

BY-LAWS
OF
THE ANIMAS WATER COMPANY

Revised March 12, 2009

PREAMBLE

These by-laws are enacted to replace and supercede the previous Bylaws of the Animas Water Company.

Article I

NAME, OBJECTS, PURPOSES AND PRINCIPAL PLACE OF BUSINESS

The corporate name, the objects and purposes and the principal place of business of this Company shall be as stated in and provided by the Articles of Incorporation of the Animas Water Company filed in the office of the Secretary of State.

Article II

SEAL

The seal of the Company shall have inscribed thereon the name of the Company and the word AColorado@.

Article III

MEMBERSHIP

Section 1. To be eligible for membership, an applicant must own real property within the service area of the Company, must submit a written application as provided by the Company, and must pay an application fee.

Section 2. All completed applications shall be submitted to the Manager. The Manager shall have the authority to grant or deny such application in its discretion. In determining whether to accept a new member, the Manager shall consider, among other factors, the needs of users who may already be members, whether the Company has an adequate supply of water and storage capacity to serve the applicant, whether service to the applicant would create hardship, inconvenience or expense to the Company, and the need for additional infrastructure. The Manager shall have authority to impose conditions upon the granting of any application. In the event that an application is denied, the applicant shall have the opportunity to appeal the denial to the Board of Directors.

Section 3. Once an application for membership is approved, the membership interest becomes inextricably tied to the real property upon which the membership application was based. The Board of Directors has the authority, in its discretion, to waive the non-severability limitation in circumstances where it deems just and appropriate. Each member shall be entitled to one water service connection with the Company's system. Any person desiring more than one service connection shall be required to apply for and secure an additional membership for each such

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connection as provided in Section 1 of this Article. Each member shall be required to comply with all of the rules and regulations of the Company as they may be amended from time to time.

Section 4. Membership Records. The Company shall keep a log of the current members, including contact information, service address, and date of membership. Upon sale, transfer, assignment, or other disposition of the Member's real property located within the service area, the Membership shall transfer to the new owner of the said real property, and may not be severed from the real property upon which the membership was based. The new owner must provide to the Company a copy of the instrument vesting that person with an ownership interest, billing information, and payment of the transfer fee before service will be provided.

Article IV MEMBERSHIP MEETINGS

Section 1. Annual Meetings. Annual meetings of the members for the election of Directors and for other business which may properly come before the meeting shall be held at the corporate office or such place as the Board of Directors may designate in the County of La Plata, State of Colorado, on the second Wednesday in March of each year, or at some other date if the Board of Directors deems a change of date advisable. Public notice of the time and place of said meeting shall be given by the Secretary by publication in a newspaper published in La Plata County, Colorado having general circulation in said area. The notice will be published at least once not more than thirty (30) days nor less than ten (10) days prior to the date fixed for said meeting and by giving at least ten (10) days' written notice of said meeting by depositing a copy of said notice in the post office addressed to each member at his place of residence, as the same may appear on the records of the Company, or by delivering such notice personally to each member. Members shall be permitted to waive such notice and a waiver in writing, signed by the person or persons entitled to such notice, whether before, at, or after the time of the meeting stated therein, shall be deemed equivalent to such notice.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the president, or by a majority of the Directors. The President, or in his absence, the Vice President, shall call a special meeting upon the written petition of ten percent of the members of the Company. Notice of special meetings shall specify the business to be transacted at such meetings and shall be given as provided in Section 1 of this Article. No business other than that specified in the notice may be transacted at a special meeting.

Section 3. Attendance. Members may attend a meeting in person or by proxy. To be valid, a proxy must be in writing, dated, signed by the member, and must designate a person who will be present at the meeting to cast votes for the member. Proxy authority is presumed to be valid for a period of one year unless a different duration is stated on the face of the proxy. Any revocation of a proxy must be in writing, signed, dated and delivered to the Secretary of the Company. The revocation is not valid until received by the Secretary, and will affect only votes cast after the time of receipt by the Secretary.

Section 4. Quorum The members of the Company attending a meeting, in person or by proxy, whether the meeting be annual or special, shall constitute a quorum for the transaction of business. Members may attend and vote by proxy, but cumulative voting shall not be allowed.

(i) To enter contracts, borrow funds, establish bank accounts or other accounts as necessary to carry out their duties;

(j) To employ or engage attorneys, accountants, engineers, hydrologists, architects, or other professionals to assist in carrying out the board's duties;

(k) visioning and planning for the short and long range future of the Company, including the authorization for capital improvements projects; and

(l) any other management matters that may be necessary to carry on the administration and operation of the Company to ensure the delivery of water in accordance with the purposes of the Company.

Section 2. Election and Term of Board Members. All directors are elected for three year terms. These terms are staggered.

Section 3. Election of Officers. The Board of Directors shall elect by ballot one of its members as President and one Vice-president, and shall also elect a member of the board to be a Secretary and a Treasurer or a Secretary-Treasurer.

Section 4. Term of Officers. Each officer shall be elected for a period of one year, or longer if no successor is appointed and qualified.

Article V Section 5. Compensation of Directors and Officers. The board of directors may authorize compensation to be paid to the board members for their service on the Board of Directors. If compensation is authorized, the amount of compensation shall be fixed by a vote of the members at an annual meeting. The amount of compensation fixed shall be included in the annual budget.

Section 6 Indemnification.

(a) The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative, including all appeals (other than an action, suit or proceeding by or in the right of the Company) by reason of the fact that he is or was a director, officer, or employee of the Company (including attorneys' fees) judgments, decrees, fines, penalties, and amount paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the Company and with respect to any criminal action or proceeding, had reasonable

Section 5. Order of Business. All membership meetings of the Company shall be governed by Robert's Rules of Order. The order of business at all membership meetings shall include where applicable:

1. Proof of due notice
2. Reading and disposal of any unapproved minutes
3. Nominations for vacancies on the Board of Directors
4. Report of Board of Directors by President or Vice President, including budget report
5. Report of Manager
6. Unfinished business
7. New business
8. Election of Board Members
9. Adjournment

Section 5. Voting Rights. Each member shall be entitled to one vote irrespective of the number of memberships held.

Article V DIRECTORS

Section 1. Powers and Functions of the Board of Directors. The business and affairs of this Company shall be managed by a Board of five (5) Directors. The board shall have the general powers and duties necessary for the administration of the affairs of the Company and for the operation and maintenance of the Company, not otherwise prohibited by statute or by the Articles of Incorporation. Such powers and duties shall include but shall not be limited to, the following:

- (a) delegation of authority to a manager for operations, maintenance and repair of the Company, including the hiring and removal of said manager'
- (b) determination of policies for guidance of management;
- (c) establishment and enforcement of rules and regulations of the Company;
- (d) control of expenditures by authorizing budgets;
- (e) keeping members fully informed of the business of the Company;
- (f) establishment of water charges and the levying and collecting of assessments and enforcing the collection thereof in accordance with the laws of the State of Colorado;
- (g) administration and enforcement of the provisions of the operating documents of the Company, including, but not limited to the articles of incorporation, by-laws, and rules and regulations of the Company;
- (h) To insure, protect and defend, in the name of the company, and or all of the property from loss, and damage by suit or otherwise;

cause to believe that the conduct was unlawful, provided that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been finally adjudged to be liable for negligence or misconduct in the performance of his duty to the Company, unless, and only to the extent that, the court in which such action or suit was brought shall determine upon application that despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to be indemnified for such expenses as such court shall deem proper.

(b) The Company may purchase and maintain insurance on behalf of any person who is or was a director, officer, or employee of the Company against any liability asserted against him and incurred by him in any such capacity, or arising out of his status in any of the capacities enumerated in this subparagraph.

Section 7. Board Member's interest. Members of the Board of Directors may not serve as employees of the Company. However, board members may provide services to the Company for which remuneration would be required by the Company. In the event that a matter arises in which a board member has an interest, financial or otherwise, the non-interested board members may elect, by majority vote, to bar said interested board member from voting on matters pertaining to the interest of the board member.

Section 8. Meetings of the Board of Directors. The meetings of the Board of Directors shall be held at such regular intervals as the Board shall determine. A majority of the Board of Directors must be present in person at any meeting of the Board to constitute a quorum for the conduct of business. Special meetings of the Board of Directors may be called by the President upon his own initiative or upon a request by another board member. Notice of special meetings must be provided by fax, mail, e-mail or telephone at least seven days in advance of the meeting. Notwithstanding the notice provisions set forth herein, if the board members unanimously agree to a shorter notice period, or if a unanimous vote of all of the board members on any issue brought to vote at a special meeting is obtained, then the action taken at the special meeting shall be valid regardless of proper notice.

Section 9. Vacancies. In the event of a vacancy among the Board of Directors by death, resignation or because such vacating Director has ceased to be a member of the Company, such vacancy may be filled by the remaining Directors by the selection of a member of the Company who shall serve out the unexpired term of the director whose office has been vacated. If the Board fails to fill the vacancy, then a new director shall be elected at the annual meeting of the members, and the new director shall serve out the unexpired term of the director whose office has been vacated.

Article VI OFFICERS

Section 1. Duties of the President. The President shall preside at all meetings of the Board of Directors. He shall execute notes, bonds, mortgages, contracts, deeds and all other instruments on behalf of the Company. He shall be an ex officio member of all standing committees and he shall have such powers and perform such other duties as may be properly

required of him by the Board of Directors.

Section 2. Duties of the Vice President. The Vice President shall, in the absence of or disability of the President, or in the event of his death, resignation, or removal from office, perform and discharge the duties and exercise the powers of the President.

Section 3. Duties of the Secretary and the Treasurer or the Secretary-Treasurer:

a) The Secretary, if designated to that office alone, shall keep a record of the proceedings of the Board of Directors and the seal of said Company, and shall attest the signatures of the President and Vice President of the Company.

b) The Treasurer, if designated to that office alone, shall keep the books and records of the Company, shall collect all monies due the Company, and deposit the same in a depository designated by the Board of Directors, shall disburse funds on the proper order of the Board, shall make a report of the business transacted by him annually or at any time that such report is requested, and shall do and perform such other duties and functions as may be required of him by the Board of Directors or the President.

c) If the offices of Secretary and Treasurer are held by one individual, said individual shall perform the duties set forth in a) and b) of this section.

d) The Treasurer or the Secretary-Treasurer shall furnish a surety bond for the faithful performance of his duties and for the accounting for funds and monies handled by him in an amount to be determined by the Board of Directors. The premium for such bond shall be paid by the Company.

e) The Board may delegate some or all of the duties of the Secretary and Treasurer to an employee or independent contractor.

Section 4. Appointment and Duties of Systems Operator/Manager. The Board of Directors may appoint in addition to the officers above named a Systems Operator and/or Manager who will be in charge of the work of construction, maintenance and repair of the water treatment and distribution system. He shall make a monthly report to the Board of Directors showing the condition of the system and the amount and character of work done during the previous month. He shall certify to the Secretary or Secretary-Treasurer the payroll for himself and each laborer who performed work on behalf of the Company. The compensation to be paid for the performance of duties of the Systems Operator and any laborers, or any assistants he may hire shall be in an amount to be determined by the Board of Directors.

Article VII
ASSESSMENTS AND CHARGES

Section 1 Water Charges: The Board of Directors shall establish a rate of charge for water flowing through the meters which are to be installed on each service line connected with the Company's system. Such charges shall be in accordance with the amount registered by such

meter. The rate shall also provide for a minimum monthly charge. The Board of Directors shall be guided in establishing the rate of water charges by the estimated amount necessary to pay the costs of operation, maintenance, repair, rehabilitation and construction of the system, payment of principal and interest of any indebtedness of the Company which may have been contracted in connection with the Company's operation, and a reserve for capital improvements and replacement of depreciated assets. Water charges on water sold through meters shall become due monthly and shall become delinquent if not paid within ten days from the date that statement for the same is mailed. If not paid within thirty days from the date said statement is mailed the tap of said water user shall thereupon be shut off by the Company or its authorized agents. The Board of Directors also has the authority to adjust member's water bills for certain mitigating circumstances.

Section 2. Membership Assessments. If for any reason the total amount collected by the Company from water or other sources in any year is, or in the judgment of the Board of Directors will be, insufficient to pay all costs and expenses incurred in connection with the Company's operations, debt retirement, and capital improvements projects, the Board of Directors may make a special assessment against the membership. The Board of Directors is not required to deplete or otherwise invade the Company's capital reserve account prior to making a special assessment in accordance with this section.

A proportionate amount of the total assessment shall be levied against each outstanding membership in the same proportion which the then current schedule of the costs of the tap fee or fees of the member bears to the total schedule of costs of fees for taps then in service.

Section 3. Enforcement of Payments of Water Charges and Assessments. In addition to the provisions of Section 1 of this Article, the Board of Directors is authorized and directed to refuse to deliver water to any member who is delinquent in the payment of any assessment levied as provided in Section 2 of this Article. All assessments shall be deemed delinquent ten (10) days after notice of the same has been mailed to the member. In addition to all other remedies provided herein, any assessment or charge to a member shall constitute a lien on the real property on which the tap is located, effective the due date of the assessment or charge. To evidence the lien, the Company may, but shall not be obligated to, prepare a written lien statement, setting forth the name of the Owner, the legal description of the property, the name of the Company, and the delinquent assessment or charge amounts then owing. Any such statement shall be duly signed and acknowledged by the President or a Vice-President of the Association or by the Manager, and shall be served upon the member of the property by mail to the address of the property or at such other address as the Company may have in its records for the member. At least ten (10) days after the Company mails the statement to the member, the Company may record the statement in the office of the Clerk and Recorder of La Plata County, Colorado. Thirty (30) days following the mailing of such notice to the member, the Company may, at its option, proceed to foreclose the statement of lien in the same manner as provided for the foreclosure of mortgages under the statutes of the State of Colorado. Such lien shall be in favor of the Company and shall be for the benefit of all other members. The Company shall recover its reasonable costs and attorney's fees for all collection efforts, whether or not litigation is filed. The lien shall remain in effect until all charges including interest, attorney's fees and costs are paid.

Section 4. In the event of scarcity of water, failure or partial failure of supply of water for any reason, or anticipated scarcity or failure of water, the Board of Directors shall have the power to restrict and limit the use of water from said system as it deems fit and proper. Notice of the imposition of such restriction may be by phone, or written notice delivered, mailed, faxed or e-mailed, to the members and shall be effective immediately until the members are notified otherwise. The Company may refuse to deliver water during the period of restriction to any member who fails to comply with the water restrictions. In addition, a fine or penalty may be imposed.

Article VIII
FISCAL YEAR

The fiscal year for said Company shall be the calendar year.

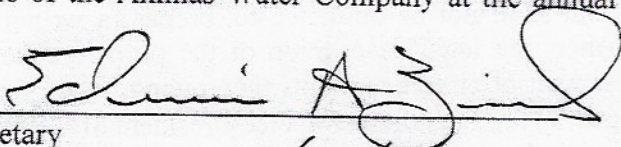
Article IX
Amendments

These Bylaws, or any Section or Article thereof, may be changed, amended, or repealed at any regular meeting of members, or any special meeting of the members held for that purpose, provided such notice of such proposed changes have been incorporated in the call for such meeting.

Article X
Recording

A copy of these Bylaws shall be recorded in the real property records of La Plata County, Colorado.

I, Edwin A Zink, the Secretary of the Animas Water Company, do hereby certify that the foregoing document is a true and correct copy of the revised and re-enacted Bylaws of said Company adopted by the members of the Animas Water Company at the annual meeting held March 12, 2009.


Secretary

1/8/2013