

RECEIVED  
2003 NOV -3 PM 2: 31  
SECRETARY OF STATE  
STATE OF COLORADO

**ARTICLES OF INCORPORATION  
OF  
SADDLE MOUNTAIN MUTUAL WATER COMPANY**

## TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I – Name .....	1
ARTICLE II – Duration .....	1
ARTICLE III – Offices and Agents .....	1
ARTICLE IV – Purposes and Powers .....	1
A.    Statement of Need .....	1
B.    Purposes .....	2
C.    Powers .....	2
ARTICLE V – Sources and Uses of Water .....	4
ARTICLE VI – Shareholders .....	4
A.    Admission. ....	4
B.    Classes of Shareholders .....	4
C.    Transfer of Shares .....	4
D.    Suspension and Termination of Shareholder Status .....	4
E.    Voting .....	4
F.    Meetings .....	5
G.    Quorum .....	5
ARTICLE VII – Directors and Officers .....	6
A.    Board of Directors .....	6
B.    Meetings of the Board of Directors .....	6
C.    Officers .....	6
D.    Standards of Conduct .....	6
E.    Indemnification .....	6
ARTICLE VIII – Shares of Stock .....	7
A.    Issuance of Shares .....	7
B.    Transfer of Shares .....	7
C.    Authority .....	7
D.    Dissolution .....	7

ARTICLE IX – Use of Water ..... 7  
    A. Management ..... 7  
    B. Shareholders’ Responsibility ..... 8  
  
ARTICLE X – Incorporators ..... 8  
  
ARTICLE XI – Amendments ..... 8

**ARTICLES OF INCORPORATION  
OF  
SADDLE MOUNTAIN MUTUAL WATER COMPANY**

Pursuant to the provisions of the Colorado Revised Non-Profit Corporation Act, as amended, and Title 7, Article 42, Colorado Revised Statutes, as amended, the undersigned persons of the age of 18 years or older, desiring to form a corporation not for pecuniary profit, hereby adopt the following Articles of Incorporation for the purpose of forming a body corporate and politic with all lawful powers and purposes of a non-profit mutual ditch and reservoir company as conferred or permitted by Colorado law.

**ARTICLE I  
Name**

The name of this corporation shall be Saddle Mountain Mutual Water Company.

**ARTICLE II  
Duration**

The period of duration of the corporation shall be perpetual, unless it is merged, consolidated or dissolved in accordance with law.

**ARTICLE III  
Offices and Agents**

The address of the initial registered office of the corporation is 2525 South Wadsworth Boulevard #306, Denver, CO 80227, and the corporation's initial registered agent at such address is Ronald K. Blatchley. At this time, the initial principal office of the corporation will be at the same address as the registered office, but the Board of Directors may, in its discretion, elect to establish the corporation's principal office at a different address in the future.

**ARTICLE IV  
Purposes and Powers**

A. **Statement of Need.** The corporation is formed in recognition of the need of its shareholders to organize in order to meet the requirements of integrated surface and groundwater use administration in the State of Colorado and, in particular, in the Arkansas River Basin and the South Platte River Basin. Among other purposes, as more fully set forth below, this corporation is being organized to administer its shareholders' water augmentation and replacement obligations arising from groundwater pumping on lots or other lands owned by the shareholders in the area to be served by the corporation.

**B. Purposes.** This corporation is formed pursuant to the Colorado Revised Non-Profit Corporation Act, as amended, and pursuant to Title 7, Article 42, Colorado Revised Statutes, as amended, for the purpose of engaging in any lawful business or activity including, without limitation, the acquisition and management of corporate assets for the exclusive benefit of the corporation's shareholders, including, but not limited to, water, water rights, ditches, wells, reservoirs and reservoir accounts, the replacement of depletions caused by the pumping of its shareholders' wells as required by law, and any related water resources management activity in accordance with law and the corporation's Bylaws and policies as determined by its Board of Directors.

**C. Powers.** The corporation shall have and may exercise all of the rights, powers and privileges now or hereafter conferred upon corporations operating pursuant to the Colorado Revised Non-Profit Corporation Act, as amended, and the provisions of Title 7, Article 42, Colorado Revised Statutes, as amended, including, but not limited to, the power to:

1. Acquire, develop and administer water rights, water supplies and related facilities for the benefit of its shareholders;
2. Establish classes of shareholders and determine the entitlements and conditions upon each such class of shareholders;
3. Issue shares of stock and establish classes of stock in the corporation and determine the entitlements and conditions appurtenant to ownership of such shares of stock upon each such class of stock;
4. Purchase, lease, or otherwise acquire and own, hold, mortgage, pledge and sell real, personal, mixed and intangible property of all kinds;
5. Make and enforce contracts in relation to the corporation's business, powers and objects;
6. Borrow money for the use of the corporation and to issue securities thereof, and to pledge, mortgage, hypothecate, encumber, and otherwise dispose of the real, personal, mixed, and intangible property of the corporation as security thereof;
7. Sue or be sued in relation to the corporation's business, powers and objects;

8. Determine the place, time and manner of augmentation or replacement of depletions for the benefit of its shareholders, and adopt reasonable policies, resolutions, rules or regulations governing the provision of augmentation or replacement service and regarding the management of the corporation;
9. Levy and collect assessments against its shareholders to meet the costs of management of the corporation and of administration of its assets, pay debts of the corporation, make any necessary repairs and improvements, and for any other purpose consistent with any purpose, object or statutory power of the corporation;
10. Enforce collection of delinquent water assessment payments in the manner provided in the corporation's Bylaws;
11. Employ personnel, agents, attorneys, engineers, representatives and independent contractors as may be necessary or convenient to the carrying out of any purpose, object or statutory power of the corporation;
12. Take any other such actions as the Board of Directors may consider proper or necessary to carry into effect the objects and purposes of the corporation;
13. Adopt and alter Bylaws for the corporation or amend its Articles of Incorporation;
14. Adopt and maintain a corporate seal;
15. Consolidate or merge with any other corporation; and
16. Exercise any and all powers permitted by law with respect to non-profit corporations pursuant to the Colorado Revised Non-Profit Corporation Act, as amended, and Title 7, Article 42, Colorado Revised Statutes, as amended.

**ARTICLE V**  
**Sources and Uses of Water**

In accordance with the requirements of Title 7, Article 42, Colorado Revised Statutes, as amended, the sources from which water is to be taken for the benefit of the corporation's shareholders include Four Mile Creek basin and Slater Creek basin, tributary to the Arkansas River, and Fish Creek basin, tributary to the South Platte River. Water Diverted from those sources will be used by the corporation principally for augmentation and replacement of groundwater pumped by the shareholders' wells, but these water rights may be used for any other lawful purpose in accordance with the Bylaws of the corporation, as they exist or may be amended from time to time.

**ARTICLE VI**  
**Shareholders**

A. **Admission.** All shareholders of the corporation as of the effective date of these Articles of Incorporation shall continue to be shareholders of the corporation. New shareholders of the corporation may be admitted upon approval of the Board of Directors in accordance with criteria and procedures set forth in the Bylaws and any rules and regulations enacted by the Board of Directors from time to time.

B. **Classes of Shareholders.** Unless otherwise provided in the corporation's Bylaws, there shall be one class of shareholders in the corporation. Additional classes may be defined in the future by bylaw, in the discretion of the Board of Directors. The rights and obligations of each class of shareholder shall be defined by the Bylaws and may differ between classes of shareholders.

C. **Transfer of Shares.** Shares shall be deemed personal property and may be transferred subject to the approval of the Board of Directors in accordance with the Bylaws of the corporation and with any rules or procedures which may be adopted from time to time by the Board of Directors. Unless otherwise provided in the corporation's Bylaws, such transfer of stock shall be made only to a landowner within the corporation's service area, to a person or entity already holding shares of stock in the corporation, or to the corporation itself.

D. **Suspension and Termination of Shareholder Status.** Shareholder status may be suspended or terminated as provided in the Bylaws of the corporation. The Bylaws shall provide for a procedure for termination that includes notice and an opportunity to be heard. The Bylaws may also provide for reinstatement of shareholder status upon terms and conditions to be determined by the Board of Directors, in its discretion.

E. **Voting.** The corporation shall have voting shareholders. The voting rights of the shareholders may differ depending on their shareholders class and shall be defined in the

Bylaws of the corporation. Voting by proxy shall be permitted as provided in the Bylaws of the corporation. Cumulative voting shall be prohibited.

**F. Meetings.**

1. Annual and other meetings of the shareholders shall be held at such time and place and upon such notice as shall be prescribed by the Bylaws of the corporation, in a manner not inconsistent with the Colorado Revised Non-Profit Corporation Act, as amended.
2. The Bylaws of the corporation may fix or provide the manner of fixing a date as the record date for determining the shareholders entitled to notice of a shareholders' meeting, the shareholders entitled to vote at a shareholders' meeting, and the shareholders entitled to exercise any rights with respect to any other lawful action. If the Bylaws do not fix or provide the manner of fixing the record date for any of said actions, the Board of Directors may fix a future date as such record date. If neither the Bylaws nor the Board of Directors fixes the record date for any of said actions, the record date shall be as provided in the Colorado Revised Non-Profit Corporation Act, as amended. If a record date is fixed under Bylaws or by the Board of Directors on a case-by-case basis, said record date shall not be more than seventy (70) days before the meeting or action requiring a determination by the shareholders occurs.
3. The Bylaws of the corporation may provide for the preparation of an alphabetical list of the names of all of its shareholders entitled to notice of, and to vote at, a shareholders' meeting or to take such action by written ballot. If such alphabetical list is prepared, it shall be made available for inspection to the extent and in the manner provided for in the Colorado Revised Non-Profit Corporation Act, as amended.
4. Actions requiring shareholder approval may be taken without a meeting, or by written ballot, as provided for in the Bylaws of the corporation, and, if no such provision is made in the Bylaws, then under the Colorado Revised Non-Profit Corporation Act, as amended.

**G. Quorum.** Shareholders may take action on a matter at a meeting only if a quorum of shareholders entitled to vote on that matter is present at the meeting in person or by



proxy. Thirty percent (30%) of the votes entitled to be cast on the matter by the voting group shall constitute a quorum of the voting group entitled to vote for action on that matter.

**ARTICLE VII**  
**Directors and Officers**

A. **Board of Directors.** The control and management of the business and affairs of the corporation shall be vested in the Board of Directors. The numbers of directors to sit on the Board, the term to be served, the process for filling vacancies before the end of a term, and the Board's meeting, voting and notice procedures shall be specified in the Bylaws of the corporation. The Board of Directors shall have sole control over the administration and management of the water and water rights, augmentation plan or plans and all related resources of the corporation.

B. **Meetings of the Board of Directors.** The Board of Directors may hold regular or special meeting in the manner and upon the notice requirements set forth in the Bylaws or, if no such requirements are set forth in the Bylaws, then as provided in the Colorado Revised Non-Profit Corporation Act, as amended.

C. **Officers.** The officers of the corporation shall be comprised of a president, a vice president, a secretary, a treasurer, and such other officers as may be designated by the Board of Directors from time to time, each of whom shall be qualified and elected in such a manner and for such a term as provided in the Bylaws of the corporation. The duties of each individual officer shall be specified in the Bylaws of the corporation. The execution of instruments of conveyance or encumbrance of corporate property shall be made and attested by two (2) officers of the corporation as prescribed by the Bylaws of the corporation.

D. **Standards of Conduct.** The standards of conduct of officers and directors of the corporation shall be as provided in the Colorado Revised Non-Profit Corporation Act, as amended.

E. **Indemnification.** To the extent consistent with the Colorado Revised Non-Profit Corporation Act, as amended, no director of the corporation shall be liable to the corporation or to its shareholders for any monetary damages for breach of fiduciary duty as a director. Except in cases of breach of the duty of loyalty, bad faith, intentional misconduct, improper personal benefit or other valid exceptions to indemnification, the corporation shall, to the fullest extent permitted by law, indemnify any person who is or was a director or officer of the corporation against any claim, liability or expense arising against or incurred by such person made party to a legal proceeding because he or she is or was serving the corporation in an official capacity, and the corporation shall maintain insurance to provide such indemnification.

**ARTICLE VIII**  
**Shares of Stock**

A. **Issuance of Shares.** The corporation shall issue shares of stock to the shareholders in the manner and subject to the rights and limitations more specifically set forth in these Articles of Incorporation and in the Bylaws of the corporation. Such shares of stock shall represent an entitlement to an equitable ownership interest in the water rights of the corporation, and shall be assessable in order to ensure payment of the expenses of the corporation and repayment of the corporation's debt on such water rights and related facilities. The aggregate number of shares that the corporation shall have authority to issue shall be 10,000 shares of common stock having no par value per share. No shareholder of the corporation shall have preemptive or any other right to subscribe for any additional unissued or treasury shares of stock, or for other securities of any class, or for rights, warrants or options to purchase stock, or for script, or for securities of any kind convertible into stock purchase warrants or privileges.

B. **Transfer of Shares.** Unless otherwise provided in the corporation's Bylaws, the transfer of shares shall be allowed only to a qualified landowner within the corporation's service area, to another shareholder of the corporation or to the corporation itself, but only upon approval of the Board of Directors in accordance with the Bylaws of the corporation and such rules, if any, as the Board of Directors may determine from time to time.

C. **Authority.** The corporation is authorized to issue shares of stock. Such issuance is consistent with the Colorado Revised Non-Profit Corporation Act, as amended, and with Title 7, Article 42, Colorado Revised Statutes, as amended.

D. **Dissolution.** Upon dissolution of the corporation, the water rights of the corporation shall be equitably distributed on the basis of stock ownership. Stock ownership shall not represent any specific equitable ownership in any assets other than the water rights. All other assets, including but not limited to facilities, equipment, ditches or ditch carrying capacity, reservoir or reservoir storage capacity or storage accounts, shall be distributed upon dissolution pursuant to a plan of distribution adopted in accordance with the Colorado Revised Non-Profit Corporation Act, as amended, or the corporation's Bylaws.

**ARTICLE IX**  
**Use of Water**

A. **Management.** The Board of Directors shall have the exclusive authority to set policies and procedures and the exclusive authority to make decisions regarding the use of water, water rights, augmentation plan or plans and related resources and facilities controlled by the corporation for the benefit of the shareholders, including but not limited to the authority to determine the amount of replacement water available each year, the timing and location of releases to replace

depletions caused by shareholders' wells and the specific water and water rights to be used to replace said depletions. Such policy and procedures may be set out in the Bylaws and in rules, if any, as the Board of Directors may determine from time to time. The water and water rights controlled by the corporation shall be managed to assist its shareholders in complying with the rules and regulations of the Colorado State Engineer and other applicable Colorado law governing the pumping of the shareholders' wells. The Board of Directors shall not discriminate against any similarly situated shareholders with respect to the provision of water service, unless such discrimination is justified by an imminent threat to the corporation's water rights and facilities or to the public health, welfare and safety of the corporation's shareholders.

**B. Shareholders' Responsibility.** Shareholders are solely responsible for their compliance with any and all laws governing the pumping of their wells, including compliance with orders issued and rules and regulations promulgated by the Colorado State Engineer and with any other laws applicable to the pumping of the shareholders' wells. Owning shares of stock in the corporation does not guarantee compliance with said rules and regulations, orders or other laws, and neither the corporation nor the Board of Directors shall be responsible or liable for shareholders' non-compliance.

**ARTICLE X**  
**Incorporators**

The names and street addresses of the incorporators are:

R. Burns Moore	1301 South 8 <sup>th</sup> Street, Suite 103 Colorado Springs, Colorado 80906
David I. Folkman, Jr.	1246 East Murdock Drive American Fork, Utah 84003
Ronald K. Blatchley	2525 South Wadsworth Boulevard #306 Denver, Colorado 80227

**ARTICLE XI**  
**Amendments**

These Articles of Incorporation may be amended by a vote of a majority of the total stock of the corporation represented in person or by proxy at any regular or special meeting for which prior notice was duly given providing a general description of the amendment. To the extent of any inconsistency in these Articles of Incorporation as a result of such amendment, the provisions of the Colorado Revised Non-Profit Corporation Act, as amended, shall prevail.

Dated this 30<sup>th</sup> day of October, 2009.

SADDLE MOUNTAIN MUTUAL WATER  
COMPANY

By Ronald F. Satchley  
Incorporator

By R. Blummore  
Incorporator

By David J. Folkman Jr.  
Incorporator

The undersigned hereby consents to the appointment of the following person as the  
initial registered agent for Saddle Mountain Mutual Water Company.

Registered Agent

Ronald F. Satchley

Dated this 30<sup>th</sup> day of October, 2003.

**SADDLE MOUNTAIN MUTUAL WATER  
COMPANY**

By *Ronald H. Blatchley*  
Incorporator

By *R. Blummore*  
Incorporator

By *David J. Folkman Jr.*  
Incorporator

The undersigned hereby consents to the appointment of the following person as the initial registered agent for Saddle Mountain Mutual Water Company.

Registered Agent

*Ronald H. Blatchley*