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OAK MEADOWS REORGANIZATION AGREEMENT

THIS AGREEMENT made this 15th day of AUGUST, 1995 between OAK MEADOWS DEVELOPMENT CORPORATION (OMDC) and OAK MEADOWS HOMEOWNERS' ASSOCIATION (OMHOA).

1.0 Recitals.

1.1 OMHOA represents the owners of 3 lots in Block 2, 4 lots in Block 2 and 11 lots in Block 3, Filing 3, Oak Meadows Subdivision; 32 units in Area IV, Filing 4; and 20 lots in Area V, Filing 4, Oak Meadows Ranch, being the currently developed parts of such Filings 3 and 4.

1.2 OMDC as successor owner to Redstone Corporation owns Areas I, II, III, VI and VII, Filing 4, Oak Meadows Ranch.

As part of this Agreement, and contingent upon approvals hereinafter mentioned, OMDC has agreed to reduce the building units heretofore approved in said undeveloped areas of Filing 4 from 127 to 100 (including 3 lots in Block 1, Filing 3, and 11 lots in Beaver Court).

1.3 Redstone Corporation developed and installed the Water system for Filing 3 and Filing 4, and the Sewer System for Filing 4 and Redstone and OMDC have operated said Systems since installation. Said Systems have not been formally conveyed to OMHOA as anticipated under the original subdivision documents. However, OMHOA has asserted, and the parties acknowledge, that the current homeowners represented by OMHOA hold an equitable interest in said Systems, OMHOA may claim additional interests in said Systems by virtue of contract rights and otherwise, and this Agreement and other documents executed pursuant hereto are intended to settle by compromise and agreement various claims and controversies between the parties.

1.4 During an extended drought, the pumping capacity of Well #6, which supplied water for F 3 and F 4 from 1977 until 1992 diminished to a point where insufficient water was produced. Redstone Corporation, under cooperative agreement with OMHOA developed Well #8, but the combined capacity of both wells was insufficient to meet the subdivision needs, whereupon Redstone Corporation developed Well #9 and OMHOA and Oak Meadows Water Association (OMWA) developed FMW.

1.5 Contingent upon approvals hereinafter described, OMDC contemplates building out the undeveloped areas in Filing 3 and Filing 4 subject to a reduction hereby agreed upon to 100 Units and the parties have determined it would serve their mutual interests and the

interests of future homeowners to reorganize by amendment to the subdivision operating documents, and to operate the water and sewer utilities in the manner hereinafter described.

1.6 To assure a continued and certain supply of water, Well #9 and FMW are to be incorporated into the System, giving recognition to joint ownership of FMW by OMHOA and OMWA with the necessity of providing augmentation water to FMW from the alternate Martin Reservoirs No. 1 and 2.

1.7 The Colorado Department of Health has ordered that a Discharge Permit be obtained for future operation of the Oak Meadows Wastewater Treatment Facility, which serves the present and will serve the future development in Filing 4 and the parties have agreed upon an equitable arrangement for sharing of the costs of modifications to this facility and for a more efficient and equitable arrangement to the future operation of the Wastewater Treatment Facility.

1.8 Future development by OMDC will require approval by Garfield County of one or more Amended Subdivision Improvements Agreements under the conditions hereinafter stated and of the Colorado Department of Health on the Wastewater Treatment Facility. Also required is approval of one or more Augmentation Plans for FMW, which OMHOA and OMWA are processing and approval of a water rights decree for Well #9, which OMDC is processing in the Water Court for Division No. 5, Garfield County.

2.0 Definitions.

2.1 OMHOA means the Oak Meadows Homeowners Association, a Colorado corporation not for profit, also referred to as "Association" in the subdivision documents.

2.2 OMWA, means the Oak Meadows Water Association, a not for profit Colorado corporation, representing Filing 2, Oak Meadows Subdivision.

2.3 Filing 3. "F 3", also referred to as "O.M.3" in the subdivision documents means Blocks 1, 2 and 3, Filing 3, Oak Meadows Subdivision, as the same appears upon Plat thereof recorded in the Office of the Clerk and Recorder of Garfield County, Colorado as Document No. 272814, and all Amendments and modifications thereto.

2.4 Filing 4. "F 4", also referred to as Oak Meadows Ranch, abbreviated "O.M.R." in the Subdivision Documents means Filing 4, Oak Meadows Ranch as the same appears upon Plat thereof recorded in the Office of the Clerk and Recorder, Garfield County, Colorado as Document No. 276561 and all Amendments and modifications thereto.

2.5 Filing 3 and Filing 4 A, abbreviated "F 3 - F 4 A" means the developed areas consisting of Blocks 2 and 3 in Filing 3, and Areas IV and V in Filing 4.

2.6 Filing 4 B, "F 4 B" means the undeveloped areas in Filing 4 consisting of Areas I, II, III, VI and VII as shown on Plat recorded as Document No. 276561 in the

records of the Clerk and Recorder of Garfield County, Colorado (County Records), exclusive of Beaver Court.

2.7 Filing 3 B, "F 3 B" means three (3) lots in Block 1, Filing 3, as shown on Plat recorded as Document No. 380779 in the County Records, which lots are subdivided but not currently developed.

2.8 Filing 1, "F 1" means Lots 12 and 13, Block 1, Filing 1, Oak Meadows Subdivision (also referred to as the "Reeves lots"), as currently owned by John Reeves and Jacqueline Reeves (Reeves) which lots shall be deemed to be two (2) lots for purposes of the operation and administration of the F 3 - F 4 water system pursuant to this Agreement and the OMSCO Operating Agreement attached hereto as Exhibit A.

2.9 Beaver Court means the eleven (11) lot subdivision on Area II, Filing 4, Oak Meadows Ranch, as shown on final plat recorded in the County Records as Reception No. 317487.

2.10 F 3 - F 4 existing Water System includes Motz Wells No. 3 and 5 through 8, inclusive consolidated with alternate points of diversion to Well No. 6 for 90 gallons per minute and Well No. 8 for 20 gallons per minute decreed non-tributary to Four Mile Creek in Case Nos. 92CW350, W-1244, W-1980, W-3320 and 91CW71, District Court Water Division No. 5, together with any and all residual rights, if any, in Motz Wells No. 2 and 4 which are the subject of an Order of Abandonment entered August 31, 1992 in Case No. W-3320 consolidated with W-1980-78, and together with pumps, pipelines, appurtenances and facilities including storage tanks for 70,000 gallons of water. All water rights and easements appurtenant to the System are included, including, but not limited to, all groundwater rights under the Oak Meadows Subdivision and Oak Meadows Ranch.

2.11 FMW means Four Mile Well developed and drilled by OMWA and OMHOA under Permit No. MH 19953, with pump, pipelines, electric easements and appurtenances which well is the diverting structure in Case No. 92CW50. Also, all easements necessary to integrate FMW into the OMSCO Water System.

2.12 FMW Agreement means the Agreement for Well Development dated February 12, 1993, between OMHOA and OMWA and the Addendum thereto entered into contemporaneously with this Agreement.

2.13 Well No. 9 means the well drilled in Lot 8, Block 3, Filing 3 by Redstone Corporation on which a water rights proceeding is pending under Case No. 93CW222, District Court, Water Division No. 5, (Well No. 9 case) together with all water rights now or hereafter existing therein and all easements appurtenant thereto.

2.14 F 4 Sewer System means the sewer mains, collection lines, manholes, treatment facilities, lagoons and other facilities constructed to serve Filing 4.

2.15 Augmentation Plan means a plan to secure a Well Production Permit and Water Court Decree for FMW utilizing augmentation water released from storage out of Martin Alternate Reservoirs 1 and 2, with Permits and Water Court Decree(s) to be obtained by OMWA and OMSCO.

2.16 Amended Subdivision Improvements Agreement I (Beaver Court) abbreviated (ASDIA-1) means an agreement with the Board of County Commissioners of Garfield County (the County) approving construction of Beaver Court Subdivision.

2.17 Amended PUD Plan means an agreement and other documentation to be approved by the County providing for the County's amendment of the existing zoning and subdivision approvals with respect to F 4 B to allow the development of eighty-six (86) lots or units in F 4 B, or such lesser number of lots or units as OMDC shall approve, subject only to the processing of one or more amended or supplemental subdivision plats pursuant to the County's subdivision regulations and PUD section of the County's zoning resolution. The parties acknowledge that the current zoning and subdivision approvals of F 4 B provide for the potential of developing a total of 127 lots or units, together with a lodge and other facilities, in F 4 B but that, in consideration of this Agreement, OMDC has agreed to limit the future development of F 4 B to eighty-six (86) lots in addition to the eleven (11) Beaver Court lots which have subdivision approval subject only to the approval of ASDIA-1. It is further acknowledged in this regard that the three (3) subdivided lots in F 3 B are in addition to said eighty-six (86) F 4 B and eleven (11) Beaver Court lots.

2.18 Effective Dates:

2.18.1 Phase I effective date means the effective date of this Agreement which is the effective date as to Sections 4.0 and 5.0 hereof.

2.18.2 Phase II effective date means the date of approval of ASDIA 1 by the Board of County Commissioners of Garfield County, Colorado.

2.18.3 Phase III effective date means the date of approval by the Board of County Commissioners of the Amended PUD Plan for F 4 B.

2.19 "Declarant" as used in the subdivision documents and herein shall mean OMDC, as successor to Redstone Corporation, subject to the provisions of this Agreement regarding Declarant rights.

2.20. OMSCO means Oak Meadows Service Company a not for profit Colorado corporation to be organized to perform the functions herein described.

2.21 Subdivision Documents means the subdivision plats described hereinabove for Oak Meadows Subdivision; a General Declaration for Oak Meadows Ranch, No. 276560, Book 492, Page 894, restatement of Section 4.8, General Declaration, No. 292809, Book 524, Page 932, the County Records; and the By-laws of the Oak Meadows Homeowners Association, as amended.

2.22 Rules and Regulations governing the Water and Sewer Systems for F 3 and F 4 means the Rules and Regulations adopted concurrently herewith.

3.0 Conditions for Development of F 4 B.

3.1 OMDC contemplates development of F 4 B in separate tracts or parcels in a phased or sequential development. To facilitate construction and to avoid unnecessary architectural review processes, it is agreed that the condition and limitations set forth on Exhibit B attached hereto entitled "Deed Restrictions" shall be applicable, in addition to other conditions stated in the subdivision documents. The deed restrictions as set forth on Exhibit B shall be included in future conveyances from F 4 B pursuant to 8.17 of the General Declaration.

3.2 9.1 of the General Declaration provides:

"Approval of all changes to property required: Declarant contemplates transfers to third parties for pre-approved structures and uses, which will be material enducements for such transfers, for which reason no change in the existing state (sic.) of property shall be made or permitted, except by Declarant or by the Board of Directors of the Association, acting by and through the Architectural Committee."

3.3 Declarant may proceed with development of each specific tract or subdivided parcel in F 4 B provided that such development is in compliance with the General Declaration and the Deed Restrictions and subject to the approval of the Architectural Committee only to the extent required in Section 3.4.2 as hereinafter provided.

3.4 Architectural Control Committee.

3.4.1 The provisions of the first sentence of 9.3 of the General Declaration provides that:

"The Declarant shall appoint an Architectural Control Committee of not less than three nor more than five persons (which may include members of the Association Board of Directors) to serve at the pleasure of Declarant as an Architectural Control Committee."

The above section shall be applied and construed as follows:

3.4.2 OMDC ratifies and confirms appointments to the Architectural Control Committee heretofore made, including appointment of incumbents, by the Board of Directors of OMHOA and hereby appoints and confirms to the Board of Directors of OMHOA the right to make future appointments to the Architectural Control Committee subject to the condition that

until 4/5ths of F 4 B shall be built out and occupancy permits issued, OMDC reserves the right to approve or to appoint two (2) members of the Architectural Control Committee who shall be empowered to cast a majority vote as to matters coming before such Committee pertaining to structures or conditions in developing tracts in F 4 B, prior to issuance of Certificates of Occupancy; provided that any and all construction in F 4 B shall at all times comply with the Deed Restrictions. Upon issuance of a Certificate of Occupancy as to any structure in F 4 B, the provisions of 9.1 of the General Declaration shall thereafter be applicable and Architectural Control Committee review shall be required.

3.4.3 Subject to the right reserved in Section 3.4.2 above, OMDC waives the right to appoint members to the Architectural Control Committee, delegating such right to the Board of Directors of OMHOA, and waives the right to apply voting control to any building, structure or application.

3.5 Subject to the above provisions regarding the limitation of Architectural Control Committee review with respect to construction in F 4 B, the owners of subdivided lots or units within F 4 B shall be members of OMHOA. The subdivision documents shall be amended as may be required to carry out the purposes and intent of this Agreement.

4.0 Oak Meadows Service Company (OMSCO).

4.1 The parties hereto shall cause OMSCO to be created to perform and carry out the following functions:

4.1.1 To own, hold title to, operate and maintain the F 3 - F 4 water system and the F 4 sewer system subject to the provisions of this agreement and the OMSCO Operating Agreement.

4.1.2 To meet and act on matters of common interest as between F 3 - F 4 A, F 3 B and F 4 B relating to matters affecting F 3 and F 4.

4.1.3 To review plans, drawings and Amended Subdivisions in F 3 B and F 4 B and to act in an advisory capacity to OMDC in future amendments to subdivision plats, covenants and other matters of common concern.

4.2 OMSCO shall be governed pursuant to its Articles of Incorporation and Bylaws in accordance with the laws of the State of Colorado applicable to non-profit corporations.

5.0 Transfer of Title and Operations of Water and Sewer Systems.

5.1.1 On the Phase I effective date, OMDC and OMHOA shall transfer to OMSCO by Special Warranty Deed the F 3 - F 4 Water System and the F 4 Sewer System and OMHOA shall transfer to OMSCO it's interest in FMW. On the Phase I effective date, or upon the entry of a decree in the Well No. 9 case, whichever last occurs, OMDC shall transfer to OMSCO by special warranty deed Well No. 9, provided, however, in the event and to the extent

required by Garfield County in connection with the approval of ASDIA-1, OMDC may transfer Well No. 9 to OMSCO at an earlier date and in no event shall such transfer affect OMDC's obligations with respect to the Well No. 9 legal proceedings as provided in Section 5.0 of the OMSCO Operating Agreement. All groundwater rights under the Oak Meadows Subdivision and Oak Meadows Ranch shall also be transferred to OMSCO, together with all easements necessary to carry out the purposes and intent of this Agreement and the OMSCO Operating Agreement, which easements shall be conveyed by quit claim deed.

5.1.2 If transfer to OMSCO of the F 3 - F 4 water system and/or the F 4 sewer system shall be deemed invalid for any reason, then OMHOA and OMDC hereby appoint OMSCO as their respective agent to perform and carry out the functions, responsibilities and duties herein assigned to OMSCO, hereby appointing OMSCO as their respective attorney in fact to do and perform any and all acts or things necessary or useful to carry out the purposes and intent of this Agreement and of the OMSCO Operating Agreement to the fullest extent permitted by law.

5.2 On the Phase I effective date OMSCO shall take over and assume management responsibilities for the Water and Sewer Systems so conveyed in accordance with the OMSCO Operating Agreement.

5.3 OMDC, by and through its undersigned president, hereby represents, warrants and certifies that OMDC has the right, power, legal capacity and authority to enter into and perform its obligations under this Agreement, that no additional approval or consent of any person is necessary in connection herewith, and that all of the property and assets to be conveyed by OMDC to OMSCO hereunder are free and clear of all liens, encumbrances, claims and charges of any person claiming under OMDC or Redstone Corporation as its predecessor in interest.

6.0 Dispute Resolution.

6.1 Mediation. If a dispute or issue arises between the parties under the provisions of this Agreement, either party may give the other party written notice of a desire to meet to negotiate a resolution of the dispute. Such meeting shall be held promptly but not later than seven (7) days following such notice. If the parties fail to negotiate a resolution of the dispute at such meeting or at a continuation of such meeting, the parties may mutually agree to submit the dispute to mediation on such terms as the parties then agree; provided that if the parties do not so agree, either party may immediately proceed with litigation as provided in Section 6.2 below.

6.2 Litigation. If the parties fail to resolve the dispute by agreement as above provided, either party may initiate litigation asserting any and all legal and equitable remedies then available. In the event of litigation, the Court may award reasonable attorney's fees and costs to the prevailing party.

7.0 Miscellaneous.

7.1 Entire Agreement. This Agreement incorporates all of the agreements between the parties with regard to the subject matter hereof and shall not be amended or modified except by further written agreement executed by the parties hereto.

7.2 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Colorado.

7.3 Headings. The headings of sections and paragraphs in this Agreement are included for convenience only and shall not affect the construction or interpretation of its provisions.

7.4 Severability. If any provision of this Agreement, or the application of such provision to any person or circumstance, is held invalid, illegal or unenforceable, the remainder of this Agreement or the application of such provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby.

7.5 Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. It is expressly acknowledged in this regard that OMDC may assign to a successor part or all of its rights hereunder with respect to the future development of Filing 4, provided that any such assignment shall not relieve or in any way limit any obligations under this Agreement.

Dated this 1st day of AUGUST, 1995.

OAK MEADOWS DEVELOPMENT CORPORATION

By Robert Slone
President

OAK MEADOWS HOMEOWNERS ASSOCIATION

By Greg Beightel
Greg Beightel, President

OMSCO OPERATING AGREEMENT

THIS AGREEMENT made this 1st day of August, 1995 between OAK MEADOWS DEVELOPMENT CORPORATION (OMDC), OAK MEADOWS HOMEOWNERS ASSOCIATION (OMHOA) and OAK MEADOWS SERVICE COMPANY (OMSCO).

1.0 Recitals.

1.1 OMSCO has been organized to perform the functions outlined in Oak Meadows Reorganization Agreement (Reorganization Agreement), of which this Agreement is a part, identified as Exhibit A thereto. The provisions of the Reorganization Agreement are incorporated herein by reference.

1.2 This Agreement is intended to further define the duties, responsibilities and operating functions of OMSCO and the relationship between OMSCO and OMHOA, OMDC, and Oak Meadows Water Association (OMWA).

2.0 Activation of OMSCO.

2.1 August 1, 1995 is the Phase I Effective Date on which OMSCO shall acquire title to the Water and Sewer Systems in accordance with the Reorganization Agreement and shall assume operation and maintenance functions.

2.2 The Articles of Incorporation, By-laws and Rules and Regulations of OMSCO and the Agreement for Well Development with OMWA concerning FMW dated February 12, 1993 and the Addendum thereto executed contemporaneously herewith (collectively the "FMW Agreement") are ratified and approved.

2.3 OMDC will complete its customary billing of water and sewer users on or about July 20, 1995 (the July 20 billing). All monies received by OMDC on the July 20 billing shall be delivered to OMSCO on the Phase I Effective Date or as soon thereafter as such monies are received by OMDC. OMDC hereby assigns to OMSCO all accounts receivable from the July 20 billing, and all accounts receivable from prior billings which are not collected by OMDC as of July 31, 1995. OMDC will pay all bills, costs and expenses in connection with the water or sewer systems which are due or incurred prior to the Phase I Effective Date, provided that ordinary operating costs such as electricity charges shall not be prorated and all billings for such charges regularly received on or before July 31, 1995 shall be paid by OMDC and any billings for such charges received after July 31, 1995 shall be paid by OMSCO. On the Phase I Effective Date OMSCO shall assume responsibility for billing and collection of user fees, accounting with regard to the water and sewer systems and the payment of bills, costs and expenses accruing after the Phase I Effective Date for the regular operations of the water and sewer systems, subject to specific obligations of the respective parties as may be expressly provided in or pursuant to this Agreement.

2.4 On the Phase I Effective Date, OMDC will waive claims for monies advanced by OMDC to cover advances for water and sewer expenses incurred in excess of collected fees. Also, on the Phase I Effective Date, OMHOA will waive claims it may have for assessments accrued with respect to Lots 2 and 20, Area 5, Filing 4, prior to OMDC's transfer of said lots to Glenn and Sandra Hartman and Anita and Matthew MacQueen, respectively, and OMDC shall waive any further rights of contribution from OMHOA of any previously incurred costs or expenses with respect to Oak Meadows Wells Nos. 8 and 9.

3.0 Operating and Maintenance Functions.

In the management, operation and maintenance of the Water and Sewer Systems, OMSCO shall:

3.1 Collect water service fees, user fees and assessments as may from time to time be determined by the Board of Directors to be necessary for the efficient operation, maintenance and delivery of water and operation and maintenance of the sanitary sewer system in accordance with applicable laws and regulations.

3.2 To read meters, make and enforce reasonable rules for the operation of the System, and for efficient and non-wasteful use of water.

3.3 To operate, maintain and manage the sanitary sewer system and all facilities connected to or used therewith.

3.4 In general, be guided by, carry out and follow the Rules and Regulations adopted concurrently herewith or as may hereafter be amended.

4.0 Operating Principles.

The Water System and the Sewer System shall be operated in accordance with the following conditions and principles:

4.1 Water service charges shall be established on the basis of a progressive rate structure which requires users of larger quantities of water to pay progressively higher service charges for water deliveries in excess of a specified quantity to which a standard base water service rate will apply.

4.2 Subject to the progressive rate structure as above provided and subject to other special cost allocations provided in this Agreement or the Reorganization Agreement, water service charges shall be established and collected from all lot owners on a uniform, non-discriminatory basis.

4.3 Any subdivided lot for which a building permit has been issued shall pay the standard base water service rate from and after the date of issuance of the building permit, a water meter approved by the Water Company shall be installed upon connection of said lot to the water system and said lot shall thereafter pay at the standard water service charges of OMSCO.

4.4 Any subdivided lot for which a building permit has not been issued as above provided shall pay to OMSCO, from and after the date of recording of the final subdivision plat creating such lot until the issuance of a building permit for such lot, a standby charge which charge shall be one-half (1/2) of the standard base water service rate established by OMSCO.

4.5 Subject to the provisions of the FMW Agreement, Water service shall not be extended outside the boundaries of F 3 - F 4, and Lots 12 and 13, Block 1, in F 1 (the "Reeves lots") without the consent of OMHOA and OMDC. The parties hereby represent and warrant that they have made no agreements, promises or other commitments, written or oral, to extend water service from the F 3 - F 4 water system to properties other than those expressly described herein and that no other persons or properties have any right or claim to such service.

4.6 The Reeves' lots in F-1 as defined in the Reorganization Agreement are recognized as having a total of two (2) taps on the F 3 - F 4 water system but have an independent water system and do not currently receive water service from the F 3 - F 4 system. In recognition of the availability of such system and of the fire protection benefits provided by such system, each F 1 lot shall pay the standby charge established by OMSCO for subdivided lots as provided in Section 4.4. Said F 1 lots shall be obligated to pay OMSCO's standard water service rates only upon the receipt of regular water service from OMSCO. OMDC hereby acknowledges that the three (3) F 3 B lots which it currently owns are subdivided and shall be subject to the provisions of Sections 4.3 and 4.4, as applicable.

4.7 In the event the common water system is unable, for reasons of drought or otherwise, to supply the water demands of all persons entitled to service therefrom, OMSCO shall implement mandatory conservation and/or curtailment measures, provided that such measures are uniformly applied and consistently enforced with respect to all water users receiving service. In the event of any such shortage, OMSCO may take such remedial action as is necessary to enhance the water supply available, including additional well drilling and other appropriate action and the cost thereof shall be borne on a pro rata basis among the then existing and future lots entitled to service. Nothing herein shall limit OMDC's obligations under the provisions of Article 6.0 hereof.

4.8 Sewer service rates shall be uniformly established and enforced. Any subdivided Lot for which a building permit has been issued shall pay the standard base sewer service charge from and after the date of issuance of the building permit. Any subdivided Lot for which a building permit has not been issued shall pay a standby sewer charge equal to one-half (1/2) of the standard base sewer service charge. Notwithstanding the foregoing provisions of this Section 4.8, in the event the improvements to the sewage treatment facility completed pursuant to Section 7.1 are designed to serve more than the sixty-three (63) units in F 4 A and Beaver Court, the additional operation and maintenance costs, if any, attributable to such expanded sewage treatment facility over and above the cost to operate and maintain such facility to serve only such sixty-three (63) units, shall be born solely by OMDC and OMDC's grantees in F4B. In determining such additional operation and maintenance costs, if any, attributable to such expanded sewage treatment facility, the per unit cost for operation and maintenance ("O & M") of such expanded sewage treatment facility shall be compared to the per unit cost for O & M of the sewage treatment facility prior to such expansion of the facility (which costs shall be adjusted to reflect changes in the Consumer Price Index for all Urban Consumers). The amount,

if any, by which the per unit O & M cost which would otherwise be attributable to the F4A users in connection with the operation and maintenance of such expanded sewage treatment facility exceeds the CPI adjusted per unit O & M cost for F4A users prior to expansion of such facility, shall be borne solely by OMDC and OMDC's grantees in F4B and shall be paid in addition to standard sewer service charges otherwise payable by OMDC and OMDC's grantees in F4B. The foregoing provisions are intended to protect the existing F4A users from incurring additional O & M costs (except for those attributable to the normal escalation of costs as reflected by the CPI) for expansion of the sewage treatment facility to serve lots in F4B.

4.9 Subject to conditions stated in the Reorganization Agreement and in this Agreement, the Water System shall be operated, maintained and improved so as to provide an assured supply of water to existing water users in F 3 - F 4 A and to future water users in F 3 B and F 4 B from the F 3-F 4 water system as defined in 2.8 of the Reorganization Agreement, supplemented by OMHOA's share of FMW as defined in 2.9 of the Reorganization Agreement and as further defined in the FMW Agreement, as amended, subject to the provisions of Article 6.0 of this Agreement.

4.10 The Sanitary Sewer System shall be operated, maintained and improved as necessary to supply sanitary sewer service to existing users in F 4 A, and to future users in F 4 B, subject to the provisions of Section 7.1 of this Agreement.

4.11 For purposes of this Agreement, water requirements for existing F 3 - F 4 A lots and for F 3 B and F 4 B lots to be developed in the future are set forth in the Water Usage Summary with accompanying analysis (Water Summary) attached to the Reservoir and Water Rights Lease Agreement attached hereto as Exhibit "A", which water requirements shall be used by OMSCO in operating the F 3 - F 4 water system pursuant to this Agreement, subject to the provisions of Article 6.0 hereof.

4.12 OMDC shall be responsible for the installation of all water lines and other facilities required to extend water services from the terminus of the existing water supply lines to Beaver Court, F 3 B and F 4 B lots to be developed in the future. Likewise, OMDC shall be responsible for the installation of all sewer lines and other facilities required to extend sewer service from the terminus of the existing sewer lines to Beaver Court and F 4 B lots to be developed in the future. OMDC shall also be responsible for the installation of any and all other improvements determined by OMSCO to be necessary to provide water and/or sewer service to F 3 B and F 4 B, provided that such improvements shall not include those matters which are part of the regular maintenance of OMSCO's water and sewer systems, except for excess charges attributable to operation and maintenance of the expanded sewage treatment facility as provided in Section 4.8 above. Subject to the foregoing, OMSCO shall not impose or collect any water connection charges or sewer connection charges with respect to lots or units hereafter built in F 3 B and F 4 B.

5.0 Well No. 9, Legal Proceedings.

5.1 Subject to OMDC's obligation to transfer Well No. 9 to OMSCO pursuant to section 5.1.1. of the Reorganization Agreement, OMDC will diligently pursue to completion a Change of Water Rights proceeding now pending in the District Court, Water Division No. 5, Case No. 93CW222 (Well No. 9 Case) and diligently pursue obtaining of required permits from

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the State Engineer's office, including correction of the discrepancy in the location of Well No. 9 appearing in the initial application in the Well No. 9 Case. OMDC shall also diligently pursue correction of the location of Motz Well No. 6 as previously decreed. The costs of such proceedings with respect to Well No. 9 and Motz Well No. 6 shall be paid by OMDC. OMHOA will withdraw objection to Change of Water Rights in the Well No. 9 case.

6.0 FMW Augmentation Proceeding.

6.1 OMSCO, as successor owner of OMHOA's share of FMW, shall diligently pursue to completion required legal proceedings to obtain an augmentation plan decree in the District Court, Water Division No. 5 for FMW for the use and benefit of present and future water users in F 3-F 4 A and F 3 B and F 4 B. The costs of such proceedings shall be paid by OMDC to OMSCO, and OMDC shall assume direction of the proceedings until OMDC declines participation in such proceedings, subject to OMHOA's right to pursue a Decree as herein provided. OMDC shall be responsible for providing replacement water to satisfy such augmentation requirements, from Martin Reservoir Alternates 1 and 2. Such proceedings shall be carried on in a coordinated manner with OMWA.

6.2 In the event OMSCO's augmentation application is denied in spite of due diligence and best efforts by OMSCO and OMDC, alternative sources of water for future development shall be pursued by OMSCO at the request and expense of OMDC subject to the express condition that OMSCO determines that such alternative sources will not impair a firm water supply for F 3-F 4 A according to quantities described on the Water Summary attached hereto. Satisfaction of such conditions shall require that an alternate physical water diversion structure (i.e. well or facility to treat surface water) be provided at OMDC's effort and expense. OMDC shall not rely on excess physical supply from Wells 6 or 9 to satisfy this requirement. It is understood, however, that OMSCO shall, at OMDC's request, transfer any excess unused water rights decreed to Wells 6 and 9, and not required in the Change of Water Rights decree pursuant to Section 5.1, to an alternate water diversion structure provided that OMSCO determines that such transfer will not impair a firm water supply for F 3 - F 4 A.

6.3 OMDC reserves the right to decline participation in such augmentation proceeding on FMW in the event the County shall refuse to approve ASDIA-1 as to eleven (11) lots in Beaver Court, or if the County shall fail to approve the amended PUD plan as to F 4 B.

6.4 In the event OMDC declines participation in such FMW augmentation proceeding and unless and until OMDC provides an additional alternate water source pursuant paragraph 6.2, the OMSCO water system shall not supply water to any additional lots in F4 B.

6.5 Notwithstanding the foregoing provisions of this Section 6, if, on or before October 31, 1998, OMDC fails for whatever reason to direct and pay for the proceedings to obtain a decree (the FMW decree) to provide for the delivery of water from FMW to the OMSCO water system, then OMHOA may thereafter, at its option and expense, take action to obtain the decree. In addition, if at any time, the water supply to the OMSCO water system becomes inadequate to supply the needs of F3 - F 4 A, F 3 B and the Beaver Court lots according to the quantities described on the Water Summary attached hereto, and if at such time OMDC is not diligently seeking or has not obtained the FMW decree, OMHOA may initiate,

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through OMSCO, a substitute or supplementary water supply plan or such other action as is necessary to divert the water from FMW to the OMSCO water system. In the event OMHOA acts under the provisions of this paragraph to obtain the decree, and if OMDC thereafter desires to obtain water service from OMSCO for lots in F4 B, OMDC shall reimburse OMHOA for all legal and engineering costs incurred by OMHOA in obtaining such decree; provided that in such event, OMSCO shall serve only that number of units in F4 B for which there is an excess available water supply over and above the requirements for F3-F4 A, F3 B and Beaver Court lots as determined in accordance with the quantities described on the Water Summary.

6.6 OMSCO and OMWA have entered into a Reservoir and Water Rights Lease Agreement (Lease) with Pitkin Iron Corporation (Pitco) pursuant to which water storage rights in Martin Reservoir No. 1 and Martin Reservoir No. 2 as decreed in Case Nos. 92CW041 and 92CW042, respectively, in the Water Court for Water Division No. 5 shall be made available for the augmentation of FMW, a copy of which Lease is attached hereto and incorporated herein by this reference.

7.0 Sewer Discharge Permit and Improvements.

7.1 OMSCO as successor to OMDC and OMHOA, will diligently pursue completion of an Application for Waste Water Discharge Permit from the Colorado Department of Health, which proceedings have been initiated by Schmueser, Gordon & Meyer pursuant to arrangements with OMDC. OMSCO shall, in addition, make such changes, improvements and betterments to the Sewer Treatment System as shall be required by the Colorado Department of Health to meet the present requirements of F 4 A and future requirements of Beaver Court and F 4 B lots. The costs hereafter incurred in obtaining such permit, including engineering costs, shall be shared, except that the fifty-two (52) units in F 4 A shall not be required to contribute in excess of \$750.00 per unit, with the costs in excess of that amount to be paid by OMDC. The \$750.00 to be contributed by each of the fifty-two (52) units in F4 A shall be contributed only after the effective date of said Discharge Permit and after OMSCO grants a construction contract for the installation of such improvements; provided that upon the occurrence of both such events such \$750.00 contribution by the owners of said F 4 A units shall be payable in twelve equal monthly installments of \$62.50 each commencing on or before the tenth (10th) day of the second (2nd) month following the month in which the construction of such improvements is actually commenced and continuing monthly thereafter. If such Permit seeks the right to serve more than the sixty-three (63) units in F4 A and Beaver Court and unless and until such Permit is issued, all costs incurred in connection with such application shall be borne by OMDC and if such Permit is not issued, no contribution shall be made by F 4 A lots for such costs; provided that to the extent that engineering, plans, specifications, drawings and other documents prepared by Schmueser, Gordon & Meyer are used in any subsequent application by OMSCO or OMHOA for an alternative discharge permit to serve the fifty-two (52) units in F 4 A and the eleven (11) units in Beaver Court, such units shall bear a proportionate share of such costs as determined by OMSCO. Provided, that OMDC reserves the right to decline participation in the event the County refuses to approve ASDIA-1, in which event the Application for discharge permit and modifications to the Sewer Treatment System shall be limited to those required by existing users in F 4 A.

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8.0 Additional Water Storage and Other Improvements.

8.1 Conditioned upon, and within one (1) year following, ASDIA-1 and the date upon which ASDIA-1 entitles OMDC to convey the eleven (11) lots in Beaver Court, OMDC agrees to install to operational condition an additional water storage tank with connecting pipeline, instrumentation and chlorination facilities to be approved by Schmueser, Gordon & Meyer according to the following:

(a) OMDC will install the existing dismantled 250,000 gallon redwood storage tank on Lots 10 and/or 11 of Block 3, Filing 3, Oak Meadows Subdivision provided that OMHOA obtains the necessary easement or easements to allow such installation and provided further that the existing dismantled redwood tank is in a suitable condition for installation; or,

(b) In the event such tank cannot be installed as described in Paragraph (a), then alternative storage shall be installed by OMDC at a location determined by OMSCO to be suitable and feasible with the new storage to be installed by OMDC to have a capacity of not less than 100,000 gallons of which at least 50,000 gallons shall be installed on Lots 10 and/or 11 of Block 3, Filing 3 provided that OMHOA acquires the necessary easement or easements to allow such installation and at least 50,000 gallons of such storage shall be installed and located in a manner to serve all of F 4 A and F 4 B. In the event easements cannot be obtained for installation of at least 50,000 gallons of such new storage on Lots 10 and/or 11 of said Block 3, at least 50,000 gallons of such storage shall be installed at another location in Block 3 of Filing 3.

(c) The improvements to be installed by OMDC to complete such additional water storage with connecting pipeline, instrumentation, and chlorination facilities to operational condition shall be in accordance with plans and specifications established by Schmueser Gordon Meyer and reviewed by an engineer designated by OMHOA, which improvements shall provide for the delivery of water from Well Nos. 6 and 9 to the new storage tank in Filing 3 and the delivery of water from such new storage tank to F3A and F4A in accordance with the quantities described on the Water Summary. In addition, OMDC shall be solely responsible for such additional improvements as may be necessary to provide for the delivery of water from the F3-F4 water system to the lots in Beaver Court, F3B and F4B as and when such lots are developed.

(d) As to each and every water storage tank installed by OMDC pursuant to this Section 8.1, OMDC shall warrant title against any and all liens and encumbrances.

8.2 Upon OMDC's completion of the additional water storage and improvements pursuant to Section 8.1 above, and at such time as OMSCO deems it necessary and appropriate, OMHOA (with contribution from OMWA pursuant to the Addendum to Agreement for Well Development executed concurrently herewith) shall relocate and/or install pumps in FMW and in the water storage tank for Filing 2 as necessary to deliver water from FMW to the storage tank in Filing 2 in combination with the tanks in Filing 4 and from such tank in Filing 2 to the new storage tank in Filing 3 at a rate as determined by OMSCO. Such installation shall include all necessary controls and wiring between the storage tank in Filing 2 and the new storage tank in Filing 3. It is understood and acknowledged in this regard that the pumping to deliver water from the storage tank in Filing 2 to the new storage tank in Filing 3 will be controlled to start

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at a storage tank water level below the water level at which Wells 6 and/or 9 will be controlled to start. In addition, OMHOA (with contribution from OMWA as above provided) shall install such improvements, in addition to those installed by OMDC under Section 8.1 above, as necessary to allow the delivery of water from the new storage tank in Filing 3 to a pipeline to the fire hydrant adjacent to the Reeves lots and to allow domestic water service to the Reeves lots from the waterline serving such fire hydrant, subject to OMSCO's regular water service charges.

9.0 Dispute Resolution.

9.1 **Mediation.** If a dispute or issue arises between the parties under the provisions of this Agreement, either party may give the other party written notice of a desire to meet to negotiate a resolution of the dispute. Such meeting shall be held promptly but not later than seven (7) days following such notice. If the parties fail to negotiate a resolution of the dispute at such meeting or at a continuation of such meeting, the parties may mutually agree to submit the dispute to mediation on such terms as the parties then agree; provided that if the parties do not so agree, either party may immediately proceed with litigation as provided in Section 9.2 below.

9.2 **Litigation.** If the parties fail to resolve the dispute by agreement as above provided, either party may initiate litigation asserting any and all legal and equitable remedies then available. In the event of litigation, the Court may award reasonable attorney's fees and costs to the prevailing party.

10.0 Miscellaneous.

10.1 **Entire Agreement.** This Agreement incorporates all of the agreements between the parties with regard to the subject matter hereof and shall not be amended or modified except by further written agreement executed by the parties hereto.

10.2 **Governing Law.** This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Colorado.

10.3 **Headings.** The headings of sections and paragraphs in this Agreement are included for convenience only and shall not affect the construction or interpretation of its provisions.

10.4 **Severability.** If any provision of this Agreement, or the application of such provision to any person or circumstance, is held invalid, illegal or unenforceable, the remainder of this Agreement or the application of such provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby.

10.5 Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. It is expressly acknowledged in this regard that OMDC may assign to a successor part or all of its rights hereunder with respect to the future development of Filing 4, provided that any such assignment shall not relieve or in any way limit any obligations under this Agreement.

OAK MEADOWS DEVELOPMENT CORPORATION

By *Robert Dulaney*
President

OAK MEADOWS HOMEOWNERS ASSOCIATION

By *Greg Beightel*
Greg Beightel, President

OAK MEADOWS SERVICE COMPANY

By *Gregory Beightel*

RESERVOIR and WATER RIGHTS LEASE AGREEMENT

THIS AGREEMENT made this 1st day of August, 1995 between PITKIN IRON CORPORATION (PITKIN), OAK MEADOWS SERVICE COMPANY (OMSCO) and OAK MEADOWS WATER ASSOCIATION (OMWA), LESSEES, and OAK MEADOWS DEVELOPMENT CORPORATION, (OMDC),

W I T N E S S E T H:

WHEREAS, PITKIN has agreed to make available to OMSCO and to OMWA stored water for augmentation of the Four Mile Creek Well #1 (FMW) for the use and benefit of OMSCO in meeting water requirements of Oak Meadows Filings 3, 4 and two lots in Filing 1 and for the use and benefit of OMWA in supplying water to Filing 2, Oak Meadows Subdivision.

WHEREAS, PITKIN is the owner of Martin Reservoir Alternate No. 1 for 9.25 acre feet and Martin Reservoir Alternate No. 2 for 13.7 acre feet (hereinafter the "Martin Reservoirs") as decreed in Case No. 5884, 84CW151, 92CW041, and 92CW042 in the District Court in and for Water Division No. 5, Colorado for domestic and irrigation purposes for the combined storage capacity of approximately 25 acre feet.

WHEREAS, PITKIN provides augmentation water to OMWA to permit pumping from FMW under Storage Water Service Contract dated as of September 20, 1993 in consideration of a monthly fee paid by OMWA of \$175 each month in advance until September 20, 1995 and \$225 per month for the third year of said Contract,

WHEREAS, by this Agreement, OMWA is granted the right to acquire a permanent lease on storage water rights for augmentation of FMW to meet future demands of Oak Meadows Filing 2 under the terms hereinafter stated,

WHEREAS, PITKIN has agreed to make available to OMSCO stored water up to 20 acre feet annually from Martin Reservoirs for augmentation of FMW to serve F3, F4, and 2 lots in F1, Oak Meadows Subdivision together with the option to acquire a permanent Lease on said storage water rights under the conditions hereinafter stated,

WHEREAS, OMDC as owner of undeveloped building sites in F3 and F4, Oak Meadows Subdivision has agreed to provide water supplemental to the existing F3/F4 water system through the use of FMW, augmented by the Martin Reservoirs,

WHEREAS, this Agreement is entered to implement and carry out provisions of the Implementing Agreements, hereinafter identified.

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EXHIBIT "A" TO
OMSCO OPERATING AGREEMENT

THEREFORE, in consideration of the premises and the mutual covenants herein contained IT IS AGREED AS FOLLOWS:

1.0 Inclusions.

1.1 The following documents, herein referred to as "Implementing Agreements", together with the definitions therein contained are incorporated herein by reference to the extent applicable, which documents are dated as of the 1st day of August, 1995, to-wit:

Oak Meadows Reorganization Agreement (Reorganization Agreement)

OMSCO Operating Agreement (Operating Agreement)

Addendum to Agreement For Well Development (FMW Agreement).

2.0 OMWA Storage Water Service Agreement.

2.1 The Storage Water Service Agreement is merged herein and modified as follows:

2.1.1 Term of said Agreement is confirmed to September 20, 1998; the monthly payments thereunder shall be \$175 per month until September 20, 1995 at which time and thereafter for the duration of said Agreement the monthly payment shall be \$225 per month.

2.1.2 Except as modified herein, the Storage Water Service Agreement shall remain in full force and effect.

3.0 OMWA Option.

3.1 At any time during the Storage Water Service Agreement term, OMWA may give notice to PITKIN of intent to exercise an Option, hereby granted, to acquire a permanent lease of up to 5 acre feet annually of water stored in the Reservoirs to augment water pumped from FMW to serve Filing 2 and, if required, to meet objections to production from FMW by nearby water well users.

3.2 As full consideration for said leasehold rights OMWA shall pay PITKIN the sum of Twenty-Five Thousand Dollars (\$25,000.00).

OMWA may exercise said Option for less than 5 acre feet of stored water with proportionate reduction in price. Payment may be made in one lump sum at the time this Option is exercised, or deferred by payment of cash in the sum of Fifteen Thousand Dollars

(\$15,000) at the time this Option is exercised and execution of Promissory Note payable on or before one year from date of exercise of Option in the sum of Ten Thousand Dollars (\$10,000) plus accrued interest on the deferred balance at the rate of 10% per annum.

3.3 This Option shall terminate upon termination of the Storage Water Service Agreement as amended under Paragraph 2.0 hereof.

4.0 OMSCO's Rights to Reservoir Storage Water.

4.1 PITKIN grants OMSCO the right to acquire a permanent Lease on not to exceed 20 acre feet of Martin Reservoir water storage rights for augmentation of FMW for the uses and purposes set forth in the Implementing Agreements.

4.2 This Option may be exercised by OMSCO by giving written notice to PITKIN at any time on or prior to October 31, 1998.

4.3 This Option to enter a permanent Lease on the Reservoirs shall be considered exercised and said Lease shall become effective (the "effective date") on the first day of the month following:

(a) Entry of Decree providing for augmentation from the Reservoirs of FMW in Case No. 92CW350, District Court Water Division No. 5 or any alternative water rights proceeding in said Court and

(b) Approval by the Board of County Commissioners of Garfield County of Phase III as defined in the Implementing Agreements.

It is intended in this regard that if said Board of County Commissioners approves an additional eighty-six (86) lots or units in F4B as defined in the Reorganization Agreement, OMSCO's permanent Lease hereunder shall include all of the storage water rights in the Martin Reservoirs except those rights leased to OMWA hereunder, provided that such storage water rights leased to OMSCO shall not exceed twenty (20) acre feet annually. In the event said Board of County Commissioners approves and OMDC accepts an amended PUD plan for fewer than eighty-six (86) lots or units in F4B, the Martin Reservoir water storage rights permanently leased to OMSCO hereunder may, at OMDC's option, be reduced proportionately. For example, in the event the Board of County Commissioners approves and OMDC accepts an amended PUD plan for seventy-five (75) lots or units in F4B, the amount of storage water rights leased by OMSCO hereunder may be reduced to seventy-five eighty-sixths (75/86ths) of the water storage rights available in the Martin Reservoirs as above-provided; provided that in such event the water storage rights leased to OMSCO shall not be less than such proportionately

reduced amount.

4.4 As consideration for such Reservoir storage rights for the benefit of F3/F4, OMDC shall pay PITKIN the sum of One Thousand Five Hundred Dollars (\$1,500.00) for each lot sold from F3B and F4B. Neither OMSCO or OMWA shall have any responsibility to pay or require that such payments be made, and the failure by OMDC to make such payments shall not impair or invalidate any rights of OMWA or OMSCO that may then exist.

4.5 The quantity of Martin Reservoir water leased to OMSCO hereunder shall be limited to FMW augmentation requirements needed to make deliveries under the criteria and according to the quantities set forth upon Exhibit "A" which is required to serve the number of sites which OMDC shall be permitted to develop in F3 and F4.

5. OMSCO Purchase Option.

In the event and to the extent that on or before October 31, 1998, (a) an augmentation plan for FMW is not obtained by OMDC or OMSCO under the provisions of Section 6.0 of the OMSCO Operating Agreement; or (b) Garfield County does not finally approve F4B on a basis acceptable to OMDC; or (c) the water requirements under the Water Use Summary are not met, OMHOA shall, in the exercise of its rights under the provision of said Section 6.0, have the option to lease in the name and for the benefit of OMSCO, part or all of the unused storage water in the Martin Reservoirs not subject to option and lease of OMWA hereunder, provided that nothing herein shall be construed to relieve OMDC of any obligations regarding the FMW augmentation proceedings under the OMSCO Operating Agreement. OMHOA may exercise such option by giving PITKIN written notice, specifying the quantity of water to be optioned, not later than April 1, 1999 and by making payments according to one of the following options:

(a) By payment of \$5,000.00 per acre foot upon exercise of said option; or

(b) By payment of one-half (1/2) of the purchase price on the date of exercise of option and one-half (1/2) one year thereafter, based on a rate of \$7,500.00 per acre foot; or

(c) By payment of one-third (1/3) of the purchase price upon exercise of option, one-third (1/3) one year thereafter and one-third (1/3) two years thereafter, based on a rate of \$10,000.00 per acre foot.

6.0 Conditions of Lease.

6.1 From and after the Effective Date, OMWA and OMSCO and any subsequent Lessees or owners of unused or unleased water stored in the Reservoirs shall assume responsibility for the operation and maintenance of the Reservoirs, paying their pro rata share of all costs necessary or associated therewith, including property taxes, insurance, maintenance of the intake ditches, outlets, and other facilities used or connected therewith as may be required to keep the Reservoirs in a safe, well-maintained, clean and orderly condition, and in compliance with all state and federal laws and regulations concerning the same. OMSCO (and PITKIN, if PITKIN has unleased water held in storage in the Reservoirs) shall maintain and make repairs from time to time as may be necessary to keep the Reservoirs in operating condition. OMWA and OMSCO along with any other owner/lessee of additional amounts of water held in storage not leased hereunder shall carry public liability insurance, with PITKIN as a named insured in an amount of not less than One Million Dollars (\$1,000,000.00) during the continuance of this Lease, each party paying its pro rata share.

7.0 Delivery of Water.

7.1 OMWA, OMSCO, and PITKIN will prepare a written schedule of anticipated monthly demand for the release of water from the Reservoirs during the succeeding regulated season (April through October) and shall periodically revise said schedule as necessary to reflect its expected demand schedule based on current water conditions.

7.2. The operation and maintenance of the Reservoirs shall be performed by a mutually agreed upon person by OMSCO, OMWA and PITKIN and payment of any fee shall be made in proportion to the amounts of water each owns or leases in such manner as is necessary to maintain the quantity of water available through such facilities at the highest level reasonably attainable. Pro rata shares shall be determined by the number of acre feet leased by any party divided by the number of acre feet of storage capacity in the reservoirs.

7.3 The Reservoir operator shall keep detailed records of Reservoir operations including quantity stored, quantity released to meet augmentation commitment, and quantity lost to transpiration and seepage.

Water release commitments shall not exceed available water storage capacity. In the event of a deficiency of available stored water to meet commitments, OMWA shall be accorded a preference and a first priority for water up to their leased and declared demand.

In the event stored water available for release on demand

to meet OMSCO's augmentation requirements shall become deficient, PITKIN will, within one year following declaration of deficiency, increase storage delivery capability by sealing the Reservoirs with bentonite, or taking other appropriate measures, at a cost and for an amount not to exceed payments then received from OMWA and/or OMSCO following exercise of Options, plus Twelve Thousand Five Hundred Dollars (\$12,500).

7.4 The delivery of water shall be made into Four Mile Creek at the outlet structure of the Martin Reservoirs in accordance with state laws and regulations as approved by the Division No. 5 engineer.

8.0 PITKIN's Obligations.

8.1 Pending exercise of Options, PITKIN shall operate and maintain the reservoirs making releases in water in accordance with the provisions of this Agreement and the implementing agreements, to the extent applicable.

9.0 PITKIN's Reserved Rights.

9.1 It is mutually understood that this Lease is for the diversion of storage and release of augmentation water and for the purpose of operation and maintenance of the Reservoirs and related facilities including any and all necessary easements to access such reservoirs. The use and possession of the Reservoir premises for other purposes that will not impair or interfere with OMWA's and OMSCO's operation is reserved to PITKIN, including, but without limitation, the right to use the Reservoirs for piscatorial and recreational purposes at its sole risk without claim against OMWA or OMSCO for any damages that may be the result of such use. Neither OMWA nor OMSCO shall have any obligation to improve the Reservoirs or lands surrounding to accommodate recreational users or fisherman, or make safe for such uses. PITKIN herein indemnifies OMWA and OMSCO for any damages or claim that may be made as a result of said recreational and/or fisherman use of said Reservoirs, including costs, attorneys' fees and expert witness fees actually incurred.

9.2 Enlargement of the Reservoirs. Nothing shall prevent PITKIN from enlarging said Reservoirs and obtaining use and benefit of any additionally stored water; however, in no event shall such enlargement interfere with the right of OMWA and OMSCO to receive water under this Lease.

PITKIN's reserved right to make changes and improvements on the Reservoirs so as to increase the storage capacity thereof, at the sole cost of PITKIN, which shall be without detriment or harm to OMWA's and OMSCO's rights hereunder. During construction of any such changes or enlargements, PITKIN may provide releases of augmentation water from another Reservoir or Reservoirs adjudicated

of any such changes or enlargements, PITKIN may provide releases of augmentation water from another Reservoir or Reservoirs adjudicated under the Martin Reservoir Decree, which are acceptable to the Division Engineer and which meet augmentation requirements to the same extent as would otherwise be provided from the reservoirs.

10.0 Other Conditions.

10.1 Default. No party shall be considered to be in default with respect to any obligations hereunder if prevented from fulfillling such obligation by reason of uncontrollable forces. The term "uncontrollable forces" being deemed, for the purpose of this Lease, to mean any cause beyond the control of the party affected, including, but not limited to, flood or earthquake, which by exercise of due diligence and foresight such party could not reasonably have been expected to avoid.

10.2 Termination of the Leases. Notwithstanding the provisions specified herein, all parties shall abide by any lawful notice, order, or final administrative or judicial determination of the United States or the State of Colorado directly relating to and affecting water delivery hereunder. OMSCO and/or OMWA may terminate or reduce the amount leased by giving written notice to PITKIN at least sixty (60) days prior to that date. PITKIN shall in no event terminate the Lease for any reasons, except in the event of a default in which event PITKIN shall afford the defaulting party an opportunity to cure such default by giving written notice to the defaulting party listing all reasons for the default upon receipt of which such defaulting party shall have sixty (60) days to cure.

10.3 Notices. Any notice, demand, or request authorized or required by this Lease shall be deemed to have been given when mailed, postage prepaid, or delivered to the following persons, or successor persons as shall hereafter be designed with notice to the other parties hereto:

Notice to OMWA:

President
Oak Meadows Water Association
0839 Sunking Drive
Glenwood Springs, CO 81601

With copy to:

Sherry A. Caloia, Esq.
Caloia, Hout & Light, P.C.
1204 Grand Avenue
Glenwood Springs, CO 81602

Notice to OMSCO:

President
Oak Meadows Service Company
0067 Sunking Drive
Glenwood Springs, CO 81601

With copy to:

Dan Kerst, Esq.
Schenk, Kerst & deWinter
302 Eighth Street, Suite 310
Glenwood Springs, CO 81601

Notice to PITKIN
and OMDC:

Robert Delaney, Esq.
Delaney & Balcomb, P.C.
P. O. Drawer 790
Glenwood Springs, CO 81602

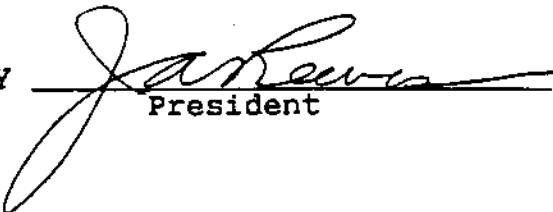
11.0 Assignment.

11.1 PITKIN shall have the right of assignment. OMWA and OMSCO shall not assign without written consent of PITKIN.

12.0 Binding Effect. The terms and conditions of this Agreement shall be binding upon the parties, their successors and assigns.

DATED and signed as of the day and year above written.

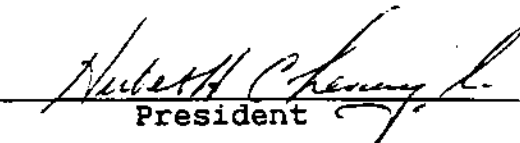
PITKIN IRON CORPORATION

By 
President

ATTEST:


Secretary


OAK MEADOWS WATER ASSOCIATION

By 
President

ATTEST:


Secretary

OAK MEADOWS SERVICE COMPANY

By 
President

ATTEST:

Ralph Delaney
Secretary

OAK MEADOWS DEVELOPMENT CORPORATION

By Robert Delaney
President

ATTEST:

Robert J. Delaney
Secretary

SECTION 3

OAK MEADOWS WATER SUMMARY

SHOWS WATER USAGE UP TO 72 GPM

OF THE 85 FUTURE LOTS 45 AT 750 SF AND

40 LOTS AT 1400 SF

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OAK MEADOWS
WATER USAGE SUMMARY

EXISTING, BEAVER COURT AND 85 FUTURE UNITS SUMMARY
[USE SAME #'S AS AVG PLAN]

AREA	MAX DAY USAGE [GPD]	MAX DAY USAGE [GPM]	ANNUAL DIVERSION [AF]	ANNUAL C.U. [AF]
FILING 1, LOT 3	1,739	1.2	0.774	0.347
FILING 3	7,665	5.3	8.474	1.031
FILING 4 AREA 4	13,626	9.5	11,509	1,833
FILING 4 AREA 5	34,764	24.1	15,472	6,941
SUB TOTAL FOR EXISTING USE	57,793	40.1	34,229	10,152
BEAVER COURT	4,694	3.3	3,958	0.63
SUB TOTAL FOR EXISTING AND BEAVER COURT	62,477	43.4	38,185	10,782
FUTURE 85 UNITS	18161	13.3	16,185	2,578
45 UNITS AT 750 SF	22087	15.3	15,981	3,408
40 UNITS AT 1400 SF	41248	28.6	32,166	5,986
FUTURE UNITS TOTAL				
TOTAL EXISTING PLUS BEAVER COURT AND 85 FUTURE UNITS	103,725	72	70	17

SUMPTIONS:

- FILING 1 LOT 3 LAWN IRRIGATION = 7500 SF
- FILING 4 AREA 4 LAWN IRRIGATION = 750 SF
- FILING 4 AREA V LAWN IRRIGATION = 7500 SF
- FILING 3 LAWN IRRIGATION = 750 SF
- BEAVER COURT LAWN IRRIGATION = 750 SF
- 100 FUTURE LAWN IRRIGATION = 750 SF FOR 45 LOTS AND 1400 SF FOR 40 LOTS

85 UNIT ADDITION
USAGE AND C.U. ANALYSIS

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
DAYS	# OF UNITS	CAB PER UNIT	GAL PER CAPTA DAY (GAL/CD)	DOM. IN HOUSE (GPM)	DOM. IN HOUSE (GPM)	LAWN IRR (GPM)	TOTAL IRR (GPM)	TOTAL IRR (GPM)	% OF ANN ET (%)	ANNUAL IRR (GPM)	% EFF (%)	TOTAL IRR PER MO (GPM)	IRR PLUS DOM. PER MO (GPM)	GPM	GPM	IRR C.U. (GPM)	DOMES C.U. (GPM)	TOTAL C.U. (GPM)		
31	40	3.5	80	11200	1086	1400	56000	1286	0	187	0.7	0.000	1.086	11200	7.7778	0.000	0.085	0.085		
28	40	3.5	80	11200	0.962	1400	56000	1286	0	187	0.7	0.000	0.962	11200	7.7778	0.000	0.085	0.085		
31	40	3.5	80	11200	1.068	1400	56000	1286	0	187	0.7	0.000	1.031	11200	7.7778	0.000	0.082	0.082		
30	40	3.5	80	11200	1.031	1400	56000	1286	14.73	187	0.7	0.506	1.571	18517.1	11.47	0.354	0.085	0.439		
31	40	3.5	80	11200	1.068	1400	56000	1286	28.19	187	0.7	1.002	2.034	22067.8	16.339	0.702	0.082	0.784		
30	40	3.5	80	11200	1.031	1400	56000	1286	15.74	187	0.7	0.903	1.898	20548.3	14.985	0.632	0.085	0.717		
31	40	3.5	80	11200	1.068	1400	56000	1286	13.62	187	0.7	0.541	1.606	19681.7	11.723	0.378	0.082	0.410		
31	40	3.5	80	11200	1.031	1400	56000	1286	0.44	187	0.7	0.468	1.499	16280.3	11.306	0.327	0.082	0.096		
31	40	3.5	80	11200	1.068	1400	56000	1286	0	187	0.7	0.015	1.081	11356.8	7.8481	0.011	0.082	0.082		
30	40	3.5	80	11200	1.031	1400	56000	1286	0	187	0.7	0.000	1.031	11200	7.7778	0.000	0.082	0.082		
31	40	3.5	80	11200	1.068	1400	56000	1286	0	187	0.7	0.000	1.068	11200	7.7778	0.000	0.085	0.085		
365					12.548				100			3.434	18.981			2.404	1.004	3.408		

85 UNIT ADDITION
USAGE AND C.U. ANALYSIS

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
DAYS	# OF UNITS	CAP. PER UNIT	GAL PER CAPITA DAY	DOM. IN HOUSE	DOM. IN HOUSE	LAWN M/R	TOTAL M/R	TOTAL M/R	% OF ANN. ET	ANNUAL M/R	% EFF.	TOTAL M/R PER MO	M/R PLUS DOM. PER MO	SPD	GRM	M/R C.U.	DOMESTIC C.U.	TOTAL CU		
			(GPD)	(GPD)	(GPD)	(M/R)	(M/R)	(M/R)	(%)	(M/R)	(%)	(M/R)	(M/R)	(GPD)	(GPD)	(M/R)	(M/R)	(M/R)		
31	45	3.5	80	12600	1.199	750	33750	0.775	0	1.87	0.7	0.000	1.199	12600	8.75	0.000	0.098	0.098		
28	45	3.5	80	12600	1.063	750	33750	0.775	0	1.87	0.7	0.000	1.063	12600	8.75	0.000	0.097	0.097		
31	45	3.5	80	12600	1.199	750	33750	0.775	0	1.87	0.7	0.000	1.199	12600	8.75	0.000	0.098	0.098		
30	45	3.5	80	12600	1.199	750	33750	0.775	14.73	1.87	0.7	0.305	1.504	15804.5	10.876	0.213	0.098	0.509		
31	45	3.5	80	12600	1.199	750	33750	0.775	28.18	1.87	0.7	0.604	1.784	18181.8	13.907	0.433	0.098	0.518		
30	45	3.5	80	12600	1.199	750	33750	0.775	15.74	1.87	0.7	0.544	1.743	18317.4	12.72	0.351	0.098	0.477		
31	45	3.5	80	12600	1.199	750	33750	0.775	19.82	1.87	0.7	0.328	1.528	16024.2	11.128	0.228	0.098	0.280		
30	45	3.5	80	12600	1.199	750	33750	0.775	0.44	1.87	0.7	0.282	1.442	12895.7	8.5165	0.197	0.098	0.102		
31	45	3.5	80	12600	1.199	750	33750	0.775	0	1.87	0.7	0.000	1.199	12600	8.75	0.000	0.098	0.098		
30	45	3.5	80	12600	1.199	750	33750	0.775	0	1.87	0.7	0.000	1.199	12600	8.75	0.000	0.098	0.098		
31	45	3.5	80	12600	1.199	750	33750	0.775	0	1.87	0.7	0.000	1.199	12600	8.75	0.000	0.098	0.098		
305					14.115				100			2.070	16.145			1.448	1.128	2.578		

EXHIBIT B
TO OAK MEADOWS
REORGANIZATION AGREEMENT

DEED RESTRICTIONS

The following conditions, restrictions and provisions shall be applicable to construction in Areas I, II, III, VI and VII shown on Plat recorded as Document No. 276561 in the records of the Clerk and Recorder of Garfield County, Colorado. These conditions are supplemental to the General Declaration for Oak Meadows Ranch, Garfield County, Colorado recorded in Book 492, Page 894, Garfield County Clerk and Recorder's office, and are issued pursuant to the provisions of 8.17 thereof, appearing in Book 492, Page 908, Garfield County Clerk and Recorder's office such restrictions being as follows:

1. The setback provisions of the Garfield County Land Use Code and amendments thereto shall be applicable.

2. Minimum size.

2.1 Single-family Unit: Minimum size - 2,000 sq. ft.

2.2 Multiple-family dwellings and condominium dwelling units (CONDO): Each unit, including kitchen or housekeeping facilities shall have a minimum size of 1,200 sq. ft. Provided, that any unit with less than 1,400 sq. ft. shall require approval of OMSCO.

All measurements shall be on outside foundation walls, not including open porches, garages, or carports or common elements.

2.3 All structures shall be constructed of either brick, stone, lumber, or a combination thereof. The use of cinder blocks shall not be allowed unless it is faced with another material herein approved. Log houses shall not be approved.

2.4 No structure shall be placed or erected which is, or ever has been, or could be made the subject of a specific ownership tax as now defined in Title 42 of Colorado Revised Statutes, nor shall structures constructed in the fashion and manner as trailers be allowed. Log houses and A-frame structures shall not be allowed.

2.5 All units (including single-family and multi-family units) shall have two-car enclosed garages, or equivalent enclosed garage space, which shall be used for vehicle storage and other customary garage purposes, but shall not be used as dwelling or habitation space under any circumstance. In addition, all units shall include within the garage structure a storage area of not

less than 80 sq. ft. per unit in addition to the standard dimensions of a two-car garage.

2.6 Exterior finishes shall be of natural earth tones or native exterior materials, or such color or combination of colors as shall be approved by the Architectural Control Committee.

ADDENDUM TO AGREEMENT FOR WELL DEVELOPMENT

THIS ADDENDUM TO AGREEMENT is made and entered into this 1st day of August, 1995, by and between OAK MEADOWS DEVELOPMENT CORPORATION ("OMDC"), OAK MEADOWS HOMEOWNERS ASSOCIATION ("OMHOA"), OAK MEADOWS WATER ASSOCIATION ("OMWA"), and OAK MEADOWS SERVICE COMPANY ("OMSCO");

WITNESSETH:

WHEREAS, OMHOA and OMWA entered into an Agreement for Well Development dated February 12, 1993 (hereinafter "FMW Agreement"); and

WHEREAS, OMDC and OMHOA have entered into the Oak Meadows Reorganization Agreement and OMDC, OMHOA and OMSCO have entered into the OMSCO Operating Agreement, both of which Agreements are dated August 1, 1995, are referred to collectively herein as the "OMSCO Agreements," and are incorporated herein by this reference; and

WHEREAS, the OMSCO Agreements provide for OMSCO to obtain all of OMHOA's rights and obligations with respect to the Four Mile Creek Well No. 1 ("FMW") drilled under Well Permit No. MH19953 and described in Case No. 92CW350, District Court, Water Division No. 5, which Agreement is incorporated herein by this reference; and

WHEREAS, the parties wish to amend the FMW Agreement.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants contained herein, the adequacy and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. OMHOA and OMWA, have drilled the FMW which is the subject of the FMW Agreement.
2. The actual cost of the drilling and testing of FMW has been paid for by OMHOA's and OMWA's pro rata shares based on the total lots then anticipated to be served by each of OMHOA and OMWA.
3. The OMSCO Agreements anticipate the use of FMW and Oak Meadow's Well Nos. 6, 8 and 9 to provide a legal and physical water supply to Oak Meadows Filings 3 and 4.
4. In consideration of the Agreements herein contained and subject to the OMSCO Agreements, OMHOA hereby assigns all of its right, title, and interest in and to FMW to OMSCO, subject to the provisions of the FMW Agreement as hereby amended.

5. Each party hereto shall grant to the other parties hereto such easements as are necessary to operate and maintain FMW and related facilities and pipelines to deliver water from FMW to the point of connection with each party's separate water system, which easements shall include but not be limited to those provided in the Well and Pipeline Easement and Agreement attached hereto as Exhibit A and incorporated herein by this reference.

6. The pump testing of FMW has confirmed that the safe yield of FMW is more than 20 g.p.m. The joint use of FMW shall be on the following basis:

- (a) OMWA shall be entitled to receive the first 5.0 g.p.m. of safe yield from FMW, and OMSCO shall be entitled to receive the next 15 g.p.m. of safe yield from FMW. Any safe yield from FMW in excess of 20.0 g.p.m. shall be shared by OMWA and OMSCO based on the lots served by each such party. FMW shall be used only in the provision of water service to Oak Meadows Filings 2, 3 and 4 and Lots 12 and 13, Block 1, Filing 1 of the Oak Meadows Subdivision and no others, except for the extension of service as OMWA and OMSCO may agree to resolve objections to the application for water rights and plans for augmentation and exchange with respect to FMW.
- (b) OMWA and OMSCO shall each install and maintain totalizing water flow meters to measure the water delivered to OMWA and OMSCO, respectively, from FMW or any backup or replacement well or water source which supplies water for the joint use of both such parties. Each party shall annually pay into a common fund to be established in the names of both OMWA and OMSCO an amount sufficient to pay each such party's pro rata share (based upon the number of lots served as hereinabove provided) of all anticipated costs (the "common costs") for the upcoming year associated with the treatment, distribution, operation (except for electricity charges as hereinafter provided), maintenance, replacement, and testing for all common facilities. Except as otherwise provided as between OMHOA and OMDC in the OMSCO Agreements, the common costs shall be allocated and assessed based upon the number of units served by FMW and shall be paid out of the common fund established as above provided. Charges for electricity to operate the FMW and related common facilities shall not be paid out of the common fund but shall be paid separately each month by OMWA and OMSCO on the basis of their respective metered water delivery for the month concurrent with the month used for electric billing purposes. Unless otherwise provided in a future written agreement between OMWA and OMSCO, each party shall be solely responsible for billing and collecting fees and charges from its respective members and users.
- (c) The cost of installing a larger pump in FMW and the related controls as necessary to deliver water from FMW to the point or points at which OMWA and OMSCO divert such water for their separate use and the cost of connecting the pipeline serving the fire hydrant adjacent to the Reeves' lots as defined in the OMSCO Operating Agreement to receive water deliveries from the OMSCO Water System

shall be borne by OMWA and OMSCO on the pro-rata basis as provided in Subparagraph 6(b) above. All other costs associated with the integration of FMW with additional water storage to be installed to serve OMSCO users in Oak Meadows Filings 3 and 4 shall be borne by OMDC and/or OMSCO pursuant to the OMSCO Operating Agreement.

- (d) For purposes of the FMW Agreement and this Addendum, "common facilities" shall mean FMW, any backup or replacement well which may hereafter be constructed for FMW, pumps, treatment facilities, distribution lines and all other appurtenant facilities which are jointly used by OMWA and OMSCO to provide water service from FMW to the point of connection with the separate water system of each such party. It is acknowledged in this regard that OMWA's water storage tank may be used by OMSCO for the purpose of installing a pump and controls to lift water from FMW to one or more water storage tanks in Oak Meadows Filing 3 and, in such event, neither OMWA's storage tank nor such pump, controls and piping shall be deemed "common facilities" and OMSCO shall have only an easement and right of use to install, operate and maintain such pump and related facilities in the OMWA tank.
- (e) The OMSCO Agreements anticipate the installation of an additional water storage tank in Oak Meadows Filing 3 to serve Oak Meadows Filings 3 and 4. It is hereby acknowledged and agreed that such additional water storage tank shall not be part of the common facilities under the FMW Agreement and that OMWA shall have no ownership interest or other rights in such OMSCO water storage tank except as expressly provided in this paragraph below. OMWA may, at its sole cost and expense, install a valve and necessary piping, at such location and according to such plans and specifications as are approved by an engineer designated by OMSCO, to enable OMWA to receive delivery of water from the OMSCO storage tank for the following purposes and under the following limited circumstances and no others, to wit:
- (i) for the purpose of fighting a fire in Oak Meadows Filing 2, provided that the diversion of water from the OMSCO storage tank for such purpose shall occur only for that period of time reasonably necessary to extinguish any such fire and neither OMSCO, OMDC or OMHOA make any warranties, either express or implied, nor shall any of such parties have any liability whatsoever, with respect to the amount of water available in the OMSCO storage tank at any time for such purpose.
- (ii) to divert an amount not to exceed 5.0 g.p.m. in the event of an emergency resulting in the interruption of operation of OMWA's water system, provided that in the event the OMSCO Water System is not then capable of supplying such amount to OMWA while supplying the requirements of OMSCO users as set forth on the Water Use Summary, OMWA may divert only one (1) gallon for each three (3) gallons diverted by OMSCO

from the OMSCO water tank and in no event shall OMWA's diversions exceed 5.0 g.p.m.; and provided further that no diversion from the OMSCO water tank for such purpose shall not occur unless and until such interruption in the OMWA water system has extended for a period of at least twelve (12) hours and diversions from the OMSCO water tank shall not continue thereafter for more than ninety-six (96) hours.

- (iii) at such other times and on such terms and conditions as OMSCO and OMWA may expressly hereafter agree in writing, provided that OMSCO has no obligation whatsoever to enter into any such further agreement.
- (iv) OMWA agrees that it shall indemnify and hold harmless OMSCO, OMHOA and OMDC from and against any claim, loss or damage arising in connection with OMWA's diversion of water from the OMSCO water tank as hereinabove provided.

7. FMW and all common facilities shall be held by OMWA and OMSCO in joint, undivided ownership, subject always to the provisions of the FMW Agreement and this Addendum. The parties hereto shall make such conveyances as are necessary to effectuate the terms of this paragraph.

8. OMHOA and OMWA have filed a joint application in Case No. 92CW350 in the District Court, Water Division No. 5 for water rights and for approval of a plan for augmentation and exchange with respect to FMW. The prosecution from this date forward of such application and any substitute supply plan, including legal and engineering fees, shall be separated or bifurcated so that OMWA and OMSCO (who shall be substituted for OMHOA) can individually prosecute such case and matters for their respective filings only, each cooperating with the other to accomplish finalization and each bearing its own legal and engineering costs. The parties hereto may enter into further agreements regarding alternative sources of water for augmentation and substitute supply plan purposes. In the event of withdrawal of one party from participation in the development and use of FMW, the withdrawing party hereby consents to such amendments to the water rights application and the substitute supply plan as are deemed necessary by the non-withdrawing party to eliminate the withdrawing party and all water rights owned by it from the water rights application and the substitute supply plan.

9. OMSCO and OMWA shall each maintain liability insurance coverage for its operations pursuant to the FMW Agreement as hereby amended.

10. Time is of the essence in this Addendum to Agreement, and the parties shall proceed with all reasonable diligence to perform the covenants and agreements herein contained. In the event either party fails to perform its obligations hereunder, the other party shall be entitled to enforce the specific performance hereof and to recover damages, including reasonable attorneys' fees and costs resulting from such breach.

11. This Addendum shall inure to the benefits of the parties hereto and their respective successors and assigns; provided, however, neither party shall assign its rights and benefits under this Addendum without the express written consent of the other party

THIS ADDENDUM TO AGREEMENT FOR WELL DEVELOPMENT was made and entered into as of the day and year first written above.

OAK MEADOWS DEVELOPMENT CORPORATION

By Robert DeLongy
President

ATTEST:

Robert J. DeLongy
Secretary

OAK MEADOWS HOMEOWNERS ASSOCIATION

By Larry Beigtel
President

ATTEST

Christa G. MacQueen
Secretary

OAK MEADOWS WATER ASSOCIATION

By Nubert H. Chynoweth
President

ATTEST

Rae E. Rives
Secretary

OAK MEADOWS SERVICE COMPANY

By Larry Beigtel
President

ATTEST

Ralph DeLongy
Secretary

STATE OF COLORADO)
) ss.
COUNTY OF GARFIELD)

Acknowledged, subscribed, and sworn to before me this 8th day of August, 1995, by Robert Delaney, as President, and by Robert J. Delaney, as Secretary, on behalf of Oak Meadows Development Corporation.

WITNESS my hand and official seal.
My Commission expires: June 24, 1997.

LeLoren T. Arbaner
Notary Public
818 Colo. Ave.
Glenwood Springs, CO 81601

STATE OF COLORADO)
) ss.
COUNTY OF GARFIELD)

Acknowledged, subscribed, and sworn to before me this 7th day of August, 1995, by Gregory E. Beightel, as President, on behalf of Oak Meadows Homeowners Association.

WITNESS my hand and official seal.
My Commission expires: 8-17-96.

Margaret A. Buscavide
Notary Public

STATE OF COLORADO)
) ss.
COUNTY OF GARFIELD)

Acknowledged, subscribed, and sworn to before me this 8th day of August, 1995, by Anita A. MacQueen, as Secretary, on behalf of Oak Meadows Homeowners Association.

WITNESS my hand and official seal.
My Commission expires: June 24, 1997.

LeLoren T. Arbaner
Notary Public
818 Colo. Ave.
Glenwood Springs, CO 81601

STATE OF COLORADO)
) ss.
COUNTY OF GARFIELD)

Acknowledged, subscribed, and sworn to before me this 8th day of August,
1995, by Herbert H. Chesney, as President, and by Rae E. Rives,
as Secretary, on behalf of Oak Meadows Water Association.

WITNESS my hand and official seal.

My Commission expires: June 24, 1997.

Helene T. Delaney
Notary Public
818 Colo Ave.
Glenwood Springs, CO 81601

STATE OF COLORADO)
) ss.
COUNTY OF GARFIELD)

Acknowledged, subscribed, and sworn to before me this 8th day of August,
1995, by Gregory E. Beightel, as President, and by Ralph Delaney,
as Secretary, on behalf of Oak Meadows Service Company.

WITNESS my hand and official seal.

My Commission expires: June 24, 1997.

Helene T. Delaney
Notary Public
818 Colo. Ave.
Glenwood Springs, CO 81601

EXHIBIT A to
ADDENDUM TO AGREEMENT FOR WELL DEVELOPMENT

WELL AND PIPELINE EASEMENT AND AGREEMENT

THIS AGREEMENT made and entered this 1st day of August, 1995 between OAK MEADOWS DEVELOPMENT CORPORATION, a Colorado corporation (OMDC), and OAK MEADOWS HOMEOWNERS ASSOCIATION, a Colorado non-profit corporation (OMHOA), JOHN A. REEVES and JACQUELINE T. REEVES as GRANTORS and OAK MEADOWS WATER ASSOCIATION, INC., a Colorado non-profit corporation (OMWA), OAK MEADOWS HOMEOWNERS ASSOCIATION (OMHOA) and OAK MEADOWS SERVICE COMPANY, (OMSCO) as GRANTEES,

W I T N E S S E T H:

WHEREAS, OMWA and OMHOA developed the Four Mile Creek Well No. 1 and Pipeline (FMW) in the Oak Meadows Subdivision commons area and extended a water pipeline from said Well across the County Road, thence through portions of the commons area adjacent to Sunking Drive to Oak Way North (the FMW Well and Waterline) and connected said pipeline to a water pipeline in the Oak Meadows Filing 3/4 Water System, which pipeline was installed to serve two lots in Oak Meadows Filing 1 belonging to John A. Reeves and Jacqueline T. Reeves (the Reeves Pipeline),

WHEREAS, OMDC and Reeves have consented to use of the Reeves Pipeline and the Grantors have and by this instrument do grant easements and pipeline usage rights to integrate the FMW and connecting pipeline into the Filing 2, Filing 3 and Filing 4 Water Systems,

WHEREAS, the rights hereby granted are conditioned upon Grantees' operation and maintenance of the pipelines in such manner as to permit continued usage of the Reeves Pipeline to serve the Reeves lots for fire protection and domestic use, when and as needed.

THEREFORE in consideration of the premises and the mutual covenants herein contained, GRANTORS do hereby grant unto GRANTEES the following easements and rights:

1.0 Rights Granted.

1.1 An easement for the continued operation, maintenance and use, including the right of repair and replacement, of the Four Mile Creek Well No. 1 described upon Exhibit A attached hereto as A-1, Easement for Well.

1.2 An easement for the continued use, operation, maintenance, replacement of the water pipeline extending from FMW across the County Road, westerly along Sunking Drive in Oak Meadows

Subdivision to the upper terminus of the Reeves' waterline which easement is ten (10) feet in width on each side of the existing buried pipe described upon Exhibit A as A-2 Pipeline Easement and on Exhibit B.

1.3 The right to use, operate, maintain and replace the Reeves Pipeline and to connect the same with the Filing 2, and Filing 3-4 Water Systems, which pipeline is located as shown on Exhibit B attached hereto.

2.0 Conditions of Use.

2.1 GRANTEES shall keep the easement and pipeline areas clean and orderly, replacing topsoil and backfill as needed to preserve and maintain the premises substantially according to natural conditions; shall remove rocks, debris or other excess materials excavated in connection with the use of said pipeline, and shall re-vegetate disturbed areas.

2.2 GRANTORS shall retain the use of the land for purposes not inconsistent with the use and operation, repair and replacement of the well and pipeline.

2.3 The installation, repair, and replacement of said well and pipeline shall be made in such manner as not to damage or interfere with the use of the Oak Meadows Water System, and OMWA, OMHOA, and OMSCO agree to indemnify and hold harmless OMDC from any claims made against OMDC on account of the use of the pipeline and activities connected therewith.

2.4 The use of said pipeline shall be at OMWA's, OMHOA's, and OMSCO's sole risk, and OMDC makes no representation as to the condition or suitability of the pipeline.

2.5 The GRANTEES shall operate and maintain the Reeves Pipeline in such manner as to allow the continued use thereof to supply fire protection and domestic water use to the two Reeves lots pursuant to the provisions of the Operating Agreement between OMDC, OMHOA and OMSCO.

2.6 Abandonment of the easement, which shall be presumed from continued non-use for a period of ten (10) consecutive years or more of the Well or of the Pipeline, as applicable, shall cause the easement to revert and be canceled.

2.7 GRANTEES shall be solely responsible for the operation, maintenance repair and replacement of the Well and

Pipeline for the benefit of all users, which maintenance, repair and replacement, shall be performed on a regular and timely basis.

DATED and signed as of the day and year above written.

OAK MEADOWS DEVELOPMENT CORPORATION

By Robert P. Delaney
President

ATTEST:

Robert J. Delaney
Secretary

OAK MEADOWS HOMEOWNERS ASSOCIATION

By Gregory A. Berglund
President

ATTEST:

Wanda G. McQueen
Secretary

John A. Reeves
JOHN A. REEVES
Jacqueline T. Reeves
JACQUELINE T. REEVES

GRANTORS

OAK MEADOWS WATER ASSOCIATION

By Nicholas H. Chynoweth
President

ATTEST:

Rae E. Jones
Secretary

My Commission expires: June 24, 1997.

LeAnn T. Gibney
Notary Public
818 Colo. Ave.
Glenwood Springs, CO 81601

STATE OF COLORADO)
) ss.
COUNTY OF GARFIELD)

Acknowledged, subscribed, and sworn to before me this
8th day of August, 1995 by Gregory E. Beightel, as
President and by Ralph Delaney as Secretary, on
behalf of Oak Meadows Service Company.

WITNESS my hand and official seal.
My Commission expires: June 24, 1997.

LeAnn T. Gibney
Notary Public
818 Colo. Ave.
Glenwood Springs, CO 81601

EXHIBIT A

A-1

EASEMENT FOR WELL:

A parcel of land located in the County of Garfield, State of Colorado, lying in the SW1/4, SE1/4 Section 15, Township 7 South, Range 89 West, of the Sixth Principal Meridian and being more particularly described as follows:

Commencing at the South 1/4 Corner of said Section 15, thence N 67°16'50" E 1261.34' to the True Point of Beginning a point on the Easterly Right-of-Way of Four Mile Road; thence N 04°49'06" W 50.00 feet along said Right-of-Way; thence leaving said Right-of-Way N 85°10'54" E 50.00 feet; thence S 04°49'06" E 50.00 feet; thence S 85°10'54" W 50.00 feet to a point on said Right-of-Way and the True Point of Beginning, containing 0.057 acres more or less.

A-2 PIPELINE EASEMENT:

A permanent pipeline easement being 20.00 feet in width, 10.00 feet on each side of said centerline located in the County of Garfield, State of Colorado, lying in the SW 1/4 of the SE 1/4 of Section 15 and the North 1/2 of Section 22, Township 7 South, Range 89 West of the Sixth Principal Meridian and being more particularly described as follows:

Commencing at the South 1/4 Corner of said Section 15, thence N 66° 30' 38" E a distance of 1266.95 feet to the true point of beginning.
Thence S 83° 08' 04" W a distance of 15.75 feet along said centerline;
thence S 12° 53' 09" a distance of 198.79 feet along said centerline;
thence S 70° 14' 23" W a distance of 43.17 feet along said centerline;
thence S 24° 02' 44" W a distance of 39.66 feet along said centerline;
thence S 69° 57' 18" W a distance of 145.93 feet along said centerline;
thence S 74° 32' 29" W a distance of 160.33 feet along said centerline;
thence S 73° 28' 29" W a distance of 273.87 feet along said centerline;
thence S 83° 53' 41" W a distance of 221.92 feet along said centerline;
thence S 89° 13' 34" W a distance of 109.15 feet along said centerline;
thence S 83° 19' 28" W a distance of 65.67 feet along said centerline;
to a point whence the S 1/4 Corner of said Section 15 bears S 69° 07' 47" W a distance of 197.63 feet.

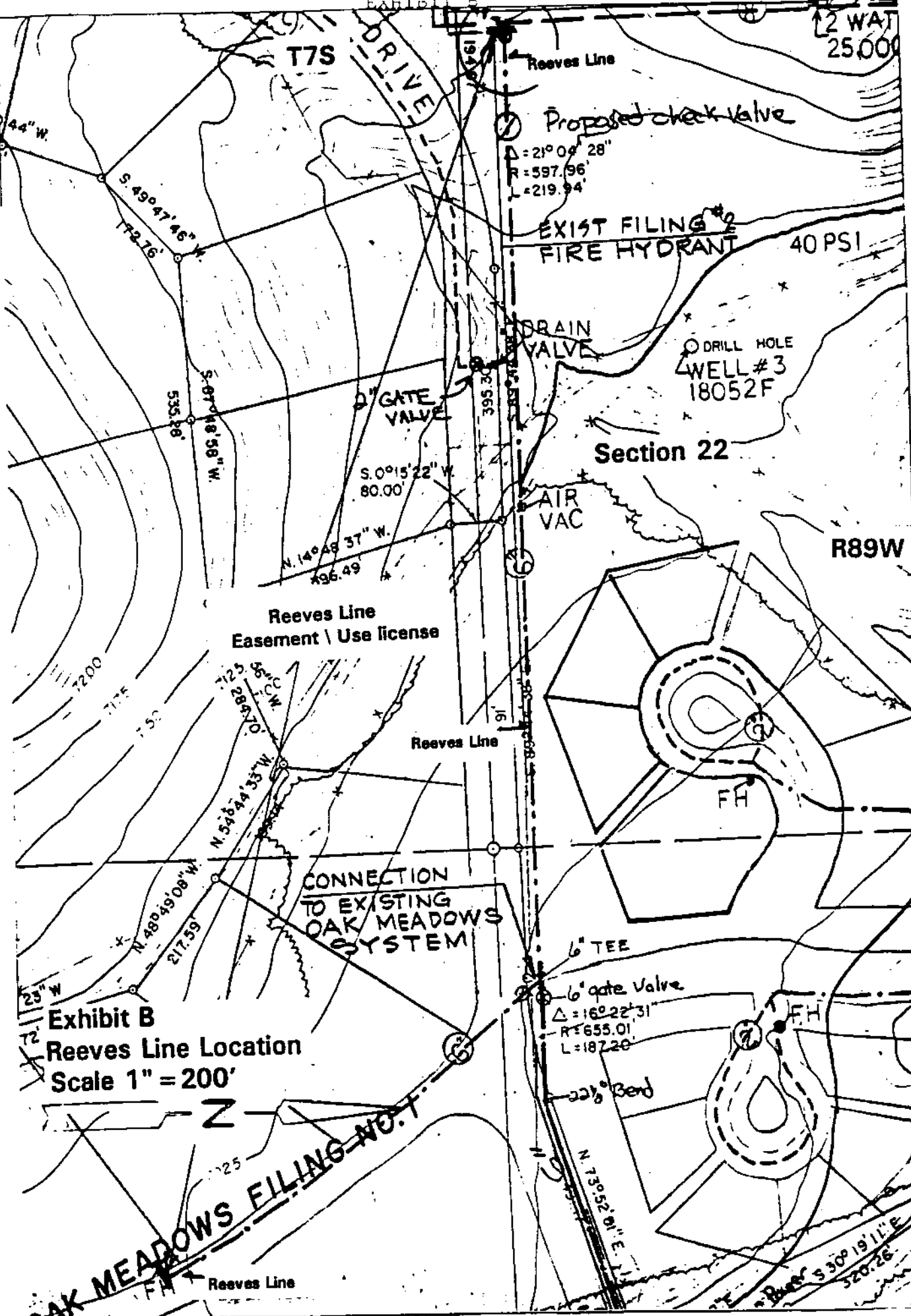


Exhibit B
Reeves Line Location
Scale 1" = 200'

SPECIAL WARRANTY DEED

OAK MEADOWS DEVELOPMENT CORPORATION and OAK MEADOWS HOMEOWNERS' ASSOCIATION, Grantors, for consideration of Ten Dollars and other good and valuable consideration, in hand paid, hereby sell and convey to **OAK MEADOWS SERVICE COMPANY**, Grantee, whose legal address is 818 Colorado Avenue, Glenwood Springs, CO 81601, the following real property in the County of Garfield and State of Colorado, to wit:

All of Grantors' respective rights, title and interests in and to Motz Wells No. 3, 5, 6, 7 and 8 as decreed in Case No. 92CW350, W-1244, W-1980, W-3320 and 91CW71 in the Water Court for Water Division No. 5 and in Four Mile Creek Well No. 1 developed and drilled by Oak Meadows Homeowners' Association and Oak Meadows Water Association under Permit No. MH 19953 which Well is the diverting structure in Case No. 92CW50 and is subject to the provisions of the Agreement for Well Development between Oak Meadows Homeowners' Association and Oak Meadows Water Association dated February 12, 1993 and the Addendum to Agreement for Well Development executed concurrently herewith; together with any and all easements appurtenant to the above-described water rights and as necessary to effect the use thereof in connection with the water systems serving the Oak Meadows Subdivision, Garfield County, Colorado; and together with all ground water rights under the Oak Meadows Subdivision;

with all its appurtenances, and each Grantor warrants the title to the same against all persons claiming under such Grantor.

SIGNED this 8th day of August, 1995.

OAK MEADOWS DEVELOPMENT CORPORATION

By: Robert Delaney
Robert Delaney, President

OAK MEADOWS HOMEOWNERS' ASSOCIATION

By: Gregory E. Beightel
Gregory E. Beightel, President

STATE OF COLORADO)
)
COUNTY OF GARFIELD) SS

The foregoing instrument was acknowledged before me this 8th day of August, 1995, by Robert Delaney.

WITNESS my hand and official seal.

My commission expires: June 24, 1997

[Signature]
Notary Public
818 Colo. Ave.
Glenwood Springs, CO 81601

STATE OF COLORADO)
)
COUNTY OF GARFIELD) SS

The foregoing instrument was acknowledged before me this 7th day of August, 1995, by Gregory E. Beightel.

WITNESS my hand and official seal.

My commission expires: 8-17-96

Margaret L. Buscoid
Notary Public

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, that Oak Meadows Development Corporation and Oak Meadows Homeowners' Association (herein collectively "First Party"), for and in consideration of Ten Dollars and other good and valuable consideration, in hand paid, at or before the ensealing or delivery of these presents by Oak Meadows Service Company (hereinafter "OMSCO"), whose address is 818 Colorado Avenue, Glenwood Springs, CO 81601, by these presents do grant and convey to OMSCO, its successors and assigns, the following property, goods and chattels, to-wit:

Motz Wells No. 3, 5, 6, 7, and 8, as described and decreed in Case Nos. 92CW350, W-1244, W-1980, W-3320, and 91CW71 in the District Court for Water Division No. 5 and Well No. 9 as described in Case No. 93CW222 now pending in said District Court, together with all pumps, pipelines, facilities, storage tanks, and other appurtenances used in connection with all of the above described wells and the water system serving Filings 3 and 4 of the Oak Meadows Subdivision, Garfield County, Colorado;

Together with all of Oak Meadows Homeowners Association's rights in the Four Mile Creek Well No. 1 developed and drilled by Oak Meadows Water Association and Oak Meadows Homeowners' Association under Permit No. MH 19953, with pump, pipelines, electric easements and appurtenances, which Well is the diverting structure in Case No. 92CW50 and is subject to the provisions of the Agreement for Well Development between Oak Meadows Homeowners' Association and Oak Meadows Water Association dated February 12, 1993 and the Addendum to Agreement for Well Development executed concurrently herewith;

Together with and quit claiming, without warranty, any and all residual rights in Motz Wells No. 2 and 4 which are the subject of an Order of Abandonment entered August 31, 1992 in Case No. W-3320 consolidated with W-1980-78;

Together with all sewer mains, collection lines, manholes, lagoons, waste water treatment facilities and other facilities related to the sewer system serving the Oak Meadows Subdivision, Garfield County, Colorado.

TO HAVE AND TO HOLD the same to OMSCO, its successors and assigns, forever. The First Parties and each of them, to the extent of their respective interest, hereby covenant

OAK MEADOWS SERVICE COMPANY

RULES AND REGULATIONS

THE FOLLOWING RULES AND REGULATIONS SHALL GOVERN THE OPERATION AND ADMINISTRATION OF THE WATER AND SEWER SYSTEMS OF THE OAK MEADOWS SERVICE COMPANY (OMSCO) IN ACCORDANCE WITH THE OAK MEADOWS REORGANIZATION AGREEMENT AND OMSCO OPERATING AGREEMENT (SAID AGREEMENTS BEING COLLECTIVELY REFERRED TO AS THE "OMSCO AGREEMENTS") DATED AUGUST 1, 1995, THE PROVISIONS OF WHICH ARE INCORPORATED HEREIN BY THIS REFERENCE.

SECTION 1

DEFINITIONS

1.1 **Board of Directors or Directors** shall mean the Board of Directors of OMSCO.

1.2 **Engineer** shall mean an engineer in a contract or employment relationship with OMSCO to perform the functions of OMSCO's engineer as provided in the OMSCO Agreements and these Rules and Regulations and as directed by the OMSCO Board of Directors.

1.3 **Lot** shall mean a separately conveyable, subdivided lot or unit which is or can be occupied by a single family.

1.4 **OMSCO** shall mean the Oak Meadows Service Company, a not for profit Colorado corporation organized to perform the functions as provided in the OMSCO Agreements and these Rules and Regulations.

1.5 **Owner** shall mean the person, persons or entity who owns a lot as reflected in the records of the Clerk and Recorder of Garfield County, Colorado.

1.6 **User** shall mean the person or persons who occupy a lot and receive water and/or sewer service from OMSCO.

All words, terms and phrases defined in the OMSCO Agreements are incorporated herein by this reference.

connection. OMSCO may uniformly establish and adjust from time to time reasonable fees to defray OMSCO's costs in performing such inspections.

3.4 **Maintenance of Service Lines.** Leaks or breaks in service lines shall be repaired by the lot owner as soon as possible but in no event more than 72 hours after discovery of such leak or break. OMSCO may, but is not required, to take immediate steps to repair any service line leak or break which OMSCO determines, in its sole discretion, to constitute an emergency and, in such event, OMSCO shall recover the reasonable cost of such repair from the owner of such service line. For purposes of these Rules and Regulations, the term "service line" with respect to water service shall mean the water service line extending from the corporation stop connecting the service line to the main line, to the point of use on the owner's property, including the curb stop installed as required by OMSCO.

3.5 **Water Meter.** Prior to receipt of water service from OMSCO, a lot owner must install, at the lot owner's sole expense, a volumetric water flow meter and a meter read out visible from the exterior of the lot owner's residence. Such meter and read-out and the installation thereof shall comply with the specifications and procedures as adopted by OMSCO from time to time, and an OMSCO authorized representative shall have such access to the lot owner's residence as reasonably necessary to assure the proper installation and operation of such meter and read out. Each lot owner shall be responsible for the repair and maintenance of such lot owner's meter and read-out. If a defective meter or read-out is not repaired or replaced by the lot owner within ten (10) days following discovery of such defect, OMSCO may, but is not required to repair or replace such meter or read-out and the cost thereof shall be charged to and paid by the lot owner. The lot owner shall be responsible to pay the cost of water as measured by a defective meter or read-out, or OMSCO may, at OMSCO's sole discretion, establish the water service charge based on the water delivery during a preceding period of comparable length and condition.

3.6 **Back Flow Protection.** All water service installations shall include back flow/cross connection prevention devices in accordance with the specifications and procedures established by OMSCO from time to time.

3.7 **Pressure Reducing Valves.** Pressure reducing valves shall be installed by all lot owners whose water service installations require such valves under the specifications of OMSCO or other governmental authority or as otherwise required by OMSCO's engineer.

3.8 **Water Usage.** The area of outside irrigation on any lot served by the OMSCO water system shall not exceed the maximum square footage allowable for lots in such area as set forth on the Water Use Summary attached to and made a part of the OMSCO Operating Agreement.

- (j) Any wastes having a flash point lower than one hundred eighty-seven degrees Fahrenheit (187°F) (86°C) as determined by the Tagliabue (Tag.) closed-cup method.
- (k) Any waste having a five (5) day Biochemical Oxygen Demand which may contain more than 1,000 parts per million by weight as averaged during any twelve (12) hour period.
- (l) Any waste capable of raising the Lower Explosive Limit (L.E.L.) of the ambient atmosphere in any sewer to 5% for any two successive readings or to 10% for any single reading on an explosion hazard meter. Prohibited materials include, but are not limited to, gasoline, kerosene, naphtha, benzene, toluene, zylene, ethers, alcohols, ketones, aldehydes, peroxides, chlorates, perchlorates, bromates, carbines, hydrides and sulfides.
- (m) Any wastes containing phenolic compounds over 5 mg/l expressed as phenol.
- (n) Any cyanides or compounds capable of liberating hydrogen cyanide in excess of 1 mg/l expressed as hydrogen cyanide from any individual outlet.
- (o) Any wastes containing sulfides over 3 mg/l expressed as hydrogen sulfide.
- (p) Any wastes containing toxic or poisonous substances having a 24 hour proportionate composite sample concentration, at point of discharge, in excess of the following:

(1)	Total Chromium	as	Cr	7.5	mg/l
(2)	Copper	as	Cu	4.5	mg/l
(3)	Nickel	as	Ni	15.0	mg/l
(4)	Cadmium	as	Cd	1.2	mg/l
(5)	Zinc	as	Zn	12.0	mg/l
(6)	Iron	as	Fe	15.0	mg/l
(7)	Lead	as	Pb	15.0	mg/l
(8)	Arsenic	as	As	0.25	mg/l
(9)	Manganese	as	Mn	0.25	mg/l
(10)	Selenium	as	Se	0.05	mg/l
(11)	Silver	as	Ag	0.25	mg/l
(12)	Mercury	as	Hg	0.10	mg/l

SECTION 4

SERVICE CHARGES

4.1 **OMSCO Agreements.** The provisions of the OMSCO Agreements regarding the establishment of standard base service rates and standby charges for water and sewer service are incorporated herein by this reference.

4.2 **Rate Schedule.** The water and sewer service charges as currently assessed by the Oak Meadows Development Corporation upon the adoption of these Rules and Regulations as set forth on exhibit attached hereto shall remain in effect until a modified rate schedule is adopted by the Board of Directors. Thereafter, the standard base water service charge and the standard base sewer service charge shall be as set forth on the Rate Schedule as adopted and amended from time to time by the Board of Directors.

4.3 **Payment of Service Charges.** Statements for service and standby charges shall be mailed to users at intervals established by OMSCO at least quarterly and not more frequently than monthly. Charges shall be payable by the tenth (10th) day of each month and charges not paid when due shall bear a late charge of one percent (1%) for each month or part thereof during which such charge remains unpaid. In the event any charge remains unpaid for thirty (30) days or more, OMSCO may give the user notice that the water and/or sewer service, as applicable, shall be shut off if the delinquent charges are not paid in full within ten (10) days after the postmark on such notice. If full payment of the delinquent charges is not received by OMSCO (within said ten (10) day period) OMSCO may shut off the customer's water or sewer service, or either of such services. In addition to or in lieu of discontinuance of service, the District may enforce delinquent obligations by any and all other lawful remedies, including suits for collection and/or foreclosure of OMSCO's lien on the lot to which the delinquent charges are applicable. In any event, OMSCO shall be entitled to recover all fees and costs incurred in the collection of delinquent charges including, but not limited to, reasonable attorneys' fees, recording fees, filing fees and court costs. OMSCO shall have a lien for delinquent charges against any lot to which such charges apply, which lien may be foreclosed in the manner provided for the foreclosure of a mortgage under the laws of the State of Colorado.

4.4 **Miscellaneous Costs and Expenses.** All costs and expenses incident to the installation and connection of water and/or sewer service to a lot shall be borne by the lot owner. The lot owner shall indemnify OMSCO for any loss or damage that may directly or indirectly be occasioned by the installation of such water and/or sewer service, except as caused by the acts or omissions of OMSCO or its agents.

SECTION 5

MISCELLANEOUS

5.1 Seller and Buyer Responsibilities. OMSCO assumes no responsibility for agreements between sellers and buyers of lots. It shall be the sole responsibility of the buyer of a lot to ascertain whether appropriate fees and charges for services received from OMSCO have been paid by the seller. Upon OMSCO's receipt of written request accompanied by payment of OMSCO's standard fee for such service, OMSCO shall provide a statement setting forth any charges due to OMSCO with respect to a lot identified in such request as of the date of OMSCO's receipt of such request.

5.2 Superseding Effect. These Rules and Regulations shall supersede in their entirety the Rules and Regulations originally adopted by Redstone Corporation on October 25, 1977 to govern the operation, maintenance and control of the Oak Meadows Water and Sewer System.

Adopted the 1st day of August, 1995 by
the Board of Directors of Oak Meadows Service Company.

OAK MEADOWS SERVICE COMPANY

By: Ralph D. Davis
Secretary

Oak Meadows Water & Sewer Utility Rate Structure
August, 95

Sewer Service	
Monthly Charge	\$10.00
Vacant Lot "Availability" or "Readiness to Serve" Charge	\$10.00

Water Service	
Monthly Charge	\$15.00
Vacant Lot "Availability" or "Readiness to Serve" Charge	\$10.00

Water Overage Charge Table	
Measure	Per Gallon Charge
0 to 6000 Gallons	\$.000
6001 to 12000 Gallons	\$.003
12001 to 18000 Gallons	\$.005
18000 +	\$.010

Broken Meter Penalty Charge	
1st Month Warning	N/C
2nd Month	\$15.00
3rd Month	\$30.00
4th Month & thereafter..	etc.. Doubling prior month's charge

ARTICLES OF INCORPORATION
OF
OAK MEADOWS SERVICE COMPANY
(A Colorado Not-For-Profit Corporation)

The undersigned, acting as incorporators, hereby establish a corporation pursuant to the provisions of the Colorado Nonprofit Corporation Act.

ARTICLE I.
NAME

The name of the Corporation is OAK MEADOWS SERVICE COMPANY.

ARTICLE II.
PERIOD OF DURATION

The Corporation shall have perpetual existence.

ARTICLE III.
PURPOSES AND POWERS

A. **Purposes.** This Corporation is organized to perform the functions directed by Section 4.0 of the Oak Meadows Reorganization Agreement (Reorganization Agreement) dated August 1, 1995 and shall be operated in compliance with the Reorganization Agreement, the Operating Agreement incorporated therein by reference, and specifically to perform the following functions:

1. To own, hold title to, operate and maintain the water rights and water system for the following:

a. Blocks 1, 2 and 3, Oak Meadows Subdivision, Filing No. 3, as the same appears upon plat thereof recorded in the office of the Clerk and Recorder of Garfield County, Colorado as Document 272814 as amended.

00 060

b. Filing 4, Oak Meadows Ranch, as the same appears upon plat thereof recorded in the office of the Clerk and Recorder of Garfield County, Colorado as Reception No. 276561 as amended.

c. Lots 12 and 13, Block 1, Filing One, Oak Meadows Subdivision.

d. Other areas hereafter approved by the Board of Directors.

2. To own, operate and maintain the sanitary sewage disposal system for Filing 4, Oak Meadows Ranch, as the same appears upon plat thereof recorded in the office of the Clerk and Recorder of Garfield County, Colorado, as Reception No. 276561 as amended.

3. Subject to the rights, duties and obligations of the Oak Meadows Homeowners Association, to manage, maintain, operate, care for and enforce covenants as to common areas, recreational facilities, roads, trails and other amenities common to the properties described in paragraph III.A.1 above.

4. To review plans, drawings and amended subdivisions in three lots in Block 1, Filing 3, Oak Meadows Subdivision, as the same appear upon plat thereof recorded in the office of the Clerk and Recorder of Garfield County, Colorado as Reception No. 380779, and Areas I, II, III, VI and VII, Filing 4, Oak Meadows Ranch, as the same appear upon plat thereof recorded in the office of the Clerk and Recorder of Garfield County, Colorado as Reception No. 276561.

B. Powers. Subject to compliance with the Reorganization Agreement and documents incorporated therein by reference, the Corporation shall have and may exercise all of the rights, powers and privileges now or hereafter conferred upon non-profit corporations organized under the laws of Colorado. The Corporation shall have and may exercise all powers necessary or convenient to effect any of the purposes for which the Corporation is organized.

C. User Fees. The Corporation is organized exclusively for the purposes above set forth, whereby at least eighty-five percent (85%) of its income shall be derived from user fees assessed to the members for the sole purpose of meeting the expenses and losses of the Corporation in full compliance with the applicable requirements of Section 501 of the Internal Revenue Code, as amended.

ARTICLE IV. NON-PROFIT STATUS

A. Net Earnings. No part of the income or net earnings of the Corporation shall inure to the benefit or be distributable to any member, director or officer of the Corporation or any other corporation or private individual; however, reasonable compensation may be paid for services actually rendered to or for the Corporation and any officer, director, agent or employee or any other person

or corporation may be reimbursed for expenses advanced or incurred for the Corporation's benefit upon authorization of the Board of Directors. No member, director or officer of the Corporation, nor any other corporation or private individual, shall be entitled to share in any distribution of any of the corporate assets upon dissolution of the Corporation or otherwise except as hereinafter expressly set forth.

B. Prohibited Activities. No substantial part of the activities of the Corporation shall consist of carrying on lobbying activities, propaganda campaigns or other activities designed to influence legislation. The Corporation shall not participate or intervene in any political campaign on behalf of any candidate for public office.

C. Dissolution. In the event of the dissolution of the Corporation, the assets of the Corporation shall be distributed to all members and all lienholders as their interest may appear as provided by Colorado law then in effect. The proceedings for dissolution shall be conducted in accordance with Article 26, Title 7 of the Colorado Revised Statutes, as amended.

D. Prohibited Income. Notwithstanding any other provision hereof, this Corporation shall not conduct or carry on any activities nor permit or receive any income which is prohibited under the applicable provisions of Section 501 of the Internal Revenue Code as amended.

ARTICLE V. MEMBERSHIP

A. Definition of Lot. For all purposes in these Articles the term "lot" shall mean a separately defined and conveyable subdivided lot appearing on a plat or amended plat as filed in the records of the Clerk and Recorder of Garfield County, Colorado for the subdivision of all or any part of those properties currently described in such records as Lots 12 and 13, Block 1, Filing 1, Oak Meadows Subdivision; Blocks 1, 2 and 3, Filing 3, Oak Meadows Subdivision; and Filing 4, Oak Meadows Ranch. At the time of execution of these Articles of Incorporation said Lots 12 and 13, Block 1, Filing 1 constitute two (2) lots; said Blocks 1, 2 and 3 of Filing 3 constitute eighteen (18) lots; Area IV of Filing 4 constitutes thirty-two (32) lots; Area V of Filing 4 constitutes twenty (20) lots; Area II of Filing 4 constitutes eleven (11) lots known as the Beaver Court Subdivision, subject to recording of a final plat document amendment for such subdivision; and the remainder of Filing 4 currently owned by Oak Meadows Development Corporation (OMDC) constitutes one (1) lot which OMDC intends to further subdivide into not more than eight-six (86) lots. A condominium unit and a townhome unit which may be separately owned and conveyed under the laws of the State of Colorado and the County of Garfield shall be considered a lot hereunder. The term "lot" as herein defined shall mean the same as the term "Site" as defined in Section 2.4 of the General Declaration for Oak Meadows Ranch as recorded in Book 492 at Page 894 as Reception No. 276560 in said Garfield County records; provided that in the event of any inconsistency in the definition of said terms, the definition of lot as herein contained shall control for all purposes related to the Corporation.

B. Membership Qualification. The Corporation shall be a membership corporation without shares of stock. "Owner" shall mean the record owner or owners (including contract purchasers, but excluding those having such interest merely as security for the performance of an obligation) of fee simple title to any lot within those properties described in paragraphs III.A.1.a, III.A.1.b and III.A.1.c. Each owner shall be a member of the Corporation. If any lot is owned by two (2) or more persons, the membership appurtenant to such lot shall be joined in a single membership and shall be held in the names of all owners of such lot who shall designate to the Corporation, in writing, one (1) person who shall have the power to vote such membership. In the absence of such written designation, the Board of Directors of the Corporation may designate one (1) of the owners of such lot as the voting member. Membership shall be appurtenant to and may not be separated from ownership of a lot.

C. Membership Certificates. Membership in the Corporation shall not be represented by certificates unless the board of directors of the Corporation shall otherwise determine.

D. Membership Voting. Except as hereinafter provided, each member shall be entitled to one (1) vote for each lot owned and such vote may be cast either in person or by proxy. In the election of directors, each member shall have the right to cast the number of votes to which he is entitled for as many persons as there are directors to be elected; provided that to the extent that these Articles provide for the election of a director by the owners of lots in one or more, but less than all, of the blocks or areas, only the members entitled to vote with respect to such specified blocks or areas shall be entitled to vote for such director. In the election of directors, "majority vote" shall mean the vote of a majority of the members entitled to vote for such director cast in person or by proxy at a duly called meeting at which a quorum of the members entitled to vote for such director are present. [For the purpose of electing directors, members holding forty percent (40%) of the votes entitled to be cast for a director shall constitute a quorum. Cumulative voting shall not be allowed for any purpose.

ARTICLE VI. BYLAWS

The initial bylaws of the Corporation shall be adopted by the board of directors. The board of directors may alter, amend or repeal the bylaws in a manner consistent with these Articles of Incorporation and with the Reorganization Agreement and documents described in paragraph III.A hereof.

**ARTICLE VII.
PRINCIPAL OFFICE**

The initial principal office of the Corporation shall be 818 Colorado Avenue, Glenwood Springs, Colorado 81601.

**ARTICLE VIII.
REGISTERED OFFICE AND AGENT**

The address of the registered office of the Corporation and the name of the registered agent at that address is:

Robert Delaney
818 Colorado Avenue
Glenwood Springs, CO 81601.

**ARTICLE IX.
DIRECTORS**

A. **OMDC Appointment Period Defined.** For purposes of these Articles, the phrase "OMDC Appointment Period" shall mean that period of time during which OMDC (or successor holder of OMDC's rights hereunder as expressly assigned in a writing duly executed by OMDC), owns eighty percent (80%) or more of lots in Areas I, II, III, VI and VII of the Oak Meadows Ranch as such areas are described on the map of the Oak Meadows Ranch Planned Unit Development recorded as Reception No. 276561 of said Garfield County records. At the time of execution of these Articles, Area II of Filing 4 has been approved for eleven (11) subdivided lots, subject only to the recording of and compliance with a Final Plat Document Amendment providing for subdivision improvements with respect to said Area II. OMDC intends to seek an Amended PUD Plan for the remaining Areas I, III, VI and VII of Filing 4 to allow for the filing of one or more final subdivision plats to subdivide such remaining areas into not more than a total of eighty-six (86) lots. The OMDC Appointment Period shall be determined on the basis of the number of lots within said Areas I, II, III, VI and VII which have been subdivided and those potential lots within such areas which may be created by subdivision under the Amended PUD Plan. For example, if the Amended PUD Plan provides for the subdivision and development of eighty-six (86) lots in said Areas I, III, VI and VII, in addition to the eleven (11) lots approved for subdivision in Area II, the OMDC Appointment Period shall terminate when OMDC owns nineteen (19) or fewer lots or potential lots in said Areas I, II, III, VI and VII.

OMDC may, at any time hereafter, declare the OMDC Appointment Period terminated by written notice to the Corporation.

If not earlier terminated under the provisions of the first paragraph of this Section A, the OMDC Appointment Period shall, in any event, terminate at 12 o'clock noon on December 31, 2005.

Notwithstanding the existence or termination of the OMDC Appointment Period as hereinabove provided, the Corporation shall be operated in a manner consistent with the above-referenced Reorganization Agreement dated August 1, 1995 and the Operating Agreement attached thereto.

B. Number of Directors. Prior to termination of the OMDC Appointment Period, the number of directors of the Corporation shall be four (4). After termination of the OMDC Appointment Period, the number of directors of the Corporation shall be not less than three (3) nor more than five (5), with the number of directors being determined as hereinafter provided.

C. Election/Appointment of Directors. Prior to termination of the OMDC Appointment Period, one (1) director shall be elected by the majority vote of the members owning lots in Blocks 1, 2 and 3, Filing 3, Oak Meadows Subdivision; one (1) director shall be elected by the majority vote of the members owning lots in Areas IV and V, Filing 4, Oak Meadows Ranch, and two (2) directors shall be appointed by OMDC or its assignee as hereinabove provided.

After termination of the OMDC Appointment Period, the number of directors shall be determined by a majority vote of the members at an annual membership meeting or at a meeting of the members called for such purpose; provided that the number of directors shall be not less than three (3) nor more than five (5). The number of directors as so determined shall be elected as follows:

One (1) director shall be elected by the majority vote of members owning lots in Blocks 1, 2 and 3, Filing 3.

One (1) director shall be elected by the majority vote of members owning lots in Areas II, IV and V, Filing 4.

One (1) director shall be elected by the majority vote of members owning lots in Areas I, III, VI and VII, Filing 4.

The remaining directors, if any, shall be elected, at large, by a majority of the members of the Corporation.

D. Alternate Directors. At the time of electing or appointing a director, the members or entity electing or appointing such director as above provided shall also elect or appoint an alternate director to act in the event the regular director is absent or is otherwise unable to act in such capacity. With respect to any director elected by part or all of the Corporation's membership, if the membership fails to elect an alternate director or if such alternate director is unable or unwilling to serve in such

capacity, the Board of Directors of the Oak Meadows Homeowners Association may appoint an alternate director to act in such capacity. With respect to any director appointed by OMDC or its designated assignee, OMDC or such assignee shall appoint an alternate director. The term of any alternate director elected or appointed hereunder shall be coincident with the term of the regular director for which the alternate is designated.

E. Vacancies. In the event of a vacancy on the Board of Directors resulting from the death or resignation of a director, the alternate to such director as elected or appointed as hereinabove provided shall fill such vacancy until the next regular election of directors; provided that if there is no alternate director then elected or appointed and otherwise qualified to fill such vacancy, the Board of Directors of the Oak Meadows Homeowners Association shall appoint a director to fill such vacancy with respect to a director representing Block 1, 2 and 3, Filing 3 or Area IV and V, Filing 4 and, until termination of the OMDC Appointment Period, OMDC or its designated assignee shall appoint a director to fill such vacancy with respect to Areas I, II, III, VI and VII, Filing 4. After termination of the OMDC Appointment Period the Board of Directors of the Oak Meadows Home Owners Association shall make such appointment.

F. Initial Directors. The names and addresses of the persons who are to serve as the initial directors and until their successor is elected and qualified.

Greg Beightel
0067 Sun King Drive
Glenwood Springs, CO 81601

Mark Hayes
0053 E. Sunlight Court
Glenwood Springs, CO 81601

J. A. Reeves
0225 S. Oakway
Glenwood Springs, CO 81601

Ralph Delaney
0349 County Road 130
Glenwood Springs, CO 81601.

G. Increase or Decrease of Directors. Commencing with the election of the board of directors by the members of the Corporation, the number of directors may be increased or decreased by the adoption of an amendment to the bylaws, but no decrease shall have the effect of shortening the term of any incumbent director, nor shall the number of directors be increased or decreased in a manner inconsistent with Article IX.A above.

**ARTICLE X.
INDEMNIFICATION OF DIRECTORS**

The Corporation shall indemnify its directors to the full extent permitted by Colorado law.

**ARTICLE XI.
LIMITATION OF LIABILITY**

A. **Breach of Fiduciary Duty.** The personal liability of a director to the Corporation or its members for monetary damages for breach of fiduciary duty as a director is limited to the full extent provided by Colorado law.

B. **Obligations of Corporation.** The directors officers, employees and members of the Corporation shall not, as such, be liable on its obligations.

C. **Wanton and Willful Acts.** Directors shall not be liable for actions taken or omissions made in the performance of corporate duties except for wanton and willful acts or omissions.

**ARTICLE XII.
INCORPORATOR**

The names and addresses of the incorporators are:

Mark Hayes
0053 E. Sunlight Court
Glenwood Springs, CO 81601

Robert Delaney
818 Colorado Avenue
Glenwood Springs, CO 81601

DATED the 1st day of August, 1995.

Mark Hayes
Incorporator

Robert Delaney
Incorporator

Robert Delaney hereby consents to the appointment as the initial registered agent for Oak Meadows Service Company.

Robert Delaney
Initial Registered Agent

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FOR

CERTIFICATION OF INCORPORATION

00 069

BYLAWS
OF
OAK MEADOWS SERVICE COMPANY

ARTICLE I.
OFFICES

The principal office of the Corporation shall be located at 818 Colorado Avenue, Glenwood Springs, Colorado 81601. The board of directors may change the principal place of business at any time. The Corporation may also have offices at other places within or outside of Colorado as the board of directors may from time to time approve.

ARTICLE II.
MEMBERS

Membership in the Corporation shall be as defined and provided in the Articles of Incorporation.

ARTICLE III.
PAYMENTS AND CONTRIBUTIONS

Payments by the members to the Corporation shall only be made for services received for water and sewer and the operating overhead of the Corporation. The charges to be made from time to time shall be as established by the board of directors.

ARTICLE IV.
MEETINGS OF MEMBERS

Section 1. Annual Meeting. The annual meeting of the members of the Corporation shall be held each year on such date as may be fixed by the board of directors. The annual meeting shall be held for the election of directors and the transaction of such other business as may properly come before it. At each such annual meeting, the board of directors shall submit to the membership a report of the Corporation's business activities during the preceding year and the general financial condition of the Corporation.

Section 2. Special Meetings. Special meetings of the members may be called by or at the direction of the president, secretary or chairperson of the board.

Section 3. Notice of Meetings. Notice of any meetings, annual or special, shall specify the time, place and purpose of the meeting and shall be delivered, either personally or by mail, to all members. Notice for meetings shall be sent not less than ten (10) and no more than fifty (50) days prior to such meeting.

Section 4. Voting. All members in good standing shall have voting privileges. All acts and resolutions of the members shall be deemed adopted upon a favorable vote of a majority of the votes cast by members qualified to vote. A member entitled to vote may vote in person or by proxy executed in writing by the member or the member's duly authorized attorney-in-fact. Subject to any greater requirements set forth in the Articles of Incorporation, members holding one-tenth (1/10th) of the votes entitled to be cast on the matter shall constitute a quorum.

Section 5. Action Without Meeting. Any action which might be taken at a meeting of the members may be taken without a meeting if a consent in writing, setting forth the action taken, is signed by all of the members entitled to vote.

ARTICLE V. DIRECTORS

Section 1. Number. Prior to termination of the OMDC Appointment Period as defined in the Articles of Incorporation, the number of directors of the Corporation shall be four (4). After termination of the OMDC Appointment Period as defined in the Articles of Incorporation, the number of directors of the Corporation shall be not less than three (3) nor more than five (5), with the number of directors being determined as hereinafter provided.

Section 2. Election/Appointment of Directors. Prior to termination of the OMDC Appointment Period as defined in the Articles of Incorporation, one (1) director shall be elected by the majority vote of the members owning lots in Blocks 1, 2 and 3, Filing 3, Oak Meadows Subdivision; one (1) director shall be elected by the majority vote of the members owning lots in Areas IV and V, Filing 4, Oak Meadows Ranch, and two (2) directors shall be appointed by Oak Meadows Development Corporation or its assignee as hereinabove provided.

After termination of the OMDC Appointment Period, the number of directors shall be determined by a majority vote of the members at an annual membership meeting or at a meeting of the members called for such purpose; provided that the number of directors shall be not less than three (3) nor more than five (5). The number of directors as so determined shall be elected as follows:

One (1) director shall be elected by the majority vote of members owning lots in Blocks 1, 2 and 3, Filing 3.

One (1) director shall be elected by the majority vote of members owning lots in Areas II, IV and V, Filing 4.

One (1) director shall be elected by the majority vote of members owning lots in Areas I, III, VI and VII, Filing 4.

The remaining directors, if any, shall be elected, at large, by a majority of the members of the Corporation.

Section 3. Alternate Directors. At the time of electing or appointing a director, the members or entity electing or appointing such director as above provided shall also elect or appoint an alternate director to act in the event the regular director is absent or is otherwise unable to act in such capacity. With respect to any director elected by part or all of the Corporation's membership, if the membership fails to elect an alternate director or if such alternate director is unable or unwilling to serve in such capacity, the Board of Directors of the Oak Meadows Homeowners Association may appoint an alternate director to act in such capacity. With respect to any director appointed by Oak Meadows Development Corporation or its designated assignee, Oak Meadows Development Corporation or such assignee shall appoint an alternate director. The term of any alternate director elected or appointed hereunder shall be coincident with the term of the regular director for which the alternate is designated.

Section 4. Vacancies. In the event of a vacancy on the Board of Directors resulting from the death or resignation of a director, the alternate to such director as elected or appointed as hereinabove provided shall fill such vacancy until the next regular election of directors; provided that if there is no alternate director then elected or appointed and otherwise qualified to fill such vacancy, the Board of Directors of the Oak Meadows Homeowners Association shall appoint a director to fill such vacancy with respect to a director representing Block 1, 2 and 3, Filing 3 or Area IV and V, Filing 4 and, until termination of the OMDC Appointment Period as defined in the Articles of Incorporation, Oak Meadows Development Corporation or its designated assignee shall appoint a director to fill such vacancy with respect to Areas I, II, III, VI and VII, Filing 4. After termination of the OMDC Appointment Period as defined in the Articles of Incorporation, the Board of Directors of the Oak Meadows Home Owners Association shall make such appointment.

Section 5. Power and Duties of the Directors. The board of directors shall have control and general management of the affairs, property and business of the Corporation and, subject to these Bylaws, may adopt such rules and regulations for that purpose and for the conduct of its meetings as the board of directors may deem proper. Such powers shall include but not be limited to the appointment and removal of the officers of the Corporation specified herein.

Section 6. Chairperson of the Board. From among its members, the board of directors shall elect a chairperson of the board. The chairperson of the board shall preside at meetings of the board of directors.

ARTICLE VI. MEETINGS OF DIRECTORS

Section 1. Annual Meeting. The annual meeting of the board of directors shall be held immediately after and at the same place where the annual meeting of the membership has been held. The meeting will be held for the purpose of electing officers, appointing committees and for the transaction of any other business as may properly come before the board of directors. No notice shall be required for the annual meeting of the board of directors.

Section 2. Special Meetings. Special meetings of the board of directors may be called by or at the direction of the president or the chairperson of the board.

Section 3. Notice of Meetings. Except for the annual meeting of the board of directors, notice of the time and place of any meeting of the board of directors shall be given, either written or orally, not later than ten (10) days prior to the meeting. Neither the business to be transacted at nor the purpose of any regular or special meeting need be specified in the notice or waiver of the meeting.

Section 4. Voting. During the OMDC Appointment Period as defined in the Articles of Incorporation, four (4) directors shall be required to constitute a quorum for the transaction of business. Upon termination of the OMDC Appointment Period, a majority of the Board of Directors shall constitute a quorum for the transaction of business. The act of a majority of the directors present when there is a quorum shall be the act of directors.

Section 5. Action Without Meeting. Any action which might be taken at a meeting of the board of directors may be taken without a meeting if a consent in writing, setting forth the action taken is signed by all of the directors entitled to vote.

ARTICLE VII. OFFICERS AND DUTIES

Section 1. Officers. The officers of the Corporation shall consist of a chairperson of the board, a president, one or more vice presidents, a secretary and a treasurer. Any two (2) or more offices may be held by the same person, except the offices of president and secretary. Officers shall be elected or appointed by the board of directors at the annual meeting of the directors. A vacancy in any office may be filled by the board of directors at any regular or special meeting called for that purpose.

Section 2. Chairperson of the Board. The chairperson of the board shall preside at all meetings of the members and the board of directors, and may have any other powers and duties as may be conferred by the board of directors.

Section 3. 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 have the authority to sign all contracts and other instruments on behalf of the Corporation, except as the authority may be restricted by resolutions of the board of directors adopted from time to time.

Section 4. Vice Presidents. Vice presidents shall have the duties that the board of directors or the president may delegate to them from time to time. In the absence of the president or his or her inability to act, the duties and powers of the office shall be performed and exercised by a vice president

Section 5. Secretary. The secretary shall keep the minutes and act as secretary of all meetings of the members and of the board of directors. The secretary shall be the custodian of the Corporation records. The secretary shall perform all duties usually incident to the office of the secretary, those duties specified in these Bylaws, and such other duties as may from time to time be assigned by the board of directors.

Section 6. Treasurer. The treasurer shall have general supervision over the care and custody of the funds and securities of the Corporation and shall deposit the same or cause the same to be deposited in the name of the Corporation in such bank or banks, trust company or trust companies, as the board of directors may designate. The treasurer shall keep or cause to be kept full and accurate accounts of all receipts and disbursements of the Corporation and whenever required by the board of directors, shall render or cause to be rendered financial statements of the Corporation.

ARTICLE VIII. NEGOTIABLE INSTRUMENTS

All checks, drafts, bills of exchange, notes or other obligations or orders for the payment of money shall be signed in the name of the Corporation by such officers or persons as the board of directors of the Corporation may from time to time designate by resolution.

ARTICLE IX. AMENDMENTS

Section 1. Bylaws. The board of directors shall have the power to alter, amend or repeal the Bylaws of the Corporation at any regular meeting of the board of directors or at any special meeting called for that purpose; provided, however, they may not be amended in a manner inconsistent with the provisions of Article IX of the Articles of Incorporation of the Corporation; provided that any such action shall be consistent with the Articles of Incorporation.

Section 2. Articles of Incorporation. The Articles of Incorporation may be amended upon resolution of the board of directors and submission to a meeting of the members where it is approved by a vote of two-thirds (2/3rds) of the members present at the meeting or represented by proxy. A resolution to amend may also be submitted to the members on the request of one-twentieth (1/20th) of the members entitled to vote on the resolution.

MINUTES OF ORGANIZATIONAL MEETING OF
OAK MEADOWS SERVICE COMPANY

August 8, 1995

A meeting was held at the offices of Delaney & Balcomb, 818 Colorado Avenue on August 8, 1995 between officers and representatives of Oak Meadows Homeowners Association, consisting of Greg Beightel, Mark Hayes, Tom Zancanella, and their attorney, Dan Kerst, and by John A. Reeves, Ralph Delaney and Robert Delaney representing Oak Meadows Development Corporation.

An Agreement entitled "Oak Meadows Reorganization Agreement" dated August 1, 1995 between Oak Meadows Development Corporation (OMDC) and Oak Meadows Homeowners Association (OMHOA) was approved and signed.

Pursuant to 4.0 of that Agreement, the same parties proceeded with the organization of Oak Meadows Service Company (OMSCO), a Colorado not-for-profit corporation, the proceedings being as follows:

Articles of Incorporation for OMSCO were examined and determined to be in conformity with the requirements of the Oak Meadows Reorganization Agreement, and associated documents, and the same were thereupon approved and Mark Hayes and Robert Delaney signed as incorporators and the corporation was declared to be in existence, with direction to promptly file the Articles of Incorporation with the Colorado Secretary of State.

Thereupon, and in accordance with the provisions of the Articles of Incorporation, the following Directors were elected to serve until their successors are elected and qualified: Greg Beightel, Mark Hayes, J. A. Reeves, Ralph Delaney.

The Directors thereupon met and conducted the following proceedings:

By-laws of the Corporation were examined, and upon motion duly made and seconded, were unanimously approved.

The following Officers were elected to serve for the remainder of the year and until their successors are elected and qualified:

Greg Beightel - President
Mark Hayes - Vice President
John A. Reeves - Vice President
Ralph Delaney - Secretary/Treasurer

Robert Delaney was named as an alternate Director to J. A. Reeves and to Ralph Delaney, and George Roussos was elected as an alternate Director to Greg Beightel and Mark Hayes.

The following documents, bearing date of August 1, 1995 were upon motion duly made and seconded, unanimously approved by the Incorporators and by the Board of Directors:

Reorganization Agreement
OMSCO Operating Agreement (attached as an exhibit to
OMSCO Reorganization Agreement, and
also separately executed)
Well and Pipeline Easement and Agreement
Addendum to Agreement for Well Development
Reservoir and Water Rights Lease Agreement

Receipt was acknowledged of Special Warranty Deed of water rights and of the Bill of Sale transferring property to OMSCO.

The Officers so elected were directed and authorized to sign the above-described documents on behalf of the Corporation.

On motion duly made and seconded, and unanimously adopted, it was directed that a checking account be opened at the Alpine Bank in Glenwood Springs with provision for joint signatures by not less than two officers.

It was directed that an Affidavit of Trade Name for "OMSCO" as an abbreviation for the corporate name be filed of record.

It was directed that a General Liability Policy for the Corporation be obtained to be reviewed and approved by the Board of Directors at the next meeting.

On motion duly made and seconded the "Oak Meadows Service Company Rules and Regulations" were unanimously approved.

It was agreed that water and sewer rates would be re-evaluated after examination of financial documents, including the history of expenditures, to be provided by OMDC.

The next Board of Directors meeting was scheduled for August 17, 1995 at 6:00 p.m. at the offices of OMDC (also Pitkin Iron Corporation) 0755 Airport Road, Glenwood Springs, Colorado.

It was further agreed that monthly meetings would be held by the Board of Directors which, unless otherwise agreed upon, would be at 6:00 p.m. on the second Wednesday of each month, at the same OMDC offices.

There being no further business the meeting adjourned.

Secretary

**DISTRICT COURT, WATER DIVISION 5
STATE OF COLORADO**

Court Address:
109 8th St. Suite 104
Glenwood Springs, CO 81601

Phone Number:
(970) 945-5075

COURT USE ONLY

**CONCERNING THE APPLICATION FOR WATER
RIGHTS OF OAK MEADOWS SERVICE COMPANY
and OAK MEADOWS WATER ASSOCIATION, INC.**

Case No. 03 CW 86

in Garfield County

RULING OF REFEREE

Oak Meadows Service Company and Oak Meadows Water Association, Inc. timely filed an Application for Finding of Reasonable Diligence for water rights for the Four Mile Creek Well No. 1 in Garfield County.

The undersigned Water Referee, being fully advised of the contents of the application, having made such investigations as are necessary and being fully advised with respect to the subject matter of the application, does hereby make the following findings of fact, conclusions of law and enters the Ruling set forth below.

FINDINGS OF FACT

1. The statements in the Application are true.
2. Oak Meadows Service Company and Oak Meadows Water Association, Inc. are the Applicants herein. The address of Oak Meadows Service Company is P.O. Box 1298, Glenwood Springs, CO 81602 and the address of Oak Meadows Water Association, Inc. is P.O. Box 292, Glenwood Springs, CO 81602.
3. Applicants are the owners of the Four Mile Creek Well No. 1.
4. No statements of opposition have been filed in this case, and the time for filing statements of opposition has expired.
5. Timely and adequate notice of the filing of the Application in this case was provided as required by law.

6. None of the subject water rights or their sources are located within any designated groundwater basin.
7. Applicants claim they have been reasonably diligent in the development of the conditional water rights, described more particularly as follows:
 - (a) Name of structure: Four Mile Creek Well No. 1
 - (b) Date of Original Decree: May 1, 1997.
Case No. 92CW350
Court: District Court, Water Division 5, Colorado.
 - (c) Legal description:

The well is located at a point in the Southwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$, Section 15, Township 7 South, Range 89 West of the 6th P.M., 502 feet North of the South line and 3,769 feet East of the West line of said Section 15. Garfield County.
 - (d) Source:

Groundwater tributary to Four Mile Creek, tributary to the Roaring Fork River, tributary to the Colorado River.
 - (e) Appropriation Date: October 5, 1992.
Amount: 17 g.p.m. Absolute, 33 g.p.m. Conditional.
 - (f) Use: Domestic and irrigation.
 - (g) Depth: 180 feet.
8. On May 20, 2003, as directed by the Court, Oak Meadows Service Company and Oak Meadows Water Association, Inc. timely filed, in the Water Court for Water Division No. 5, a verified Application for Finding of Reasonable Diligence. The Applicants submitted, with the Application, a detailed description of work performed and expenditures made during the diligence period toward development of their conditional water rights.

RULING

The Referee, having examined the information submitted by the Applicants, and having completed the investigations necessary to make a determination in this matter, does find that the Applicants have shown reasonable diligence in the development of the conditional water right previously awarded in the amount, at the location, and for the purposes above-described, and therefore concludes that the Application should be granted, and the conditional water rights be continued in full force and effect.

Should the Applicants desire to maintain the conditional water rights continued herein, an Application for Finding of Reasonable Diligence shall be filed in the month and year set forth below, unless a determination has been made prior to that date that such conditional water rights have been made absolute by reason of the completion of the appropriation, or are otherwise disposed of.

It is accordingly ORDERED that this Ruling shall be filed with the Water Clerk subject to Judicial Review.

It is further ORDERED that a copy of this Ruling shall be filed with the appropriate Division Engineer and the State Engineer.

Dated this 11th day of February, 2004.

Copy of the foregoing mailed to all Counsel
of Record, Water Referee, Div. Engineer
and State Engineer. Date 2-13-04

Deputy Clerk Water Div. 5

Delaney

BY THE REFEREE:

Daniel B. Petre

Water Referee
Water Division No. 5
State of Colorado

No protest was filed in this matter. The foregoing Ruling is confirmed and approved, and is made the Judgment and Decree of this Court, and the month and year for filing an Application for Finding of Reasonable Diligence shall be

_____, 20_____.

Dated this _____ day of _____, 2004.

WATER JUDGE

Should the Applicants desire to maintain the conditional water rights continued herein, an Application for Finding of Reasonable Diligence shall be filed in the month and year set forth below, unless a determination has been made prior to that date that such conditional water rights have been made absolute by reason of the completion of the appropriation, or are otherwise disposed of.

It is accordingly ORDERED that this Ruling shall be filed with the Water Clerk subject to Judicial Review.

It is further ORDERED that a copy of this Ruling shall be filed with the appropriate Division Engineer and the State Engineer.

Dated this 11th day of February, 2004.

Copy of the foregoing mailed to all Counsel
of Record, Water Referee, Div. Engineer
and State Engineer Date 2-13-04

J. Martin
Deputy Clerk Water Div. 5

Delaney

BY THE REFEREE:

Daniel B. Petre

Water Referee
Water Division No. 5
State of Colorado

No protest was filed in this matter. The foregoing Ruling is confirmed and approved, and is made the Judgment and Decree of this Court, and the month and year for filing an Application for Finding of Reasonable Diligence shall be

11th, 2004.

Dated this 9th day of March, 2004.

Copy of the foregoing mailed to all Couns.
of Record, Water Referee, Div. Engineer
and State Engineer Date 3-10-04

J. Martin
Deputy Clerk Water Div. 5

Delaney

WATER JUDGE