

Jim,

I feel like we have enough information at this time to propose a “non-binding” letter of intent to you and your neighbors that will include the terms I will list below. I am working on the letter I will plan to send in the next week or so. This water system expansion will be provided by a private Water Company but will be contracted with the East Zion Special Service District to ensure the water conforms with that of a public water system. These terms include:

\$45,000 for a lot water connection WITHOUT lot-owned water rights

\$40,000 for a lot water connection WITH lot-owned water rights

\$40,000 for a lot water connection WITHOUT lot-owned water rights but willing to irrevocably combine two or more lots into one lot/water connection

\$35,000 for a lot water connect WITH lot-owned water rights but willing to irrevocably combine two or more lots into one lot/water connection

Minimum of 50% (or up to 100%) of connection fee to be paid up front, in cash and held in escrow, until a minimum of 100 connections fees have been put in escrow.*

Remaining 50% of connection fee to be paid at the time that water is to be turned on to property.

- * If entire connection fee is not paid up front into escrow, then lot owner will be expected to put Water Company as a lien holder in first position on the lot. This lien will be released at the time the remainder of the connection fee is paid. If the entire connect fee is put in escrow, then no lien would be required.

If we are unable to obtain a minimum of 100 connection fees in escrow after a predetermined period of time the escrowed cash will be returned without withheld fees to the respective lot owner.

Water Company will pay for all legal and other fees associated with contracting with the EZSSD, the State of Utah and Kane County to expand the water system, and to prepare individual contracts with lot owners. Lot owners will bear any legal cost from their representatives to review contracts.

Water Company will own and be required to maintain all lines, pumps, fire hydrants, tanks and other equipment except for those that owned by lot owners (beyond the main line connection point) or infrastructure that is owned or transferred to other entities like the EZSSD. Water Company will also manage water rights and water cost and delivery associated with the system. Water Company will charge a monthly and water use fee that will cover the costs of this management and to create a reserve fund for maintenance. Water Company will agree to an initial 3 year term of charging lot owners \$70 per month (for all months of year, regardless of use) that will include up to 5,000 gallons per month. For the initial 3 year term, any gallon use above 5,000 gallons, will be have a surcharge of 4 cents per gallon. After the initial 3 year term, Water Company will review its costs and reserve the right to institute a reasonable, annual cost adjustment to cover any increased costs.

Please let me know if you have any further questions regarding this proposal. In the meantime, I will begin working with ~~you~~ OUR? lawyers on the explanatory letter to Little Ponderosa lot owners and the non-binding letter of intent/indication of interest.

Thanks again,

Steve