

**MINUTES OF ACTION BY UNANIMOUS CONSENT
OF THE EXECUTIVE BOARD
OF THE
AGATE CREEK PRESERVE OWNERS ASSOCIATION
(Adoption of Water System Policies)**

The undersigned, being all of the members of the Executive Board of the Agate Creek Preserve Homeowners' Association, hereby take the following actions by unanimous consent, to have the same force and effect as actions taken at a meeting of the Board of Directors of the Association. Capitalized terms not separately defined herein shall have the meanings given them in the Declaration of Covenants, Conditions, Restrictions and Easements for Agate Creek Preserve ("Declaration").

WHEREAS, the Association owns and operates a Water System providing potable water to the Lots within the Subdivisions and up to eight lots or cabin sites on Remainder Parcel A pursuant to the terms of the Declaration, the decree of the Water Court entered in Case No. 00CW14, and the Agreement Regarding Easement For Ground Water Wells and Agate Creek Water System dated June 25, 1999, between the Association and Humble Ventures, LLC, a Colorado limited liability company (the "Humble Agreement");

WHEREAS, to properly maintain and manage the Water System and the use of water there from, the Board deems it in the best interest of the Association, consistent with obligations under the Humble Agreement, to adopt rule, regulation and policies governing the provision of water from the Water System and means to pay the costs and expenses related thereto;

THEREFORE, the Board hereby approved and adopts the Agate Creek Preserve Water System Policies attached hereto as Exhibit A.


THESE MINUTES OF ACTION BY CONSENT are executed to be effective as of May 11, 2011.



Russ Atha



Rick Dowden



Ted Swain



Bill Keith

AGATE CREEK PRESERVE
WATER SYSTEM POLICIES

The Board of Directors of the Agate Creek Preserve Homeowners' Association (the "Association") has adopted the following policies governing the use of the water system owned by the Association (the "Water System"). The Water System is further defined in Section 2.44 of the Declaration of Covenants, Conditions, Restrictions and Easements for Agate Creek Preserve, as recorded in Routt County (the "Declaration").

1. Service Area. The Water System may be used only to provide water service to Lots 1 through 16 of the Agate Creek Preserve (the "Lots") and eight lots on Remainder Parcel A and Lot 18, pursuant to the terms of the decree of the Water Court entered in Case No. 00CW14, and the Agreement Regarding Easement For Ground Water Wells and Agate Creek Preserve Water System dated June 25, 1999 between the Association and Humble Ventures, LLC, a Colorado limited liability company ("Humble"). Remainder Parcel A and Lot 18 are sometimes referred to herein as the "Humble Ranch." Use of water from the Water System shall be limited to domestic use and irrigated landscaping including lawns no larger than 5,000 square feet in size for each building lot. No stock watering use of the Water System may be made.

2. Humble Distribution System. The "Humble Distribution System" consists of the water line spur from the main Water System distribution line that serves the Humble Ranch, including all valves except the master control valve and meter, the pressure reducing vault, fire hydrant and all individual service lines connected to the spur, and all other equipment and facilities associated with such spur. The Humble Distribution System is depicted on the survey attached hereto as Exhibit A, and begins at "Point A" on the main distribution line. Humble shall be solely responsible for the permitting, operation, maintenance, repair, and replacement of the Humble Distribution System and the Association shall have no responsibility of any sort with respect thereto. Notwithstanding the above, the Association may install, maintain, repair and replace a master meter and control valve to determine and regulate the amount of water delivered to the Humble Distribution System (the "Humble Master Meter").

3. New Taps. No person or entity may install a new tap or other connection on the Water System, including the Humble Distribution Line, without first notifying the Association, submitting engineering drawings showing the place and means of connection, and obtaining approval of the Board of such drawings, which approval shall not be unreasonably withheld. No tap may exceed 2 inches in diameter. If the Board does not disapprove such connection within sixty days of its receipt of such notice and documentation, the drawings shall be deemed approved. The Board's review shall be limited to insuring compliance with these Policies and maintaining the integrity of the Water System. Nothing herein is intended to impair Humble's rights to up to eight taps pursuant to the 1999 Agreement.

4. Water Meters. No later than June 30, 2011, every user of the Water System shall install, maintain, repair and replace, as needed, and at his/her own expense, a Badger Model 70's Series water meter or other type approved by the Board to accurately measure the amount of water provided to such user from the Water System. If the Executive Board has reasonable grounds to believe that any such meter is not providing accurate readings, the Board shall notify the owner involved. Such owner shall have the meter inspected, and repaired or replaced as necessary, within thirty days of such notification.

5. Meter Readings. The Association shall have the right to read the meters installed on any taps from the Water System, including on the Humble Ranch. The Association may hire an outside meter reading company to make such readings on a monthly or quarterly basis. All users of the Water System shall allow reasonable access to their property for such purpose. The costs and expenses of utilizing such a meter reading service shall be allocated equally to each owner of a tap based on the number of then existing taps (the "Meter Reading Charges"). If the Association's meter reader is denied access to any meter, or any required meter is not installed or maintained, and such violation is not cured within thirty days of the Association's written demand therefor, the Association may assume the water use from such tap is 151,000 gallons per quarter until such problem is cured. Humble shall also be charged for any water that is lost in the Humble Distribution System or otherwise not accounted for by individual meter readings. Water delivery is also subject to possible curtailment pursuant to Section 9 below.

6. Usage Charges. The Board will adopt a schedule of water use charges from time to time (the "Water Use Charges"), which charges may be modified at any time and from time to time by the Board after thirty days notice to Humble and the Lot owners. Humble and each Lot owner shall be billed quarterly for water use based on his or her meter readings for the previous period. Humble shall be responsible for the payment of any amounts charged to Humble by the Association, even if individual taps or portions of the Humble Ranch are owned by or serve third parties, until and unless a different agreement reasonably agreeable to the Board is reached.

7. Assessments. All cost and expenses, including outside legal, engineering, consulting and other charges, expected to be incurred by the Association in connection with the design, operation, maintenance, repair, improvement, or replacement of the Water System (not including the Humble Distribution System) in a given budget year, that are not expected to be offset by Water Use Charges or Meter Reading Charges, shall be included as a line item in the Association's annual budget (the "Assessed Water System Costs"). Such amounts shall include a reasonable contribution to reserves to provide funds for unanticipated expenses, capital improvements, non-routine expenses, and other reasonable purposes related to the Water System. Pursuant to the 1999 Agreement, Humble shall be responsible for a portion of the Assessed Water System Costs equal to the Assessed Water System Costs multiplied by a fraction, the numerator of which is the amount of water delivered through the Humble Master Meter, and the denominator of which is the total amount of water delivered by the Water System, based on the previous year's (or in the discretion of the Board, six month's) water usage. The

remaining portion of the Assessed Water System Costs shall be allocated among the Lot owners 1/16th for each Lot or on such other basis as the Board may determine from time to time after notice to the Lot owners. If any Special Assessments are made by the Association regarding the Water System, such Special Assessments shall be allocated on this same basis as set forth above.

8. Late Charges/Interest. Any bill to a Lot owner or Humble that is not paid within thirty days of its transmittal shall bear a late charge of \$25, and shall also accrue interest at the rate of 1.75% per month (21% per year), compounded monthly, which rate may be changed from time to time by the Board upon thirty days prior notice to the Lot owners and Humble.

9. Notice of Delinquency/Curtailment/Enforcement. If any amount owed to the Association by a Lot owner or Humble is not paid within thirty days of its transmittal, the Association may send such owner or Humble a Notice of Delinquency setting forth the amount due and demanding payment of the amounts due, including the late fee and interest. In addition, the Association shall have the right to bring a collection action with respect to such amounts, in which event the delinquent Lot owner or Humble, as the case may be, shall also owe the Association all costs of collection and litigation, including the Association's attorneys' fees, including costs and fees incurred in connection with the Notice of Delinquency. In any account becomes more than 90 days past due, the Association may send the defaulting Lot owner, or Humble, as the case may be, a notice that service will be disconnected if the amounts due are not brought current within thirty days after the delivery of such notice. In the event that the account is not brought current within such thirty days, the Association may discontinue water service to such Lot (or with respect to Humble, to the Humble Ranch). In addition, with respect to Lot owners, the Association shall have the power to levy a Default Assessment and lien against a delinquent Lot owner and his or her Lot pursuant to the terms of the Declaration.

10. Curtailment of Humble Use. Pursuant to Section 6 of the 1999 Agreement, in the event of a water shortage such that there is not adequate water from the Water System for both the Lots and Humble Ranch, the Association shall be entitled to curtail or entirely abate the water supply to the Humble Ranch in order to provide adequate water to the Lots.

11. Water Treatment. The Water System does not treat for or remove iron and manganese, which can have taste and color issues. Users of the Water System are individually responsible for providing such treatment on their own property if the same is desired until and unless the Association, in its sole discretion, elects to provide centralized treatment.

12. Fire Hydrants. Fire hydrants shall be used only for legitimate fire fighting purposes. Fire flows may be impaired from time to time as result of problems with or work on the Water System. The Association shall have no liability associated with any loss of water to any fire hydrant.

13. No Waiver. The failure or decision by the Board not to enforce any provision of these policies on one or more occasions shall not be a wavier of such provisions or prevent the Board from enforcing such provisions on subsequent occasions.

14. Amendments. The Board may amend these policies at any time, and from time to time. Such amendments shall only take effect thirty days after notice of such amendments has been given to the Lot owners and Humble.

15. Interpretation. The Board shall have the power to interpret the provisions of these policies, and the Board's interpretation shall be controlling absent a showing of bad faith or clear abuse of discretion.

Adopted by the Board of Directors this 11th day of May, 2011.