date shall be not less than thirty nor more than sixty days from the date of the resolution, and (d) shall fix a day on which the Company will sell stock to collect delinquent assessments, and which date shall be not less than fifteen nor more than sixty days from the day the assessment becomes delinquent.

5. After the Board passes the assessment resolution, the Secretary shall cause to be issued a Notice of the Assessment in substantially the form attached as Exhibit A.

6. Not more than ten days after the Board's assessment resolution is adopted, the Secretary shall serve the Notice of Assessment by personally delivering the notice to each stockholder, or in lieu of personal service, by sending the notice through the mail addressed to

each stockholder at either (a) his residence, if known, or (b) at the mailing address shown in the Company's stockholder records, if his residence is not known.

7. If a stockholder fails to pay any portion of the assessment by the date specified in the Notice of Assessment, the assessment shall be deemed delinquent and the Company may proceed to collect the assessment to the full extent permitted by law or authorized by these Bylaws. In order to collect delinquent assessments, the Company shall conduct a sale of delinquent shares in the number and amount calculated to pay the delinquent assessment, and associated costs, interest and penalties pursuant to these Bylaws and State law.

8. In the event of a delinquent assessment, the Secretary shall publish a Notice of Delinquency in a newspaper of general circulation in the place where the Company has its principal place of business. The notice when published in a daily newspaper must be published for ten days prior to the day of sale; when published in a weekly or semiweekly paper it must be published in each issue thereof for two weeks prior to the day of sale. The first publication of all delinquent sales must be at least fifteen days prior to the day of sale.

9. At least fifteen days prior to the day of sale, the Secretary shall personally deliver the Notice of Delinquency to the affected stockholder, or in lieu of personal service, by sending the notice through the mail addressed to each affected stockholder at either (a) his residence, if known, or (b) at the mailing address shown in the Company's stockholder records, if his residence is not known. Failure of the Secretary to serve the Notice of Delinquency as provide in this Article 27 shall not affect the validity of any sale properly conducted under Utah law.

10. The Notice of Delinquency shall be in substantially the form attached as Exhibit B.

11. At any time prior to the time set for the sale, the Stockholder may avoid the sale by paying the assessment plus the Company's actual costs of advertising and providing the notices required by this Article 27.

12. On the day, at the place and at the time set in the Notice of Deficiency, the Secretary shall sell or cause to be sold at public auction to the highest bidder for cash so many shares of each parcel of the described stock as may be necessary to pay the assessment and charges thereon. The highest bidder shall be the person offering at the sale to pay the assessment and expenses for the smallest number of shares or fraction of a share. The Company shall transfer to the highest bidder the stock on the stock books of the corporation on payment of the assessment and expenses.

13. If at the sale of stock, no bidder offers the amount of the assessment and expenses due, the same may be bid in and purchased by the Company through the Secretary, President or any Director at the amount of the assessment and expenses due, and the amount of the assessment and expenses shall be credited as paid in full on the books of the Company, and entry of the transfer of the stock to the Company shall be made on the Company's books thereof. While the stock remains the property of the Company it is not assessable, but all assessments shall be apportioned upon the stock held by the Stockholders of the Company.

14. All purchases of its own stock by the Company for delinquent assessments vest the legal title to the same in the Company, and the stock so purchased shall be treated as treasury stock and shall be held and disposed of in such manner as may be expressly provided in Title 16, Chapter 10a, Utah Revised Business Corporation Act.

15. The Board, by entering an order on the Company's records, may extend the dates fixed in the Notice of Assessment or Notice of Delinquency for any period or periods aggregating not more than six months. No order extending the time for the performance of any act specified in any notice shall be effective unless notice of such extension or postponement is appended to and published with the notice to which the order relates.

16. At the time of notice or sale, the Secretary shall execute and place in the Company's records affidavits: (a) verifying his/her service or mailing of the Notice of Assessment and Notice of Delinquency, and (b) verifying the time and place of sale, the quantity and particular description of the stock sold, the purchaser's name, the purchase price, and the Company's receipt of the purchase price. The Secretary shall also obtain and place in the Company's records an affidavit verifying the date of the publication of the Notice of Delinquency. This affidavit will be executed by the printer foreman or principal clerk of the newspaper publishing the notice.

17. In addition to the other remedies provided by law and these Bylaws, the Company may withhold water from stockholders who fail to pay all or any part of an assessment.

## **ARTICLE 28**

### **[Change Applications]**

1. Requested Changes "Within" the Company Service Area. A shareholder may not change the point of delivery and place of use of the Company's water from one point of delivery (the "Prior Delivery Point") to a new point of delivery (the "New Delivery Point"), without the prior written approval of the Board or their authorized representative.

1.1 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:

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

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

1.1.3 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;

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

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

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

1.2.1 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. The application shall contain the following information:

1.2.1.1 the name and address of the applicant;

1.2.1.2 the certificate number and number of shares to be changed;

1.2.1.3 the place of use of water delivered at the Prior Delivery Point;

1.2.1.4 the proposed point of delivery and place of use at the New Delivery Point, and the nature of use of Company water proposed at the new place of use; and

1.2.1.5 the purpose for which the change is requested.

1.2.2 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 Company in reviewing and processing the application.

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

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

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

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

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

2. Requested Changes "Outside" the Company Service Area or Otherwise Involving a Change in the Underlying Water Rights of the Company. 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 Company System and/or otherwise involving any element of the Company's underlying water rights without the express written approval of the Board and full compliance with the requirements of Utah Code Ann. §73-3-3.5, 1953, as amended (the "Change Statute").

2.1 All costs and expenses associated with the application, including costs incurred by the Company for engineering or legal review, shall be the obligation of the applicant, who shall have the obligation to pay the amounts within 30 days of receiving an invoice. All expenses associated with the application for change as provided above shall be deemed, individually and collectively, to be special assessments against the shares of stock of the

applicant, enforceable and collectible in conformance with the provisions of the Bylaws pertaining to assessments.

2.2 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 Company may hold said certificates as security for the payment of all costs and fees for which applicant is responsible as provided in subparagraph 2.1 above. The certificates shall be returned to the applicant upon payment in full of all such costs and fees.

2.3 Continued Beneficial Use. 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.

2.4 Compliance with Conditions. If approved, the Board shall have the right to impose conditions upon the applicant. 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 Company shall not withdraw its approval so long as all such conditions are being substantially complied with.

2.5 Retirement of Acreage Upon Proof. Upon submittal of proof on any change, the applicant shall arrange for the retirement from irrigation of the required amount of land within

the Company's certificated or decreed service area, if applicable, and shall so notify the Company in writing. Thereafter, the water represented by the change application will no longer be delivered to that acreage.

**ARTICLE 29**  
**[Stock Transfers]**

1. The Board of Directors shall approve all stock transfers before the Company Secretary enters the transfer or changes the stock ownership in the Company's records.

2. From the Company's creation, the stockholders have recognized and declared that the Company's water would only be used on the land within the Company's historic service area unless the Board of Directors approved a different use or place of use.

3. The Board will not approve a stock transfer that would require the Company to change the place of delivery from one lateral to another, unless the Board determines that the transfer would not impair the Company's ability to supply water to all stockholders on an equitable basis.

4. The Board will not approve a stock transfer that would require the Company to deliver water at a higher elevation than the historical use, unless the Board determines that the transfer would not affect the Company's ability to supply water to all stockholders on an equitable basis.

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

5.1 In order to effectuate a transfer of shares upon the stock transfer records of the Company, 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 Company's legal counsel, to justify the transfer of title of shares, including, but not limited to the following documents, as applicable:

5.1.1 a properly endorsed, original stock certificate as shown on the stock records of the Company;

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

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

5.1.4 any combination of the foregoing, that receives approval by the Company.

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

### **ARTICLE 30** **[Dissolution]**

1. In the event of a voluntary or involuntary liquidation, dissolution or winding-up of the affairs of the Company, and after payment of creditors, the holders of Class A stock and

Class B stock will be entitled to receive all of the remaining assets of the Company of whatever kind available for distribution to stockholders. A stockholder shall be entitled to receive such assets, based on the ratio the numerator of which is the number of shares of Class A and B stock held by the stockholder and the denominator of which is the total number of shares of Class A and B stock which are issued and outstanding.

2. In the event of a voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of Class S or Class F stock shall not be entitled to receive any assets of the Company.

3. In the event of a voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of Class I stock shall be entitled to water rights 55-11506 and 55-11507.

4. In the event of a voluntary or involuntary liquidation, dissolution or winding-up of the Company, and after payment of creditors, the Board of Directors may distribute in kind to the holders of shares of Class A and Class B stock the remaining assets of the Company or may sell, transfer or otherwise dispose of all or any part of such remaining assets to any individual, corporation, trust or other entity and receive payment for that in cash, shares or obligations of such individual, corporation, trust or other entity, or any combination, and may sell all or any part of the consideration so received and distribute any balance in kind to holders of shares of Class A and Class B stock.

**ARTICLE 31**  
**[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 water rights owned or held by the Company has been forfeited for non-use under the laws of the State of Utah, the Board, pursuant to Utah Code Ann. § 73-1-4.5 (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 Company's water right. The procedure for allocating such forfeiture and loss of water shall comply with Utah Code Ann. § 16-6a-609 (2000) and any policies put in place by the Company.

**ARTICLE 32**  
**[Amendments]**

The owners of Class A and Class B stock shall have power to make, alter, amend and repeal the Bylaws or Articles of Incorporation of the Company by affirmative vote of a majority of the stockholders.

**ADOPTION**

THE FOREGOING BYLAWS of the Company were adopted by the stockholders at their annual meeting on January \_\_\_\_, 2019.

HEREBY CERTIFIED by Michael Kohler, Secretary of the Midway Irrigation Company.

\_\_\_\_\_  
Michael Kohler  
Secretary

EXHIBIT A

**MIDWAY IRRIGATION COMPANY**

325 West 500 South  
Midway, Utah 84049

NOTICE OF ASSESSMENT

Notice is hereby given that at a meeting of the Board of Directors of the Midway Irrigation Company held on the (date) an assessment:

- i. of (amount) per share was levied on the Company's Class A stock,
- ii. of (amount) per share was levied on the Company's Class B stock,
- iii. of (amount) per share was levied on the Company's Class C M&I stock,  
and
- iv. of (amount) per share was levied on the Company's Class C Supplemental  
Agricultural stock, and
- v. of (amount) per share was levied on the Company's Class D Domestic  
stock, and
- vi. of (amount) per share was levied on the Company's Class F stock.
- vii. of (amount) per share was levied on the Company's Class I stock.

Stockholders are required to pay these assessments no later than (date) by delivering the payment to the Company Manager of the Midway Irrigation Company, \_\_\_\_\_, Midway City, Utah, 84049. Any stock upon which this assessment may remain unpaid on the (day fixed) will be delinquent and advertised for sale at public auction, and unless payment is made before, will be sold on the (day appointed) to pay the delinquent assessment, together with the cost of advertising and expense of sale.

This \_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Secretary of Midway Irrigation Company  
325 West 500 South  
Midway, Utah 84049

EXHIBIT B

**MIDWAY IRRIGATION COMPANY**

325 West 500 South  
Midway, Utah 84049

NOTICE OF DELINQUENCY

Notice. There are delinquent upon the following described stock, on account of assessment levied on the \_\_\_\_\_ (month/day/year), (and assessment levied previously thereto, if any) the several amounts set opposite the names of the respective stockholders as follows:

NAME	NUMBER OF CERTIFICATE	OF	NUMBER OF SHARES	OF	AMOUNT

and in accordance with law, (and an order of the board of directors made on the \_\_\_\_\_ (month/day/year), if any such order shall have been made) so many shares of each parcel of the stock as may be necessary will be sold at the (particular place) on the \_\_\_\_\_ (month/day/year), at the hour of \_\_\_\_\_, to pay the delinquent assessments thereon, together with the cost of advertising and expenses of the sale.

This \_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Secretary of Midway Irrigation Company  
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