

**RESOLUTION 10-02 OF THE BOARD OF DIRECTORS OF
SADDLE MOUNTAIN MUTUAL WATER COMPANY
ADOPTING STOCK SUBSCRIPTION POLICIES
AND RELATED FEE SCHEDULE**

WHEREAS, pursuant to statute and the articles and bylaws of the Saddle Mountain Mutual Water Company (“the Company”), the Board of Directors has authority to issue shares of Company stock to eligible persons or entities as defined by Art. III, §1 of the Company bylaws;

WHEREAS, by resolution at the meeting of the Board of Directors held in April, 2010, the Directors agreed that it is in the best interest of the Company to adopt the following policies, procedures and costs of subscription of new shareholders and to submit this Resolution and the accompanying fee schedule and form of subscription Agreement to the shareholders for approval at the 2010 annual shareholders’ meeting.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SADDLE MOUNTAIN MUTUAL WATER COMPANY:

A. For shareholders who have already executed an Agreement and Subscription for Stock, the form of which is provided at **Exhibit A**, an additional fee of \$300 shall be tendered to the Company under the terms of that agreement by June 30, 2010.

B. For individuals and entities who have not executed subscription agreements, the following procedures and fees shall apply:

1. Shares of stock in the Company will be issued only to individuals and entities deemed eligible under the standards set forth in the Company bylaws;

2. In order to become a shareholder of the Company applicants must submit to the Company an executed subscription agreement;

3. Fees are due at the times and in the amounts as listed in the Subscription Fee Schedule attached as **Exhibit B**, which is designed to provide applicants access to existing member rates until June 30, 2010, and increased rates thereafter;

4. An application for stock subscription is deemed received on the date the applicant provides to the Company the subscription agreement and 50% of the total subscription fee as determined by the fee schedule;

5. Payment of the remaining balance (calculated as the subscription fee less the initial payment is due within 90 days of the subscription date; failure to pay the remaining balance within this period will increase the subscription fee to the next fee level provided in the fee schedule (i.e. from Fee Level One to Fee Level Two or from Fee Level Two to Fee Level Three, depending on the initial Fee Level);

6. For applicants whose Fee Level was increased under Paragraph No. 5 of this Resolution from Fee Level One to Fee Level Two, failure to pay the full Level Two subscription fee after an additional 90 days (within 180 days from the receipt date) will result in an additional subscription fee increase to Fee Level Three;

7. For all applicants, regardless of subscription date, failure to pay the subscription fee in full within one year of the applicable subscription date will result in a forfeiture to the Company of the that applicant's entire initial fee and any related right to issuance of the share(s) in the Company – such forfeiture shall not affect that applicant's eligibility to hold stock in the Company in the future under policies and procedures of the Company then in effect;

8. The fee structure set forth in this Resolution shall be effective upon approval by a vote of the shareholders of a meeting consisting of a quorum pursuant to Art. IV, §7 of the Company bylaws.

The foregoing Resolution was APPROVED AND ADOPTED by unanimous vote of the Directors at a duly noticed and conducted telephone meeting of the Board of Directors on April 15, 2010.

PRESIDENT

SECRETARY

SHAREHOLDER RESOLUTION 10-02
EXHIBIT A - AGREEMENT AND SUBSCRIPTION FOR STOCK

THIS AGREEMENT is entered into this ____ day of _____, 2010, between the SADDLE MOUNTAIN MUTUAL WATER COMPANY, a non-profit mutual ditch and reservoir company formed and existing under the laws of the State of Colorado (“Water Company”), and _____ (“Property Owner”).

WHEREAS, the Water Company has been formed as a non-profit mutual ditch and reservoir company, in accordance with Colorado law, for the purpose of holding in trust certain water rights on behalf of its shareholders and providing augmentation and replacement water to cover well depletions by its shareholders;

WHEREAS, the Property Owner owns or intends to build a residence on property located within the Water Company’s service area upon which said Property Owner desires to operate a water supply well that would cause water depletions in Water Division No. 2;

WHEREAS, due to recent changes in Colorado law, the Property Owner’s well depletions are required to be replaced pursuant to a decreed plan for augmentation from the Colorado Water Court;

WHEREAS, the Water Company, acting by and through its duly elected Board of Directors (“Board”) has obtained a decree approving a plan for augmentation from the Water Court for Water Division No. 2, in Case No. 03CW99 (the “water case”).

WHEREAS, the Water Company intends to secure contract water from the Headwaters Authority of the South Platte (“HASP”) or other supplier of augmentation water and/or adjudicate a plan for augmentation in Water Division No. 1 for properties within the Water Company’s service area located in the South Platte River drainage; and

WHEREAS, in order for the Property Owner to obtain a permit to construct a new well, the State Engineer requires proof that the well depletions will be replaced under the Water Company’s decree in the water case or other approved plan for augmentation or temporary substitute water supply plan;

WHEREAS, the ownership of shares of stock in the Water Company will be required in order to obtain augmentation water secured by the Company on behalf of the Property Owner to replace the Property Owner’s well depletions;

WHEREAS, the Board has determined that one share of stock shall entitle Property Owner to augmentation water for one single-family dwelling and one-half share of stock designated for livestock watering purposes shall entitle Property Owner to augmentation water for the equivalent of one horse on Property Owner's property;

WHEREAS, the original plan for augmentation approved by the State Engineer was based on 10% of the lots being occupied on a full-time basis and 90% on a part-time basis; however, under the water case the administration of the plan will be based on the metered use of water pumped rather than time of occupancy; therefore, the water case decree imposes no restrictions on time of occupancy for any lots;

WHEREAS, the Property Owner desires to become a shareholder of the Water Company for the purpose of securing augmentation of Property Owner's well depletions and water use;

WHEREAS, the parties desire to enter into this Agreement to provide for Property Owner's purchase of one or more shares of stock in the Water Company;

WHEREAS, certain property owners have entered into a previous agreement with the Water Company to become members of the Water Company and, in consideration for such agreement, have paid \$400 as fees for purchase of stock to date and are responsible for an additional payment of \$300 for a total of \$700 by Resolution 10-002 of the Board; and

WHEREAS, The Board determined that, for a limited time, additional property owners should be able to join the Company on equal footing with such previous members of the Company and the subscription fee for issuance of one share of stock should be \$700 for a limited time, and thereafter at increased subscription fees as set forth in the schedule provided in paragraph 1 below, approved and adopted by the Company Shareholders.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by subscription hereto, the parties hereby agree as follows:

1. The Property Owner agrees, upon the execution of this Agreement, to pay to the Water Company the following fees for each full share of stock ("Subscription Fee") according to the following Fee Schedule, subject to the terms of Board Resolution 10-002 and as approved and adopted by the Company Shareholders at the annual Shareholder meeting held April 24, 2010, as the initial cost of participation in the water case (the Arkansas River basin property) or other augmentation plan in Water Division No. 1 (for South Platte River basin property) and as the payment for purchase of stock.

<u>Fee Level Share</u>	<u>Date Range</u>	<u>Subscription Fee per</u>
Fee Level One -	Through June 30, 2010 \$ 700. ⁰⁰
Fee Level Two -	July 1, 2010 through September 30, 2010 \$1,500. ⁰⁰
Fee Level Three -	After October 1, 2010\$2,000. ⁰⁰

2. Payment of the Subscription Fee multiplied by the number of shares requested shall secure the right to issuance of stock to the Property Owner for the specified number of shares at the time the Board authorizes stock certificates to be issued. After receipt of the subscription fee, upon request of the Property Owner, the Water Company will issue an acceptance letter to the State Engineer to assist the Property Owner in applying for a well permit before stock certificates are issued. After certificates are issued, the stock certificates will be the evidence of the Property Owner's right to a well permit under the terms of the water case, which if the property is located in Water Division No. 2, will allow the Property Owner to receive a well permit to construct a domestic water supply well under the terms of the decree in the water case. If the property is in Water Division No. 1, the share of stock will entitle Property Owner to participate on equal footing with other Water Division No. 1 shareholders of the Water Company in whatever augmentation arrangement the Company secures for its shareholders in Water Division No. 1.

3. Upon becoming a shareholder of the Water Company, the Property Owner will be required thereafter to abide by all lawful articles of incorporation, by-laws, rules, regulations and policies of the Water Company. The Property Owner understands that, as a result of the decree in the water case and the determination by the Board that all Property Owners should be treated equally, the Property Owner is required to pay for shares of stock in the Water Company based upon the costs of augmenting year-round occupancy, even if the Property Owner only resides within the Water Company's service area on a seasonal basis.

4. A Property Owner who pays the Level One Subscription Fee by June 30, 2010 may be required to pay to the Water Company an additional sum currently estimated to be a maximum of \$400 for each full share of stock to be issued under this Agreement. Fractional shares shall be subject to an equivalent fraction of such additional payment. The Property Owner hereby agrees to tender the additional payment if and when assessed and due under assessments duly adopted by the Board.

5. This Agreement does not limit the Water Company's authority under the Articles and Bylaws of the Company to levy future assessments on stock of the Company as reasonably necessary and reasonably determined by the Board to fund the operations of the Company to carry out its purposes under the Articles and Bylaws and this Agreement and to carry out its obligations under the augmentation plans.

6. If the full Subscription Fee or an additional payment due under paragraph 4 is not paid by the Property Owner to the Water Company when it becomes

due, then the Water Company may cancel the share(s) of stock issued to the Property Owner (to the extent shares have issued) or revoke the right to the issuance of the share(s) of stock. The Property Owner understands that the failure to tender the Subscription Fee or additional payment under paragraph 4 when due may also result in the Water Company curtailing the provision of augmentation water to replace the Property Owner's Well depletions, and informing the State Engineer that the Property Owner's well is no longer diverting water lawfully under the decree in the water case. The Property Owner further understands that such actions by the Water Company may result in the State Engineer prohibiting further use of the Property Owner's well or denying a well permit application unless and until another approved source of augmentation water is provided to replace the Property Owner's well depletions.

7. In the event that the Property Owner fails to tender the Subscription Fee or additional payment under paragraph 4 when due because the Property Owner no longer desires to be a shareholder in the Water Company, then the Property Owner understands and agrees that the Water Company shall retain the prior payments made hereunder as consideration for the Water Company's efforts to secure augmentation water for the Property Owner, that no portion of that sum shall be refunded to the Property Owner by the Water Company, that the Property Owner shall not thereafter be entitled to augmentation water under the decree in the water case and that the Property Owner shall then be solely responsible for obtaining any augmentation water needed to replace the Well depletions.

8. Under this Agreement, the Property Owner subscribes for issuance of ____ share(s) of stock for the provision of augmentation water for household use purposes and ____ share(s) of stock for livestock watering (on the basis of one-half share per one horse equivalent) in consideration for the Property Owner's Subscription Fee of \$_____, 50% of which is to be tendered to the Water Company along with this Agreement and the balance due within 90 days in accordance with Board Resolution 10-002. Property Owner acknowledges that this Subscription Fee may be increased pursuant to the terms of Board Resolution 10-002 for failure to make timely payments. Information on Property Owner's lots and water uses:

A. Subdivision Name: _____;
Filing No.: _____;and
Lot No. _____ on which stock is to be assigned.

B. If livestock water is included under the well on this lot, indicate the number of equivalent horses desired: _____ horses; shares of stock for livestock water are subject to approval by the Company as there is a limit on the number of shares for such purposes.

C. Other lots owned by the Property Owner for which augmentation water is not purchased : _____.

9. The Water Company shall prepare and issue stock certificates to all property owners who have paid the Subscription Fee and any additional payment under paragraph 4 to the Company and executed an agreement substantially equivalent to this Agreement following Board approval, adoption and ratification of these agreements at the annual meeting to be held April 24, 2010, or at a subsequent meeting with respect to agreements executed after the date of the April 24, 2010 annual meeting.

10. This Agreement may not be assigned by either party without the prior, written consent of the other party, which consent shall not be unreasonably withheld, except that the Company is deemed to have consented to any assignment of this agreement to a successor owner of the property where the assignment occurs with the sale or transfer of the property and the well that serves the property.

11. This Agreement shall be binding upon, and inure to the benefit of, the heirs, successors and assigns of the parties hereto.

WHEREFORE, the parties hereto have executed this Agreement the date and year first above written.

SADDLE MOUNTAIN MUTUAL WATER
COMPANY

By: _____
President

ATTEST:

Secretary

Property Owner
Lot No(s); _____

Send signed agreements to:

Saddle Mountain Mutual Water Company
P.O. Box 27567
Denver, CO 80227

**SHAREHOLDER RESOLUTION 10-02
EXHIBIT B – FEE SCHEDULE**

Subject to the terms of the Subscription Agreement, Company stock shall be issued at the following prices according to the following schedule:

<u>Fee Level</u>	<u>Date Range</u>	<u>Subscription Fee per Share*</u>
Fee Level One -	Through June 30, 2010 \$700. ^{00**}
Fee Level Two -	July 1, 2010 through September 30, 2010 \$1,500. ⁰⁰
Fee Level Three -	After October 1, 2010 \$2,000. ⁰⁰

Subscription Agreements executed after the effective date of each incremental increase in the fee schedule shall be amended to reflect the fee structure in place as of that date.

*** 50% due by listed date, remaining balance due within 90 days. After 90 days, total balance due will increase to next fee payment level (i.e. from \$700 total to \$1,500 total or from \$1,500 total to \$2,000 total) with initial payment applied to total balance due.**

**** Level One Subscription Fees are subject to possible additional payment requirement of up to \$400 if assessed by the Board pursuant to paragraph 4 of Agreement and Subscription for Stock, Exhibit A.**