

September 6, 2018

**Via Email (dbkimsey@hotmail.com) and United States Mail**

Dale Kimsey  
Director and Legal Counsel for  
South Despain Ditch Company  
2828 E. KSEL Drive  
Sandy, UT 84092

Re: Follow-Up to Meeting of South Despain Ditch Company on August 29, 2018

Dear Dale:

I am writing on behalf of Kevin P. Gates, Chateau La Caille, LLC, and Holladay 2550, LLC (collectively "La Caille"), as a follow-up to the meeting of August 29, 2018, organized by the South Despain Ditch Company. We were encouraged by the willingness expressed by most of the directors of the South Despain Ditch Company to take the necessary steps to restore the permanent connection from the South Despain Ditch pipeline to the pipeline to La Caille properties.

At that meeting, we were also surprised to learn that the South Despain Ditch Company has taken no steps toward a permanent restoration since our meeting on June 25, 2018—not even an attempt to prepare a formal plan for the construction of the permanent connection of the South Despain Ditch Company pipeline to the La Caille pipeline. At the August 29, 2018 meeting you explained that this was because: (1) you believed other water users claiming an interest in the South Despain Ditch Award (Water Right No. 57-9001) would be precluded if the pipeline were reconnected, and (2) you assumed the owners of the South Despain Ditch Award had conveyed their right to the South Despain Ditch to Salt Lake City in the August 8, 1934 Agreement with Salt Lake City. These false assumptions were corrected at the meeting, as summarized below:

First, the persons at the meeting cannot adjudicate a water right claimed by Mr. Todd Smith or Mr. Paul Horehled, who appeared at the meeting. (It was suggested that they may have claims to rights in the South Despain Ditch Award.) These claimants must file Reports of Conveyance with the State Engineer who will approve or disapprove their title to a portion of Water Right No. 57-9001. Also, La Caille does not claim the entire interest in Water Right No. 57-9001, and the re-connection of La Caille to the South Despain Ditch does not preclude other water users in the South Despain Ditch.

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At the August 29, 2018 meeting, we provided you with a copy of the State Engineer's data printout for Water Right No. 57-9001 with annotations showing the quantification of that water right. If you have any dispute with this quantification, you should advise us immediately.

Second, it was confirmed at the meeting that the 1934 Agreement transaction, between the South Despain Ditch Award users and Salt Lake City concerned only winter water rights—not summer irrigation rights which are the rights to water transmitted through the South Despain Ditch.

After we met on June 25, 2018, the South Despain Ditch Company did provide La Caille with a very temporary water connection. That was on July 5, 2018. Since then, La Caille has been expecting a permanent connection from the South Despain Ditch to La Caille. However, the South Despain Ditch Company, to date, has made no attempt to construct or even to submit acceptable plans for that restored connection. With winter quickly approaching, a permanent connection is imperative.

There was a consensus at the August 29, 2018 meeting, after the excuses were resolved, that the South Despain Ditch Company would take immediate action. La Caille appreciates that consensus, and would sincerely like the problem to be resolved in the manner discussed. Just in case it is not, La Caille must remind you of our demand letter of June 22, 2018, served upon the directors of the South Despain Ditch Company, and our requirement that the South Despain Ditch Company replace and restore an effective connection from the South Despain Ditch pipeline to the pipeline to La Caille properties, which connection was intentionally destroyed by the South Despain Ditch Company. It will be your responsibility to provide an effective, functional and durable connection to La Caille's pipeline. Of course, how replacement of the connection will be made has been complicated by that destruction. We understand, for example, that a larger pipe has been installed, and that it may be deeper than the metering box and pipe was, before. As you know, we saw an initial sketch. On July 3, 2018, we sent you La Caille's requirements, pursuant to Jim Riley's recommendations, for corrections to South Despain Ditch Company's "sketch" of engineering plans. According to the consensus, we trust that formal plans are now being prepared for La Caille's consideration.

In order to provide structure to the consensus reached at the August 29, 2018 meeting, La Caille expects that the replacement plans will include the following:

(1) 6-Inch Diameter Pipe. The first requirement is that, in order for La Caille to divert its full primary water right and all of its surplus water, the connection of the South Despain Ditch to La Caille must be (at least) to and through a 6-inch diameter, durable quality, pipe. This connection and pipeline have historically always been through a 6-inch diameter pipe. A smaller pipe will not be capable of diverting La Caille's entire flow. Because a 6-8 inch valve and a meter will be installed on the pipeline, there is no risk that La Caille would receive more water than it should receive pursuant to its water right.

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(2) Gradient of Pipeline. The connecting pipeline must flow freely from the existing South Despain energy dissipator box to the existing pipeline to La Caille properties. There cannot be any elevation increase in the pipeline. As a result of the changes you made to the pipeline, we understand this means that La Caille's new pipeline will have to be connected in a different place at some point along the existing pipeline. The connecting pipeline must be installed so that water will flow freely into the La Caille pipeline without the need for a pump or siphon.

It is my understanding that it should only take about an hour for your engineers to prepare this plan for the re-connection of the pipelines. Your plan should be submitted to us with sufficient lead time for review and approval by Jim Riley, our water rights consulting engineer, and Kevin Gates, prior to the next meeting proposed by Mike Galieti on September 13, 2018. Without an approved plan, another meeting on September 13, 2018 would not be at all productive.

With an approved plan for re-connection, La Caille requires that the re-connection be installed and completed on or before October 15, 2018. At the time of installation, La Caille's engineer will work with South Despain Ditch Company's engineer so that La Caille will install and pay the cost of a meter ahead of the valve and a 6-8 inch valve to meter the appropriate flow of water to the La Caille properties. This meter will be available for inspection by the water masters, the Utah Division of Water Rights, and other water regulators. (For that reason, they are receiving copies of this letter.)

Please advise us if South Despain Ditch Company is ready and willing to prepare this formal plan for our review prior to the September 13, 2018 meeting, and to conform to these scheduling requirements. If South Despain Ditch Company is not willing to do so, and there is no agreed plan for a permanent connection, we see no reason to have another meeting at this time and we will explore our other options including those described in our letter of June 22, 2018.

Very truly yours,



Rosemary J. Beless  
Attorney for Kevin Gates, La Caille, LLC,  
and Holladay 2550, LLC

RJB/mab

cc (via email): Mike Silva, Utah Division of Water Rights  
Jesse Stewart, Salt Lake City Corporation  
Tim O'Hara, Little Cottonwood Creek Water Master  
Max Reese, Little Cottonwood Creek Water Master  
Tom Ward, Sandy City Corporation