

**Statutory Water Bank Application
First Water Bank of Utah, Inc.**

Addendum

The following refers to the Statutory Water Bank Application form provided by Utah Board of Water Resources to the First Water Bank of Utah. Where space in the PDF form provided was insufficient, First Water Bank of Utah representatives advise reviewers of the PDF form to refer to this Addendum for additional information.

Exhibit 1.1- Statutory Water Bank Governance

1.1(15): Description of Statutory Water Bank's Complaint Resolution Process

The Bank will utilize software that provides forms that will not allow leases to exceed deposits. Complaints about the process, fees, policies, procedures of the Bank will be submitted to the manager of the Bank and addressed by the Board. Complaints regarding deliveries will be submitted to the Bank and irrigation company and addressed by the irrigation company. If complaints cannot be resolved and the lessee doesn't receive water, the transaction will be voided and lease amounts returned.

Exhibit 1.2 - Procedures Governing Water Transactions

1.2(16): Description of how the Statutory Water Bank Will Design, Facilitate, And Conduct Water Transactions Between Borrowers And Depositors:

The basic transaction process for the FWBU will generally be as follows:

- 1) Potential Depositor creates an account with the FWBU.
 - A. FWBU reviews water rights, ensures that they are appropriate and meet the State requirements, checks to make sure the listing price is within the expected range, etc.
 - B. Once approved, the Depositor is allowed to "deposit" the water right into the Bank, and a "listing" is created by FWBU to list the water right for lease or sale. The listing is controlled by the Bank at all times. It cannot be amended by the Depositor without Bank approval.
- 2) Potential Lessee also must create an account with FWBU.
- 3) If Lessee sees a water right they are interested in, they may either 1) make an offer; or 2) request additional information.
- 4) If an offer is made, FWBU creates an "Offer Sheet" and sends it electronically to both parties for review and signature. Once signed, the Bank approves the transaction, and accepts the wire deposit from the Lessee.

5) FWBU checks with the Water Master to make sure proposed delivery is feasible, and checks to make sure the transaction meets all State requirements. If so, FWBU completes the transaction and instructs the WM to commence delivery of the water as per the listing agreement. Once deliveries have commenced, FWBU wires escrowed funds to the Depositor.

Exhibit 1.3 - Procedures for Accepting, Rejecting, and Managing Deposits of Water Rights into the Bank

1.3(19) Description: What information a Depositor Shall Provide to Inform the Statutory Water Bank, the State Engineer, or Any Other Distributing Entity Regarding the Feasibility of Using the Water Right Within the Statutory Water Bank's Designated Service Area

- Water right/share owner information;
 - As applicable, provenance of water rights, legal opinions, historical usage, etc.;
- Existing point of delivery (with Map or coordinates or field number);
- Existing type of use
- Existing approved diversion/ depletion amount. This can also be expressed in turns, times, or number of heads. FWBU will verify with the irrigation companies to see how they measure. Must be the measuring method normally used by the irrigation company.
- FWBU will require verification of ownership of water right, availability of water right, feasibility of transaction, etc. before allowing the deposit and listing to be made.
- Approved evidence of ownership might include some or all of the following: Copy of stock certificate, affidavit of ownership from Depositor, certificate of good standing from irrigation company, approval of State Engineer for proposed use (or map of service area of irrigation company) etc. May also require map of location of existing use/proposed use, etc. (eventually GPS data will confirm that proposed transaction is within the service area and is feasible)
- Also proposed time period of availability, requested price, etc.
- Certificate (paragraph they can initial) confirming prior beneficial use (user needs to provide a description of the use)

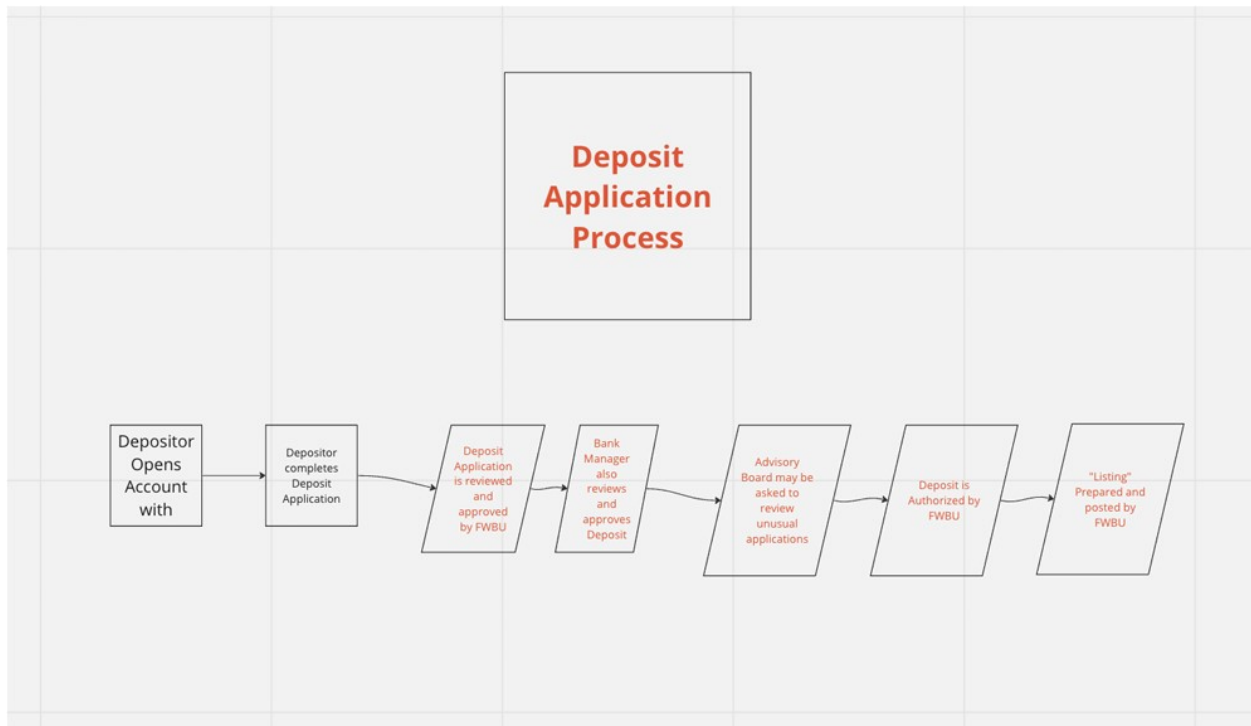
1.3(20) Description: Process for Depositors and the Statutory Water Bank to Jointly File a Change Application With the State Engineer Seeking Authorization to Deposit and Use a Water Right in the Statutory Water Bank

Often these will be filed by the Bank on the shares of a company, in conjunction with the proposed depositor. We will need to be sure that we have approval from the irrigation company on file. Once a change has been approved for a particular series of stock in a particular water company, we hope to be able to rely on that change of other shares unless there is an issue with delivery. Policies will be developed to help spread the cost of the change applications

across multiple depositors (perhaps those costs could eventually be included in the transaction fees). We don't want the first depositor to pay a lot, and subsequent depositors to pay zero.

1.3(21) Description: Terms and Conditions for Depositing a Water Right with the Statutory Water Bank

Much of this information will be in the policy manual of the Water Bank, to be determined by the Board. However, the information listed below will be required. We will also prepare a "Depositor Agreement" which will detail the terms and conditions. It will include clauses that indicate that the Bank does not guarantee a lessor, but that it will make reasonable efforts. It will also have information allowing the Bank to suspend or terminate the deposit if any of the information is found to be inaccurate. The document will also include some indemnification information so that the Bank is not liable to the lessee in the event the irrigation company fails to deliver the water. See attached note re: Depositor Agreement. (See attached diagram)



Depositors will also be required to set up an account with the bank, including email (for notice purposes), an account where payments can be made, etc.

1.3(22) Description: Conditions for a Depositor to Use a Water Right at the Heretofore Place of Use While Banked with the Statutory Water Bank

Lease or deposit agreement should contain a provision that allows the depositor to use the water until confirmation of signing of lease, payment, and delivery is given. We will have to coordinate with the irrigation companies so we have set times that leases and changes can be made (cut-off dates, etc). Water needs to be put to beneficial use by the depositor until lease/payment/delivery occurs. Depositors will then be sent a notice to cease use, and irrigation

companies will change their delivery schedule. We will have to put in penalty provisions / termination language so both parties can't use the water at the same time. Maybe the delivery would have a time delay / confirmation check mark that the depositor would initial before receiving the wire transfer of the payment.

We need to always make sure that the Bank relies on the truthfulness and integrity of the 1) depositor; 2) lessee; and 3) irrigation company. The Bank cannot guarantee deliveries, etc. We should have policies that terminate an account in the event of malfeasance or misfeasance by either the irrigation company, the depositor or the lessee.

1.3(23) Process for Determining Payments to Depositors

Depositors will be paid once a lease is entered into by the Lessee and delivery is actually made. We will need to prepare forms that automatically generate once a lease is signed (Smart Contract signed online). A notice should be sent to the Depositor, and to the manager of the Bank, who can then contact the Irrigation Company. We will have to have standing agreements with the irrigation companies on how and when they need notice of leases so they can adjust their delivery systems. There may be "cut-off" dates after which leases might not be available. Those terms can be agreed to with the irrigation company, and included as caveats to both the depositor and the potential lessees.

Once delivery is confirmed by the irrigation company, the invoice for the lease will automatically generate and be emailed to the lessee. The lessee will have ___ days to pay the invoice. No water deliveries will occur until the invoices have been paid in full. Invoice shall include the lease amount, plus administrative fees set by the Bank (in the Policy manual and on the platform - transparency). Once delivery and payment have been confirmed by the platform (administrative fees will be deducted and payment will be wired to the depositor).

Exhibit 1.4 - Procedures for Accepting, Rejecting and Managing Delivery of Water Rights From the Bank

1.4(24) Description: Deadline for Submitting a Delivery Request to the Statutory Water Bank

These procedures will be outlined in the policy manual and will be agreed upon by the irrigation company beforehand. (This includes other entities that might deliver water pursuant to contracts, etc. (i.e. Uintah Water Conservancy District, etc.). They will help us determine cut-off dates, etc. This information will be clearly listed on the trading platform. Trades or requests beyond the approved cut-off date will not be allowed by the software or by the First Water Bank of Utah's internal procedures.

1.4(25) Description: Cost of Fee for Submitting a Delivery Request and Description for How the Statutory Water Bank Will Use or Apply Delivery Request Fees:

The administrative fee charged by the bank will be set by the Board. The delivery request will be part of the lease agreement signed by the lessee. We will create a check-list, form in conjunction with the irrigation company which will simplify the application process for the lessee. Fees will be deducted for the Water Bank (based on transaction) and the remaining balance will be wired to the depositor before the delivery occurs. Deadlines for payment, and information making it clear that no delivery will occur until payment is received, will be clearly listed on the lease form/delivery request. Lessee will have to check that box on the form before the transaction can proceed.

1.4(26) Description: What information a Borrow is to include on a Delivery Request to sufficiently inform the Statutory Water Bank, State Engineer, or another Distributing Entity whether the Delivery Request is feasible within the Statutory Water Bank's Designated Service Area:

The potential lessee will also have to open an account with the Water Bank. This can be a simple "fill-in-the blank" online form. It will include

- Lessee information (name, address, email, telephone, property location, account information (for withdrawing lease payment).
- Signature verifying ownership (or other ownership interest) in proposed place of use, agreement to be bound by terms and conditions and policies of bank, acknowledgment that they have read, understood and agreed to the conditions of the depositor, separate line agreeing to the price and the administrative fee of the bank, acknowledgment that they will use the water strictly in accordance with the conditions of the deposit, the terms and conditions of the irrigation company (which will be included on our platform) and that they will restrict their use to the approved use and duration (type, amount and location indicated).
- Proposed place of use (which our platform will automatically confirm with our approved service area. If it does not conform with the existing map in the software, the request will be "flagged" for review by the manager. Requests outside the service area will not be accepted. Service area changes will have to be approved by the State.
- Proposed nature of use. The nature of use cannot exceed the allowed use and amount for the water right. Deliveries from the irrigation company should take care of this.
- At the termination of the lease period, the lessee will be requested to acknowledge that they received the deliveries as promised, that they put the water to beneficial use, on the approved property, in the approved amount. Failure to provide this information at the end of each lease period will result in the account being flagged and no future leases allowed until corrected.

1.4(30) Description: Appeal or Grievance Procedures, if any, for a borrower seeking to challenge a denial of a Delivery request, including who has the burden in an appeal and the standards of review

Until the delivery request is approved by the bank and the irrigation company, the lessee has no privity of contract. They either meet the requirements of the bank and the irrigation company, or the water is not for lease. If the potential lessee has a legitimate suggestion, it can be addressed by the bank and the irrigation company. The lessee will not negotiate directly with the irrigation company or the depositor. If they have a concern with the delivery after approval, that would be a different process.

1.4(31) Description: How the Statutory Water Bank will determine prices for the use of the loaned water right.

FWBU has determined this will be a market-driven water bank. While the bank might suggest some ranges based upon consultation with depositors, irrigation companies, etc., the depositor can set the price as they see fit. We believe that the market will eventually correct any outrageous price modulations.

1.4(32) How the Statutory Water Bank will coordinate with the State Engineer to facilitate distribution of Delivery Requests

In most cases the State Engineer will not be involved with delivery information and processes once the change app is approved. The river commissioner, along with the irrigation company ditch masters, will coordinate the changes in deliveries. We anticipate that most of our initial customers will be shareholders in irrigation companies, or lessees under federal contracts. The Bank will generate a comprehensive report at the end of each irrigation season listing the leases, the deliveries, the uses, etc.

Many of these transactions will be within the existing service area of a single irrigation company. Alternatively, additional transactions will be between companies that already do exchanges and swaps.

Finally, most of the contract water that may be included in the Bank is already being delivered to the entire service area of the Bank. So we are not usually going to be dealing with a water right that is being transferred temporarily for use outside its existing service area.

If the proposed transactions are already within the existing service area of 1) the FWBU and 2) the relevant irrigation company, then the proposed transaction will just need to be approved by the irrigation company's watermaster to make sure the proposed new delivery is feasible and will not disrupt normal operation of the system.

Exhibit 1.5 - Maps and Supporting Documents

Exhibit 1.5.1 [DRAFT First Water Bank of Utah Bylaws](#)

Exhibit 1.5.2 [First Water Bank of Utah Service Area Maps](#)

Exhibit 1.5.3 [Link to Internal Memorandum detailing 10-12 Potential Transactions](#)

Exhibit 1.5.4 [FWBU State Engineer Database Printout](#)