

Loan Application

The Plaza Project – Phase 3: Prairie Ditch Implementation Project

**Prepared for the Colorado Water Conservation Board's
Loan Program**

Prepared by

**LaVern Hart, President
Prairie Ditch Company**

and

**Heather Dutton, Executive Director
Rio Grande Headwaters Restoration Project**

**COLORADO WATER CONSERVATION BOARD
WATER PROJECT LOAN APPLICATION**

Instructions: This application should be typed or printed neatly with black ink. Attach additional sheets as necessary to fully answer any question or to provide additional information that would be helpful in the evaluation of this application. When finished, please sign and return this application to:

THE COLORADO WATER CONSERVATION BOARD
Finance Section
1580 Logan St., Suite 600
Denver, CO 80203
Attn: Anna Mauss, P.E.
Phone: (303) 866-3441 x3224 Fax (303) 894-2578
Email: anna.mauss@state.co.us

Part A. - Description of the Applicant (Generally, the applicant is also the prospective owner and sponsor of the proposed project)

1. Name of applicant Prairie Ditch Company
Mailing Address PO Box 32 Mosca, CO 81146

Business Phone (719) 378-2209 Fax (719) 587-2270
Federal ID Number 84-0497104 email prairieditch@gmail.com

2. Person to contact regarding this application:
Name Mary Dzuris
Position/Title Secretary / Treasurer
Address PO Box 32 Mosca, CO 81146
Business Phone (719) 378-2209 Cell (719) 588-6228
Email prairieditch@gmail.com

3. Type of organization (Ditch Co., Irrigation District, Municipality, etc.): Ditch Company
Date of Annual Meeting February 1, 2014

Is the organization incorporated in the State of Colorado? YES NO (If YES, please include a copy of the articles of incorporation, and the bylaws)

CWCB Water Project Loan Application

4. Please provide a brief description of the owner's existing water supply facilities and describe any existing operational or maintenance problems. Attach a map of the service area
The Prairie Ditch diverts 367 cfs to 65 stockholders on a 25 miles ditch with a 23,000 acre
service area. The diversion is in poor condition and at risk of failure. The headgate is aging and
in need of repair. These elements require high maintenance and are a local restoration priority.

For existing facilities indicate:

Number of shareholders 65 or Number of customers served _____

Current Assessment per share \$ 300.00 Number of shares 257

Number of acres irrigated 23,000 Water Right: 367 CFS.

Average water diverted per year: 16,000 acre-feet.

Part B. - Description of the Project

1. Name of the Project Plaza Project - Phase 3: Prairie Ditch Implementation Project (Phase 3)

2. Purpose of this loan application. Check one.

- New project
Rehabilitation or replacement of existing facility
Enlargement of existing facility
Emergency Repair
Other (describe) _____

3. If the project is for rehabilitation of an existing reservoir, is the reservoir currently under a storage restriction order from the State Engineer? YES NO

4. General location of the project. (Please include county, and approximate distance and direction from nearest town, as well as legal description, if known.)

Phase 3 is located in Rio Grande County, approximately 5 miles north and 6.5 miles west
of Monte Vista. Coordinates: 37° 38' 42.45"N / 106° 14' 0.44"W

5. Please provide a brief narrative description of the proposed project including purpose, need, facilities, type of water uses to be served and service area. Attach separate sheet, if needed.

Phase 3 includes replacing the PD diversion with a rock dam that allows fish/boat passage,
installing a headgate with automated gates, and rehabilitating nearby streambanks.

See the feasibility study for details.

6. Will the acquisition of additional water rights be necessary? YES NO

If YES, please explain. _____

CWCB Water Project Loan Application

7. Please list the names, addresses and phone numbers of the Applicants' engineer(s) and attorney(s).

<u>NAME</u>	<u>ADDRESS and PHONE</u>
Rod Clark, P.E.	101 S. Craft Dr. Alamosa, CO 81101 (719) 589-6432
Laurie Clark, P.E.	881 Hwy 285 N. Monte Vista, CO 81144 (719) 852-5114
Bill Paddock, Attorney	bpaddock@chp-law.com (303) 861-9000

8. List any feasibility studies or other investigations that have been completed or are now in progress for the proposed project. If so, submit one copy of the study with this application
A feasibility study for Phase 3 was completed and submitted to CWCB. Other relevant studies include the 2001 Study, 2007 Strategic Plan, and Plaza Plan. See feasibility study for details.

9. Estimated cost of the project. Please include estimated engineering costs, and estimated construction costs, if known.

Estimated Engineering Costs:\$	\$ 90,000.00	
Estimated Construction Costs:	\$ 825,000.00	
Estimated Other Costs:	\$ 60,000.00	(land, water rights purchase,etc.)
Estimated Total Costs:	\$ 975,000.00	

10. Loan amount and terms you are requesting.

Requested Loan Amount:	\$ 130,000.00	(Usually 90 % of est. Total Costs)
Term (length) of loan:	10 years	(usually 10, 20, or 30 years)
Interest Rate:	1.75% interest	(Please call for our current rates)

Part C. - Project Sponsor Financial Information

Because the CWCB's Fund is a revolving fund, it is important that the project sponsor have the financial capacity to repay any loans made by the CWCB. The following information is needed to assist the CWCB in a preliminary assessment of the applicant's financial capacity. The project sponsor will submit the three most recent annual financial statements.

1. List any existing long-term liability (multi-year) or indebtedness that exceeds one thousand dollars. For example, bank loans, government agency loans, bond issues, accounts payable, etc. Include names and addresses of lenders, amounts, due dates and maturity dates.

CWCB Water Project Loan Application

<u>Lender Name & Address</u>	<u>Remaining Amount</u>	<u>Annual Payment</u>	<u>Maturity Date</u>
<u>None</u>			

2. Are any of the above liabilities now in default, or been in default at any time in the past?
YES NO . If YES, please give detailed explanation.

3. Please provide a brief narrative description of sources of funding, in addition to the CWCB, which have been explored for this project (Examples would be Banks, USDA Rural Development, NRCS, Colorado Water Resources and Power Development Authority, Colorado Division of Local Government, etc.). The Prairie Ditch partnered with the Colorado Rio Grande Restoration Foundation for Phase 3. They secured \$315,000 through the NRCS CCPI Program. The Foundation has requested \$430,000 through the CWCB WSRA. In-kind commitments total \$100,000.

4. What collateral will you be offering for this loan? Possibilities include a pledge of revenues, the project itself, real estate, water rights. The Prairie Ditch can offer revenue from assessments, a certificate of deposit in the amount of the annual payment, or the Project itself. The Prairie Ditch is prepared to add a special assessment to annual assessments to provide additional funds.

The above statements are true, to the best of my knowledge:

Signature of Applicant La Vern Hart

Printed Name LaVern Hart

Title President, Prairie Ditch Company

Date January 28, 2014

Attachments

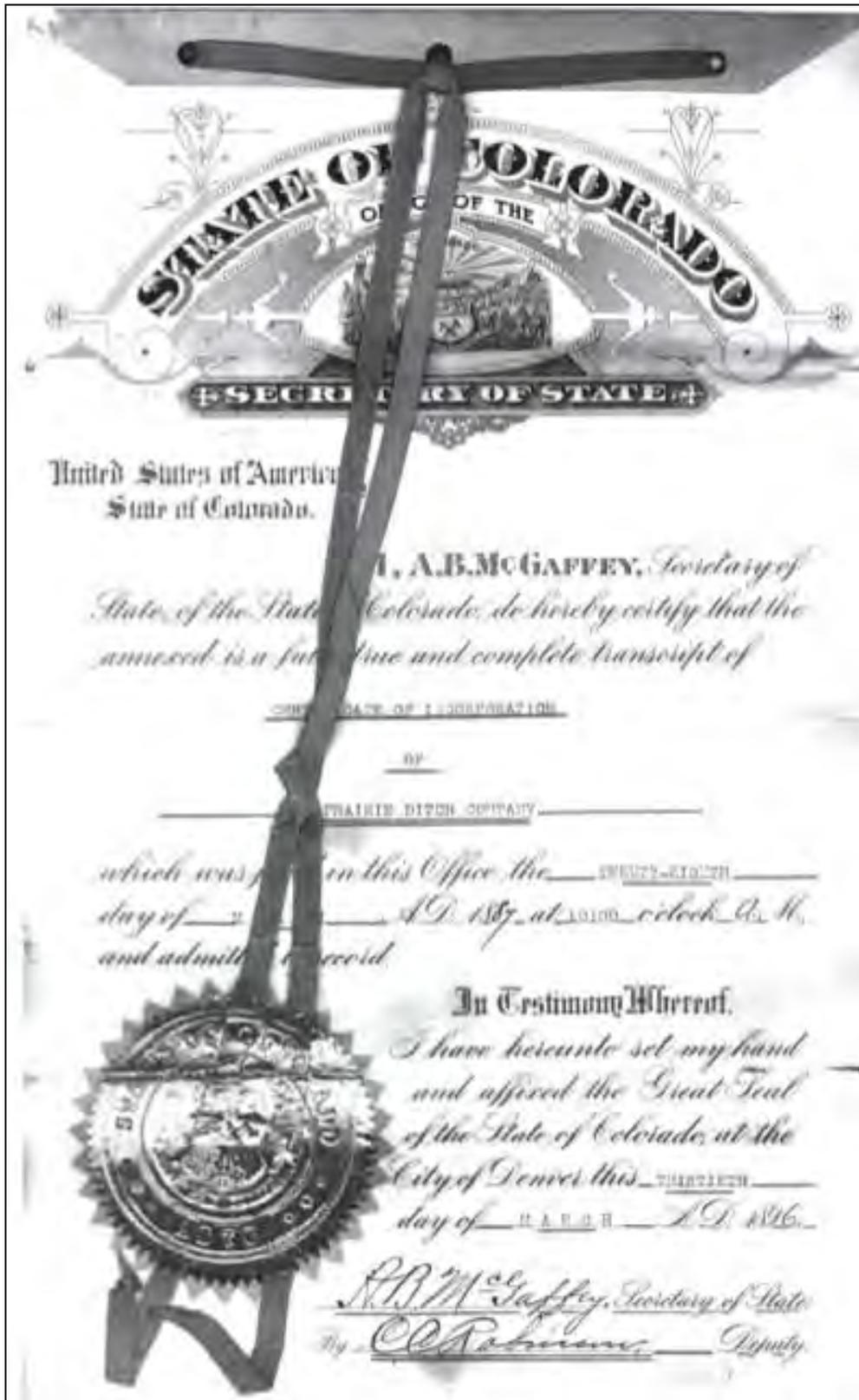
Attachment 1 - Prairie Ditch Articles of Incorporation

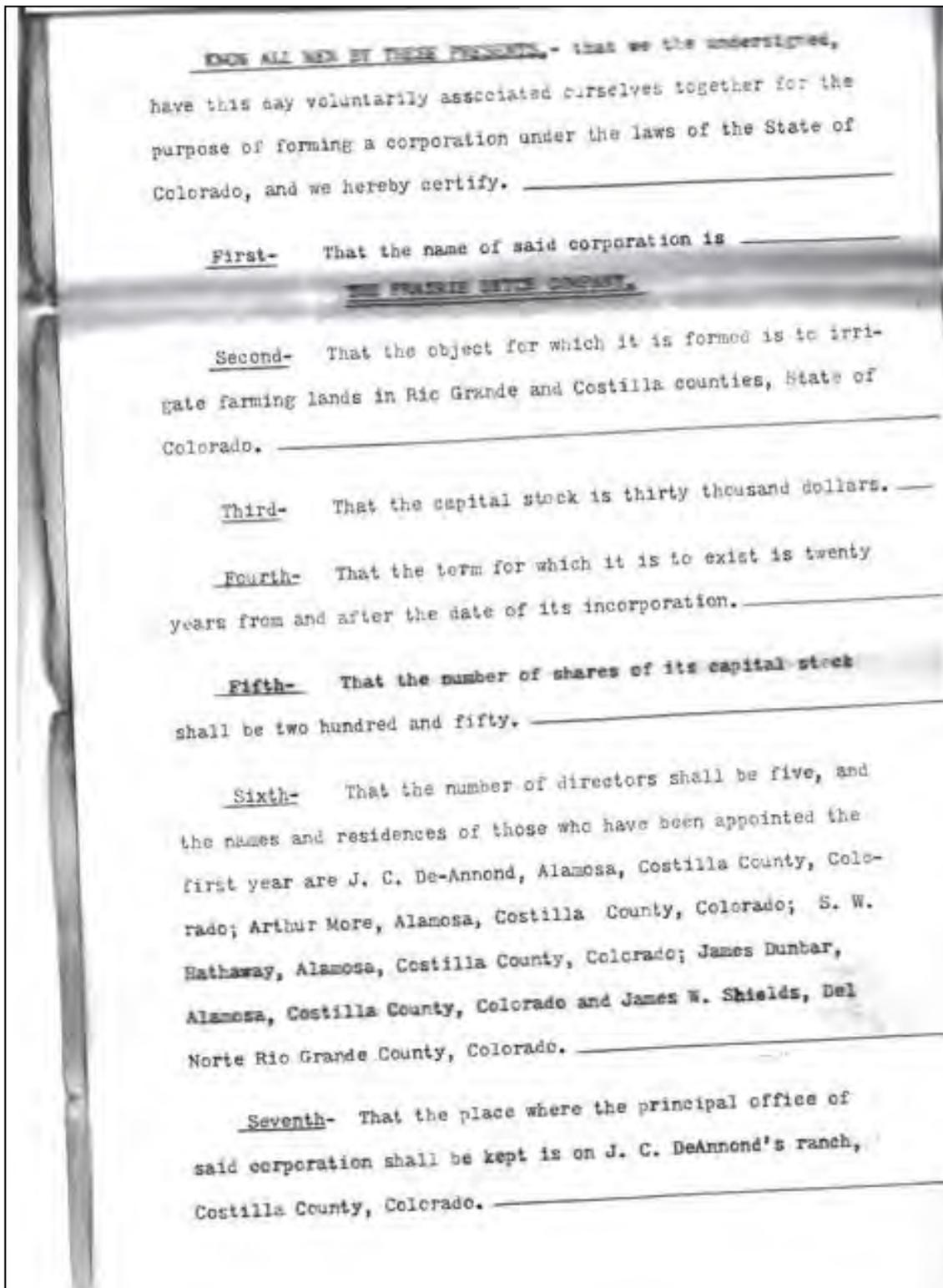
Attachment 2 – Prairie Ditch Bylaws

Attachment 3 - Prairie Ditch Service Area

Attachment 4 - Prairie Ditch 2013 Balance Sheet

Attachment 5 - Prairie Ditch 2014 Balance Sheet





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Eighth- That the place where its principal business is to be carried on is in Rio Grande and Costilla Counties, State of Colorado. _____

Ninth- That the stream from which water is to be taken is the Rio Grande River. _____

Tenth- That the point on said stream from which water is to be taken is at the headgate of the ditch known as the John D. McDonald ditch in section Eight, Tp 39 N R 7 E N M M in Rio Grande County State of Colorado. _____

Eleventh- That the line of said ditch as near as may be is, starting from the headgate of said McDonald ditch thence in a southeasterly direction to the center line running east and west of sec. 9, in Tp. 39 N R 7 E N M M; thence east on said line and its extensions to the west line of sec 7 Tp 39 N R 9 E N M M, in Costilla County. _____

In witness whereof we have hereunto set our hands and seals this 21st day of October, A D One Thousand Eight Hundred and Eighty Six. _____

<u>J. C. De Anand</u>	<u>(seal)</u>
<u>Arthur Moore</u>	<u>(seal)</u>
<u>S. W. Hathaway</u>	<u>(seal)</u>
<u>James Dunbar</u>	<u>(seal)</u>
<u>James W. Shields</u>	<u>(seal)</u>

STATE OF COLORADO,)

(ss.
Rio Grande County.)

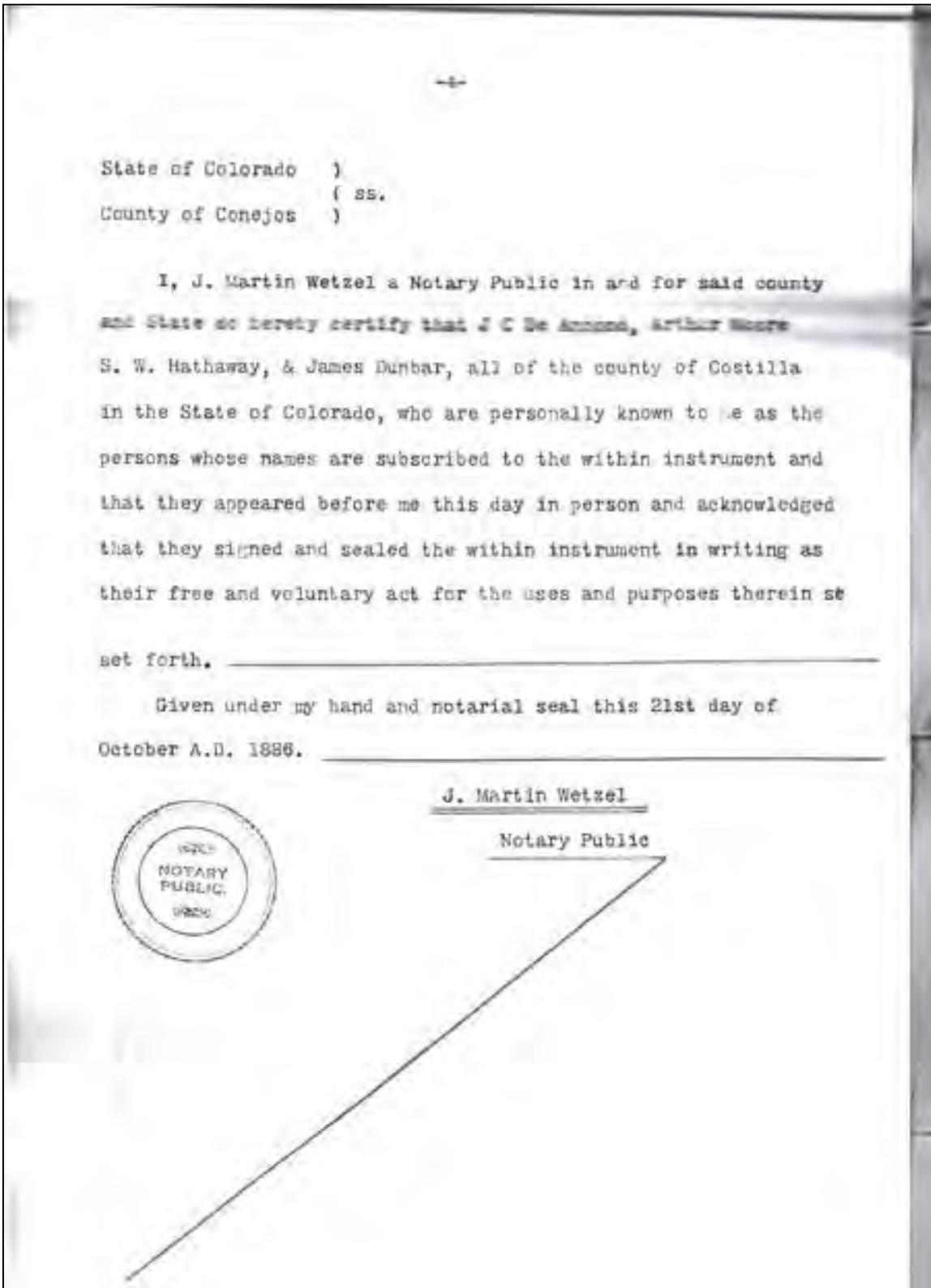
I, Charles D. Van Liew, Clerk of the County Court, in and for the said county, in the State aforesaid, do hereby certify that James W. Shields is personally known to me to be the person whose name is subscribed to the annexed instrument, appeared before me this day in person and ~~and~~ acknowledged that he signed and sealed the said instrument of writing as his free and voluntary act, for the uses and purposes therein set forth. _____

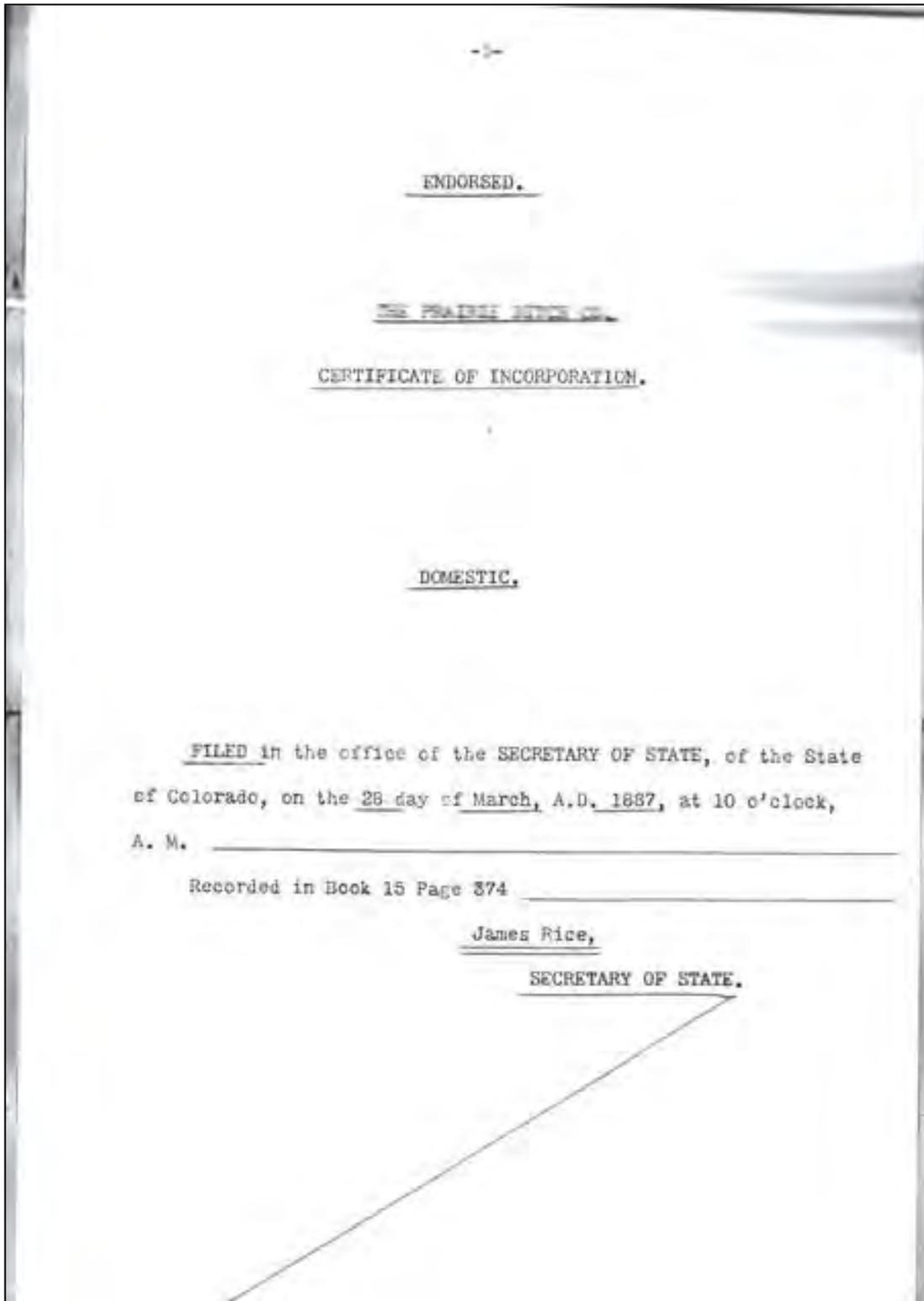
Given under my hand and official seal this 20th day of October A.D. 1886. _____

Charles D, Van Liew

Clerk of the County Court







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**BYLAWS FOR
THE PRAIRIE DITCH COMPANY**

ARTICLE I

Directors

SECTION 1. The Board of Directors shall consist of five members, elected separately by the stockholders at the annual meeting and serve for a term of three years, or until their successors are elected and qualified. One member shall be a stockholder of the Eastern District, one from the Central District, and one from the Western District of the Prairie Ditch lands as such Districts are defined and described in Section 2 hereof, and two members at large.

SECTION 2. The Eastern District shall consist of all lands irrigated by the Prairie Ditch laying east of the township line which runs north and south about three miles west of the town of Mosca; the Central District shall consist of all and irrigated by the Prairie Ditch lying between the township line mentioned above and the county line forming the boundaries between Rio Grande and Alamosa counties; the Western District shall consist of all lands watered by the Prairie Ditch lying east of the county line forming the boundary between Alamosa and Rio Grande counties.

SECTION 3. Any vacancy or vacancies in the office of Director may be filled by the remaining Director or Directors until the next meeting of the Stockholders.

SECTION 4. No Person shall be eligible to the office of Director of this corporation who is not, at the time of assuming the duties of such office, a stockholder in the corporation, and transfer by a director of all of his stock therein shall operate as a resignation of his office and create a vacancy.

SECTION 5. Meetings of the Board of Directors will be called by the President or any Member of the Board when deemed necessary; to be held in the office in Mosca or at any other place the Board may designate and be held on the second Thursday of every month.

SECTION 6. Terms of office for the Board of Directors shall be staggered every 3 years, and to begin rotation after 1997. East and, one year; Central two years; Western three years; first at-large two years; and second at-large three years.

ARTICLE II

Officers

SECTION 1. The officers of this corporation shall be the President, Vice-President, Secretary-Treasurer and the Superintendent, who shall be elected by the Board of Directors. The President and Vice-President shall be members of the Board of Directors.

SECTION 2. The President shall preside at all meetings of the stockholders and of the Board of Directors. He shall sign all certificates of stock, contracts and any other official documents of the Company. He may call special meetings of the Board of Directors at any time of his own volition, and shall do so upon written request by two or more members thereof. He shall perform such other executive duties and functions as ordinarily devolve upon the chief officer of a corporation.

SECTION 3. The Vice-President, in the absence or inability of the President to discharge the duties of his office, the Vice-President shall act in his place and have and exercise all the powers of the President. In the absence or inability of both the President and Vice-President, the Board of Directors may elect a President Pro-Term who shall perform all the duties and functions of such officers.

SECTION 4. The Secretary-Treasurer, shall have charged custody of the books, record, documents and correspondences of the Company; (s)he shall keep a record of the proceedings of all meetings of the stockholders and of the Board of Directors; shall sign all certificates of stock: and shall sign and give notice of the time and place of all meetings of the stockholders and Board of Directors. He or she shall have custody of the corporate seal and shall affix it to all certificates of stock, deeds, contracts and other instruments executed by or on behalf of the Company requiring a corporate seal after the same has been signed by the President.

The Secretary-Treasurer shall keep a full and accurate records upon stock ledgers and certificate books, showing the name, post office address and amount of stock held by each stockholder; (s)he shall prepare and present a full, true and complete written report of the condition of the Company's affairs and finances at the annual meeting of the stockholders and shall make such further and other reports and at such other times as the Board of Directors may require.

The Secretary-Treasurer shall furnish good and sufficient bond with sureties to be approved by the Board of Directors in such amount as the Board shall determine before entering on their duties.

The Secretary-Treasurer shall have custody and control of the funds and securities of the Company, shall collect all assessments, money and properties due and owing to the Company, and shall hold, deposit, disburse and deliver the same as the Board of Directors may direct; (s)he shall have the custody of all checks, notes, drafts, and notes and orders for payment of money received and given and shall pay and dispose of the same under the direction of the Board of Directors; (s)he shall keep proper books and accounts showing the financial transactions and condition of the Company, which books and accounts shall be open to inspection by any officer, director or stockholder during usual business hours; (s)he shall deposit all money of the Company in some safe and secure bank to be selected by the Board of Directors in the name of the Company and shall render a true and correct statement of his/her accounts whenever required to do so by the Board of Directors or by the President.

The Secretary-Treasurer shall prepare and attend to the filing of all reports required to be filed by the Company under the law and shall give notices required to be given of any matters either to the stockholders or to others.

SECTION 5. The Superintendent shall have charge of the construction, operation, care and management of the ditches, canals and reservoirs of the Company, as well as the distribution of water. He shall be subject to the direction of the Board of Directors in all matters.

ARTICLE III

Stockholder

SECTION 1. The annual meeting of the stockholders of the Company shall be held at the Community Building in the town of Mosca, Alamosa County, State of Colorado, at the hour of nine o'clock in the forenoon of the first Saturday in February of each year commencing in February 1996.

SECTION 2. Special meetings of the stockholders may be called to be held at the Community Building in the Town of Mosca, Alamosa County, State of Colorado, at any time by the resolution of the Board of Directors. The Board of Directors shall call such meeting upon written request of the owners of one-third (1/3) of the stock issued and

outstanding. Notice shall be given to stockholders of any special meeting and such notice shall state the purpose thereof.

SECTION 3. A quorum of any meeting of the stockholders shall consist of one-third (1/3) of the voting stock of the corporation issued and outstanding, represented in person or by proxy and majority of such quorum shall decide any question that may come before the meeting. (Amended 2/6/1971).

SECTION 4. Representation by written proxy, subscribed by the registered stockholders, shall be allowed, and the instrument authorizing the proxy to act at the meeting shall be exhibited at the time of such meeting when called for, and filed with the Secretary.

SECTION 5. At all meetings of the stockholders, each stockholder shall be entitled to one vote for each share of stock appearing upon the stock books of the corporation as registered in his name, which vote may be given personally or by written proxy, as herein provided, and to cast as many votes as he owns or represents shares of stock in the corporation.

SECTION 6: The President or Vice-President and the Secretary-Treasurer of the corporation shall act as the presiding officer and secretary, respectively, at all the stockholders' meetings, unless the meeting shall otherwise determine.

SECTION 7. At the opening of the annual meeting of the stockholders the chairman shall appoint a committee of three (3) stockholders to serve as a Credentials Committee and Judges of Election. It shall be the duty of such committee to immediately canvass the meeting and to examine all proxies and to make report of the number of shares of stock represented by the proxies and to make report of the number of shares of stock represented by the owners in person and by valid proxies and upon their receipt of such report and ascertainment that a majority of the stock outstanding is represented, the transactions of business of annual meeting shall be taken up.

SECTION 8. The polls shall be opened as the last thing on the agenda of the meeting and nominations for office shall be received from the floor. Voting shall be by ballot and the candidate receiving the greatest number of votes for any office shall be declared elected. In the case of a tie, vote for the leading candidates for any office, additional ballots shall be taken until such question is determined. (Amended 2/7/1953)

ARTICLE IV

STOCK

SECTION 1. Certificates of stock shall be issued to every holder and shall be signed by the President and the Secretary-Treasurer and sealed with the seal of the Company. A record of each certificate shall be kept on the stub thereof and in the stock ledger or book of stockholders. No certificate of stock is to be issues for less than one (1) share or Eighty (80) acres. (Amended February 2, 2008).

SECTION 2. Transfer of stock shall be made and entered on the books of the corporation by the Secretary upon surrender of certificates properly assigned, and all surrendered certificates shall be canceled and attached to the corresponding stub of the stockholders' certificate book; provided all amounts due the Company thereon, including water assessments have been full paid.

SECTION 3. The Transfer books of the corporation may be closed for the period of ten (10) days previous to the annual or special meeting of the stockholders, and notice that the transfer books will be closed shall be given and published in the call for the meeting.

SECTION 4. The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express of other notice thereof, save as may be expressly provided by the laws of the State of Colorado.

SECTION 5. Any person claiming a certificate of stock to be lost or destroyed shall make and affidavit of that fact and advertise the same in such a manner as the Board of Directors may require; and shall, if the Board of Directors so requires, give the corporation a bond of indemnity in form and with one or more sureties satisfactory to the Board, in at least double the market value of the stock represented by said certificate; whereupon a new certificate may be issued of the same tenor and for the same number of shares as the alleged to be lost or destroyed.

ARTICLE V

Duties of the Board of Directors

SECTION 1. It shall be the duty of the Board of Directors to exercise a general supervision over the affairs of the corporation, and direct and control the conduct of any officer of the corporation in his official capacity, and for cause, remove any officer, and control any book or paper of the corporation in the hands of any of its officers, and to

exercise general powers in connection with any and all of the business in which in the corporation may engage.

SECTION 2. In addition to the general powers, duties and functions incident and which usually appertain to their offices and positions, and such as they are severally authorized to perform under the law and the Articles of Incorporation of the Company as well as these Bylaws, the Board of Directors shall have the power and it is hereby enjoined upon them as a duty to do the following things:

- (a) To make, and as often as shall be necessary in the light of reason and experience, to change, such reasonable rules and regulations for the administration of its water distribution system and the delivery of water therefrom to the end that there may be effected an equitable distribution of such water among the shareholders of the Company, which rules and regulations shall be binding upon the shareholders and water users of the Company, their assigns and successors in interest.
- (b) To purchase, acquire, and employ improvements, devices and manpower for the measurement and delivery of water and the protection and maintenance of the Company's properties and water distribution system.
- (c) To compel the general and impartial collection of [assessments] levied upon the stock of the shareholders.
- (d) To levy assessments for the maintenance and repair of the Company's ditches and canals whenever the stockholders shall fail to do so before the first of April in each year.
- (e) To fill vacancies among the members of the Board of Directors caused by death, removal or incapacity until the next meeting of the stockholders.
- (f) To determine whether water shall be permitted to be used upon other land than that upon which water of the Company has been used in the past.
- (g) The Board of Directors shall have the power to borrow money upon credit of the Company in a total amount not to exceed Twenty Five-Thousand dollars (\$25,000.00) upon credit of the Company, and may, by resolution properly adopted, authorize the President and Secretary-Treasurer to make, execute, and deliver promissory notes and other written evidence of the indebtedness on behalf of the Company. And upon resolution properly adopted, the President and Secretary-Treasurer may be given authority to collect, discount, negotiate and endorse all checks, drafts, notes and negotiable instruments payable to the Company or in which the Company has an interest.

- (h) The Board of Directors shall prepare a budget jointly with the Superintendent and Secretary-Treasurer. Proposed budget shall be presented at the annual meeting.

SECTION 3. The Board of Directors shall make at least one inspection of the Company's ditches, canals, laterals and water distribution structures each year, in company with the Superintendent.

ARTICLE VI

Superintendent

SECTION 1. The Superintendent shall, under the direction of the Board of Directors, have control and supervision over the Company's water system and over the distribution of water among the stockholders.

SECTION 2. The Superintendent shall deliver water only to applicants who shall present the Secretary's order therefore showing the number of shares owned by the applicant and certifying that all assessments required to be paid upon each such stock have been paid to the Company.

SECTION 3. The Superintendent shall keep a book furnished by the Secretary, containing a list of the shareholders of the Company, and the amount of water delivered thereunder. He shall also retain all orders so presented to him by the applicants, which shall be transmitted to the Board of Directors with this annual report as herein after provided.

SECTION 4. After the close of the irrigation season and in any event before the 31st day of December of each year, the Superintendent shall prepare and submit to the Board of Directors a report in writing showing the details of water distribution during such years, the persons to whom it was delivered, and the acreage irrigated by each of such water users and of the nature of the crops watered.

SECTION 5. At the time of making his annual report and at all other times when the needs of the Company and its best interests may require, the Superintendent shall suggest needed repairs, improvements and other changes in the physical setup, operation and conduct of the Company's water distribution system.

ARTICLE VII

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ARTICLE VII

Assessment

SECTION 8. No water shall be delivered under the shares of stock, until all assessments have been paid, including any late charges. (As amended February 4, 1939).

SECTION 9. In the case of default in the payment of any assessment or any part thereof for a period of three (3) years after the same shall have been due, the Board of Directors shall order such stock sold, or so much thereof as may be necessary to pay the amount due to the Company, together with the cost and expenses of such sale, a thirty (30) day's notice of which sale shall have been given by publishing a notice thereof stating the name or names of the delinquent stockholders, the amount of the assessment, together with accrued interest, and the time and place of such sale in some newspaper of general circulation in Alamosa County, Colorado, and by posting a copy of such notice on the Prairie Ditch Company's office door.

The stock so sold shall be transferred on the books of the Company to the purchaser at said sale; and after deduction from the proceeds of such sale all assessments and accrued interest thereon, together with the costs of such sale, the surplus, if any, shall be paid to the delinquent shareholder upon the surrender of the original certificate representing the stock so sold, and if not surrendered within ninety (90) days, the funds become the property of the Prairie Ditch Company and the certificate becomes null and void.

Written demand for the payment of such delinquent assessment and accrued interest and notice that the Company intends and elects to declare said stock forfeited unless paid within thirty (30) days therefrom, shall be given by registered mail addressed to the stockholder at the address shown on the Company's books at least thirty (30) days prior to the publication of such notice of sale.

SECTION 10. At the option of the Board of Directors, suit may be brought against any stockholder to recover an assessment or any part thereof remaining unpaid with interest.

ARTICLE VIII

Use of Water

SECTION 1. Subject to the payment of assessments levied thereon and the reasonable rules and regulations adopted by the Board of Directors, each share of stock shall entitle the holder to the use each year of the pro rata share of water to which the Company is entitled which the Company is entitled which is in the Company's ditches and which is available for the purpose, such water shall be equitably distributed by the Ditch Superintendent.

SECTION 2. The Company shall have the right to alternate the distribution of the water among the stockholders upon different days so as to equitably distribute said water.

SECTION 3. The ownership or purchase of stock in the Company shall not entitle any person to delivery of water upon other land than that upon which the water of the Company has been used theretofore, except upon written application to and the written consent and approval of the Board of Directors. For purposes of this section, the lands upon which the water of the Company was being used as of November 2001, are depicted as the "Current Service Area" on the map attached as Exhibit A to the Decree in Case No. 96CW45. Any such changes in place of use, including adding or removing water, affecting land in the Current Service Area as shown on said Exhibit A must be approved in accordance with this Section 3. (Amended February 2, 2008). No conservation easement can be placed on water right represented by shares of stock in the Company except upon written application to the written consent and approval of the Board of Directors.

Whenever such a request has been filed with the Board of Directors, it shall cause all other stockholders who are entitled to delivery of water, at either the place or from which or the place to which the delivery is changed, or from the lateral ditch where water will be delivered under the conservation easement, to be notified in writing of the request.

In the event that the Board of Directors, in considering and acting upon the request, deems it advisable to obtain legal and/or engineering services for the purpose of making its determination, the costs of all such legal and engineering services, together with any out of pocket expenses incurred by the Company, shall be paid by the stockholder making the request. The Board may require the estimated costs associated with making the determination be paid to the Company prior to engaging such services by the Board. If the Board requires payment of estimated costs, the Board may, without penalty or liability, defer consideration of and such request until such payment has been made. In the event, the Board shall not deliver any water to the stockholder making the request until the actual costs have been paid.

If, in the opinion of the Board of Directors such a change or changes can be made, or conservation easement can be allowed, without injury to (1) The Prairie Ditch, (2) the Company, (3) Shareholders, then upon written order of the Board, such water shall then be delivered to such place or places, or by such means, as requested, unless however such delivery would contravene the laws of the State of Colorado, or such conservation easement shall be approved.

In considering the request, and in addition to any other consideration which may apply to the particular circumstances before it, the Board shall always take all appropriate steps to assure that the stock for which the determination is made shall continue to be liable for payment of all duly-levied assessments of the Company, and to the other provisions of the Articles of Incorporation, the Bylaws, and Rules and Regulations of this Company. The determination of the Board of Directors shall be final. (As amended February 8, 2004).

SECTION 4. The stockholders of the Company will be permitted to use the Company's ditches and canals for the carriage of reservoir water, without extra charges, provided that no reservoir water so purchased shall be carried in such ditch when it tends to endanger the Company's canal and ditches or prevents the carriage of direct flow right belonging to the Company therein.

SECTION 5. Any benefit received for diversions of water under the water rights of the Company shall be available for use only by stockholders and on lands within the Company's Current Service Area. Such benefits may include, but are not limited to, aquifer recharge credits quantified pursuant to the decree in Case No. 96CW45, District Court, Water Division No. 3, or any other credit for or offset against groundwater withdrawals received as a part of any Groundwater Management Plan or Plan for augmentation. Any change in place of use of water by a stockholder, including the place of use of any benefits resulting therefrom, shall be made only in accordance with Section 3 of the Article VII. (As amended February 2, 2008).

The aquifer recharge credits quantified pursuant to the decree in Case No. 96CW45, District Court, Water Division No. 3, shall only be available for use by stockholder pursuant to rules and regulations hereafter adopted for that purpose by the Board of Directors. In Adopting such rules and regulations, the Board shall ensure that the aquifer recharge credits (1) shall be used to sustain, in so far as possible, existing levels of withdrawals from the unconfined aquifer by stockholders, wells located in the Closed Basin portion of the Company's service area and (2) shall not be used to increase the withdrawal of groundwater by any well or to bring more land under irrigation with groundwater from the unconfined aquifer. Any change in place of use of aquifer recharge credits shall be made only in accordance with Section 3 of this Article VII. (As Amended February 8, 1998).

ARTICLE IX

Compensation of Officers

SECTION 1. The members of the Board of Directors and the Auditing Committee shall be paid as the stockholders set at the annual meeting per each meeting of the Board or such Committee which the shall attend, and any such committee as the Board shall appoint. (As amended February 1996).

SECTION 2. All employees' salaries are set by the Board of Directors.

ARTICLE X

Auditing Committee

SECTION 1. The Board of Directors shall appoint an auditing committee consisting of three (3) Stockholders who shall make a full and complete check of the books and records of the Company and of the Secretary-Treasurer prior to the annual meeting and at such times as may be authorized by the Board of Directors. And at the annual meeting such auditing committee shall present a report to the stockholders of their findings and the result of their examinations.

ARTICLE XI

Amendments to Bylaws

SECTION 1. The bylaws of the Company may be amended at any annual meeting of the stockholders, or at a special meeting of the stockholders called for such purpose when notice of the proposed changes shall have been given in writing by mailing a written or printed notice thereof to each stockholder at least thirty (30) days prior to the date which shall contain the proposed amendments.

SECTION 2. If, in the judgment of the Board of Directors, it is necessary to make an immediate amendment to the bylaws for the well being of the Prairie Ditch Company, or it stockholders, the Board of Directors may adopt a temporary bylaw which shall remain in full force and effect until the next meeting of the stockholders. The Board of Directors shall present the temporary bylaw to the stockholders at such meeting for the purpose of approving or repealing the bylaw. Notice of the meeting shall be given in the manner described in Section 1 of the Article XI.

ARTICLE XII

Repeal of Former Bylaws

SECTION 1. All other and former Bylaws of the Company are here by repealed.

