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1. Purpose

1.1 To establish a policy to protect the company and its shareholders in their financial obligation for loan payments and O&M costs on pressure irrigation systems, to protect systems from over-capacity problems and to establish water shares certificate issuance policy.

2. Water Shares Transfer Policy

2.1 No shareholder may sell and/or permanently transfer water shares from assessed land to less than 1 (one) share per acre or to less than 1 (one) share per city lot unless:

2.1.1 The transfer has been approved by the Board of Directors.

2.1.2 The property owner continues to pay the acreage assessment; or, if not paid;

2.1.2.1 The risers and or taps associated with said acreage will be capped by the company and a \$100.00 reconnect fee must be paid before any shares may be considered for transfer back onto the land or water use allowed.

2.1.2.2 If all shares are permanently transferred from watered land the rights to use water on said land may be lost, as determined by the Board of Directors and state statute.

2.1.2.2.1 If water is approved for transfer back onto land all back assessments associated with system acreage that was not paid must also be paid in full before risers and or taps will be uncapped.

2.2 All class A shares are permanently assigned to specific distribution systems. Permanent transfers of water from one system to another may only take place under the following conditions;

2.2.1 The transfer would not put a system over maximum capacity and/or cause pressure problems on a system as determined by the Board of Directors by evaluating historical use and system original design.

2.2.1.1 Evaluating of capacity may be by evaluating the total system, portions of a system, specific laterals within a system and/or pipe size of a specific section of a system.

2.2.2 The transfer has been approved by the Board of Directors.

2.2.3 There are no outstanding assessments due on the shareholders account.

3. Shares Certificates

3.1 New or changed water share certificates may only be issued after;

3.1.1 Board of Director approval.

3.1.2 No outstanding assessments are due from any party requesting a new certificate.

3.1.3 A reissue fee of \$35.00 per certificate has been paid.

3.2 Replacement of lost or destroyed certificates may require, at the discretion of the Board of Directors, that the owner of the lost or destroyed certificate give Horseshoe Irrigation Company a bond in such form and amount as the board may direct to indemnify the Company against any claims that may be made against it on the account of the issuance of such new certificates.

4. Acreage Transfers

4.1 Acreage that can be watered using Horseshoe Irrigation Co. Water Rights is defined by the company's system mapped acreage; this includes Pressurized Systems and Ditch Systems. This acreage is referred to as Place of Use (POU) and has been recorded with the Utah Division of Water Rights through change applications. If a shareholder wishes to make a change to this defined POU the shareholder must:

4.1.1 Submit a written request to Horseshoe Irrigation Co. The request must detail the POU transfer including;

- 4.1.1.1 A Written description of each property, both the property being dried up and the proposed property to be watered, shall be included.
- 4.1.1.2 A plot map of each property, both the property being dried up and the proposed property to be watered, shall be included.
- 4.1.1.3 Acknowledgment from the shareholder that the POU being transferred from will be dried up.
- 4.1.1.4 Request must be signed and notarized. If transfer involves another shareholder both parties must sign.

4.1.2 The land POU must be within Horseshoe Irrigation Co. water use boundaries as defines in policy 4.

4.1.3 Horseshoe Irrigation Co. must be able to deliver water from a current Point of diversion.

4.1.4 Horseshoe Irrigation Co. Board of Directors must approve POU transfer by assuring the transfer will meet all other company policies.

4.1.5 POU transfer may require a change application be filed with the Utah division of Water rights. Any costs incurred in filing a change application, legal or engineering costs or fees, and all other costs incurred by Horseshoe Irrigation Co. shall be paid by the person(s) submitting the Acreage Transfer.