

BYLAWS

OF

LOWER SACRAMENTO CREEK RESERVOIR COMPANY

ARTICLE I.

Augmentation Plans, Qualification of
Stockholders, Stockholders Agreements and Covenants

A. PURPOSES: The purposes for which this nonprofit corporation is organized and its powers are fully set forth in the Articles of Incorporation and are incorporated herein by reference. Its principal purpose is to receive and hold title to the Lower Sacramento Creek Reservoir No. 1 and interests therein, lands, easements, rights-of-way, and other related facilities in trust for its stockholders and to administer such water rights and operate the related facilities for the benefit of its stockholders in accordance with individual plans for augmentation for each of the Property Owner Association and nominees which are stockholders in the company, and approved by a decree entered by the District Court in and for Water Division 1 of the State of Colorado. The plans for augmentation referred to in these Bylaws, except as otherwise stated, are those individual plans for augmentation for certain subdivisions and for future subdivisions located in the South Platte Drainage basin of the State of Colorado. The initial subdivisions and entities comprising the membership are:

1. Valley of the Sun
2. Sun Mountain
3. Foxtail Pines
4. Thomas Debonis (nominee for future users)
5. Venture '73
6. Widdowfield
7. North Fork Associates and/or Mountain Mutual Reservoir Company (nominee for future users)

North Fork Associates and/or Mountain Mutual Reservoir Company are not owners of individual plans of augmentation but are suppliers or augmentation water to be used in subdivision developments, and therefore, have the right to lease, rent, or sell their waters which may be stored in Lower Sacramento Creek Reservoir. The Court approved augmentation plans for the subdivisions, 1 through 6, set forth above, and any future subdivisions shall be incorporated herein by reference as though set forth herein in their entirety. Although Thomas Debonis has a water augmentation plan approved, his subdivision has not been started and there is no present owners' association for the proposed subdivision, therefore Tom Debonis is acting in the capacity of a nominee for future property owners of that subdivision.

B. WATER SUPPLY: Each individual subdivision's water supply required to meet the annual water requirement for each basic unit shall be furnished by means of an on-site well drilled by the landowner, or by means of a central municipal type well or wells drilled by the owner or owners, including subdivision developers, or a central municipal type water system.

1. Each owner or owners of lots or subdivisions shall obtain a well permit or well permits from the State Engineer, in Denver, Colorado, before the owner or owners may use an existing well or drill a new well.

2. Each owner or owners shall also obtain State Health Department and, if applicable, County Health Department approval for the installation and use of an on-site sewage disposal system or central municipal type disposal system.

C. QUALIFICATION OF STOCKHOLDERS AND VOTING RIGHTS: Except as is otherwise provided in these Bylaws, or the Articles of Incorporation, each Property Owners Association created in conjunction with the subdivisions stated above shall be the only entities which shall be stockholders in the corporation, North Fork Associates and/or Mountain Mutual Reservoir Company and Thomas Debonis shall be stockholders in the corporation. They shall hold said stock in their own name or as nominee for future users and shall be referred to herein as nominees.

1. Stock Transfer Limitations and Termination: The stock is non-transferable by a stockholder, except to a successor in interest to a Property Owners Association or nominee referred to above.

2. Classes of Stockholders and Voting Rights: There shall be one class of stockholders in the corporation: Each of the Property Owners Associations or the nominee referred to above shall hold stock in the corporation in the same relation as their percentage of storage rights in the Reservoir. The stock ownership shall be as follows:

	Shares
1. Valley of the Sun Property Owners Association	1311
2. Sun Mountain Property Owners Association	175
3. Foxtail Pines Property Owners Association	873
4. Thomas Debonis (nominee)	166
5. Venture '73 Owners Association	127
6. Widdowfield Property Owners Association	116
7. North Fork Associate and/or Mountain Mutual Reservoir Company (nominee)	<u>932</u>
Total Shares	3700

D. STOCKHOLDERS AGREEMENTS AND COVENANTS: In consideration of its ownership of stock, and the mutual promises and covenants of the other stockholders, each stockholder promises, covenants and agrees that it will cause all of its property owners or future property owners to do the following things:

1. Each stockholder shall be subject to and bound by all of the terms and conditions of the decree in the individual Plan for Augmentation for each subdivision. Its land is in a platted subdivision and shall be subject, in particular, to the provisions of any protective covenants contained in the decree and declaration of covenants incorporated therein relating to the terms and conditions upon which an owner of a lot may obtain a well permit from the State Engineer and drill an on-site well or central municipal type well to supply water for his own use and upon which an owner of a lot may install and use an on-site sewage disposal system or central water and sewage system acceptable to the State of Colorado Department of Health and, if applicable, to the approval of any county health department.

2. Each stockholder, except the nominees, will furnish the water supply to meet the annual water requirement for each basic unit owned by its subdivision through the diversion of water from an on-site well under a permit approved by the State Engineer; each owner of a basic unit will pay all costs for the drilling and equipment of the well; and will pay all costs and expenses incurred in obtaining the well permit.

3. Each stockholder will pay its pro-rata share of the costs for the maintenance of the Lower Sacramento Creek Reservoir as required by the individual plan for augmentation in which it is a landowner and any augmentation reservoir which is in addition to the augmentation reservoir provided for by this corporation. It will also pay its pro-rata share of the expenses or all the expenses, as the case may be, incurred in the operation and maintenance of such additional augmentation reservoir.

4. Each stockholder will be bound by and subject to all the provisions of the Bylaws and the Articles of Incorporation of this corporation.

5. Each stockholder will use its best efforts to require that each of its individual property owners will not waste water or use it for any purposes other than those permitted by his well permit and, if he commits waste or uses the water for any other purposes, he agrees that the corporation may withhold his replacement water. Each stockholder also agrees that the corporation may withhold his replacement water if it has not paid

all assessments regularly made when due and payable. The corporation shall notify the Division Engineer of Water Division 1 of any action it takes under this paragraph, so that he may take such action as he may deem necessary.

6. All assessments provided for in these Bylaws shall become due as they are made and levied. In the event payment is not received within 30 days of the assessment, then at the company's election, a lien may be asserted upon the defaulting stockholder's share or shares of stock. The corporation may enforce the lien by foreclosure and sale of the stock. The company shall also notify the Division Engineer of Water Division 1 that the shareholder's plan of augmentation is suspended, so that he may take such action as he deems necessary.

E. OBLIGATIONS OF THE CORPORATION: The corporation is obligated:

1. To receive and hold title to the real property underlying the Lower Sacramento Creek Reservoir No. 1 and interests therein, lands, easements, rights-of-way and other related facilities conveyed to it by Realto, Ltd. in trust for the stockholders.

2. To administer and operate the facilities to provide replacement water for the benefit of its stockholders in accordance with individual plans for augmentation as incorporated herein.

3. To make annual reports (or more often as required by decree) to the State Engineer on the number of wells which are an active part of this system to be augmented for the coming year, and including within the reports, such wells' maximum potential.

4. To determine the annual budget, assess stockholders and maintain records as required by the Water Court, State Engineer and the State of Colorado.

5. To record a copy of these Bylaws, certified to by its Secretary, with the County Clerk and Recorder of Park County and each county in which land included in any decreed plan for augmentation is located. To also record a certified copy of the decree in each decreed plan for augmentation, in each such county.

6. To be bound by and subject to all the provisions of its Bylaws and its Articles of Incorporation.

ARTICLE II.

Stockholders' Meetings

A. PLACE: Stockholders' meetings shall be held at the principal office of the corporation in the County of Jefferson, State of Colorado, unless some other place shall have been designated by a majority of the Board of Directors, and at such other places, whether within or without the State of Colorado, as shall be stated in the notice and call of the meeting, which notice or call shall be given to stockholders not less than thirty (30) days prior to the date of such meeting.

B. ANNUAL MEETING: The annual meeting of stockholders of the corporation shall be held each year on the second Saturday in August at the hour of 10:00 a.m., if it is not a legal holiday, and if it is a legal holiday, on the following Monday at the hour of 10:00 a.m.

C. SPECIAL MEETINGS: Special meetings of stockholders for any purpose or purposes may be called by any three directors, the President, the Secretary, or the holders of twenty percent (20%) of all issued and outstanding stock entitled to vote at such meetings by the giving of notice thereof as herein defined.

D. VOTING: At all meetings of stockholders, voting may be via voice, but any qualified voter may demand a stock vote, whereupon such vote shall be taken by ballot and the Secretary shall record the name of the stockholder voting and the number of shares voted, and if such vote shall be proxy, the name of the proxy appointed in writing and subscribed to by the stockholder and bearing a date of not more than one (1) year prior to the date of said meeting.

1. Each stockholder shall have one vote for each share or fractional share of stock registered in its name on the books of the corporation, except where the transfer books of the corporation shall have been closed or a date shall have been fixed for a vote. A complete list of the stockholders entitled to vote, arranged in alphabetical order, and the number of voting shares held by each stockholder, shall be prepared by the Secretary, who shall have charge of the stock ledger and it shall be subject to inspection by all stockholders, and the contents thereof shall be made available during the full business day next prior to the meeting. Cumulative voting shall not be permitted.

2. A majority of the issued and outstanding stock shall be represented at each meeting, and a majority of the stock so represented shall control, except that with respect to meetings called for the purpose of amending the Articles of Incorporation,



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the required vote shall be two-thirds of the stock so represented.

3. In absence of a quorum, either regular or special meetings may be adjourned to a future date not more than sixty (60) days from the date designated in the call.

E. ORDER OF BUSINESS: The order of business at any annual meeting or special meeting of stockholders shall be as follows:

1. Call the meeting to order;
2. Proof of notice of meeting;
3. Report of the Secretary of the stock represented at the meeting and the existence or lack of a quorum;
4. Reading of minutes of last previous meeting;
5. Reports of officers;
6. Reports of committees;
7. Election of directors;
8. New business;
9. Levy of assessments;
10. To the extent that these Bylaws do not apply Roberts' Rules of Order shall prevail.

F. NOTICE: Notice of stockholders' meeting shall be in writing and shall be delivered by mailing the same to each stockholder at the address appearing on the stock books of the corporation at least thirty (30) days before the date of such meeting.

1. The notice of the annual meeting is not required to state its purpose. In addition to the election of directors, all business that can legally come before a stockholders' meeting shall be considered and transacted under the Order of Business. Notices of special meetings shall state the purpose of such meeting.

ARTICLE III.

Board of Directors

A. MANAGEMENT: The Board of Directors shall constitute the policy making or legislative authority of the corporation. The Board shall consist of not less than three (3) nor more than seven (7) members who shall be elected from the stockholders at the annual meeting of stockholders by a plurality vote for a term of one (1) year, and shall hold office until their successors are elected and qualify. The Board of Directors shall have all power policies of the corporation that are not limited by these Bylaws or by the Statutes of the State of Colorado.



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B. VACANCIES: Any vacancy on the Board of Directors shall be filled by the remaining directors. Directors elected to fill vacancies shall hold offices for the unexpired term or until their successors are elected and qualified.

C. REMOVAL OF DIRECTORS: The entire Board of Directors or any lesser number may be removed by a majority vote of the stockholders at any special meeting of the stockholders called for that purpose.

D. SPECIAL MEETINGS: Special meetings of the Board of Directors may be called at any time by the President, Secretary or any two directors. Notice of special meetings shall be in writing, and such notice shall be given by mailing the same not less than three (3) days prior to the date of such special meeting.

E. QUORUM: A majority of the Board of Directors shall constitute a quorum and if there is a quorum, a majority of those present may transact all business of the corporation except as otherwise limited herein.

ARTICLE IV.

Officers

A. TITLES: The officers of the corporation shall be a President, Vice-President, Secretary and Treasurer, who shall be elected for one (1) year by the directors at the organizational meeting and thereafter at the meeting following the annual meeting of the Stockholders. Such officers shall hold office until their successors are elected and qualify. The Board of Directors may also choose additional Vice-Presidents, Assistant Secretaries and Assistant Treasurers. The President and Secretary shall be members of the Board of Directors. The other officers need not be members of the Board of Directors, but shall be stockholders. One person may hold the office of Secretary and Treasurer. No one person shall hold the office of President and Secretary.

B. PRESIDENT: The President shall preside at all meetings of the stockholders and Board of Directors when present, and shall have general care, supervision and direction of the affairs of the company and its employees, under the direction of the Board of Directors; he shall sign, execute and acknowledge for and on behalf of the company all deeds, contracts, leases, conveyances, stock certificates, notes and evidences of indebtedness and other documents and papers necessary or proper to be executed by said corporation; he shall also sign, together with the Treasurer, all vouchers or checks for payment of money.

C. VICE-PRESIDENT: The Vice-President, in the absence of the President, shall preside at all meetings of the Board of Directors and of the stockholders and shall also do and perform any and all other acts which the President might do were he present and do and perform such other duties as the Board may from time to time prescribe.

D. SECRETARY: The Secretary shall issue notices for all meetings, shall keep minutes of all meetings, and shall record all proceedings. He shall have custody and control of the corporate books, excluding the books of account, together with the corporate seal. He shall make such reports and perform such other duties as may be consistent with his office or as may be required of him from time to time by the Board of Directors.

E. ASSISTANT SECRETARY: The Assistant Secretary shall perform such duties as may be prescribed by the Board of Directors at the time of his or her appointment.

F. TREASURER: The Treasurer shall act as financial agent for the company for the receipt and disbursement of all funds; he shall keep the books of accounts of the company in proper form and correctly, and shall give receipts for all monies or other effects coming into his hands or control and keep on file with the records of the corporation duplicates thereof; he shall sign all checks or vouchers for the payment of money with the President, or in the absence of the President with a Vice-President, and shall pay no voucher, accounts or orders, except such as have received the approval of the Board of Directors or some person duly authorized by the Board to approve the same; he shall file and preserve all vouchers, bills, orders and accounts paid by him and furnish from time to time as may be required, to the Board of Directors, a detailed statement in writing of the receipts and expenditures of the corporation and the balance on hand at the date of such statement.

G. ASSISTANT TREASURER: The Assistant Treasurers shall perform such duties as may be prescribed by the Board of Directors at the time of their appointment.

H. VACANCIES: A vacancy in any office, however arising, may be filled by the directors at any regular or special meeting.

I. SALARIES: Salaries of agents and employees shall be fixed by the Board of Directors.

