

RESOLUTION NO. 02-2004

**A Resolution Amending the Bylaws of the
Saddle Mountain Mutual Water Company**

WHEREAS, the Saddle Mountain Mutual Water Company ("Company") has been duly organized as a non-profit mutual ditch and reservoir company pursuant to the provisions of the Colorado Revised Non-Profit Corporation Act, as amended, and the provisions of Title 7, Article 42, of the Colorado Revised Statutes, as amended; and

WHEREAS, the Board of Directors of the Company ("Board") approved the Bylaws of the Company pursuant to the initial Board meeting held on February 9, 2004; and

WHEREAS, Article X of the Bylaws of the Company provides that the Bylaws may be amended by a majority vote at any meeting of the Board; and

WHEREAS, Article V, Section 3 of the Bylaws permits the Board, in lieu of any meeting in person, to distribute by mail a resolution for approval of any Company action which, if so approved by the Board, shall be valid to the same extent as if the resolution had been approved by the Board in person; and

WHEREAS, Board members R. Burns Moore and David I. Folkman ("Moore and Folkman") desire to resign from the Board and from their positions as President and Vice President of the Company, respectively; and

WHEREAS, certain individuals who own property within the Company's service area ("Property Owners") have tentatively expressed a desire to replace Moore and Folkman as Board members and officers of the Company; and

WHEREAS, as a condition of eligibility to be a Board member or to hold the offices of President or Vice President of the Company, a person must be a shareholder in the Company pursuant to Article V, Section 1 and Article VI, Section 1 of the Bylaws, respectively; and

WHEREAS, due to uncertainties with the Company's plan for augmentation that is currently pending before the Water Court for Water Division No. 2, in Case No. 03CW99, including uncertainties about the total amount of augmentation water that may be required by

said Water Court and the related amount of augmentation water on a per share basis, no shares of stock have been issued to date by the Company and no shareholders currently exist; and

WHEREAS, unless the Bylaws are amended by the Board, so as to permit certain of the Property Owners to assume the positions of Moore and Folkman in the Company without an initial stock issuance, the Property Owners would be precluded from so assuming those positions under the current Bylaws; and

WHEREAS, the Board desires to amend the Bylaws and temporarily suspend the stock ownership condition of eligibility to be a Board member or President or Vice President of the Company, which would allow the Board to appoint certain of the Property Owners in such positions pending the initial issuance of shares of stock by the Company, whereupon the stock ownership condition would be reinstated and shall apply to all future Board members and Presidents or Vice Presidents of the Company under the Bylaws of the Company,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD ON BEHALF OF THE COMPANY:

1. Article V, Section 1 of the Bylaws is hereby amended as follows:

Section 1 – Number, Tenure and Qualifications of Directors. The Board of Directors may determine the number of directors of the corporation from time to time by resolution, provided that the number of directors on the Board shall never be less than three (3) nor more than seven (7). The initial Board of Directors of the corporation shall consist of those individuals specified in the Articles of Incorporation, who shall serve for a term of three (3) years or until successor(s) shall be duly elected and qualified to serve as directors; provided, however, that nothing shall prevent said initial Board of Directors from resigning their positions as directors prior to such time and appointing successor directors who shall then serve for the remainder of the initial Board of Directors' term or until such time as successors thereto are duly elected and qualified to serve. Thereafter, the Board of Directors shall be comprised of shareholders of the corporation to be elected at the shareholders' annual meeting or adjourned annual meeting, and shall be those individuals receiving the highest number of votes cast in favor of their election to the Board, who shall serve for a term of three (3) years or until successors shall be duly

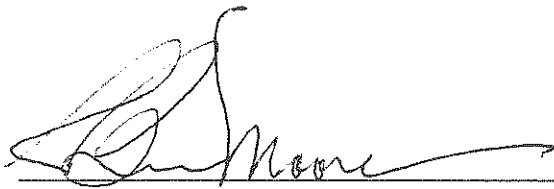
elected and qualified to serve as directors. All directors shall also be natural persons and eighteen (18) years of age or older. There shall be no prohibition against serving several or consecutive terms as a director of the corporation.

2. Article VI, Section 1 of the Bylaws is hereby amended as follows:

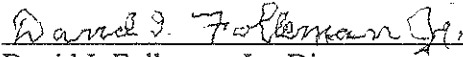
Section 1 – Types of Officers. The officers of this corporation shall consist of a President, Vice President, Secretary and Treasurer, and may also include a Manager of the corporation. The Secretary and the Treasurer may be the same person. The President and the Vice President shall not be the same person and shall be elected from the Board of Directors. The Secretary and the Treasurer need not be directors of this corporation. With the exception of the Secretary, the Treasurer and, if applicable, the Manager of the corporation, all other officers shall be shareholders of the corporation; provided, however, that this condition of eligibility to serve as either the President or the Vice President shall not apply to any of the initial Board of Directors who also serve as such officers, nor to any successor President or Vice President who may be appointed by said Board of Directors upon the resignation of one or more of its Board members prior to expiration of their initial term as directors, but shall apply to any successor President or Vice President thereafter elected by the shareholders of the corporation. All officers shall serve for a term of one (1) year or until successors are duly elected and qualified. Election of officers of the corporation shall be held immediately after each annual meeting or adjourned annual meeting of the corporation's shareholders.

3. With the exception of the amendments to the Bylaws described above, all other provisions of the Bylaws shall remain the same. A copy of the amended Bylaws of the Company, including the above-described amendments, is attached hereto and is hereby approved by the Board.

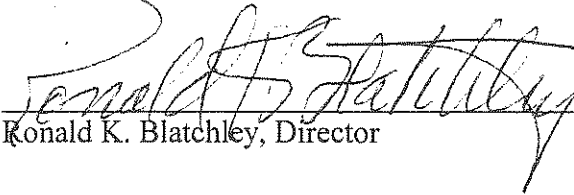
PASSED, ADOPTED AND APPROVED this 22 day of June, 2004.



R. Burns Moore, Director



David I. Folkman, Jr., Director



Ronald K. Blatchley, Director