

**BYLAWS
OF
FLORIDA RIVER ESTATES HOMEOWNERS' ASSOCIATION, INC. DBA FLORIDA
RIVER ESTATES WATER COMPANY, INC.**

**ARTICLE 1
INTRODUCTION**

These bylaws ("Bylaws") of Florida River Estates Homeowners' Association, Inc. (the "Water Company") dba Florida River Estates Water Company, Inc. are hereby adopted to govern how the Board of Directors administers and operates the Water Company. They are intended to function as internal governance and procedural requirements for the Board.

The Bylaws shall operate in accordance with the Articles Of Incorporation Of Florida River Estates Homeowners' Association, Inc. ("Articles"), the Declaration of Florida River Estates Homeowners' Association, Inc. Regarding Water Regulations, as amended, recorded in the La Plata County real estate records (the "Water Regulations"), the applicable provisions of the Colorado Nonprofit Corporation Act (the "CRNCA"), and the Colorado Common Interest Ownership Act (the "Act"). The above documents are referred to herein after collectively as the "Documents". The basic definitions set forth in the Water Regulations shall be applicable to these Bylaws. Water Regulations run with the land and are binding on all Lots receiving water service.

Hierarchy of Authority:

1. Articles
2. Water Regulations
3. These Bylaws

These Bylaws shall be interpreted and applied in a manner consistent with, and subordinate to, the Water Regulations at all times. These Bylaws may be amended by the Board as provided herein. The Water Regulations may not be amended except in the manner expressly provided within those recorded instruments.

The purpose of these Bylaws is not to restate the Water Regulations verbatim, but to:

- Describe how the Board governs the Water Company and carries out its duties under the Water Regulations.
- Summarize key regulatory concepts in plain English for operational clarity, mainly through the adoption of Water Company Rules.

- Provide flexibility for the Board to manage the Water Company and its water system without repeatedly amending recorded documents.

ARTICLE 2 BOARD OF DIRECTORS

Section 2.1 Number and Qualification.

(a) The affairs of the Subdivision and the Water Company shall be governed by the Board of Directors (the “Board”) which shall consist of five (5) persons (“Directors”), and shall be Owners whom are eligible to vote and in good standing. If any Lot is owned by a partnership or corporation, any officer, partner or employee of that Owner shall be eligible to serve as a Director and shall be deemed to be an Owner for the purposes of the preceding sentence. Directors shall be elected by the Owners present at any meeting where Board membership is being determined. In the case where, through removal or resignation, the total number of Board members is less than five, the Board will be considered properly constituted until such vacancies are filled. At any meeting at which Directors are to be elected, the Owners may, by resolution, adopt specific procedures which are not inconsistent with these Bylaws or the Colorado Nonprofit Corporation Act for conducting the elections.

(b) The Board shall elect the Officers. The Directors and Officers shall take office upon election.

(c) The Water Company shall give not less than ten (10) nor more than sixty (60) days’ notice to the Owners for any election. A meeting may be called and the notice given by any Owner if the Water Company fails to do so.

Section 2.2 Powers and Duties. The Water Company shall act in the capacity of an association as provided in C.R.S. §38-33.3-301, *et. seq.* Except as provided in the Water Regulations, the Articles, these Bylaws or the Act, the Board may act in all instances on behalf of the Water Company, with the powers and duties necessary for the administration of the affairs of the Water Company, as set forth in C.R.S. §38-33.3-302, including, but not limited to, the powers to do the following:

- (a) Implement and enforce the Water Regulations
- (b) Adopt and amend Bylaws, rules and regulations, and Water Company operational policies, procedures, and schedules;
- (b) Prepare, amend and adopt budgets for revenues, expenditures and reserves;
- (c) Set rates, charges, fees, and penalties and collect the same from Owners;

- (d) Hire and discharge managing agents;
- (e) Hire and discharge independent contractors and agents other than managing agents;
- (f) Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violations of the Water Company's Water Regulations, these Bylaws or the Water Company Rules, on behalf of the Water Company or two (2) or more Owners on matters affecting the Common Interest Community;
- (g) Make contracts and incur liabilities;
- (h) Regulate the use, maintenance, repair, replacement and modification of Common Elements;
- (i) Cause additional improvements to be made as a part of the Common Elements;
- (j) Acquire, hold, encumber, and convey, in the Water Company's name, any right, title or interest to real estate or personal property, but Common Elements may be conveyed or subjected to a security interest only pursuant to Section 38-33.3-312 of the Act;
- (k) Grant easements, leases, licenses and concessions through and over the Common Elements;
- (l) Impose and receive a payment, fee or charge for services provided to Owners as provided in the Water Regulations and the Act;
- (m) Establish from time to time, and thereafter impose, charges for late payment of Assessments, recover reasonable attorney's fees and other legal costs for collection of Assessments and other actions to enforce the power of the Water Company, regardless of whether or not suit was initiated, and, after notice and an opportunity to be heard, levy fines for violations of the Water Regulations, these Bylaws and Water Company Rules;
- (n) Impose a reasonable charge for the preparation and recording of amendments to the Water Regulations or statements of unpaid Assessments;
- (o) Provide for the indemnification of the Water Company's officers and the Board and maintain Directors' and officers' liability insurance;
- (p) Exercise any other powers conferred by the Water Regulations or Bylaws and interpret the Water Regulations in good faith where discretion is expressly granted;
- (q) Exercise any other power that may be exercised in the state by a legal entity of the

same type as the Water Company;

(r) Exercise any other power necessary and proper for the governance and operation of the Water Company including taking emergency actions to protect system integrity, public health, or regulatory compliance;

(s) By resolution, establish committees of Directors, permanent and standing, to perform any of the above functions under specifically delegated administrative standards as designated in the resolution establishing the committee. All committees must maintain and publish notice of their actions to Owners and the Board. However, actions taken by a committee may be appealed to the Board by any Owner within forty-five (45) days of publication of notice of that action, and the committee's action must be ratified, modified or rejected by the Board at its next regular meeting; and

(t) Pay reasonable out of pocket expenses incurred by the Board in the discharge of its powers, duties and responsibilities for the Water Company, all at the reasonable discretion of the Board.

(u) Declare the office of a member of the Board to be vacant in the event such member shall fail to participate in three (3) regular meetings of the Board during any one-year period and such absences are unexcused.

(v) By resolution, set forth policies and procedures which shall be considered incorporated herein by reference as though set forth in full, and which provide for corporate actions and powers which are different than those set forth in the CRNCA but which are permitted by the CRNCA to be "otherwise set forth in the Bylaws." Such resolutions shall be given the same force and effect as if specifically enumerated in these Bylaws.

(w) Suspend the voting interests allocated to a Lot, and the right of an Owner to cast such votes, or by proxy the votes of another, during any period in which such Owner is in default in the payment of any Assessment, or, after notice and a hearing, during any time in which an Owner is in violation of any other provision of the Documents.

The Board shall not exercise any power that would amend, negate, or conflict with the recorded Water Regulations and shall not exercise any power outside of the recorded Water Regulations, Bylaws, Water Company Rules, the Act, CRNCA, or any other document duly adopted by the Board.

Section 2.3 Financial Manager and Water System Operator. The Board may employ or contract a Financial Manager and Water System Operator for the Water Company to perform duties and services authorized by the Board at a compensation established by the Board. The powers the Board may delegate to the Financial Manager and Water System Operator shall be limited to those powers described in Section 2.2 (c), (e), and (h) of these Bylaws. Also, licenses,

concessions and contracts may be executed by the Manager pursuant to specific resolutions of the Board.

The Board shall require: (a) that the Financial Manager maintain fidelity insurance coverage or a bond in an amount not less than fifty thousand dollars (\$50,000.00); (b) maintain all funds and accounts of the Water Company separate from the funds and accounts of other company's managed by the Manager; (c) maintain reserve accounts separate from operational accounts of the Water Company; and (d) provide an accounting, and financial statements, at such time or times directed by the Board, but not less frequently than quarterly. Such accounting and financial statements shall be prepared by the Manager, a public accountant or a certified public accountant, as directed by the Board.

The Board shall require: (a) that the Water System Operator maintain general liability insurance coverage or a bond in an amount not less than one million dollars (\$1,000,000.00); (b) maintain all service lines, meters, tanks, water plant and other property of the Water Company; (c) provide an update and detailed account of water operations and expenses, at such time or times directed by the Board, but not less frequently than quarterly.

Section 2.4 Removal of Directors. The Owners by a two-thirds (2/3) vote of all Owners present and entitled to vote may, at any meeting of the Owners at which a quorum is present, remove any Director of the Board, with or without cause.

Section 2.5 Vacancies. Vacancies in the Board, caused by any reason other than the removal of a Director by a vote of the Owners, may be filled at any meeting of the Board at any time after the occurrence of the vacancy, even though the Directors present at that meeting may constitute less than a quorum. These appointments shall be made by a majority of the remaining Directors constituting the Board. Each person so elected or appointed shall be a Director for the remainder of the term of the Director so replaced.

Section 2.6 Regular Meeting. Regular meetings of the Board shall be held monthly as deemed necessary at a time and place to be set by the Board. No notice shall be necessary to newly elected Directors or Owners in order to legally constitute such meeting, provided a majority of the Directors are present. The Board may set or modify a schedule of regular meetings, and no further notice is necessary to constitute regular meetings.

Section 2.7 Special Meetings. Special meetings of the Board may be called by the president or by a majority of the Directors on at least two (2) business days' notice to each Director. The notice shall be electronically delivered, and shall state the time, place and purpose of the meeting. Actual attendance, whether in person, by electronic or telephonic communication, by a Director or Directors at any meeting of the Board shall constitute a waiver of notice by him or her of the time and place thereof.

Section 2.8 Location of Meetings. All meetings of the Board shall be held at a

convenient location within La Plata County, Colorado, or online unless all Directors consent to another location, or in such a manner as to permit discussions and deliberations via telephonic means or communication via “real time” e-mail.

Section 2.9 Waiver of Notice. Any Director may waive notice of any meeting in writing – physical or electronic. Attendance by a Director at any meeting of the Board shall constitute a waiver of notice. If all the Directors shall be present, whether in person, or by electronic or telephonic communication, at any meeting, no notice shall be required, and any business may be transacted at such meeting.

Section 2.10 Quorum of Directors. At all meetings of the Board, a majority of the Directors shall constitute a quorum for the transaction of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute a decision of the Board. If, at any meeting, there shall be less than a quorum present, a majority of those present may adjourn the meeting. At any adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 2.11 Consent to Corporate Action. If all the Directors or all Directors of a committee established for such purposes, as the case may be, severally or collectively consent in writing to any action taken or to be taken by the Water Company, and the number of the Directors constitutes a quorum, that action shall be a valid corporate action as though it had been authorized at a meeting of the Board or the committee, as the case may be. The secretary shall file these consents with the minutes of the meetings of the Board.

Section 2.12 Types of Communication in Lieu of Attendance. A Director may attend a meeting of the Board by using an electronic or telephonic communication method whereby the director may be heard by the other members and may hear the deliberations of the other members on any matter properly brought before the Board; or by participating in “real time” e-mail communication when all Board members are participating in this form of communication. The Director’s vote shall be counted and the presence noted as if that Director were present in person on that particular matter.

Section 2.13 Compensation. No member of the Board shall receive any compensation from the Water Company for acting as such, however, members of the Board may be reimbursed for expenses incurred on behalf of the Water Company upon approval of a majority of the other Board members. Nothing herein shall prohibit the Water Company from compensating a member of the Board, or any entity with which an Board member is affiliated, for services or supplies furnished to the Water Company in a capacity other than as an Board member pursuant to a contract or agreement with the Water Company, provided that such Board member’s interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested member of the Board.

Section 2.14 Standard of Interpretation and Board Deference.

(a) Good-Faith Interpretation. Where the Water Regulations require interpretation, application, or judgment, the Board shall interpret and apply such provisions reasonably, uniformly, and in good faith, consistent with the purpose of maintaining a safe, reliable, and financially sustainable community water system.

(b) Operational Deference. Any interpretation or determination made by the Board within the scope of authority granted by the Water Regulations, CCIOA, CNPCA, or any other document duly adopted by the Board shall be presumed valid and binding.

(c) No Waiver or Amendment by Interpretation. Board interpretations may clarify ambiguity or establish procedures but shall not operate to waive, modify, or amend any substantive requirement of the Water Regulations.

**ARTICLE 3
OWNERS**

Section 3.1 Meetings of the Owners. All meetings of the Water Company and Board shall be open to every Owner of the Water Company or to any person designated by a Owner in writing as to the Owner's representative. At an appropriate time determined by the Board, but before the Board votes on an issue under discussion, Owners or their designated representatives shall be permitted to speak regarding the issue under consideration. The Board may place reasonable time restrictions on persons speaking during the meeting. The Board shall provide for a reasonable number of persons to speak on each side of an issue. The types of "meetings" (as that term is used in the CRNCA) shall be or may be held, as provided below.

Section 3.2 Annual Meeting. Annual meetings of Owners shall be held in La Plata County, Colorado at such place and date set forth in the notice. The Owners may transact other business as may properly come before them at these meetings.

Section 3.3 Budget Meeting. Meetings of Owners to consider proposed budgets shall be called in accordance with the Act. The budget may be considered at annual or special meetings called for other purposes as well.

Section 3.4 Special Meetings. Special meetings of the Water Company may be called by the president, by a majority of the Members of the Board or by Owners comprising twenty percent (20%) of the votes in the Water Company.

Section 3.4 Place of Meetings. Meetings of the Owners shall be held within La Plata County, Colorado, or online as may be designated by the Board, or the president.

Section 3.5 Notice of Meetings. The secretary or other Officer specified in the Bylaws shall cause notice of meetings of the Owners to be readily available. The notice of any non-regular meeting of the Owners shall be hand-delivered or sent prepaid by United States mail to the mailing address of each Lot or to the mailing address designated in writing by the Owner, not less than ten

(10) nor more than sixty (60) days in advance of a meeting , in addition to any electronic posting or electronic mail notices that may be given pursuant to this Section 3.5. The Water Company may also provide all notices and agendas required by this Section in electronic form, by posting on a website or otherwise, in addition to printed form. If electronic means are available, the Water Company shall provide notice of all regular and special meetings of the Owners by electronic mail to all Owners who so request and who furnish the Water Company with their electronic mail addresses. Any notice sent shall state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Water Regulations or Bylaws, any budget changes and any proposal to remove an officer or member of the Board. Electronic notice of a special meeting shall be given as soon as possible, but at least twenty-four (24) hours before the meeting. Notwithstanding any other provision contained herein, if the purpose of the meeting is for the election of Board members, the above-described notices shall be sent only to those Owners entitled to vote to remove or appoint a particular member of the Board.

Section 3.6 Waiver of Notice. Any Owner may, at any time, waive notice of any meeting of the Owners in writing, and the waiver shall be deemed equivalent to the receipt of notice.

Section 3.7 Adjournment of Meeting. At any meeting of Owners, a majority of the Owners who are present at that meeting, either in person or by proxy, may adjourn the meeting to another time.

Section 3.8 Order of Business. The order of business at all regular meetings of the Owners is Approval of Minutes, Financial Review (if applicable), Water Operator Update (if applicable), and Other Business, The agenda for any non-regular meetings shall be set forth at the beginning of the meeting.

Section 3.9 Membership and Voting.

3.9.1 Membership. The Water Company shall be a membership Water Company without certificates or shares of stock. The Members of the Water Company shall be those persons or entities who are the Owners of Lots within the property. Membership in the Water Company shall automatically terminate when a Member ceases to be an Owner. There shall be one class of membership that shall be a voting membership by Owners.

3.9.2 Voting. Each Lot shall be allocated one (1) vote, regardless of the number of Owners of that Lot. Neither fractional nor cumulative voting shall be allowed. If the Owners of a Lot cannot agree among themselves how to cast their vote on a particular matter, they shall lose their right to vote on such matter. If any Owner of a Lot casts the vote for that Lot, it shall thereafter be presumed for all purposes that the Owner was acting with the authority and consent of all other Owners of that Lot, unless a Owner of that Lot shall make an objection thereto to the person presiding over the meeting when the vote shall be cast. If an objection shall be made as provided in the preceding sentence, or if more than one (1) vote is cast for any Lot, none of such votes shall be

counted and all of such votes shall be deemed null and void.

3.9.3 Proxies. Votes allocated to a Lot may be cast under a proxy duly executed by a Owner. A Owner may revoke a proxy given under this section only by actual notice of revocation to the person presiding over a meeting of the Water Company. A proxy shall be void if it shall not be dated or purports to be revocable without notice. Unless it specifies a shorter term, a proxy terminates one (1) year after its date.

3.9.4 Voter Authorization. The vote of a legal entity shall be cast by the authorized person. The person presiding at the meeting may require reasonable evidence that the authorized person voting on behalf of the legal entity is qualified to vote.

3.9.5 No Water Company Vote. Votes allocated to a Lot owned by the Water Company shall not be cast.

3.9.6 Secret Ballots. Pursuant to Section 310 of the Act, votes for contested positions on the Board shall be taken by secret ballot. At the discretion of the Board or upon the request of twenty percent (20%) of the votes that are present at the meeting or represented by proxy, if a quorum is achieved, a vote on any matter affecting the Water Company in which all Owners are entitled to vote shall be by secret ballot. Ballots shall be counted by a neutral third party or by a committee of volunteers. Such volunteers shall be Owners who are selected or appointed at an open meeting, in a fair manner, by the chair of the Board or another person presiding during that portion of the meeting. The volunteers shall not be board members and, in the case of a contested election for a board position, shall not be candidates. The results of a vote taken by secret ballot shall be reported without reference to the names, addresses or other identifying information of Owners participating in such vote.

Section 3.10 Quorum. A quorum is deemed present throughout any meeting of the Water Company if Owners entitled to cast twenty percent (20%) of the votes which may be cast for election of the Board are present, in person or by proxy at the beginning of the meeting.

Section 3.11 Majority Vote. The vote of a majority of the Owners present in person or by proxy at a meeting at which a quorum shall be present shall be binding upon all Owners for all purposes except where a higher percentage vote is required in the Water Regulations, these Bylaws or by law.

ARTICLE 4 OFFICERS

Section 4.1 Designation. The Officers of the Water Company shall be the president, the vice president, the secretary and the treasurer, all of whom shall be elected by the Board. The Board may appoint an assistant treasurer, an assistant secretary and any other Officers as it deems necessary. The president shall be a Director. Any two offices may not be held by the same person.

The office of vice president may be vacant.

Section 4.2 Election of Officers. The officers of the Water Company shall be elected as needed by the Board. Officers shall hold office at the pleasure of the Board.

Section 4.3 Resignation and Removal of Officers. Upon the affirmative vote of a majority of the Directors, any officer may be removed, with or without cause. Any Officer may resign at any time by giving notice to any or all other Officers. A successor shall be elected either at any regular meeting of the Board, or at any special meeting of the Board called for that purpose. Notice of position vacancy should be made available to Owners.

Section 4.4 President. The president shall be the chief executive officer of the Water Company and the president's duties shall include the execution or oversight of the Water Company's water operations and common interest property. The president shall preside at all meetings of the Owners and of the Board. The president shall have all of the general powers and duties which shall be incident to the office of president under the Water Regulations, the Articles, these Bylaws, the Act and the applicable provisions of Colorado Law. The president may cause to be prepared and may execute amendments, attested by the secretary, to the Water Regulations and these Bylaws on behalf of the Water Company, following authorization or approval of the particular amendment as applicable.

Section 4.5 Vice President. The vice president shall take the place of the president and perform the president's duties whenever the president shall be absent or unable to act. If neither the president nor the vice president shall be able to act, another officer of the Water Company may act in the place of the president on an interim basis. The vice president shall also perform other duties imposed by the Board or by the president.

Section 4.6 Secretary. The secretary shall keep the minutes of all meetings of the Owners and the Board. The secretary shall have charge of the Water Company's books and papers as the Board may direct and shall perform all the duties incident to the office of secretary of a nonprofit corporation organized under the laws of the State of Colorado. Following authorization or approval of amendments to the Water Regulations, the Articles, these Bylaws, the secretary shall cause to be prepared, and may attest to the proper execution of, amendments thereto. The secretary may fulfill the role of treasurer in the absence of a treasurer.

Section 4.7 Treasurer. The treasurer's duties shall include the execution or oversight of the Water Company funds and securities, for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data. The treasurer shall be responsible for the deposit of all monies and other valuable property in depositories designated by the Board, and shall perform all the duties incident to the office of treasurer under the Water Regulations, the Articles, these Bylaws and the Act. The treasurer may endorse on behalf of the Water Company, for collection only, checks, notes and other obligations, and shall deposit the same and all monies in the name of and to the credit of the Water

Company in banks designated by the Board. Except for reserve funds described below, the treasurer may have custody of and shall have the power to endorse for transfer, on behalf of the Water Company, stock, securities or other investment instruments owned or controlled by the Water Company. Reserve funds of the Water Company shall be deposited in segregated accounts or in prudent investments, as the Board decides. Funds may be withdrawn from these reserves for the purposes for which they were deposited, by check or order, authorized by the treasurer, and executed by two (2) Directors, one of whom may be the treasurer, if the treasurer is also a Director. The treasurer may fulfill the role of secretary in the absence of a secretary.

Section 4.8 Agreements, Contracts, Deeds, Checks, etc. Except as permitted by the Water Regulations or these Bylaws, all agreements, contracts, deeds, leases, checks and other instruments of the Water Company shall be executed by an Officer of the Water Company who shall have been authorized by the Board to so execute. Checks and other financial debits shall be authorized by two Officers.

Section 4.9 Statements of Unpaid Assessments. The treasurer, assistant treasurer, a Financial Manager employed by the Water Company or, in their absence, any Officer having access to the books and records of the Water Company may prepare, certify and execute statements of unpaid Assessments, in accordance with the Water Regulations and C.R.S. §38-33.3-316 of the Act.

The Water Company may charge a reasonable fee for preparing statements of unpaid Assessments. The amount of this fee and the time of payment shall be established by resolution of the Board. Any unpaid fees may be assessed as an Assessment against the Lot for which the certificate or statement shall be furnished.

ARTICLE 5 RATES, CHARGES, AND ENFORCEMENT

Section 5.1 General Authority. All rates, charges, fees, penalties, enforcement actions, and service limitations imposed by the Water Company shall be derived from and authorized by the Water Regulations, the Act, and any other document duly adopted by the Board. These Bylaws describe **how** the Board acts; the Water Regulations control **what** may be done.

Section 5.2 Plain-English Summary of Key Regulatory Concepts. Without limiting the binding effect of the Water Regulations, the Board acknowledges the following guiding principles reflected in the recorded documents:

- Water service is appurtenant to Lots and subject to compliance with the Water Regulations;
- Owners are responsible for water usage, leaks, and infrastructure on their side of the meter or service point;

- Rates and charges exist to fully fund operation, maintenance, repair, replacement, reserves, and compliance;
- Enforcement tools, including fines, penalties, and service interruption, exist to protect the system as a whole.

This summary is non-binding and informational only. In all cases, the recorded Water Regulations control.

Section 5.3 Board Procedures for Rates and Adjustments

- (a) The Board may adopt, modify, and implement rates and charges by resolution **as authorized by the Water Regulations.**
- (b) Owner votes shall be required only when expressly required by the Water Regulations or law.
- (c) Budget-based or CPI-based adjustments permitted by the Water Regulations may be implemented without Owner approval.
- (d) Emergency actions authorized by the Water Regulations may be taken immediately by the Board.

ARTICLE 6 INDEMNIFICATION

The Directors and Officers of the Water Company shall be entitled to indemnification, to the fullest extent provided in Colorado Nonprofit Corporation Act, the provisions of which are incorporated by reference and made a part of this document.

ARTICLE 7 RECORDS

Section 7.1 Records and Audits. The Water Company shall maintain financial records. The cost of any audit shall be a Common Expense unless otherwise provided in the Documents.

Section 7.2 Examination. All records maintained by the Water Company or the Financial Manager shall be available for examination and copying by any Owner, any holder of a Security Interest in a Lot, or its insurer or guarantor, or by any of their duly authorized agents or attorneys, at the expense of the person examining the records, during normal business hours and after reasonable notice. The fee charged by the Water Company shall not exceed the Water Company's actual cost per page for copies of Water Company records.

Section 7.3 Records. The Water Company shall maintain accurate financial,

operational, and regulatory records, including water production, usage data, budgets, reserves, audits, and compliance filings. Owners shall have inspection rights consistent with Colorado law.

The Water Company shall at a minimum keep the following records:

- (a) An account for each Lot, which designates the name and address of each Owner and any known residents;
- (b) An account for each Owner showing the detailed amount and age of each receivable balance, the dates on which each receivable balance comes due, the amounts paid on portions of the current balance due and any remaining balance due as payable by the Owner;
- (c) A record of any anticipated capital expenditures in excess of five thousand dollars (\$5,000.00) approved by the Board for the current and next two (2) succeeding fiscal years;
- (d) A record of the amount and an accurate account of the current balance of any reserves for capital expenditures, replacement and emergency repairs, together with the amount of those portions of reserves designated by the Water Company for a specific project;
- (e) The most recent regularly prepared balance sheet and profit and loss statement, if any, of the Water Company;
- (f) The current operating budget adopted pursuant to Section 315(1) of the Act and ratified pursuant to the procedures of Section 303(4) of the Act;
- (g) A record of any unsatisfied judgments against the Water Company and the existence of any pending suits in which the Water Company is a defendant;
- (h) A record of insurance coverage provided for the benefit of Owners and the Water Company;
- (i) A record of any alterations or improvements to Lots or the Common Elements which violate any provisions of the Water Regulations of which the Board has knowledge;
- (j) A record of any violations, with respect to any portion of the water distribution system, of health, safety, fire or building codes or laws, ordinances or regulations of which the Board has knowledge;
- (k) A record of the actual cost, irrespective of discounts and allowances, of the maintenance of the Common Elements;
- (l) Balance sheets and other records required by local corporate law;

- (m) Tax returns for state and federal income taxation;
- (n) Minutes of proceedings of incorporators, Owners, Directors, committees of Directors and waivers of notice; and
- (o) A copy of the most recent versions of the Articles, Water Regulations, these Bylaws, Water Company Rules and resolutions of the Board, along with their exhibits and schedules.
- (p) Such other records the Board shall determine from time to time are necessary or desirable.

ARTICLE 8 MISCELLANEOUS

Section 8.1 Notices. All notices to the Water Company or the Board shall be delivered to the office of the Financial Manager, or, if there is no Financial Manager, to the office of the Water Company, or to such other address as the Board may designate by written notice to all Owners and to all holders of Security Interests in the Lots who have notified the Water Company that they hold a Security Interest in a Lot. Except as otherwise provided, all notices to any Owner shall be sent to the Owner's address as it appears in the records of the Water Company. All notices to holders of Security Interests in the Lots shall be sent, except where a different manner of notice is specified elsewhere in the Documents, by registered or certified mail to their respective addresses, as designated by them in writing to the Water Company. All notices shall be deemed to have been given when mailed, except notices of changes of address, which shall be deemed to have been given when received.

Section 8.2 Fiscal Year. The Board shall establish the fiscal year of the Water Company.

Section 8.3 Waiver. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

Section 8.4 Office. The principal office of the Water Company shall be at such place as the Board may from time to time designate.

Section 8.5 Reserves. As a part of the adoption of the regular budget the Board shall include an amount which, in its reasonable business judgment, will establish and maintain an adequate reserve fund for the replacement of improvements to the Common Elements and those Limited Common Elements that it is obligated to maintain, based upon the project's age, remaining life and the quantity and replacement cost of major Common Element improvements.

Section 8.6 Conflict of Documents. In the case of any conflict between the Documents,

the Hierarchy of Authority in Article 1 of these Bylaws shall control.

**ARTICLE 9
AMENDMENTS TO BYLAWS**

Section 9.1 These Bylaws may be amended by a majority vote of the Directors.

Section 9.2 No amendment of these Bylaws of the Water Company shall be adopted which would:

- (a) adversely affect marketability of title to any Lot;
- (b) affect or impair the validity or priority of any mortgage on any Lot; or
- (c) conflict with or attempt to violate the provisions of the Water Regulations; (d) expand Board authority beyond that granted in the Water Regulations;
- (e) diminish Owner rights expressly granted in the Water Regulations.

Amendments to the Water Regulations must be adopted strictly in accordance with the procedures set forth in those recorded instruments and applicable law.

ATTEST: The Bylaws hereof are hereby certified to be these Bylaws adopted by the Board of Directors of the Water Company, dated March 14, 2026.

By: John P. Bernazzani, President
JOHN P. BERNAZZANI

ATTEST: Terra M. Bumpers, Secretary (Acting)
Terra M. Bumpers