

BYLAWS OF THE BLUE STONE DITCH ASSOCIATION

ARTICLE I OFFICES

The principal office of the corporation shall be located in or near De Beque, in Mesa County, State of Colorado, and shall be the same as its registered office.

ARTICLE II SHAREHOLDERS

2.01 Annual Meeting

The annual meeting of the shareholders shall be held on the 4th Thursday in January of each year at the time and at such location in or near DeBeque, Colorado as may be designated by the Board of Directors, for the purpose of electing directors, determining assessments on shares of the corporation, and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Colorado, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated herein for any annual meeting of the shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as such a meeting may be conveniently held.

- As of 2009 the board can change the annual meeting date as needed

2.02 Special Meetings

Special meetings of the shareholders may be called by the Board of Directors and shall be called by the President at the request of the holders of not less than one-tenth of all the outstanding shares of the corporation entitled to vote at the meeting.

2.03 Place of Meeting

The Board of Directors, or other person authorized to call a special meeting, may designate any place in or near DeBeque, Colorado, as the place for any special meeting of the shareholders called by the Board of Directors. If no designation is made, the place of meeting shall be the principal office of the corporation.

2.04 Notice of Meeting

Written or printed notice, stating the place, day and hour of the annual meeting **or any special meeting** and, in the case of a special meeting, the purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President or the Secretary at the expense of the corporation to each shareholder of record entitled to vote at such meeting, **except that if the authorized capital stock is to be increased, at least thirty (30) days notice** shall be given. Notice to shareholders of record, if mailed, shall be deemed given as to any shareholder of record, five (5) days after mailing by United States first class mail, addressed to the shareholder at the shareholder's address as it appears on the stock transfer books of the corporation, with postage thereon prepaid, but if three (3) successive letters mailed to the

last-known address of any shareholder of record are returned as undeliverable, no further notices to such shareholder shall be necessary, until another address for such shareholder is made known to the corporation. **We will send out meeting notices to verified emails on file, if we do not have an email address we will still send out mailed meeting notices.**

2.05 Fixing of Record Date

For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than seventy (70) days and, in the case of a meeting of shareholders, not less than ten (10) days, prior to the date on which the particular action requiring such determination of shareholders is to be taken. If no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, the day before the date on which notice of the meeting is first given shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date. The Board of Directors must fix a new record date if the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

2.06 Voting Lists

The Secretary shall make, at least two (2) days after notice of a meeting is given or ten (10) days before each meeting of shareholders, whichever is earlier, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list shall be kept on file at the principal office of the corporation and shall be subject to inspection and copying by any shareholder or the shareholder's agent or attorney at any time during usual business hours. Such a list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder or the shareholder's agent or attorney during the whole time of the meeting. The original stock transfer books shall be prima facie evidence as to the shareholders entitled to examine such list or transfer books or to vote at any meeting of shareholders.

2.07 Quorum

The majority of the outstanding shares of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

2.08 Manner of Acting

If a quorum is present at the commencement of a meeting of the shareholders, the affirmative vote of a majority of the shares voting on the subject matter shall be the act of the shareholders, unless the vote of a greater number is required by law or the Articles of Incorporation.

2.09 Proxies

At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by the shareholder's duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the corporation before or at the time of the meeting. No proxy shall be valid after 11 months from the date of its execution unless otherwise provided in the proxy.

2.10 Voting of Shares

Each outstanding share shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders. In the election of directors, each record shareholder entitled to vote at such election shall have the right to vote the number of shares owned by such shareholder for as many persons as there are directors to be elected. Cumulative voting shall not be allowed.

2.1 Voting of Shares by Certain Shareholders

2.11.a Shares of the corporation standing in the name of another corporation, or other legal entity such as a limited liability company or governmental agency, may be voted by such officer, agent or proxy as the bylaws of such corporation or governing documents and/or laws and regulations applicable to such other legal entity, may prescribe or, in the absence of such provision, as the board of directors of such corporation or governing body or authorized officer of such other legal entity may determine.

2.11.b Shares of the corporation held by an administrator, executor, guardian or conservator may be voted by such administrator, executor, guardian or conservator, either in person or by proxy, without a transfer of such shares into the name of the administrator, executor, guardian or conservator. Shares standing in the name of a trustee may be voted by such trustee either in person or by proxy, but no trustee shall be entitled to vote shares held by such trustee without a transfer of such shares into the trustee's name.

2.11.c Shares of the corporation standing in the name of a receiver may be voted by such receiver and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into the receiver's name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

2.11.d A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee on the books of the corporation, and thereafter the pledgee shall be entitled to vote the shares so transferred.

2.12 Action by Shareholders Without a Meeting

Any action required to be taken at a meeting of the shareholders or any action which may be taken at a meeting of the shareholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by a majority of the shareholders entitled to vote with respect to the subject matter thereof. Such consent has the same force and effect as a majority vote of the shareholders, and may be stated as such in any articles or document filed with the Secretary of State of Colorado. The record date for determining shareholders entitled to take action without a meeting or entitled to be given notice shall be the date that a writing setting forth the action taken is first received by the corporation.

ARTICLE III BOARD OF DIRECTORS

3.01 General Powers

The business and affairs of the corporation shall be managed by its Board of Directors, except as otherwise provided by law or the Articles of Incorporation.

3.02 Number, Tenure and Qualifications

The number of directors of the corporation shall be five (5). A Director, to be eligible to serve and to continue serving once elected, must: (a) own stock in the corporation and land which is served by corporation's water delivery system; (b) be married to a person who owns stock in the corporation and land served by the corporation's water delivery system; or (c) be the representative designated in writing of the owner of stock in the corporation and land served by the corporation's water delivery system where the owner is a legal entity other than an individual or where the owner consists of two or more individual owners of such land. Persons nominated for office as a director and representing an entity, corporation, homeowners' group, ditch company or other entity must have a written resolution duly approved by the entity's governing body naming the nominee to represent them. **Persons nominated either from the floor or by write-in for vacant director positions at the annual meeting of the shareholders must be in attendance (either in person or virtually?) at the meeting to personally accept the nomination.**

3.03 Vacancies

Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum. A director elected to fill a vacancy shall be elected for the unexpired term of his/her predecessor in office. Any directorship to be filled by reason of an increase in the number of directors shall be filled by election at an annual meeting or at a special meeting of the shareholders called for that purpose.

3.04 Regular Meetings

A regular meeting of the Board of Directors shall be held following the annual meeting of shareholders as soon thereafter as may be convenient. The Board of Directors may provide, by resolution, the time and place for the holding of additional regular meetings.

Approved at 1/30/25 meeting-

Quarterly meetings in addition to the January meeting will be held on the 4th Thursday of April, July, and October as needed. October will be a work session to discuss future projects and create a draft budget in preparation of the January annual meeting. We will also start offering the ability for shareholders to join remotely on a web meeting platform.

3.05 Special Meetings

Special meetings of the Board of Directors may be called by or at the request of the President, the Secretary or any three directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place in or near De Beque, Colorado as the place for holding any special meeting of the Board of Directors called by them.

The Board of Directors, without public notification will have the right to meet for what is termed as “Work Sessions”. These sessions are designed to review current issues impacting the ditch and to plan agendas for scheduled meetings.

3.06 Notice

Notice of any meeting of the Board of Directors shall be given at least two (2) days previously thereto by written notice delivered personally or mailed to each director at the director's business address, or by notice given at least one (1) day previously by facsimile. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage prepaid thereon. A director may waive notice of any meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

3.07 Quorum

A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but the affirmative vote of a majority of the entire Board of Directors shall be necessary to transact any business. If less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

30.8 Manner of Acting

The act of the majority of the entire Board of Directors shall be the act of the Board of Directors.

3.09 Compensation

By resolution of the Board of Directors, any director may be paid any one or more of the following: his/her expenses, if any, of attendance at meetings; a fixed sum for attendance at each meeting; or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefore.

Stipend for secretary position is currently in the bylaws due to the year round activity required by this position. It was approved by shareholders to set it at \$2500/year instead of hourly wage.

3.10 Presumption of Assent

A director of the corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be entered in the minutes of the meeting or unless he/she shall file his/her written dissent or abstention to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent or abstention by registered mail to the Secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent or abstain shall not apply to a director who voted in favor of such action.

3.11 Committees

By resolution adopted by a majority of the Board of Directors, the Board of Directors may designate two (2) or more directors to constitute a committee, any of which shall have authority in the management of the corporation as the Board of Directors shall designate and as shall be prescribed by the Colorado Revised Nonprofit Corporation Act, Title 7, Articles 121 through 137, of the Colorado Revised Statutes, as such may be amended or reenacted (Colorado Revised Nonprofit Corporation Act). No such delegation of authority shall operate to relieve the Board of Directors or any member of the Board of Directors from any responsibility imposed by law.

3.12 Action by Directors Without a Meeting

Any action required to be taken at a meeting of the directors, or any action which may be taken at a meeting of the directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the directors entitled to vote with respect to the subject matter thereof. Such consent has the same force and effect as a unanimous vote of the directors, and may be stated as such in any articles or documents filed with the Secretary of State of Colorado.

3.13 Participation by Electronic Means

Any member of the Board of Directors, or any committee designated by such Board may participate in a meeting of the Board of Directors or committee by means of telephone conference or similar communications equipment by which all persons participating in the meeting can hear each other at the same time. Such participation shall constitute presence in person at the meeting.

Add language for shareholder meetings that they can participate and vote via online meeting platform.

3.14 Resignation

Any director of the corporation may resign at any time by giving written notice to the President or the Secretary of the corporation. The resignation of any director shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective.

ARTICLE IV OFFICERS AND AGENTS

4.01 General

The officers of the corporation shall be a President and such other officers, including a Secretary and a Treasurer, as may be appointed by the Board of Directors. The President and any Vice President must be members of the Board of Directors. Other officers are not required to be members of the Board of Directors. The offices of Secretary and Treasurer may be held by the same person. The Board of Directors may appoint such other officers, assistant officers, committees and agents, including Vice-Presidents, Assistant Secretaries and Assistant Treasurers, as it may consider necessary, who shall be chosen in such manner and hold their offices for such terms and have such authority and duties as from time to time may be determined by the Board of Directors. The salaries of all the officers of the corporation shall be fixed by the Board of Directors. One person may hold any number of offices simultaneously. In all cases where the duties of any officer, agent or employee are not prescribed by these Bylaws or by the Board of Directors, such officer, agent or employee shall follow the orders and instructions of the President.

4.02 Appointment and Term of Office

The officers of the corporation shall be appointed by the Board of Directors annually at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the appointment of officers shall not be held at such meeting, such appointment shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first of the following to occur: until his/her successor shall have been duly appointed and shall have qualified; or until his/her death; or until he/she shall resign; or until he/she shall have been removed in the manner hereinafter provided.

Need to outline what the classes and terms would look like and relook at it in a future meeting.

Staggered Board - Directors shall be elected at each annual meeting of shareholders. Each director shall hold office until the next annual meeting of shareholders and thereafter until such director's successor shall have been elected and qualified. Directors shall be removable in the manner provided by the statutes of Colorado. Upon the Closing, the Board will be staggered into the following three classes of directors: (i)

the first class("Class I") will be up for reelection at the first Annual Shareholder Meeting following the Closing and thereafter every three years; (ii) the second class ("Class II") will be up for reelection at the second Annual Shareholder Meeting following the Closing and thereafter every three years; and (iii) the third class ("Class III" and together with Class I and Class II, the "Classes" and each a "Class") will be up for reelection at the third Annual Shareholder Meeting following the Closing and thereafter every three years.

OR

The Certificate of Incorporation and By-Laws of the Company shall provide that the Board shall be divided into three classes, as nearly equal in number as possible, as follows: (A) one class initially consisting of two directors ("Class I"), the initial term of which shall expire at the first annual meeting of the stockholders to be held after the date hereof; (B) a second class initially consisting of two directors ("Class II"), the initial term of which shall expire at the second annual meeting of the stockholders to be held after the date hereof and (C) a third class initially consisting of two directors ("Class III"), the initial term of which shall expire at the third annual meeting of the stockholders to be held after the date hereof, with each class to hold office until its successors are elected and qualified. At each annual meeting of the stockholders of the Company, the successors of the members of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the third succeeding annual meeting of stockholders.

4.03 Removal

Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the corporation will be served thereby. Election or appointment of an officer or agent shall not in itself create contract rights.

4.04 Vacancies

A vacancy in any office, however occurring, may be filled by the Board of Directors for the unexpired portion of the term.

4.05 President

The President shall, subject to the direction and supervision of the Board of Directors, be the chief executive officer of the corporation and shall have general and active control of its affairs and business and general supervision of its officers, agents and employees. The President shall see that the corporation's ditches are in repair for carrying water and that water is available for irrigation from April 1st to November 1st of each year or longer (if practicable), and that water is available for domestic purposes during the non-irrigation season, when water is available for diversion at the corporation's headgate. The President shall preside at meetings of the

shareholders and meetings of the Board of Directors. The President shall have custody of the Secretary's and Treasurer's bonds, if any. The President shall perform the duties of all the other officers if those officer positions are not filled or if such officer cannot act.

4.06 Vice-Presidents

The Vice-Presidents, if any, shall assist the President and shall perform such duties as may be assigned to them by the President or by the Board of Directors. In the absence of the President, the Vice-President designated by the Board of Directors, or (if there be no such designation) designated in writing by the President, shall have the powers and perform the duties of the President. If no such designation shall be made, all Vice-Presidents may exercise such powers and perform such duties.

4.07 Secretary

The Secretary shall: (a) keep the minutes of the proceedings of the shareholders and the Board of Directors; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation and affix the seal to all documents when authorized by the Board of Directors; (d) keep at its registered office or principal place of business a record containing the names and addresses of all shareholders and the number and class of shares held by each; (e) sign with the President or a Vice-President certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation, unless the corporation has a transfer agent; and (g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the President or by the Board of Directors. Assistant Secretaries, if any, shall have the same duties and powers, subject to supervision by the Secretary.

4.08 Treasurer

The Treasurer shall be the principal financial officer of the corporation and shall have the care and custody of all funds, securities, evidences of indebtedness and other personal property of the corporation and shall deposit the same in accordance with the instructions of the Board of Directors. The Treasurer shall receive and give receipts and acquittances for moneys paid in on account of the corporation and shall pay out of the funds on hand all bills, payrolls and other just debts of the corporation and of whatever nature upon maturity. The Treasurer shall perform all other duties incident to the office of the Treasurer and, upon request of the Board of Directors, shall make such reports to it as may be required at any time. The Treasurer shall have such other powers and perform such other duties as may be from time to time prescribed by the Board of Directors or the President. Assistant Treasurers, if any, shall have the same powers and duties, subject to supervision by the Treasurer.

The Treasurer shall also be the principal accounting officer of the corporation. The Treasurer shall prescribe and maintain the methods and systems of accounting to be followed, keep complete books and records of account, prepare and file all local, state and federal tax

returns, prescribe and maintain an adequate system of internal audit, and prepare and furnish to the President and the Board of Directors statements of account showing the financial position of the corporation and the results of its operations.

4.09 Indemnification

4.09.a The corporation shall indemnify and advance expenses to a director or officer of the corporation in connection with a proceeding to the fullest extent permitted by the Colorado Revised Nonprofit Corporation Act, as such may be amended or reenacted.

4.09.b With respect to an employee or agent other than a director or officer of the corporation, the corporation may, as determined by the Board of Directors, indemnify and advance expenses to such employee or agent in connection with a proceeding to the extent permitted by the Colorado Revised Nonprofit Corporation Act as such may be amended or reenacted.

ARTICLE V STOCK

5.01 Regulation

The Board of Directors may make such rules and regulations as it may deem appropriate concerning the issuance, transfer and registration of certificates for shares of the corporation, including the appointment of transfer agents and registrars.

5.02 Certificates for Shares

The shares of stock shall be represented by consecutively numbered certificates signed in the name of the corporation by the President or a Vice-President and attested by a Secretary or an Assistant Secretary, and shall be sealed with the seal of the corporation or with a facsimile thereof. In case any officer who has signed such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he/she were such officer at the date of its issue. Certificates of stock shall be in such form consistent with the law as shall be prescribed by the Board of Directors. No certificate shall be issued until the shares represented thereby are fully paid.

5.03 Consideration for Shares

Shares shall be issued for such consideration, expressed in dollars as shall be fixed from time to time by the Board of Directors.

5.04 Lost Certificates

In case of the claimed loss, destruction or mutilation of a certificate of stock, the Board of Directors may direct the issuance of a new certificate in lieu thereof upon such terms and conditions in conformity with law as it may prescribe. The Board of Directors may in its

discretion require a bond in such form and amount and with such surety as it may determine before issuing a new certificate.

5.05 Transfer of Shares

Upon surrender to the corporation or to a transfer agent of the corporation of a certificate of stock duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, and such documentary stamps as may be required by law, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto and cancel the old certificate, except as provided in these Bylaws with respect to unpaid assessments. Every such transfer of stock shall be entered on the stock book of the corporation which shall be kept at its principal office, or by its registrar duly appointed. The corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof, except as may be required by the laws of Colorado.

Language about speculative shares - if you are no longer a land owner those shares must be turned over to the ditch company and then auctioned back to the shareholders. The proceeds would need to cover any outstanding costs due to the ditch company and the balance would go to original shareholder.

THIS SECTION HAS BEEN SHARED WITH ED REGARDING PROPOSED CHANGES

Section Six: Shares Tied to Real Property. Effective September 9th, 2021, shares of stock shall be transferred, sold and issued, or reissued, only to the owners of lessees of land to be served, and capable of service, by the Company's ditch system and its authorized enlargements and extensions. A shareholder may pledge shares of stock as security for loans also secured by land irrigated with water represented by such shares. In the event of a foreclosure, the lending entity shall sell the shares of stock only to owners and lessees of land to be served or capable of serving. No security interest shall result in severance of the shares or water represented by such shares from the land irrigated thereunder. Remove effective date.

a. In the event that shares are obtained via estate transfer, if the recipient of said shares does not own, lease or rent land capable of service by the Company's ditch system and its authorized enlargements and extensions, they have two (2) years from the date of transfer to sell or transfer those shares to an eligible recipient. Failure to transfer shares to eligible owner shall result in those shares reverting to the Company's ownership. If the account is in good standing, the Company shall hold a sealed auction for eligible bidders for such shares for thirty (30) days following the acquisition of said shares. Twenty (20) percent of the final bid will be help by the Company, with the balance being delivered to the previous certificate owner. Extend the limit to 4 years after closing date on property. Remove 20% bid to ditch company - transfer fee + back dues.

Questions about getting the shares that are “speculative” back into the bluestone.

5.06 Water Rights

One share of the capital stock of the corporation shall represent such proportion of 81.00 cubic feet of water per second of time as said share bears to the number of shares issued and outstanding for irrigation purposes during the irrigation season, and such proportion of 25.00 cubic feet of water per second of time as said share bears to the number of shares issued and outstanding for domestic and stock watering purposes during the non-irrigation season. In case of a shortage of water or damage to the water delivery system, or other cause which shall cause a shortage of water, then each share shall receive its pro rata amount of water in proportion to the water available. The Board of Directors shall have the power to require any shareholder taking water from the corporation's water delivery system to install a measuring weir at the head of such shareholder's lateral to measure the water taken into the lateral. All headgates, upon installation, shall be owned by the corporation. The corporation shall have the authority to close, lock or otherwise secure the headgate as the superintendent or the Board of Directors deems advisable. No new or replacement headgates will be permitted except as approved by the Board of Directors. The corporation shall have power to regulate the shareholder's headgate and measuring weir so as to control the amount of water taken from the ditch to conform to the rights of said shareholder. In case of refusal on the part of any shareholder to properly regulate and maintain said headgate and measuring weir, the Board of Directors shall have the power to refuse to deliver water to said shareholder until such time as the amount of water due to such shareholder can be properly regulated and controlled, or to take any other action deemed appropriate by the Board of Directors to ensure that any shareholder is receiving the amount of water due such shareholder in accordance with such shareholder's ownership of stock.

We should maybe address what the ditch is responsible for - if we own the headgates, are we responsible for maintaining them? Also, are we responsible for swing gates and access? As I understand it, we are responsible for ground maintenance.

Food for thought - I ask about the headgates because very little has been done - hence what will be the increasing need for improvements in infrastructure.

We may have to assume some liability until head gates are up to speed and then have guidelines about their upkeep and maintenance?

5.07 Assessments

The corporation may from time to time levy pro rata assessments upon the issued and outstanding stock of the corporation to provide funds for the costs of operation and maintenance of the corporation, to raise funds and to pay any indebtedness and the interest thereon. Assessments shall be payable in cash. The corporation's stock may be assessed at the annual meeting of the shareholders or at a special meeting of the shareholders called for that purpose.

In the event that the shareholders fail to timely hold the annual meeting or fail to make or authorize any such assessment within 90 days after the close of the corporation's fiscal year, then the Board of Directors shall make such assessment at the next regular or special meeting of the Board of Directors held thereafter.

5.08 Manner of Payment and Forfeiture

Notice of assessments and of the time and manner in which the same is ordered to be paid shall be given by depositing in the United States mail, postage prepaid, a notice to that effect, directed to the last known mailing address of the shareholders of record as shown on the corporate books. One Hundred Twenty (120) days after any assessment levied on the stock of the corporation, or any installment thereof, shall become due and payable, the same shall become delinquent and shall draw interest at the rate of twelve percent (12%) per year from due date until paid. In the event that any of the shareholders shall fail to pay any such assessment so made at the time and in the manner ordered by the Board of Directors, the collection of such assessments may be enforced in the following manner:

Add language that full amount is due or a payment plan is established with the ditch company to be paid by the end of the year. Interest will be accrued annually and added to the balance due.

- (a) By the refusal on the part of the corporation to deliver any water to such shareholder until such assessment has been paid, and if, at any time, the water being used by such shareholder on his stock, water may be shut off and kept shut off until such assessment is paid.
- (b) The stock of the shareholder so in default may be sold at public **(replace with shareholder)** auction to the highest and best bidder for cash by the Secretary of the corporation on the order of the Board of Directors in the manner as follows: if the assessment shall not have been paid at the time that the same is made due and payable by the Board of Directors, the Secretary shall, either in person or by written or printed notice mailed to the last known address of the delinquent shareholder, demand payment of the amount of the assessment and shall also, at such time, notify the shareholder that unless such payment is made within thirty (30) days from the date of such demand, then at the end of such time the shares owned by such delinquent shareholder will be subject to forfeiture and sale as by law provided. If such assessment shall not have been paid at the end of such thirty (30) days, the Board of Directors may declare said stock forfeited and may order the same sold. Upon such order being made, the Secretary shall public a notice of the sale of stock giving the time and place of the sale in a newspaper published or having general circulation in the area served by the corporation's canal system. There shall be published a minimum of two (2) insertions appearing at least a week apart. No greater number of shares of said stock shall be sold than in the amount necessary to bring the amount of the assessment and costs of sale, and the proceeds derived from such sale over and above the amount due on such shares and the expense incident to and occasioned by the sale thereof shall be paid over to the delinquent shareholder.

(c) ?

Thirty days after any assessment levied on the stock of the Company, or any installment thereof, shall become due and payable, the same shall become delinquent and shall draw interest at the rate of one & one-half (1.5) per cent per month, compounded until paid, and the Company shall have a perpetual lien upon any of its shares of stock and the water rights represented by the same for any and all such assessments, and all parts thereof, with the interest thereon, until the same is fully paid, and no share of stock shall be transferred by said company until said assessments, or parts thereof, and all interest thereon as herein provided, have been fully paid.

(c) The corporation shall have a perpetual lien upon such shares of stock and the water rights represented by the same for any and all assessments, and all parts thereof, with the interest thereon, until the same is fully paid. No share of stock shall be transferred by the corporation until the assessments, and all interests thereon as herein provided, have been fully paid.

(d) The corporation may take any other action necessary to collect such amounts, including, but not limited to, bringing a suit against the shareholder. In the event that the corporation takes legal action to collect unpaid assessments, the corporation shall be entitled to an award of its attorneys' fees and costs against the shareholder .

The Board of Directors may take any of the above actions to enforce the payment of assessments as they deem fit. The shareholders of the corporation, by taking stock therein, shall be deemed to assent and agree to the above methods of making and enforcing the collection of assessments on capital stock of the corporation.

The proceeds derived from such sale over and above the past due assessments, accrued interest and a Twenty-Five Dollar (\$25.00) administration fee are to be paid over to the delinquent shareholder in such manner as provided by law. A written notice of proceeds due shall be made by placing such notice in the United States mail to the last known address of the delinquent shareholder. If the delinquent shareholder has not claimed the proceeds, a second written notice shall be sent approximately one (1) year following the first written notice by placing such notice in the United States mail to the last known address of the delinquent shareholder. If the delinquent shareholder has not claimed the proceeds within thirty (30) days after mailing of the second written notice, such proceeds shall be handled and disposed of in accordance with the Colorado Unclaimed Property Act, section 38-13-101, et seq. C.R.S., or any amendments thereto or re-enactments thereof. The corporation shall charge and deduct from such proceeds an administration fee of Twenty-Five Dollars (\$25.00) for each year that the proceeds remain unclaimed by the delinquent shareholder.

Food for thought-

In case the assessment so levied upon any share of stock or other charge is not paid within the time mentioned in said notice, as aforesaid, then the Secretary shall, as soon as practicable, send a second notice to each shareholder who has not paid the said assessment or other charge. This second notice shall state the same facts as set forth in the first notice, and in addition thereto

shall state that if the assessment is not paid within thirty days from the date of said notice, the said stock so delinquent shall be declared forfeited to the Ditch Company. This second notice shall be delivered either to the shareholder so delinquent, in person, or shall be duly mailed, properly addressed to the said shareholder, postage prepaid, by certified mail, return receipt requested at his address as shown on the stock ledger, and shall be either delivered to him in person or mailed at least thirty days prior to the time when such forfeiture is to take effect, as prescribed in said notice.

Any payments received on delinquent assessments shall be applied first to interest, then to the unpaid assessments.

If the Ditch Company is unable to locate the Shareholder by mail or in person, the Ditch Company may advertise the forfeiture three times in a newspaper of local circulation. The advertisement shall state the name of the record shareholder, the stock certificate number, and the number of shares to be forfeited. The forfeiture will occur fourteen days after the last publication.

Upon forfeiture, the forfeited shares shall automatically revert to ownership by the Company, to be held as unissued shares pending reallocation or sale to other users within the Ditch Company service area, and such forfeited shareholder shall no longer have any interest in the shares. Such shareholder shall assign the unused shares back to the Company, at no cost to the Company. If the shareholder does not assign the shares back to the Company, the Company shall reflect the forfeiture on its books, and shall notify the shareholder in writing, that such shares have been transferred to the Company pursuant to this Article.

In the discretion of the Board of Directors and for good cause, the Ditch Company may permit redemption of forfeited shares, extension of time to remedy delinquencies, or non-ownership, or other relief as deemed appropriate. In that event, a written agreement between the affected Shareholder and the Ditch Company shall be prepared and signed by both parties. The terms of any agreement shall require the payment of all sums owed to the Ditch Company, including assessments, charges, costs, fees, interest and penalties as well as a redemption fee to be determined by the Ditch Company. Forfeited or delinquent shareholders may not be permitted to purchase new shares in the Ditch Company until all past due accounts are brought current.

Directors or company employees should be restricted from transferring ownership of delinquent shares to themselves unless they are bidding during an auction held at an annual or special meeting with shareholders present. It presents a conflict of interest and insider knowledge to approach delinquent shareholder directly.

5.09 Restrictions on Transfers out of the Corporation's Water Delivery System

(a) Except as may be permitted by the Board of Directors pursuant to this section, no shareholder in the corporation may have or cause the water represented by the shareholder's stock to be diverted from the Colorado River other than at the main diversion facility of the corporation situated on the Colorado River and carried thereafter in the system of canals and ditches operated by the corporation.

(b) No shareholder shall, with respect to water represented by such shareholder's shares of stock in the corporation, change or attempt to change the point of diversion or method of transportation of such water from any place other than the main diversion facility of the corporation on the Colorado River and the system of canals and ditches owned, operated and maintained by the corporation, or to use or attempt to use such water in an exchange or plan of augmentation in conjunction with any water right not embodied, evidenced or represented by the corporation's decrees, or to use or attempt to change the use of such water for any purposes not consistent with the uses set forth in the corporation's decrees, except as may be permitted by the Board of Directors pursuant to this section.

(c) Any shareholder making such a request shall prepare and deliver to the Board of Directors at the principal office of the corporation a written request specifying in reasonable and sufficient detail so as to fully advise the Board of Directors as to the nature and extent of the shareholder's proposed action, specifically including the following:

(i) A Complete and reasonably detailed description of the action, activity or project the shareholder proposes to undertake;

(ii) The identity of all water rights directly related to such action, including the identification of the shareholder's rights in the corporation;

(iii) An explanation setting forth facts with supporting data as to how such proposed action will effect other shareholders in the corporation and other water users on the Colorado River or its tributaries; and

(iv) An explanation narrative or description of all measures the shareholder proposes to implement to prevent, mitigate or eliminate any injury to other shareholders in the corporation and other water users on the Colorado River or its tributaries.

The stockholder shall provide the Company with evidence satisfactory to the Board of Directors in its sole discretion that the leased shares will be used solely to irrigate land located entirely within the area that has been historically irrigated under the Company's ditch system.

The written request shall be considered by the Board of Directors at the next regular Board meeting provided that the request is received not less than fifteen (15) days in advance of such

meeting. Requests not delivered fifteen (15) days in advance of such meeting shall be carried over to the next regular meeting of the Board of Directors.

(d) At the meeting of the Board of Directors wherein the shareholder's request is considered, the shareholder may address the Board for the purposes of supplementing the written request earlier delivered, and may be represented by an attorney or other representative of the shareholder's choosing. The shareholder may also present such other pertinent testimony or documentary evidence as the shareholder desires, including engineering data and testimony. The Board of Directors shall be entitled to question the shareholder or any other person speaking or testifying on behalf of such shareholder in regards to the request. At the conclusion of the meeting wherein the shareholder's request is considered, the Board of Directors may approve, deny or approve with qualifications the shareholder's request. In addition, the Board of Directors may continue its consideration of the written request until and inclusive of the next regular meeting of the Board of Directors so as to allow the Board of Directors to discuss and consider the merits of the request, to obtain such additional consultants or information as the Board of Directors may deem appropriate, or to obtain supplemental data or information from the requesting shareholder. The Board of Directors may engage such consultants of its own choosing, including, but not limited to, engineers, hydrologists and attorneys, for review of the shareholder's request. The shareholder shall be responsible for the payment of any fees and costs incurred by the corporation in engaging such consultants. Upon request of the Board of Directors, the shareholder shall deposit an amount sufficient to pay such fees and costs, as a condition to the Board's further consideration of the shareholder's request. Failure to pay such deposit or such fees and costs constitutes a separate ground for denial of the shareholder's request by the Board of Directors.

(e) The decision of the Board of Directors, if not made within five (5) business days following the meeting at which the shareholder's proposal was considered or within five (5) days of the continuation of the meeting at which the shareholder's proposal was considered, whichever is later, shall be deemed a rejection and denial of the request of the shareholder. The decision of the Board of Directors shall be reflected in the regularly kept minutes of the Board of Directors.

(f) The Board of Directors' approval, denial or approval with qualifications of such shareholder's request shall in no event relieve the shareholder from continuing to pay all assessments of the corporation levied against the shareholder's shares of stock in the corporation.

(g) No shareholder may commence or maintain any legal or equitable proceeding in any court of the State of Colorado or the United States, or any administrative tribunal, for any purpose which is the subject of the provisions of this section, without first applying the procedures set forth herein. In the event that a shareholder undertakes or attempts to undertake any action, activity or project subject to the provisions of this section without first complying with the procedures set forth herein, or in the event that any shareholder commences

or maintains any legal or equitable proceeding in any court of Colorado or the United States, or any administrative tribunal, for any purpose which is the subject of this section, without first complying with the procedures set forth herein, or in the event that any shareholder undertakes any action, activity or project or commences or maintains any legal proceeding in any court of the State of Colorado or the United States or any administrative tribunal following the Board of Directors' approval, denial or approval with qualifications of a written request in compliance with the procedures set forth herein, then the corporation shall be entitled to appropriate relief, including, but not limited to, injunctions, temporary restraining orders and stays against such action, activity or project and legal proceeding and such shareholder shall, under all circumstances, indemnify and hold harmless the corporation and its officers, directors, agents, employees and shareholders from any and all loss, liability, injury or damage arising from or in connection with such action, activity or project or legal or equitable proceeding commenced or maintained in connection therewith, which indemnity shall include all costs, expenses and attorneys' fees incurred by the persons indemnified hereunder.

This is important to add because stand alone rights in CO can be separate from the land, but ditch rights are not stand alone and potentially can and should be kept solely for landowners and Lessees (Definitely an attorney question)

Food for Thought - To be eligible for share ownership in the Ditch Company, the shareholder must own sufficient land within decreed lands of the Ditch Company on which water can be put to beneficial use without waste in accordance with the company's decreed water right.

Notwithstanding the foregoing, landowners may form small ditch associations or homeowner's associations to hold title to the shares on behalf of landowners owning irrigated land.(John - for shared headgates?) These associations shall be subject to all of the operating documents of the Ditch Company.

If a shareholder does not own land for a period of two years or as otherwise set forth in the Rules and Regulations, the stock shall be forfeited to the Ditch Company in accordance with the provisions of Article VII below unless an agreement for retention is reached with the Ditch Company.

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

60.1 Contracts

The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract to execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

6.02 Loans

No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

6.03 Checks Drafts, Etc.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

6.04 Deposits

All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VII **RULES OF THE CORPORATION**

The Board of Directors have adopted and hereby restate the following rules for the operation of the corporation and the corporation's water delivery system:

RULE 1 In all cases where parties desire to connect with the canal of the corporation, they shall obtain approval of the Board of Directors and notify the superintendent. All such work shall be done under the superintendent's direct supervision.

Food for Thought - Any shareholder desiring to place any structures in, under or over the ditch shall complete an Encroachment permit application and submit same to the Board. The Board may charge impact fees for Ditch encroachments or any other proposed change or impact to the Ditch or Ditch easement, including bridges, pipelines, crossings, or any other proposed structures or changes within the Ditch easement (collectively Encroachment"). The amount of the impact fee shall be set by the Board in its discretion. Without limiting the Board's discretion, the Board should consider the following in evaluating the amount of the impact fee: 1) the Company's costs, including attorney fees, engineering fees, staff time, expenses or other Company costs incurred as a result of the proposed Encroachment; 2) any increase in the Company's potential liability due to the Encroachment; and 3) any increase in potential maintenance due to the Encroachment. If the Company's standard impact fee is not adequate to cover all the Ditch Company's costs related to the proposal, the proposing party shall pay all of the Company's costs related to the proposed Encroachment, including but not limited to all attorney fees, engineering fees, staff time, expenses, or other Company costs associated with the proposed Encroachment, including but not limited to reviewing the proposal and any information related thereto, and negotiating and implementing any agreements. The Company may require a deposit prior to commencing any review of a proposed Encroachment, may require additional deposits during the review process, and may apply such deposits to costs incurred. The proposing party shall pay

such costs whether or not the Encroachment is approved and whether or not it is actually implemented. Such costs and/or impact fees shall be paid within 15 days of the date that the Company sends an invoice to the proposing party, and any charges not paid when due shall incur interest at the rate set forth in the Rules and Regulations for delinquent assessments until paid. If the proposing party is a shareholder, the Company's costs and impact fees shall be considered additional assessments to the proposing shareholder pursuant to Article VII, except that shareholder approval and any other provisions inconsistent with this section shall not be required for levying such additional assessments. The Company may collect such costs and impact fees as set forth in

RULE 2 The superintendent may place a proper head and lock on all delivery boxes.

RULE 3 No water shall be turned out to any person on any stock until all assessments due on such stock have been paid, at the discretion of the Board of Directors.

RULE 4 The superintendent may, at his or her discretion, have all boxes and weirs on the corporation's water delivery system inspected and repaired before water is turned into the ditch for the season.

RULE 5 All boxes shall be locked down when inspected in accordance with Rule 4 and shall only be opened on the order from the Secretary as the water is paid for.

RULE 6 Any disagreement arising between the superintendent and any shareholder upon any matter not provided for by these rules or the Bylaws of the corporation may be decided by any one of the directors, whose decision in such matters shall be binding, subject, however, to an appeal to the Board of Directors.

RULE 7 No flume, bridge, utilities or other structure shall be constructed over, across or through the ditch right of way of the corporation except with the written permission of the Board of Directors.

RULE 8 No dam, check, wheel or other obstruction shall be allowed in the corporation's water delivery system except the written permission of the Board of Directors.

RULE 9 As of the date of adoption of these Bylaws, no new pumps may be installed to pump directly out of the corporation's ditch. Any such pumps must take water from a sump that is controlled by a headgate. If an existing pump installation is modified, the pump as modified must comply with this rule.

RULE 10 Any subdivision of land served by the corporation's water delivery system shall only be served by the existing headgate for such land. No additional headgates will be installed for any such subdivision.

Food for Thought - The Developer must reimburse the Corporation for the Corporation's reasonable costs and fees, including reasonable expenses of the Directors, a charge for time spent by the Directors and by the Corporation's employees, and a charge for reasonable time spent by the Corporation's contractors, including engineers and attorneys, in analyzing the request and in any judicial litigation that follows. Prior to conducting any analysis of the proposed Development, the Corporation shall obtain an estimate of the costs, including reasonable attorneys' and engineering fees. The Corporation shall provide the estimate of cost within 30 days of submission of an application, and the Developer shall have 30 days after receipt of the estimate to make a deposit equal to the total estimated costs or the portion of the costs required by the Directors. Other than obtaining cost estimates, the Directors shall not take any action on any Developer's application until, and unless, the Developer makes the deposit. If the Directors do not require a deposit equal to the full amount of the estimate of the costs, the Directors may establish a schedule for the payment of additional deposits as negotiations between the Developer and the Corporation progress. If the estimate and deposit need to be adjusted by further payment or reimbursement, adjustments shall be made upon the completion of the analysis, or the Directors may require an additional deposit before proceeding. In no event shall the Corporation be required to give a final decision on the Developer's application until all fees incurred by the Corporation are reimbursed.

Section Four: Each residential subdivision, Planned Unit Development, or other division of property into smaller lots (Development) using water delivered pursuant to shares of stock in the Company shall identify one Point of Delivery for the entire Development, unless the Board of Directors, in its sole discretion, authorizes delivery of water to the Development at more than one Point of Delivery. The share(s) of stock shall be held by the homeowner's association or other such entity responsible for the distribution of

irrigation water within the Development (the Association). The Association shall identify one individual who shall be duly authorized by the Association and its members to communicate with the Company and the SWCD. Neither the Company nor the SWCD shall be obligated to respond to requests or direction from Individuals other than the designated representative.

The Board of Directors may adopt such additional rules as it deems necessary and advisable for the operation of the corporation's water delivery system and other property and concerning delivery of water to shareholders. Such rules shall be maintained in writing at the corporations' principal office.

ARTICLE VII MISCELLANEOUS

8.01 Waivers of Notice

Whenever notice is required by law, by the Certificate of Incorporation or by these Bylaws, a waiver thereof in writing signed by the director, shareholder or other person entitled to said notice, whether before, at or after the time stated therein, or his/her appearance at such meeting in person or (in the case of a shareholders' meeting) by Proxy, shall be equivalent to such notice.

8.02 Seal

The corporate seal of the corporation shall be circular in form and shall contain the name of the corporation and the words "SEAL, COLORADO".

8.03 Fiscal Year

The fiscal year of the corporation shall begin on the 1st day of January and end on the 31st day of December.

8.04 Amendments

The Board of Directors or the shareholders shall have the power to alter, amend, or repeal these Bylaws of the corporation or adopt new bylaws at any regular meeting of the Board or at any special meeting called for that purpose.

CERTIFICATE

I certify that the foregoing Bylaws of The Blue Stone Ditch Association, Inc. are the Bylaws that were adopted by the Board of Directors at a meeting, duly noticed and held on _____

OTHER THOUGHTS - ARTICLE XV – INDEMNIFICATION

The Corporation shall indemnify each of its Directors, or officers, agents, and employees or former Directors, officers, agents, or employees or any affiliated organization to the maximum extent permitted by law.

ARTICLE XVI – LIABILITY

Personal liability of a Director of the Corporation for monetary damages for breach of fiduciary duties as a Director of the Corporation to the Corporation or to its stockholders is eliminated to the maximum extent permitted by law.

Need to add a rule or an article regarding Ditch records and how they are handles, where they are kept and under what circumstances they are allowed to be accessed.