

THE RESERVE AT BEAR LAKE

TECHNICAL, FINANCIAL AND MANAGERIAL MANUAL

BEAR LAKE COUNTY
IDAHO



Prepared For
Doug Johnson

RMESTM
Rocky Mountain Engineering & Surveying
155 South 2nd Avenue ♦ Pocatello, ID 83201
VOICE: (208) 234-0110 ♦ FAX: (208) 234-0111 ♦ www.rmes.biz
Revised January 2007

Technical, Financial and Managerial Manual

The Reserve at Bear Lake

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Introduction

This is the Technical, Financial and Managerial (TFM) manual for the Sam's Hollow Water Company, Bear Lake County. Sam's Hollow Water Company operates under the Master Resort Association of The Reserve at Bear Lake, Inc., Appendix I. The Sam's Hollow Water Company is an Idaho nonprofit corporation, incorporated and organized to develop, own and operate water rights, lines, tanks and equipment to provide water for domestic and irrigation purposes to members, Appendix J. Irrigation is limited to 0.10 acres per lot and is recorded in the CC&R's of the Reserve at Bear Lake. The current owner of all shares of this water system is Bear Lake Group, LLC, Developer of The Reserve at Bear Lake. The authorized agent of the Sam's Hollow Water Company is:

% Randell C. Budge, Esq.
Racnine, Olson, Nye, Budge and Bailey, Chartered
201 East Center Street
Pocatello, ID 83201

or

Sam's Hollow Water Company, Inc.
% Douglas A Johnson, President
24 Country Club Circle
Tesquesta, FL 33496

Element #1 – System Ownership and Management

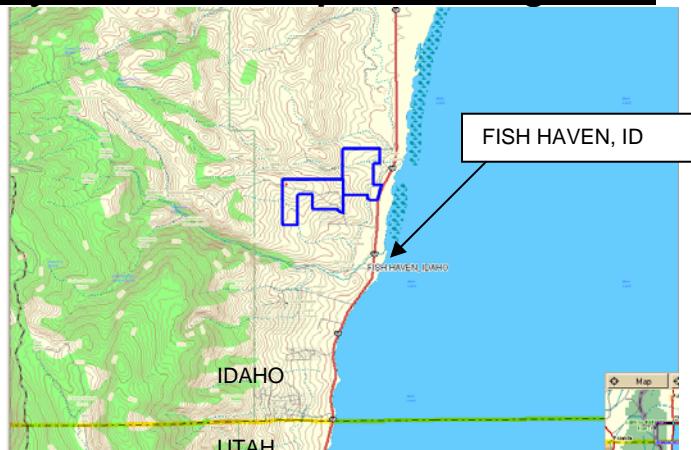


Figure 1 – General location map of The Reserve at Bear Lake subdivision

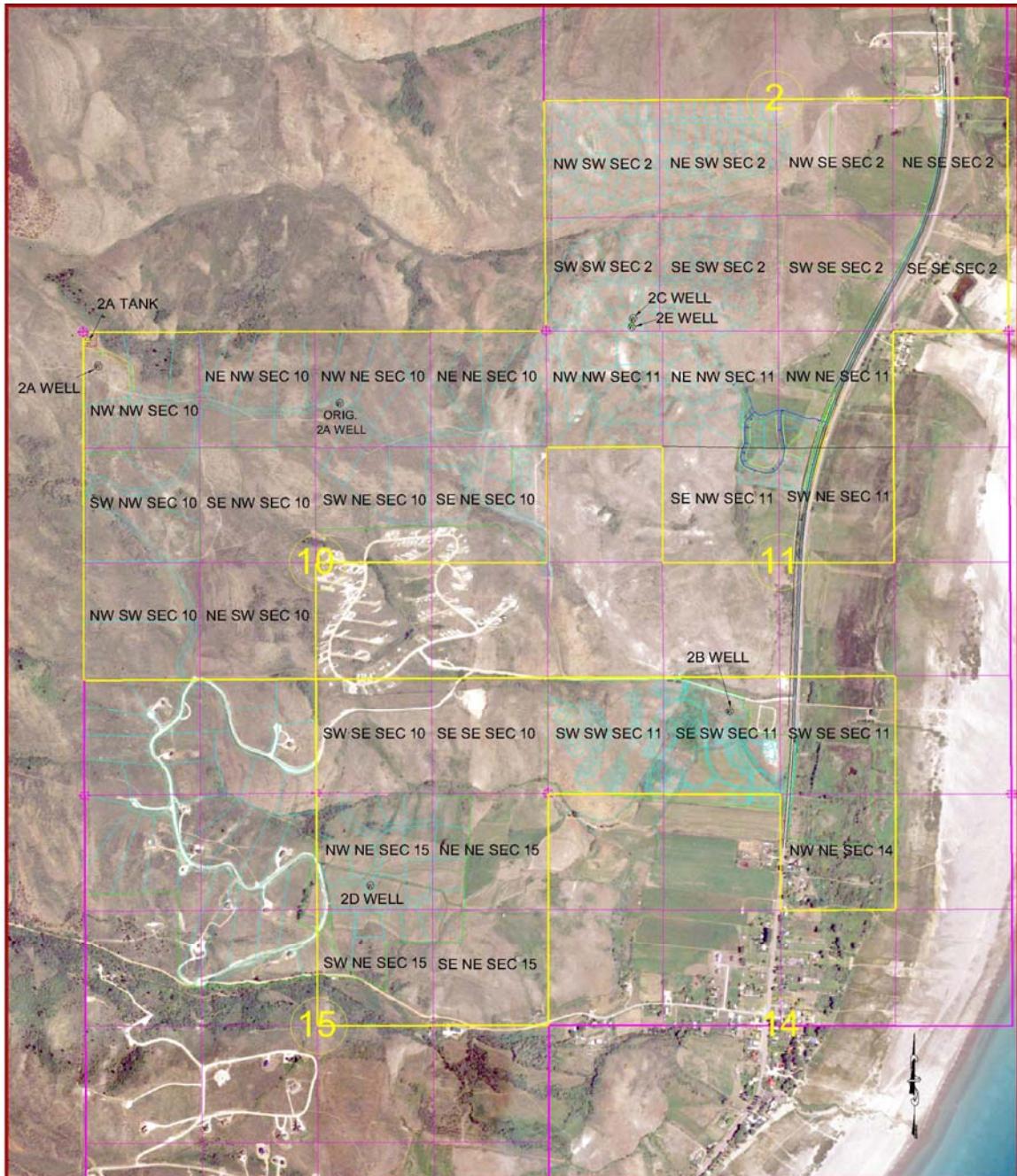


Figure 2– A legal description breakdown by 40 acre parcels

Sam's Hollow Water Company, incorporated April 24, 2001, is the owner of Idaho Department of Water Resources' Water Right Permits # 11-7481 and 11-7491 for the purpose of supplying domestic water to The Reserve at Bear Lake Subdivision. Presently the Bear Lake Group is the sole owner and sole member of Sam's Hollow Water Company.

The Bear Lake Group owns the proposed subdivision formerly known as Bear Lake Haven. Collectively, these areas are now known as "The Reserve at Bear The Reserve At Bear Lake
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Lake" and are the subject of this TFM. The Bear Lake Group is currently the owner and sole member of Sam's Hollow Water Company, Appendix J, p 2. These parcels are located in parts of Sections 2, 10 and 11, Township 16 South, Range 43 East, B. M., Figure 2.

The Developer of Sam's Hollow Water Company is Douglas A. Johnson, President. The Developer will construct water distribution facilities necessary to provide water to The Reserve at Bear Lake subdivision. Water distribution facilities include all conduits for distributing water including well houses, water storage facilities, water mains, water lines, valves, hydrants, and pumping and treatment facilities capable of providing potable water and also to meet the requirements of fire-fighting for the proposed development.

The Developer will convey to Sam's Hollow Water Company the water distribution facilities and all necessary easements, rights, equipment and installations appurtenant thereto and such facilities will be owned, managed, operated and maintained by Sam's Hollow Water Company, Appendix C, p 5.

Water shares will be owned, managed, operated and maintained by Sam's Hollow Water Company as provided in the Development and Operating Agreement, Appendix C, p 5. All lot owners must connect to the Sam's Hollow Water Company's system. The only exception to this rule are those lot owners in phases 1-3 who choose to build prior to this water system being approved by IDEQ. Any lot owner in phases 1-3 who chooses to build prior to this water system being approved has the option to drill their own well to provide for their own culinary water.. Once this water system is approved by IDEQ and therefore a membership in Sam's Hollow is available, every lot owner, including those lot owners in Phase 1-3 must accept membership in Sam's Hollow, as per section 9.1 of the covenants. Membership in the Sam's Hollow Water Company provides The Reserve at Bear Lake's resident's culinary water and water to irrigate up to one-tenth of an acre as set forth in section 9.4 of the covenants, Appendix K, p 36. An operating and maintenance budget is contained in Element 11 of this TFM. Sam's Hollow Water Company will invest all funds paid to it and maintain records of accounts, Appendix C, p 7 and Element 11 of this TFM.

The Reserve at Bear Lake

The Reserve at Bear Lake has also been known as "Bear Lake Haven," or "Fish Haven project." The Reserve at Bear Lake is a residential subdivision with recreational amenities. It is being developed by the Bear Lake Group, L.L.C. This residential community was approved for a total of 564 units, including homesteads, lots and town homes, Appendix K, p 1. The first phase of development, which is the focus of this manual and the associated water model, consists of 241 units. 25 of these units are located in Phases 1-3 which have been recorded and approved. These lots have the option to drill their own well if The Bear Lake Group does not provide a water system. While these lots are approved to drill their own wells it is anticipated that all will connect to the water system when it is built. The declarant of the CC&Rs, The Bear Lake Group, has

established a property owner's association called "The Master Resort Association Of The Reserve At Bear Lake, Inc" (Association) that shall establish rules and govern the operation of The Reserve at Bear Lake and hold, operate and manage the property of the Association for the common benefit of all owners of The Reserve at Bear Lake, Appendix K.

The Master Resort Association Of The Reserve at Bear Lake, Inc (Association)

By Laws – The by laws of The Master Resort Of The Reserve At Bear Lake Association, Inc (Association) are contained in Appendix K. The Association is a nonprofit organization. The Association will own and maintain common areas. Every owner of a lot is a member of the Association and is subject to an assessment fee. Each lot owner will be required to hook up to the Sam's Hollow Water Company water system, The only exception to this rule are those lot owners in phases 1-3 who choose to build prior to this water system being approved by IDEQ. Any lot owner in phases 1-3 who chooses to build prior to this water system being approved has the option to drill their own well to provide for their own culinary water. Once this water system is approved by IDEQ and therefore a membership in Sam's Hollow is available, every lot owner, including those lot owners in Phase 1-3 must accept membership in Sam's Hollow, as per section 9.1 of the covenants. Once lot owners in these three phases elect to connect to Sam's Hollow Water Company they will be under the same rules and conditions as the remainder of the development..

Payment for hook up and for water usage – Each lot owner regardless of whether they are hooked to the system will be billed a \$100 annual maintenance fee, the Bear Lake Group will be responsible for this fee on all unsold lots. When a lot owner in Phases 1-3 elect to connect to the system they will be responsible for this annual fee. When a lot is connected to the system each will be assessed a one time connection fee of \$2,000 to be billed by Sam's Hollow Water Company. Once connected to the system each lot owner will be billed a monthly usage fee based on the amount of water consumed, Appendix K, p 35. The monthly usage fee starts at \$20.00 and would allow for the use of up to 20,000 gallons of water. There will be an additional \$1.50 per 1000 gallons used after that up to 40,000 gallons then \$2.00 for each 1000 gallons after that. The water rate schedule will be periodically reviewed and adjusted as needed. There are 241 shares (one share per unit as provided in the Idaho Department of Water Resources Permit to Appropriate Water) in the Sam's Hollow Water Company. Initially, all shares are owned by the Bear Lake Group. Initially, the Bear Lake Group is the sole owner of all shares; as each lot is bought one share of the Sam's Hollow Water Company transfers from the Bear Lake Group to the new lot owner. If any of the 25 lots which are approved on their own well do not connect to the water system then Bear Lake Group will retain ownership of those shares and will be responsible for paying any fees and charges associated with the shares.

Summary of water supply

Water is planned to be a community system of 2 wells and a water storage tank. A 500,000 gallon water tank will be built to provide for domestic water and for fire flow. The tank will be constructed in the upper northwestern area of the Reserve

The Reserve at Bear Lake has two Idaho Department of Water Resources water rights or "Permit to Appropriate" totaling 564 units. Of these water rights 241 are being used for The Reserve at Bear Lake, Division 1. Water rights, driller's logs, pump tests and water quality data are contained in Appendix M. Sam's Hollow Water Company will own and operate water rights, pipe lines, tanks and equipment to provide water for domestic irrigation purposes to its members in accordance with the CC&R's which allow for outside irrigation of 0.10 acres. Each lot owner will be a member of Sam's Hollow Water Company.

Easements for water systems are reserved under, over, along and across all common areas, easements and association property for the purposes of installing, constructing, maintaining, repairing and operating the water system for The Reserve at Bear Lake, including pumps, pipes, lines, valves, pressure reducing valves, fire hydrants and the like, Appendix K, p 33.

Water connection fees – Fees to the Sam's Hollow Water Company must be paid to hook up to the water system. Also, a payment for water usage must be made by each lot owner in accordance with the billing policies of Sam's Hollow Water Company, Appendix K, p 35 and Element 11 of this TFM manual.

Limitations on water usage – Each homestead in The Reserve at Bear Lake is limited to a maximum of 1/10th acre of outside irrigation as recorded in section 9.4 of the covenants, Appendix K, p 36. During extreme drought conditions, outside irrigation could be prohibited.

Entities and addresses

Water system operator

The system operator is Troy Andersen, Drinking Water Operator – Distribution Class III (License dated April 25, 2005, by the Idaho Board of Drinking Water and Wastewater Professionals), Appendix P:

Troy Andersen
597 West Belle Drive
Garden City, UT 84028
Cell ph: 435 757 4551

Master Resort Association of The Reserve at Bear Lake

Douglas A Johnson, President
24 Country Club Circle
Tesquesta, FL 33496

Articles of Incorporation, Declaration of Covenants Conditions and Restrictions and By Laws

Each lot purchaser, except those in phases 1-3 that don't connect to the water system, will be a member of Sam's Hollow Water Company and will be required to pay Sam's Hollow Water Company an annual maintenance fee and special assessments as approved by the Association. These assessments are a lien upon the lots and are the financial responsibility of the lot owner at the time the maintenance fee falls due (January).

Under the Declaration of Covenants Conditions and Restrictions for The Reserve at Bear Lake, each lot owner is a member of the Association and can cast one (1) vote per his or her lot(s) in the election of the Management Committee. One of the items of business for the Management Committee is to review the costs of operations and maintenance of Sam's Hollow Water Company culinary water distribution system. Assessment adjustments may be made in accordance with the CC&R's. The annual maintenance fee may be adjusted in accordance with the expected expenditures and expenses for the upcoming year.

In addition to the annual assessments, the Committee may levy special assessments to provide added revenue to Sam's Hollow Water Company as may be necessary and as voted on by the Association members. These special assessments are for such things as: construction or reconstruction, unexpected repair or replacement of the culinary water distribution system including the well house and electrical components, well house lot fences, the water well, well and booster pumps, the storage reservoir, pipes, valves, hydrants, etc.

An assessment not paid when due is delinquent. If a payment is delinquent, then the Property Owner's Association may bring action against such a property and can add to the costs, interest and reasonable attorney's fees of any such action taken. No owner may waive or otherwise escape the liability for the Sam's Hollow Water Company maintenance fee assessments by non-use of water or the abandonment of a lot.

The current Association has established a relationship with the following professional consultant:

Rocky Mountain Engineering and Surveying, LLC
2043 E Center Street
Pocatello, Idaho 83201
Phone 208 234-0110

Jack Bates, Accountant
201 Colony Road
Tequesta, FL 33469
Phone 561-427-4947

Additional fiscal controls are defined in the CC&R's and the Articles of Incorporation of The Reserve at Bear Lake Subdivision Owners Association are summarized below:

Notes from Appendix H – Easement Agreement, Canyon Estates and Bear Lake Group

The Reserve at Bear Lake has two easement agreements, one with Canyon Estates, dated September 2005 and a second one with Nathan D. Parry. Prior owners and developers of Canyon Estates and Bear Lake Haven, Natural Properties, Inc., Nathan D. Parry, and C. Howard Johnson established right of way access easements providing ingress and egress through Canyon Estates and The Reserve at Bear Lake recorded in Bear Lake County, recorded as # 192628

These agreements provides a right-of-way and easement on, over, through and under Canyon Estates Drive for ingress, egress and utility purposes, Appendix H, p 2.

Notes from Appendix I – Articles of Incorporation, The Master Resort Association of The Reserve at Bear Lake, Inc. (recorded at the Idaho Secretary of State, March 15, 2006)

The Articles of Incorporation for Association Lake defines the areas and facilities held or controlled by the corporation, Appendix I, p1.

The initial Board of Directors consists of Doug Johnson, Gary McKee and Manuela Hoesch, Appendix I, p 2.

Notes from Appendix J – Articles of Incorporation, Sam's Hollow Water Company

These articles of incorporation provide that Sam's Hollow Water Company can acquire, develop, own and operate water rights and a system of pipelines, tanks and equipment to provide culinary water for domestic and irrigation purposes for the use and benefit of the Members of the Corporation, Appendix J, p 1. Outside irrigation is limited to 0.10 acres.

The registered agent is:

Randell C. Budge
201 E. Center Street
Pocatello, Idaho 83201

Persons owning property in the Sam's Hollow Water Company service area must agree to use water services furnished by Sam's Hollow Water Company and must become a member of the Sam's Hollow Water Company and pay annual water system fees and assessments, Appendix J, p 2.

Notes from Appendix K – Declaration of Covenants, Conditions and Restrictions for The Reserve at Bear Lake dated January 18th, 2007.

Declaration of Covenants Conditions and Restrictions for The Reserve at Bear Lake are contained in Appendix K. The Reserve at Bear Lake is a residential subdivision with recreational amenities. It is being developed by the Bear Lake Group, L.L.C. The residential community formerly known as “Bear Lake Haven” is approved for a total of 564 units, including homesteads, lots and town homes, Appendix K, p 1. This water system, however, is currently being designed for 241 units. The current declarant of the CC&Rs, The Bear Lake Group, has established¹ a property owner’s association called the “Master Resort Association of The Reserve at Bear Lake” that establishes rules and by laws to govern the operation of The Reserve at Bear Lake to hold, operate and manage the property of the Association for the common benefit of all owners of The Reserve at Bear Lake, Appendix K, p1 and Appendix L. The Declaration of Covenants Conditions and Restrictions define that there will be an assessment fee, easements, membership, access and other details.

Element #2 – Service Area and Facilities

A model of The Reserve at Bear Lake’s water system and an operating map of the water system have been prepared and are submitted under separate cover. The model and map of the system will also be included in The Reserve at Bear Lake Operations and Maintenance manual.

Service areas and property evaluated

The Reserve at Bear Lake will be developed in two phases, see Figures 1, and 2. Phase 1 is the focus of this manual and the modeling that has taken place. When phase 2 is developed new modeling of the proposed system will be done and a new TFM manual compiled.

Phase 1 – Division 1 portions of Sections 2, 10 and 11, T. 16 S., R. 43 E.,
Phase 2 – Division 2 portions of Section 14, T. 16 S. R. 43 E., B. M.

Element #3 – Component Inventory & Capital Replacement Plan

The major components of The Reserve at Bear Lake Subdivision water system are shown in the table below. The service lives for the various components are conservative appurtenances.

¹ This has been written, see Appendices K and O.

System Component	Quantity	Unit Cost	Initial Cost (\$)	Service Life (yr)	Replacement Cost	Cumulative 50 Year Costs
4" Flow Meter	2	\$ 400	\$ 800	10	\$960	\$ 7,144
Pump Control (booster)	1	\$ 1,100	\$ 1,100	10	\$1,320	\$ 9,823
Pump Control	2	\$ 5,000	\$ 10,000	10	\$12,000	\$ 89,299
VFD Drive	3	\$ 4,000	\$ 12,000	10	\$14,400	\$ 107,159
300 kW Generator & tank	1	\$ 30,000	\$ 30,000	20	\$42,000	\$ 141,960
100 kW Generator & tank	1	\$ 20,000	\$ 20,000	20	\$28,000	\$ 94,640
Gould's Well Pump 175 Hp,	2	\$ 15,000	\$ 30,000	10	\$36,000	\$ 267,898
Telemetry	1	\$ 12,000	\$ 12,000	20	\$16,800	\$ 56,784
Gould's Booster Pump & appurtenances	1	\$ 8,333	\$ 8,333	10	\$10,000	\$ 74,413
Pump House	2	\$ 15,000	\$ 30,000	30	\$48,000	\$ 94,080
500,000 gal Storage Tank	1	\$375,000	\$ 375,000	50	\$750,000	\$ 750,000
Distribution pipe (ft)	21000	\$ 25	\$ 525,000	50	\$1,050,000	\$1,050,000
PRV	12	\$ 12,000	\$ 144,000	20	\$201,600	\$ 681,408
Water Meters & appurtenances	241	\$ 600	\$ 144,600	10	\$173,520	\$1,291,266
Total Cost			\$1,342,833			\$4,715,874

Table 1 – Water System Capital Costs

Element #4 – System Water Usage

The Reserve at Bear Lake will be a recreational area development with occupancy estimated to be 50% of the year per residence. To estimate the annual water usage it is estimated that each unit will be occupied by 4 people and each person will use 200 gallons per day. The total water required to service The Reserve is 43 million gallons per year, See Table 2.

DOMESTIC POTABLE WATER - HOME SITES		
NUMBER OF UNITS	241	UNITS
AVERAGE OCCUPANCY	4	PERSONS
WATER GALLONS PER RESIDENCY PER DAY	840	GALLONS
DAILY POTABLE DEMAND	202,440	GALLONS
AVERAGE ANNUAL PERCENT OCCUPANCY	100%	
MAX ANNUAL POTABLE WATER USED	73,890,600	GALLONS
IRRIGATION OF 1/10TH ACRE PER YEAR - HOME SITE		
1/10 ACRE =	24.1	Acres
NUMBER OF UNITS	241	UNITS
Water use	4	gpm per acre
Days irrigated	200	
TOTAL IRRIGATION USE	27,763,200	Gallons
UNACCOUNTED WATER USE 5% DOMESTIC	3,694,530	Gallons
TOTAL ANNUAL WATER CONSUMPTION	105,348,330	GALLONS

Table 2 – Annual Water Use

The water to service The Reserve comes from two separate water rights which will be discussed in Element #5. The amounts of these water rights are detailed in Table 3.

Water Right No. 11-07481	1.35	CFS
DOMESTIC	313,006,567	GALLONS
COMMERCIAL	4,706,866	GALLONS
Water Right No. 11-07491	1.22	CFS
DOMESTIC	287,118,806	GALLONS
TOTAL WATER RIGHT	604,832,239	GALLONS

Table 3 – Water Rights

Distribution network – Piping will be comprised of about 21,000 feet of buried PVC C-900 Class 200 gasketed pipe buried with a minimum of 5 feet of cover primarily in the roadways and common areas. There will be about 55 shut off valves which can isolate pipe segments in the event of a pipe break.

Fire protection – Fire protection will be provided by fire hydrants approved by the local fire authority. Fire hydrant spacing will be in accordance with local fire code and agency requirements. Each fire hydrant will be serviced with a minimum 6-inch supply line with a hydrant isolation valve.

The water system design calls for the construction of a 500,000 gallon storage tank which will supply equalization and emergency and fire flow storage capacity. The design fire flow capacity is 2,000 gpm for 2 hours with a 20 psi residual. Buildings requiring higher fire flows will be equipped with automatic sprinklers. A booster pump will be installed at the storage tank to maintain at least 40 psi (plus) to the upper lots. Lower lots will be gravity fed with PRV's located at 70-foot elevation intervals. RMES has prepared a water system design which is submitted under separate cover.

Phasing of The Reserve at Bear Lake Subdivision

Initially, all shares in Sam's Hollow Water Company are owned by the Bear Lake Group. Shares will transfer from Sam's Hollow Water Company to lot owners as the lots are sold. Sam's Hollow Water Company will continue to operate and maintain water system at The Reserve at Bear Lake. Water for The Reserve at Bear Lake will come from the 2C and 2E Wells. The 2A well is currently being designed and will serve as a possible backup source in the future. The 2B Well drilled in 2000 was pump tested at 140 gpm, Appendix M, and is another possible backup source. The 2D well was drilled in 2001 and pump tested at 580 gpm, Appendix M. Water quality data for the 2D well is contained in Appendix M, pp 24-31. Water quality tests for the remaining wells will be completed prior to connection to the system.

Phase 1 – Division 1 comprises portions of Sections 2, 10 and 11, T. 16 S., R. 43 E. Division 1 is approved by the Idaho Department of Water Resources for 241 homes, Permit to Appropriation No. 11-07491, Appendix M and Figures 1 and 2. The water distribution system designed to service Division 1 will use the 500,000 gallon water tank located in the northwestern part of The Reserve at Bear Lake area.

Phase 2 – Division 2 – Uses a well in the SE ¼ SW ¼, Section 11. Division 2 consists of 63 homes, 256 condominium units and 4 commercial units.

Element #5 – Documentation of Water Right & Initial Quality Monitoring

Water Rights

The Sam's Hollow Water Company holds two Idaho Department of Water Resources permits to appropriate a total of 2.75 cfs water, see Appendix M.

Permit # 11-7481 dated November 8, 2001, provides for 1.35 cfs, 63 homes, 256 condominium units and 4 commercial units (1.33 cfs domestic and 0.02 cfs

commercial), and Permit # 11-7491 dated January 11, 2002, provides for 1.22 cfs, 241 homes (1.22 cfs domestic).

Water Wells and Well Logs

Sam's Hollow Water Company currently owns four wells, the 2B well located in Division 2, the 2D well in Canyon Estates, the 2C and 2A wells recently drilled in The Reserve. The 2C well will be the main water source for the system and was recently pump tested and yielded approximately 800 gallons per minute. The pump data and results will be added to the TFM when they become available. A fifth well, the 2E well, is currently being drilled and if adequate water is found will serve as the backup water supply for the water system. A map showing the locations of these wells can be seen in Figure 2. Below is the information on the 2B and 2D wells. Water quality samples for the 2C well were taken on November 21, 2006. As water quality data becomes available for the 2C and 2E well they will be added to this manual.

2B Well

The 2B well is located in Parcel 2-B, in the SE $\frac{1}{4}$ SW $\frac{1}{4}$, Sec. 11, T. 16 S., R. 43 E., B.M. This well is located in the southeastern area of The Reserve at Bear Lake Division 2. The 2B Well is an 8-inch diameter well and extends to a depth of 385 feet, Appendix M. The static water level is about 55 BGS. This well was pump tested on Nov. 16, 2000, Appendix M. This well was tested with a flow rate of 140 gpm with a pumping level of 140 feet. From the well test data it is estimated that the maximum flow rate for this well will be 160 gpm with a pumping level of 175 feet. A water sample (Coli form) was obtained from this well, Appendix M.

2D Well

The 2D Well is located in Canyon Estates, in the NW $\frac{1}{4}$ NE $\frac{1}{4}$, Sec. 15, T. 16 S., R. 43 E., B.M. This well is located in its own well lot that is owned by Sam's Hollow Water Company. The 2D Well is an 8" cased well to 417 feet with 0.322 wall steel casing. The remainder of the well is uncased and extends to a depth of 730 feet. The static water level is approximately 345 feet below the ground surface (BGS). This well was pump tested on June 5, 2001, and had a flow rate capacity of 580 gpm, Appendix M.

The 2D well was pump tested on June 7, 2001, Appendix M, pp 19-23. A Coli form analysis report for the 2D Well is contained in Appendix M, p 26. Also, full suite of water quality analysis (IOC, VOC, SOC and radiological) are contained in Appendix M, pp 27-31. The well tests indicate traces of Arsenic, Barium, Chromium, Lead, and Copper, none of which exceed MCL. During future monitoring this will be watched closely so that this does not become an issue.

Initial Quality

The initial quality testing of the water system will be conducted by the Bear Lake Group prior to system operation. The 2D well had water quality tests done in 2001.

Element #6 – Monitoring and Compliance Plans

The initial testing and compliance of the system will be completed by Bear Lake Group, LLC prior to bringing the system online. Initial tests will include the IOC, VOC, SOC and radiological tests needed to meet DEQ and EPA requirements. The results of these tests will determine the ongoing monitoring required for the system. Once the system is in operation monitoring and compliance will be the responsibility of Sam's Hollow Water Company, Inc. The initial and ongoing monitoring for chemical contamination will be done at each source, the 2C and 2D wells, see Figure 2. Once the system is in operation there will be monthly (more frequently if contamination is found) coliform bacteria test ran. The Coliform bacteria test will be taken at random locations throughout the system to obtain a more accurate sampling of the system. Each source will be tested annually for nitrate and VOC every three years. It is also anticipated that DEQ will advise Sam's Hollow Water Company, Inc. of the exact monitoring that will be necessary to meet the requirements of the Safe Drinking Water Act and DEQ standards once the initial testing is complete.

Element #7 – Operation and Maintenance **(Note – the O&M manual is in preparation)**

An Operation and Maintenance Manual for The Reserve at Bear Lake Subdivision water system will be prepared as a separate document, and made part of this TFM manual by reference. The O&M manual includes information on operating and maintaining The Reserve Subdivision water system. In the O&M, the operator will find a collection of manufacturer's literature for the system's components, including operating instructions, technical specifications, parts lists, and factory or dealer locations and telephone numbers. In addition, an emergency contact list is provided which includes emergency water supplies, pump contractors and service specialist, electricians, plumbers and engineering expertise which will be available for an emergency response plan (Element 9).

Operating, Maintenance and Repair – Sam's Hollow Water Company will operate and maintain the water distribution facilities in accordance with all applicable regulations (Appendix C, p 7 of 9).

Element #8 – Cross-Connection Control

This culinary water distribution system is designed, engineered, and will be operated in accordance with the Idaho Rules for Public Drinking Water Systems. In addition, check valves have been, or will be, installed in well columns and in the houses to prevent backflow into the aquifer. An angle double check backflow prevention device will be installed in all water hookups on the residential side of the water meter. This is called for on the design plans and is located on the

typical water service detail F sheet D-1.0. Connection of a residences system to the main distribution line will be done only after inspection by The Reserve at Bear Lake Subdivision's water system operator.

Element #9 – Emergency Response Plan

In case of an emergency with the culinary water distribution system, the following service providers may be called upon:

Service	Contact Information	Phone
Potable Water Delivery	Culligan 608 N. 5th, Pocatello, ID	232-3855
Electrical Generation	Glenn's Electrical 501 North Main, Logan, UT 84321	800 281 4178 435 701 1049
Electrician	Glenn's Electrical 501 North Main, Logan, UT 84321	800 281 4178 435 701 1049
Pump Repair	Glenn's Electrical 501 North Main, Logan, UT 84321	800 281 4178 435 701 1049
Plumbing Repair	Glenn's Electrical 501 North Main, Logan, UT 84321	800 281 4178 435 701 1049
Pump Controls	Glenn's Electrical 501 North Main, Logan, UT 84321	800 281 4178 435 701 1049

In Case of Water System Depressurization:

Most power outages will not threaten the water systems integrity. The 10 kW backup generators will start automatically if electrical power is lost. The generators will have sufficient power to run the well pump and the water pressure booster system to maintain the average daily flow.

If there should be a power failure, line or pump service, or multiple pump failure that allows the culinary water system to depressurize², the following procedure should be followed:

The water system operator will contact the appropriate emergency services providers listed.

There is an emergency standby generator³ which monitors the commercial power line voltage and will start up in case of the loss of electric power at the well house. The generator will shut down automatically when utility line power is

² Loss of water distribution line system to a level of 20 psi, or less.

³ See the O&M manual for more information about the power generator.

restored. Additional information on the emergency power generator can be found in Section III of the O&M manual (Emergency Procedures).

The following procedures apply if the water system has been drained of water or if repairs have been made that would normally require disinfection. Once normal operation is restored, the water system operator should disinfect the water system.

The operator will then start and run the well pump, add the chlorine solution, run water through the distribution line, etc. A discussion of disinfection with chlorine bleach (Sodium hypochlorite solution) is found in the O&M manual, Section II, "Start Up Procedures," and will not be repeated here.

After rinsing the tank and distribution lines, a water sample should be collected for Coliform sampling as outlined in the O&M Manual. Until the sample comes back "A" for absent from bacterial contamination, users should use bottled water or boil their drinking water. Have the sample tested as soon as possible and once approved, normal water service may be resumed.

The telephone contact information on the emergency contact list should be updated annually for accuracy by the Sam's Hollow Water Company.

Element #10 – Source Protection Plan

Well house and water storage reservoir

Sam's Hollow Water Company plans to work with IDEQ's Wellhead Protection program coordinators to develop a formal wellhead protection strategy within the first five years of operation. Until the company has adopted a permanent plan, the following measures have been taken to protect the culinary water systems source:

A generously sized lot (at least 50 feet in all directions from the well head) will be created and platted for the well houses, storage reservoir, and piping from the wells to the reservoir, from the reservoir to the pressure booster system and from the pressure booster system to the water distribution system. An easement for access to the well lot will be granted and included on the recorded plat.

The well will be properly constructed and sealed and a well house designed and built to house the water system components. Well lots are constructed with the finished grade sloping away from the well. This directs surface water away and reduces the risk of contamination and surface water will be channeled around the well lot, preventing surface flows from approaching the well house or wellhead.

The well and well house will be fenced and closed to the general public. In addition, the hatch into the water storage reservoir will be locked to prevent unauthorized access. Storage of fuels, herbicides, pesticides, etc., is prohibited.

Cross-connection controls have been designed and will be installed (see Element #8 for additional details).

Monthly water sample tests for Coliform are to be taken at a residential water user's home system. Also, yearly water sample tests for nitrates will be taken at the wellhead will ensure that the water supply is safe for public consumption (see Element #6 for additional details).

Sewage disposal

Rocky Mountain Environmental Associates, Inc., Idaho Falls, ID, prepared a Nutrient – Pathogen evaluation, Appendix Q. The Nutrient – Pathogen study reports that there is low risk of ground water contamination from the proposed septic systems. Units along the Highway 89 corridor are higher density and will be connected to the Fish Haven public sewer system. A community sewer system will service parts of the North East portion of The Reserve. Individual septic systems will service those lots in the upper and middle areas which are impractical to service otherwise.

Rights for utility easements, water, sewer, wires, conduits, etc. are contained in The Reserve at Bear Lake Declaration of Covenants Conditions and Restrictions, Appendix K, pp 29 and 30.

Element #11 – System Budget

The Reserve at Bear Lake culinary water system is projected to cost \$1,342,833, see Element 3. The cost to install the initial system will be paid by the Bear Lake Group. A \$2000 per lot hook-up fee will be charged each lot owner. Also, an annual maintenance fee will be assessed. All funds go into an interest bearing account dedicated to pay for the operation, maintenance, repair and replacement of the water system.

A yearly operating preliminary budget is contained in Appendix R. The budget will be reviewed and adjusted as needed by the Management Committee once historical data begins to accumulate. There will be an annual maintenance fee assessed all share owners in Sam's Hollow Water Company which is dedicated for the water system budget.

Water usage will be metered and additional revenue collected to generate the remaining operating revenue. A graduated monthly water rate fee is as follows:

The base rate for water usage will be \$20.00 per month for the first 20,000 gallons used (\$1.00 per 1000 gallons) as determined by the cost to provide water and additional revenue needed to maintain the system, Appendix R. Additional water usage rates will be \$1.50 for water usage above 20,000 gallons, but less than 40,000 gallons per month. Above 40,000 gallons per month the rate will go to \$2.00 per 1000 gallons. Lot owners not using their water shares are not exempt.

An annual maintenance fee initially set at \$100 will be assessed each lot (unit) owner; Bear Lake Group, LLC will continue to own each lot that hasn't sold and will pay all associated fees. A spreadsheet showing income and expenses for Sam's Hollow Water Company is contained in Appendix R.

The rate schedule; including the annual maintenance fee, monthly usage fee, and one time hookup fee, will be adjusted periodically to generate a water operations account for the water system budget adequate to maintain and operate the system. Water usage and water rate fees will be reviewed and adjusted by the management committee within three years after the system becomes active, then annually thereafter.

Water meters will be read spring through fall. Water used during the winter will be estimated and billed in the spring. Water usage will be recorded and used as a historical record for water rate adjustments by the management committee.

Annual meeting – Meetings of members of the share holders in the Sam's Hollow Water Company will be held for the purpose of adjusting maintenance fee charges to ensure that Sam's Hollow Water Company is able to adequately maintain and operate the water distribution facilities (Appendix C, p 7).

Definitions and terms used

Master Resort Association (The Association) of The Reserve at Bear Lake

By Laws – The by laws of the Association are contained in Appendix L. The association is a non profit organization. The association will own and maintain common areas. Within the association, there are 564 units approved, including lots, homesteads and town homes. It is anticipated that there will be additional properties annexed to the association. Every owner of a lot is a member of the association and is subject to an annual fee, Appendix L, p 22.

Payment for hook up and for water usage – Each lot owner will be assessed a connection fee and will be billed by Sam's Hollow Water Company based upon water consumption, Appendix L, p 22.

Notes from Appendix C – Minutes of members of the board of directors, Sam's Hollow Water Company, February 5, 2005

The Bear Lake Group will construct water distribution facilities necessary to provide water to the developer's residential community. Water distribution facilities include all conduits for distributing water including well houses, water storage facilities, water mains, water lines, valves, hydrants, and pumping and treatment facilities capable of providing potable water and also to meet the requirements of fire-fighting for the proposed development, Appendix C, p 4. The Bear Lake Group will convey to Sam's Hollow Water Company the water distribution facilities and all necessary easements, rights, equipment and

installations appurtenant thereto and such facilities will be owned, managed, operated and maintained by Sam's Hollow Water Company, Appendix C, p 5. Sam's Hollow Water Company shall invest all funds paid to it and shall maintain records of accounts, Appendix C, p 7.

Notes from Appendix K – Declaration of Covenants, Conditions and Restrictions for The Reserve at Bear Lake dated August 10, 2005

The Articles of Incorporation for The Master Resort Association of The Reserve at Bear Lake define the areas and facilities held or controlled by the corporation, Appendix K. The initial Board of Directors consists of Doug Johnson, Gary McKee and Manuela Hoesch, Appendix I.

Declaration of Covenants Conditions and Restrictions for The Reserve at Bear Lake are contained in Appendix K. The Reserve at Bear Lake is a residential subdivision with recreational amenities. It is being developed by the Bear Lake Group, L.L.C. The residential community formerly known as "Bear Lake Haven" was approved for 564 units, including homesteads, lots and town homes, Appendix K, p 1. The current declarant of the CC&Rs, The Bear Lake Group, established a property owner's association called the "Master Resort Association of The Reserve at Bear Lake" that establishes rules and govern the operation of The Reserve at Bear Lake has established a property owners association to hold, operate and manage the property of the Association for the common benefit of all owners of The Reserve at Bear Lake, Appendix K, p1. The Declaration of Covenants Conditions and Restrictions define the assessment fees, easements, membership, access and other details. The articles of incorporation of The Master Resort Association of The Reserve at Bear Lake, Inc. were recorded at the Idaho Secretary of State, March 15, 2006.