

## AGREEMENT

This Agreement entered into this 29 day of June 1993, by and between the State of Utah, acting through the BOARD OF WATER RESOURCES, sometimes referred to herein as the STATE, and the DRAPER IRRIGATION COMPANY, a corporation organized under the Laws of the State of Utah, sometimes referred to herein as the WATER COMPANY:

## W I T N E S S E T H

THAT WHEREAS, the Utah Legislature has authorized the BOARD OF WATER RESOURCES, under Title 73-10 Utah Code Annotated, to enter into contracts for the construction of water conservation projects which, in the opinion of the Board, will best conserve and utilize the water resources of the State of Utah; and

WHEREAS, the Parties hereto did on May 23, 1988 enter into a contract for construction of a water conservation project, under which contract certain water rights, easements, and rights-of-way were conveyed to the STATE; and

WHEREAS, the STATE desires to promote a water conservation project, estimated to cost \$7,875,000, and to provide 87.5% of the project cost from the Conservation and Development Fund for construction of a pump station, a sedimentation and storage facility, a mountain stream diversion, approximately 50 miles of piping, and service connections for a pressurized sprinkle irrigation system for both agricultural and residential acreage, hereinafter referred to as the PROJECT and located in Sections 1, 11, 12, 13, 14 and 15, T4S, R1W; Sections 3, 4, 5, 6, and 7, T4S, R1E; and Sections 7, 17, 18, 19, 20, 21, 22, 23, 27, 28, 29, 30, 31, 32, and 33, T3S, R1E, S1B&M, in Salt Lake County, Utah; and

WHEREAS, it is the desire of the WATER COMPANY to enter into a contract with the STATE, for a consideration to be hereinafter provided, and to use the water developed by the PROJECT, and as the WATER COMPANY has the available manpower and facilities necessary to construct the PROJECT, and is ready, willing, and able to enter into a contract for such purpose;

NOW THEREFORE, the Parties hereto enter into this agreement and make the following assignments:

1. The WATER COMPANY hereby agrees to convey, grant, and warrant to the STATE, title, in fee simple as required, to the real

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estate upon which the structures are to be constructed; and further agrees to convey, grant, and warrant to the STATE, title to such easements and rights-of-way as shall be necessary to enable the STATE to construct, maintain, and operate the PROJECT; and further agrees that the STATE shall retain, for the life of this agreement and the aforesaid previous contract, title to the real estate, easements, and rights-of-way conveyed to the STATE pursuant to said previous contracts, including the right to use any and all of the WATER COMPANY'S water distribution facilities.

2. The WATER COMPANY hereby agrees to convey, assign, and warrant to the STATE, all right, title, and interest which it has or may have, to the right to the use of the water which shall be developed or conveyed through the use of the PROJECT, and particularly:

Seventy Percent (70%) interest in Certificate #5629, A2136a, a3536, a757, a16627 (57-23), and Sixty-Two Percent (62%) of all water rights owned by the Draper Irrigation Company, but not held by the Board through the aforesaid previous contract, and changed by Change Applications a16627, a14594, and a13077 (57-3411), said water rights evidenced by (a) Decree #3429 by Judge William C. Hall, in a case known and styled as The Dry Creek Reservoir Irrigation Company, et.al. vs. the Draper Irrigation Company, in the Third Judicial District Court for Salt Lake County, Utah, (b) Diligence Claim #47 (57-3411), and (c) Certificate #9215, A13830, a-5645, a-5907 (57-443).

and further agrees that the STATE shall retain for the life of this agreement and the aforesaid previous contracts, the water rights conveyed to the STATE pursuant to said previous contracts, said water rights being particularly:

Thirty-Eight Percent (38%) of all the water rights owned by the Draper Irrigation company and changed by Change Application No. a13077 (57-3411), said water rights evidenced by (a) Decree #3429 by Judge William C. Hall, in a case known and styled as The Dry Creek Reservoir Irrigation Company, et.al. vs. The Draper Irrigation company, in the Third Judicial District Court for Salt Lake County, Utah, (b) Diligence Claim #47 (57-3411), and (c) Certificate #9215, A13830, a-5645, a-5907 (57-443).

3. The WATER COMPANY recognizes as valid the conveyance of easements and rights-of-way executed by various owners of the land to the STATE, and agrees that all performance by the WATER COMPANY under this contract shall be subservient to, and in recognition of, the aforesaid rights of the STATE in and to the aforesaid easements and rights-of-way.

4. The WATER COMPANY agrees to supply the necessary manpower and facilities and agrees to complete the construction of the PROJECT regardless of unforeseen contingencies, in accordance with plans, specifications, and work items, a copy of which is hereby incorporated by reference and made a part hereof.

5. The STATE agrees to pay to the WATER COMPANY Eighty-seven and One-half Percent (87.5%) of the total cost of constructing the PROJECT, but in no event shall the amount paid by the STATE exceed Six Million Eight Hundred Seventy-five Thousand Dollars (\$6,875,000.00), and the WATER COMPANY agrees to pay all costs in excess of the amount paid by the STATE. In the event the WATER COMPANY receives Federal grant funds for the PROJECT, the funds provided by the STATE shall be reduced by 87.5% of the amount of the Federal grant.

6. Payments from the STATE to the WATER COMPANY, for work done under this agreement, shall be made with state warrants sent to the WATER COMPANY for disbursement to the contractors or other payees (VENDORS). At the option of the STATE, warrants will be made payable either jointly to the WATER COMPANY and the VENDOR as co-payees, or to the WATER COMPANY solely. Payments shall be mailed to Woodrow S. Mickelson, Secretary, DRAPER IRRIGATION COMPANY, P.O. Box 275, Draper, Utah, 84020, (Phone 571-2232). Joint warrants shall be endorsed by the WATER COMPANY officials and immediately forwarded to the appropriate VENDOR. Warrants payable to the WATER COMPANY only, along with all other monies dedicated to the PROJECT, shall be deposited in a checking account established by the WATER COMPANY and disbursed by check to meet PROJECT obligations. All costs related to PROJECT shall be fully accounted for, and upon completion of construction, the WATER COMPANY shall send to the DIVISION OF WATER RESOURCES a financial report summarizing all project expenditures.

7. It is further agreed that payment of the STATE'S share of the construction costs shall be made periodically to the WATER COMPANY upon the presentation by the WATER COMPANY to the STATE of a certified statement of the payment requirement which shall be in the nature of a partial estimate of the work completed to date by the WATER COMPANY on each work item. The WATER COMPANY shall withhold Ten Percent (10%) of each payment to the construction contractor until Fifty Percent (50%) of the work has been completed, at which time the remaining partial payments may be made in full, if the work is progressing satisfactorily. Also, whenever the work is substantially complete, the amount withheld may be further reduced. The amounts withheld as set forth hereinabove shall be deposited by the WATER COMPANY in a separate interest-bearing account, with the interest accruing to the benefit of the contractors and subcontractors on a pro rata basis according to the work performed by each. The withholdings and the interest earned thereon shall become due and payable to the said contractors and subcontractors upon satisfactory completion of the construction

work under this agreement, or sub-agreements, and upon final inspection and acceptance of the work by an engineer designated by the STATE.

8. It is further agreed that the WATER COMPANY shall complete the construction of the PROJECT on or before June 30, 1994, and that title to the entire PROJECT, including all appurtenant facilities and water rights, shall immediately vest in the STATE.

9. The STATE agrees to sell, and the WATER COMPANY agrees to purchase, the land, easements, rights-of-way, water rights, the constructed works, and all appurtenant facilities acquired by the STATE in this agreement and Assignments at a total purchase price defined to be the combined total of all funds paid by the STATE to the WATER COMPANY for the construction of the PROJECT, but not to exceed Six Million Eight Hundred Seventy-five Thousand Dollars (\$6,875,000.00), plus all expense incurred by the STATE for the investigation, development, and administration of the PROJECT, plus interest on this total amount at the rate of Five Percent (5%) annually. Interest shall accrue on the outstanding balance from the date of the first progress payment by the STATE. The actual cost of investigation, development, and administration shall be determined by the STATE upon completion of the PROJECT.

10. The purchase price, as defined above, shall be payable over a period of approximately Thirty (30) years, in annual installments as follows:

\$346,000	1995 through 1999
400,000	2000 through 2004
460,000	2005 through 2009
515,000	2010 through 2014
570,000	2015 through 2019
Amortize Bal. (625,000±)	2020 through 2024

Said annual installments shall be due and payable commencing on the First day of March, 1995, and shall continue to be due and payable on the same day of each and every year thereafter until the purchase price, as defined above, shall have been paid in full. Any interest, penalties, or principal not covered by said payments will be carried over and added to the unpaid balance. The balance of the purchase price shall then be amortized over the remainder of the purchase period. Delinquent payments shall bear an interest penalty at the rate of Eighteen Percent (18%) per annum. Said sums shall be payable at the office of the DIVISION OF WATER RESOURCES to be applied as follows: After all accrued interest has been paid, said annual payments shall be applied first against the indebtedness incurred by the STATE for project investigation, development, and administration until fully paid, and then to principal, and finally to penalties.

11. During the purchase period, the WATER COMPANY may not change the use of any PROJECT water or facilities from irrigation to municipal, industrial, or hydroelectric power generation without the written consent of the Board of Water Resources. The WATER COMPANY agrees that such consent may be conditional upon an amendment to this agreement to reflect a higher interest rate and/or a shorter repayment period for the outstanding balance due the STATE under this agreement. The terms of the amendment shall be negotiable between the Parties hereto.

12. During the period of such purchase under this contract, provided the WATER COMPANY is not delinquent in any manner, the WATER COMPANY shall have and is hereby given the right to use the STATE'S water rights, and all facilities constructed thereunder. During the life of this agreement, the WATER COMPANY agrees to assume, at the WATER COMPANY'S expense, the full and complete obligation of maintaining and operating the constructed works, and other facilities, and of protecting all water rights, easements, and rights-of-way from forfeiture, including the payment of any fees or assessments for said water rights, easements or rights-of-way.

13. In order to secure the payment of the aforesaid purchase price, it is hereby expressly agreed that the STATE may require the WATER COMPANY to assess all outstanding shares of its stock for the full amount of any delinquencies in the aforesaid purchase installments. It is further agreed by the WATER COMPANY that it will not incur any mortgages or encumbrances, other than those already acquired by it, on any of its property, real or personal, without first securing the written consent of the STATE.

14. The WATER COMPANY hereby warrants the STATE that the construction of the PROJECT will not interfere with existing water rights. If the PROJECT herein described shall give rise to a claim, or cause of action to any holder of any water rights because of the interference with such rights by the operation of the PROJECT, then the WATER COMPANY hereby agrees to indemnify the STATE to the extent of such claim or cause of action.

15. In constructing or causing the PROJECT to be constructed, the WATER COMPANY shall comply with the provisions of the Utah Anti-Discrimination Act of 1965 and hereby agrees as follows:

(a) The WATER COMPANY will not discriminate against any employee or applicant for employment because of race, color, sex, religion, ancestry, or national origin.

(b) In all solicitations or advertisements for employees, the WATER COMPANY will state that all qualified applicants will receive consideration without regard to race, color, sex, religion, ancestry or national origin.

(c) The WATER COMPANY will send to each labor union or workers representative notices to be provided, stating the WATER COMPANY'S responsibilities under the statute.

(d) The WATER COMPANY will furnish such information and reports as requested by the Anti-Discrimination Division for the purpose of determining compliance with the statute.

(e) Failure of the WATER COMPANY to comply with the statute, the rules and regulations promulgated thereunder and this non-discrimination clause shall be deemed a breach of this contract and it shall be canceled, terminated or suspended in whole or in part.

(f) The WATER COMPANY will include the provisions of Items (a) through (e) in every subcontract or purchase order (unless exempted under the statute or rules and regulations) so that such provisions will be binding upon such subcontractor or vendor.

16. If either party to the contract violates any of the conditions or covenants made herein, the other may give written notice of such breach or failure, and if the same shall not be cured within Ninety (90) days after such notice, the other may declare the contract forfeited and may proceed to its remedies at law for such breach.

17. The WATER COMPANY hereby agrees to indemnify and hold harmless the STATE and its officers, agents and employees from any and all liability or claims in connection with this agreement or the development, design, inspection, construction, or operation and maintenance of the Project, including, but not limited to, any and all claims for injury or death of persons or animals, or for any property loss or damage, including damage to the Project facilities; except for any such claims arising from or caused by the sole negligence of the STATE.

18. It is mutually understood that the STATE'S review of the plans and specifications, bidding documents and general conditions is solely for the purpose of assuring that the PROJECT to be constructed by the WATER COMPANY is as represented in its application and that the PROJECT meets the STATE'S lending criteria. Neither the STATE or officers, employees, or agents thereof shall have any duty to note any design or other defect relating to the PROJECT, and none shall be liable for any loss, claim or damages with respect to the design, bidding, construction, maintenance or operation of the PROJECT or any water system of which the PROJECT is a part.

19. After the WATER COMPANY shall have paid in full the purchase price, as defined above, and provided the WATER COMPANY has satisfied the terms of the aforesaid previous contracts, the

STATE shall execute such deeds and bills of sale as will be necessary to revest the same title to the aforesaid property and water rights in the WATER COMPANY.

20. This agreement, or any part thereof, or the benefits to be received under this agreement, may not be the subject or any assignment to any person, firm, or corporation, by the said WATER COMPANY, without first having secured the written consent of the STATE to any such proposed assignment or disposition of this agreement.

21. No covenant or condition of this contract can be waived except by the written consent of the STATE. Forbearance or indulgence by the STATE in any regard whatsoever shall not constitute a waiver of the covenant or condition to be performed by the WATER COMPANY, and until complete performance by the WATER COMPANY of said covenant or condition, the STATE shall be entitled to invoke any remedy available to the STATE under this contract or by law or in equity despite said forbearance or indulgence. Receipt by the STATE of a partial payment of any installment due hereunder shall be deemed to be part payment only and notwithstanding any endorsement, the STATE may accept said payment without prejudice to its right to recover the balance.

22. This agreement shall not become binding upon the STATE until it has been signed by all persons and agencies required by law, and the STATE shall not become liable to the WATER COMPANY for any commitments made by the WATER COMPANY until this agreement has been fully executed.

\* \* \* \* \*

IN WITNESS WHEREOF, the State of Utah, acting through the BOARD OF WATER RESOURCES, has caused these presents to be signed by the Chairman and Director of the said BOARD OF WATER RESOURCES by authority of a resolution of said Board; and the DRAPER IRRIGATION COMPANY, has caused these presents to be signed and executed on its behalf by Noel H. Enniss, its President, and Woodrow S. Mickelson, its Secretary, by authority of a resolution of its Stockholders at a meeting held May 5, 1993.

DRAPER IRRIGATION COMPANY

Noel H. Enniss  
President  
Woodrow S. Mickelson  
Secretary

BOARD OF WATER RESOURCES

Philip S. Knight  
Chairman  
D. Larry Anderson  
Director

87-0215969  
Employer Identification No.

AVAILABILITY OF FUNDS:  
Scott Hays  
Division Budget/Accounting

APPROVED: DIVISION OF FINANCE  
Kelvin G. Banks 6/30/93  
for Director of Finance

STATE OF UTAH )  
County of Salt Lake ) ss

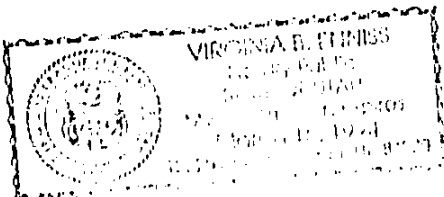
On the 18 day of JUNE, 1993, personally appeared before me Philip S. Knight and D. Larry Anderson, who being duly sworn did say that they are respectively the Chairman and Director of the BOARD OF WATER RESOURCES, and that they signed the foregoing instrument in behalf of the said BOARD by authority of a resolution of said BOARD, and they also acknowledged to me that the said BOARD executed the same.



Philip S. Knight  
Notary Public

STATE OF UTAH  
County of Salt Lake

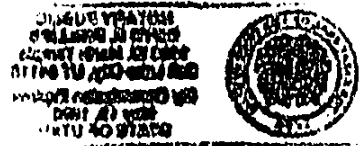
On the 22<sup>nd</sup> day of June, 1993, personally appeared before me Noel H. Enniss and Woodrow S. Mickelson, who being duly sworn did say that they are respectively the President and Secretary of the DRAPER IRRIGATION COMPANY and that they signed the foregoing instrument in behalf of said Corporation by authority of a resolution of its Stockholders, and they also acknowledged to me that said Corporation executed the same.



Virginia B. Enniss  
Notary Public

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05/29/96 3:07 PM\*\*NO FEE\*\*  
NANCY WORKMAN  
RECORDER, SALT LAKE COUNTY, UTAH  
UTAH ST-WATER RESOURCES  
REC BY: J MORGAN , DEPUTY - WI

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