

**SADDLE MOUNTAIN MUTUAL WATER COMPANY
SHAREHOLDER AGREEMENT AND SUBSCRIPTION FOR STOCK**

THIS AGREEMENT is entered into this ____ day of _____, 20__, (“Effective Date”) between the SADDLE MOUNTAIN MUTUAL WATER COMPANY, a non-profit mutual ditch and reservoir company formed and existing under the laws of the State of Colorado (“Water Company”), and _____ (“Property Owner”).

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

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

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

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

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

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

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

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

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

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

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

1. Property Owner agrees, upon the execution of this Agreement, to pay to the Water Company the applicable fee for each full share of stock ("Subscription Fee") according to the attached Fee Schedule, subject to the terms of Board Resolution 10-002 as approved and adopted by the Company Shareholders at the annual Shareholder meeting, as the initial cost of participation in the Water Case and as the payment for purchase of stock.

2. Payment of the Subscription Fee multiplied by the number of shares requested shall secure the right to issuance of stock to the Property Owner for the specified number of shares. After receipt of the Subscription Fee, the Water Company will notify the State Engineer of Property Owner's membership and will send a stock certificate to the Property Owner. The stock certificate will be the evidence of the Property Owner's right to a well permit under the terms of the Water Case, which if the property is located in Water Division No. 2, will allow the Property Owner to receive a well permit to construct an in-house water supply well under the terms of the decree in the Water Case.

3. Upon becoming a shareholder of the Water Company, the Property Owner will be required thereafter to abide by all lawful Articles of Incorporation, Bylaws, rules, regulations and policies of the Water Company. The Water Company's Articles of Incorporation, Bylaws, and any rules, regulations and policies are as posted on www.smmwc.org or other then-current website of the Water Company. The Property Owner understands that, as a result of the decree in the Water Case and the determination by the Board that all Property Owners should be treated equally, the Property Owner is required to pay for shares of stock in the Water Company based upon the costs of augmenting year-round occupancy, even if the Property Owner only resides within the Water Company's service area on a seasonal basis.

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

5. If the full Subscription Fee, Annual Assessment or any other fee assessed by the Water Company, such as a late fee, (collectively referred to as "Fees") are not paid by the Property Owner to the Water Company when they become due, then the Water Company may suspend or terminate the Property Owner's shareholder status pursuant to the Company's Articles of Incorporation and Bylaws or revoke the right to the issuance of the share(s) of stock. The Property Owner understands that the failure to tender the Fees, when due may also result in the Water Company curtailing the provision of augmentation water to replace the Property Owner's well depletions, and informing the State Engineer that the Property Owner's well is no longer diverting water lawfully under the decree in the Water Case. The Property Owner further understands that such actions by the Water Company may result in the State Engineer prohibiting further use of the Property Owner's well or denying a well permit application unless and until another approved source of augmentation water is provided to replace the Property Owner's well depletions.

6. In the event that the Property Owner fails to tender Fees when due because the Property Owner no longer desires to be a shareholder in the Water Company, then the Property Owner understands and agrees: 1) that the Water Company shall retain the prior payments made hereunder as consideration for the Water Company's efforts to secure augmentation water for the Property Owner; 2) that no portion of that sum shall be refunded to the Property Owner by the Water Company; 3) that the Property Owner shall not thereafter be entitled to augmentation water under the decree in the Water Case; and 4) that the Property Owner shall then be solely responsible for obtaining any augmentation water needed to replace the Well depletions.

7. Under this Agreement, the Property Owner subscribes for issuance of share(s) of stock for the provision of augmentation water for household use purposes and/or share(s) of stock for livestock watering (on the basis of one-half share per one horse equivalent) in consideration for the Property Owner's Subscription Fee. Information on Property Owner's lots and water uses:

- a. Subdivision Name: _____ Filing No.: ____ and Lot No. _____ on which stock is to be assigned.
- b. Household-use only: _____ Shares
- c. Livestock: _____ Shares

If livestock water is included under the well on this lot, indicate the number of horses (or horse-equivalents) desired: _____ horses. Shares of stock for livestock water are subject to approval by the Water Company as there is a limit on the number of shares for such purposes. If Property Owner has livestock and does not purchase shares under this Agreement, Property Owner agrees to notify Water Company of its method of securing water for the livestock. Failure to do so will result in the Water Company informing the State Engineer that the Property Owner may not be diverting water lawfully for livestock. The Property Owner further understands that failure to secure livestock water may result in the State Engineer prohibiting further use of the Property Owner's well or denying a well permit application unless and until another approved source of augmentation water is provided to replace the Property Owner's well depletions.

8. Approval of this agreement is at the sole discretion of the Board.

9. Shares and stock certificates issued to the Property Owner by the Water Company shall transfer with the ownership of the property, unless the contract for sale of the property specifically reserves the share or partial share ownership in the seller and the seller has obtained the approval of the Board to transfer such share or partial share to another property.

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

11. Subject to paragraph 10, this Agreement shall be binding upon, and inure to the benefit of, the heirs, successors and assigns of the parties hereto.

12. This contract may not be modified or amended except by an instrument in writing signed by authorized representatives of the parties.

13. This contract constitutes the entire agreement of the parties relating to the subject matter of this contract and supersedes all prior contracts, agreements or understandings with respect to the subject matter hereof, both oral or written. Each party agrees that the other party (and its agents and representatives) has not made, and has not relied upon, any representation, warranty, covenant or agreement relating to the transactions contemplated hereunder other than those expressly set forth herein.

14. This contract and the rights and duties of the parties arising out of this contract shall be governed by, and construed in accordance with, the laws of the State of Colorado.

WHEREFORE, the parties hereto have executed this Agreement as of the Effective Date.

PROPERTY OWNER

Signature & Printed Name

PROPERTY OWNER

Signature & Printed Name

MAILING ADDRESS:

E-MAIL: _____

SADDLE MOUNTAIN MUTUAL WATER COMPANY

By: _____
President

ATTEST:

Secretary

Send signed agreements to:

Saddle Mountain Mutual Water Company
123 Deerview Drive
Florissant, CO 80816

**Attachment 1 to
Saddle Mountain Mutual Water Company
Shareholder Agreement and Subscription for Stock**

FEE SCHEDULE

SUBSCRIPTION FEES:

<u>Type of Share</u>	<u>Subscription Fee per Share</u>
<input type="checkbox"/> In-House Use Only	\$2,000.00
<input type="checkbox"/> Livestock	
<input type="checkbox"/> Full Share (covers two horses/equivalent)	\$2,000.00
<input type="checkbox"/> Half Share (covers one horse/equivalent)	\$1,000.00
<input type="checkbox"/> Transferred Share from Previous owner	\$ 50.00

OTHER FEES:

<input type="checkbox"/> Exchange - livestock usage to household usage	\$ 50.00
<input type="checkbox"/> Exchange - household usage to livestock usage <i>(A new agreement may be required)</i>	\$ 50.00
<input type="checkbox"/> Lost Certificate Replacement <i>(Shareholder must provide \$25 Bond & existing agreement)</i>	\$ 50.00
Failure to report water usage when due <i>* For up to 6 months</i>	\$100.00/month *