

April 27, 2016

Silver Ponds Homeowners,

You may remember that last year at the annual meeting we tasked a group of homeowners to begin looking into our options after we were contacted by the state and notified that we were habitually significantly deficient in our water augmentation obligations. The state water district has been kind enough not to fine us for our deficiencies and is allowing us continued grace as we work to resolve the issue. This letter is for the purpose of informing you about the options that have been unearthed by that committee in cooperation with our water attorney so that we might be able to vote as an HOA at our upcoming meeting on a way forward.

A little bit of background: you are all aware that we regularly report our water meter readings to John Kuhlman (neighborhood water czar) for the purpose of determining if we are exceeding each of our .5 acre foot water allotments. Additionally, these readings are also for the purpose of determining if the amount of water returning to the ground during the winter is adequate to fulfill our water augmentation obligations as pertains to the water we have removed from the ground via our wells. In this area we are generally in compliance.

What was a surprise to us is that we also have an obligation to augment the water that evaporates from the surface of our ponds. There is a complicated formula that determines the annual evaporation from the surface of the ponds using the area of the ponds themselves. One option is to drain the ponds and therefore erase any obligation to augment for evaporation. This is an option we would like to avoid to maintain property values and the beauty of the ponds in our neighborhood. So we are faced with figuring out how to come up with 4.96 additional acre feet per year to fulfill the claim on the evaporating water of our downstream neighbors in Pueblo and beyond.

Because purchasing this water on an annual basis would be inordinately expensive, our attorney has proposed a way forward that we would like to pursue with homeowner approval. It is a two step plan. First we would change the plan for augmentation to allow pumping up to 10.5 acre feet total annually for all 24 of our residential lots in combination (rather than the current .5 acre foot per well). As it happens, we generally pump about 8.5 acre feet in total. This plan will free up about 1.0 acre feet to go toward augmentation. Second, we would change the augmentation plan to limit commercial use on Lot 25 to half the total decreed amount of 8.25

acre feet annually making the new limit 4.13 acre feet. This is only possible because a residence was built on the second "commercial" lot.

These two changes to our augmentation plan would increase the available water we have to pump from the ground to 5.13 acre feet annually, slightly more than the 4.96 we are obligated to come up with. This amount of water would be pumped from the ground and dumped down the stream bed. There are several possible ways to get this water out of the ground that could include building a new well on HOA property, an owner along the stream agreeing to utilize their well to dump water down the stream, or the commercial well on Lot 25 agreeing to utilize their well to dump water down the stream. Obviously there will be costs to the HOA for any of these options.

So finally we come to what we must vote on. At the annual meeting, we need to vote on whether we will pursue this option that the attorney is recommending and re-permit our wells. Re-permitting would incur a cost of about \$150 per well as a special assessment. This is the sort of issue that we must have 100% agreement on or we cannot proceed. In the event we cannot come to 100% agreement, we are likely to have to find water resources to purchase. Costs for this would likely run into the \$1000s per lot per year.

I am sure that there will be many questions. Would you please reply with any and all questions and then we as a board will address them all at once to everyone by email prior to the night of our meeting? This seems to be the fairest way of responding so that everyone has all the information before being asked to vote. You can see why we must have everyone present in person or by proxy at this meeting. In the event you have not typically attended the annual meeting or sent in a proxy, please expect to be contacted in person by a board member.

Best regards,

Your Silver Ponds HOA Board