

Proposed 2019 Changes for the Bylaws Providence Blacksmith Fork Irrigation Co.

Over the past several years, the Company has been trying to settle issues of water shares and water distribution with Providence City. A couple of years ago we had an emergency on the concrete liner about a mile downstream of the upper river diversion. We raised rates and ended up with a problem of how the City's shares were assessed.

After considerable time and expense with legal advice, we decided to review the Bylaws to ensure that our policies were in line with the Utah Share Assessment Act of 2007. Our last Bylaw revision in 2006 was mainly done to keep up with new state laws regarding Beneficial Use and Forfeiture.

The current revisions have been thoroughly vetted by our attorney Rob Smith (Daines, Thomas, and Smith, Logan UT). Much of the proposed Bylaw language and format is familiar, but there are a number of important changes, detailed below. A copy of the proposed Bylaws is on our website:

www.blacksmithforkirrigation.com (click on "Bylaws")

Revision of the setting of Assessments. They are now up-to-date with the most recent changes in the Utah Share Assessment Act.

Election of the President. Currently the President is elected by the shareholders separate from the election of the Board of Directors. The Current Bylaws permit the President to be a non-shareholder. The proposed Bylaws provide for the direct election of the Board members by the shareholders (one share/one vote), and then the Board elects the officers (President, Vice President, Treasurer).

Changes in nominations for Board elections. Currently, nominations for the Board need to be made 30 days prior to the Annual Shareholder meeting in December. The proposed Bylaws will allow nominations to be made from the floor at annual meetings, provided that proof of qualification is available at the time of the meeting. The intent is that shareholders have the most access to the election process.

A "one share" minimum for Board membership. Currently, the Bylaws require a shareholder to hold at least 2 shares to be eligible for election to the Board. A one share minimum would allow more shareholders to be eligible for leadership positions.

Declaration of "Carrier Water". The distribution of water is always a big issue and the Company does its utmost to keep the canals efficient and safe. In the "old days" one share of stock would cover an acre of land. Our water right of 3054 acre feet (distributed over 1408 shares) equates to 2.17 acre feet per share. Our water (per share) is less than the 3 acre feet allowed in our area for one irrigated acre.

The State allows a "depletion factor" of 2 acre feet per irrigated acre. The depletion factor is the water that disappears due to a crop being grown. The remaining 1 acre foot of water is water that goes back into the soil and returns to the ground.

Many irrigation companies declare a portion of water ("carrier water") needed to deliver the water to shareholders. Even companies with extensive piping and pressurization (like the Cache Highline Water Association) declare that only 80% of diverted water is deliverable to shareholders.

Carrier water ensures that all shareholders- including those at the end of the system- have a good stream to push their shares out of the headgate. It is the "pressure" in the pipe-so to speak.

Increase from \$10K to \$25K borrowing by the Board. The current Bylaws permit the Board to take out emergency loans up to \$10,000 without shareholder vote. Due to the significant increases in the Company budget (up from \$32,000 in 2008 to over \$100,000 this past year), the proposed Bylaws increase the emergency borrowing limit to \$25,000.

Review of Forfeiture (beneficial use) language. Our attorney reviewed and made minor changes. The current legal theory is that "carrier water" is part of beneficial use.