

BY-LAWS
OF
THE FIRE MOUNTAIN CANAL AND RESERVOIR COMPANY
(as amended through January 21, 2010)

ARTICLE I. Corporate Name

The Corporate Name of said Company shall be as stated in the Certificate of Incorporation, The Fire Mountain Canal and Reservoir Company.

ARTICLE II. Objects

The objects of the Corporation shall be as stated in the Certificate of Incorporation.

ARTICLE III. Officers

Section 1

The officers of the Corporation shall consist of a board of five Directors, a President, a Vice-President, a Secretary-Treasurer, a Superintendent and such other officers, agents or attorneys as may be deemed necessary.

Section 2

Officers shall be elected or appointed to act until their successors are appointed and qualified, or during the pleasure of the Board of Directors.

Section 3

The President shall be the chief executive of the Company. The President shall sign all official papers and documents of the Company, preside at all meetings of the stockholders and all meetings of the Board of Directors. Under the Board of Directors, the President shall have general supervision of the Business of the Company, and attend to such other duties as the Board shall authorize. The President shall have no vote except in the case of a tie at which time the president's vote may be cast which shall decide the question.

In the absence or inability of the President to discharge the duties of the office, the Vice-President shall act in place of the President, and have and exercise all the powers of the President. The Board of Directors may in absence or inability of both President and Vice-President elect a president pro tem.

Section 4

The Secretary-Treasurer shall keep a record of the proceedings of the Board of Directors and of the Company; shall keep the stock book and seal of the Company; shall attest by the signature of the Secretary-Treasurer and seal of the Company all official documents and certificates of stock issued; shall keep a complete set of books showing all accounts, property and transactions of the Company. The Secretary-Treasurer, shall carefully examine all accounts due or against the Company; shall prepare all vouchers for such bills and present them to the Board of Directors; and shall make a report of the business transacted by the Secretary-Treasurer annually, or more often if so requested by the President of the Board of Directors. The Secretary-Treasurer shall exhibit and explain the same to the Board of Directors and shall also furnish to the Superintendent a list of stockholders, with the number of shares held by each.

(Art III)

Section 5

Under the direction of the Board of Directors, the Superintendent shall have charge of the work of construction, maintenance, repairs and running and distribution of water of the Company's ditch, and shall keep a list of all those working upon the Company's work, and the amount of time each shall put in. The Superintendent shall see that such time is properly put in to the best advantage of the Company, regulate the number and manner of those working at different points on the work. The Superintendent shall make a monthly report to the Board showing the condition of the ditch and the amount and character of the work done during the previous month, and shall certify to the Secretary-Treasurer the time put in by each laborer on the Company's work, and the amount due such person for such work.

ARTICLE IV. Annual Meetings

Section 1

Annual meetings of the stockholders for the election of directors and for other purposes shall be held in the towns of Hotchkiss or Paonia, County of Delta, State of Colorado, in the month of January. Thirty (30) days' notice shall be given of the time and place of holding such meetings by the Secretary-Treasurer, by public advertisement in one or more newspapers published in the County of Delta, State of Colorado, and written notice shall be sent by mail addressed to each stockholder at the address designated on the books of the Company or via email to the stockholder's designated email address provided the stockholder has given written, signed permission to receive communications via email. At the annual meeting the President, or in the absence of the President, the Vice-President of the Board of Directors shall preside as Chairman. Three stockholders, not holding office as directors, from those present at the hour of meeting shall be appointed by the Chairman as a Committee on Credentials, and said Committee shall act as Judges of the election.

Eligible stockholders shall be entitled in person or by proxy to one vote for each share of stock so held by them. A stockholder shall be considered "eligible" if all prior assessments, including any fines, are paid in full prior to the annual meeting. All appointments of proxies shall be only to another eligible stockholder by writing, designating the number of shares of stock for which given, the time for which given, and shall be signed by the person or persons so giving such proxy, and no proxy shall be otherwise voted or given. Each eligible stockholder, either by the stockholder or by proxy so given, shall have the right to one vote for each share of stock so held for each Director to be elected, from and after the date of January 3, 1961, or each eligible stockholder may accumulate such shares so voted and give one candidate as many votes as the number of directors multiplied by the number of shares voted, or such eligible stockholder may distribute them on the same principal among as many candidates as he may desire.

After the closing of the polls, the Committee shall make a report in writing of the total number of votes cast, the names of the persons for whom voted, and the number of votes for each. Whereupon the Chairman shall declare the three or the two, as the case may be, having received the highest number of votes cast to be the three or the two directors of the Company for the ensuing year. It being the desire of the stockholders to stagger the terms of office of the numbers of the Board of Directors, so that not more than three directors shall be elected at any one year.

(Art IV) Section 1

In the case of failure to elect any of said three or two directors by tie vote or for any other reason, another ballot shall be taken and so on until the Board is filled. All voting shall be by written ballot upon which shall be written the names of the persons voted for and the number of shares voted for each, and on each ballot shall be written the name of the person offering the ballot and the number of shares voted. In case a stockholder offers to vote as proxy or his own stock shall be challenged, the Committee by a majority vote shall decide the question of allowing such vote to be taken by the Committee. In case of failure to fill the vacancies of such members of the Board of Directors whose terms have expired, they shall hold office until their successors have been elected and qualified.

Section 2

If for any reason the annual meeting should not be held at the time fixed in Section I of this Article, then it may be held on any day thereafter fixed upon by the Board of Directors, or called upon the written request of any three (3) or more stockholders. The special meeting so called shall be advertised and notices sent as provided in Section 1 of this Article.

Section 3

Special meetings of the stockholders of this Company may be called by the Directors by resolution passed by a majority of the Board of Directors at any monthly meeting of said Board, or upon written request of twenty-five stockholders. Such meeting shall be called by publication and notices as provided for in Section 1 of this Article for annual meetings, and in such notices the general business to be transacted shall be stated, and no business except what comes properly under such call and notice shall be transacted at such special meeting.

Section 4

At all meetings of stockholders a majority of the shares of stock of the Company then issued must be represented in person or by proxy, to-wit: 110,078 shares.

ARTICLE V. Directors

Section 1

The Board of Directors shall elect by ballot or appoint one of its number to be President, one to be Vice President and shall elect or appoint such other officers as they deem best. The Board of Directors shall appoint a Secretary-Treasurer who may not necessarily be a director. Non-voting members of the board may be appointed to a one year term at the January meeting. Non-voting members may be reappointed to additional one year terms.

Section 2

A Director may hold the office of Secretary-Treasurer or Superintendent, but the Superintendent need not necessarily be a director. Said Directors shall be elected or appointed to act until their successors are appointed and qualified, or during the pleasure of the Board of Directors.

Section 3

The Board of Directors shall agree on the amount of salary that each Director and Officer of the Company and Board shall receive. Such salary shall be fair and reasonable compensation for services rendered by each respectively.

(Art V)

Section 4

The Board of Directors shall have the power to require of any officer, clerk, agent or other employee, bonds with sureties in such amount as they may think proper for the proper discharge of their duties. The Board of Directors shall have full control of the Company's business, approve all bonds, direct the execution of all works, contract for same, audit and pass upon all bills, direct the amount of force to be employed, determine what work shall be done, and do all things legal and proper to be done to carry into effect the objects for which this Company is organized. The Board of Directors may appoint in writing under the seal of the Company, an agent or agents with powers as specified in the written appointment to do any and all things that can be lawfully done by an agent.

Section 5

Meetings of the Board of Directors may be held monthly as such time and place as may be designated by the Board. Written, verbal or email notice shall be given each Director or mailed to his proper post office address by the Secretary or President when there is business to be transacted on that day.

Section 6

Meetings of the Board may be held on any day between the monthly meetings when the business of the Board requires them, upon the same notice being given the several directors as required for the monthly meetings.

Section 7

All vacancies occurring in the Board of Directors by death, resignation, disqualification or otherwise shall be filled by a vote of the majority of the remaining members of the Board.

Section 8

All Directors shall be stockholders in this Company and residents of Gunnison or Delta Counties.

Section 9

The Board of Directors shall have the books and accounts of the Company compiled or reviewed annually by some person or persons other than the Board of Directors or other officers of the Company.

ARTICLE VI. Assessments

Section 1

The Company has issued classes of stock. Class 2 and Class 3 stocks are now valid. All stock of the Corporation shall be assessable. Assessment against the outstanding shares of stock for the raising of revenue shall be equitable but need not be equal amounts. The provision for equitable non-equal assessments is for situations in which necessary expenditures are made by the Company that are of benefit only to part of the shareholders. This provision shall also apply where present or future contracts with water conservancy districts, the United States, or the laws and regulations of the United States, now or hereafter, require unequal assessments and situations in which unequal assessments are required or permitted by the terms and conditions of any contract between the Company and any stockholder.

(Art VI)

Section 1

The same amount of water and like voting privileges attach to each share regardless of class. All stock is to be assessed equally to pay common Company expenses, except: Class 2 stock may be assessed an additional amount to fund the Company's share of the Paonia Project payments to the United States, and; each stockholder may be assessed an identical annual fee to cover those expenses independent of water delivery associated with stock ownership.

Section 2

The Board of Directors shall set their assessments at their June meeting of each year. The Secretary-Treasurer shall notify each stockholder of record, by August 1 of each year, the amount of assessment due and the delinquency date for unpaid assessments. The payment period shall be from August 1 to October 1 of each year. Assessments not paid by October 1 shall become delinquent and the related stock shall become subject to interest, sale and other actions as described hereafter. The Secretary shall not notify nor seek to collect assessments from persons other than the stockholders or lien holders of record.

Section 3

In case any stockholder shall fail to pay any assessment levied against his stock within the time prescribed by the Board of Directors for making such payment, such stockholder's stock or so much thereof as may be necessary, shall be sold at public sale by the Secretary-Treasurer of the Company to the highest bidder for cash in hand. In the event any stockholder shall fail to pay any assessment when due, the Board of Directors may refuse to deliver water to the delinquent stockholder or may take such other measures for the collection of the assessments as may be lawful, provided that the selection of one remedy shall not be exclusive and shall not preclude nor hinder the exercise of any other remedy to enforce payment of assessments.

Section 4

Whenever the Board of Directors shall determine to sell the stock of any delinquent shareholder for unpaid assessments, it shall be the duty of the Secretary of the Company to notify such shareholder in writing, by registered mail, and by advertising such stock in a newspaper published at Hotchkiss, Colorado, or Paonia, Colorado, as the discretion of the Secretary may dictate, said notice and said advertisement to state the total amount due on such stock, and the date and hour of such sale, which shall not be less than thirty (30) days from the date such notice is proven to have been mailed by the certified receipt.

Section 5

It shall be the duty of the Secretary-Treasurer to report to the Board of Directors at their first meeting after any sale of stock is ordered for delinquent assessments as to his actions thereon, which report shall be in writing and shall be filed with the records of the Company. When the report has been made and approved by the Board of Directors, the report shall be considered conclusive evidence as to the information contained therein, and as to the regularity of the proceedings contained therein.

(Art VI)

Section 6

All assessments or charges for carrying water or other services shall be subject to an annual penalty of \$25.00 and 1.5% per month, compounded monthly from the date due until paid unless otherwise provided in the assessment or otherwise specifically provided by the Board of Directors.

ARTICLE VII. Stock Certificates

Section 1

No transfer of stock shall be made except on the books of the Secretary-Treasurer of the Company, either in person or by attorney. The books of the Secretary-Treasurer shall show from whom and to whom such transfer was made. The date thereof, the number of its original certificate, the number of the original shares, the number of shares transferred, and whether same be Class 2 or Class 3 stock. Before issuing any new certificate of stock, the Secretary-Treasurer shall require the old certificate to be delivered to the Secretary-Treasurer to be properly cancelled and filed away among the records of the Company, No certificate of stock shall be transferred while the assignor of such certificate of stock shall be indebted to the Company nor while a valid lien against the stock is on file in the Company's books.

Section 2

The transfer books shall be closed for ten (10) days before all annual and all special meetings of the stockholders.

Section 3

In the event an original certificate is lost, a lost document bond will be required before a new certificate is issued. A fee, payable to the Company, the amount of which shall be determined at the budget meeting each year, shall be charged for each new certificate issued.

Section 4

No stock will be transferred which will allow utilization of water other than on lands lying below and served by The Fire Mountain Canal nor which will require a turnout from said Canal for water accruing to less than two hundred (200) shares of stock. Changes in diversion points along the Canal must be described in applications for stock transfers. No certificate will be issued for less than 50 shares unless the property has historically had less than 50 shares.

Section 5

Stock certificates shall not be left in the Company's keeping but shall be delivered to the owner thereof or to an authorized agent. A receipt for each certificate issued shall be obtained and filed in the Company's records by the Secretary-Treasurer.

Section 6

No fractional shares of stock except those issued prior to January 31, 1988, shall be issued or transferred.

ARTICLE VIII. Canal Operations

Section 1

The Canal right-of-way is vested in the United States and/or The Fire Mountain Canal and Reservoir Company. No encroachment, by use or construction, is allowed except by written permit approved by the Company and executed by the United States Bureau of Reclamation. Petitions for such permits shall be submitted to the Company. All gates impeding travel along the canal right-of-way must remain open from the time the water is turned into the Canal in the spring until after the water is turned out of the Canal in the fall. At that time, gates may be closed with permission the of the Superintendent. If gates are locked, the Superintendent must have a key. Automatic gates may be installed with the permission of the Board of Directors. Gates may be locked with the permission of the Board of Directors. If gates are continually locked in violation of Company by-laws, the board of directors reserves the right to remove the gates.

Section 2

Should any stockholder desire to relocate his box for the division of water, the stockholder may do so at his own expense with the consent of the Board of Directors. After a box has been installed, if in the opinion of the Board of Directors or the Superintendent that it shall be deemed proper or necessary to replace same, the replacement shall be done, at the expense of the Company. All water users' boxes shall be regulated by the Superintendent or under his direction and placed under lock and key. Any other person or persons tampering with or meddling with the same shall be prosecuted for a misdemeanor, as provided by law. Except in the case of emergencies, no pumping of water directly from the Canal is allowed.

Section 3

The Superintendent will require a written request from any stockholder prior to changing the place of delivery along the Canal of said stockholders' water. Should the Canal or any related facility be deemed by the Superintendent to be inadequate to support the requested change, the request will be referred to the Board of Directors. Any request to have water delivered at a point down the Canal past any siphon from its historic delivery point must be approved by the Board of Directors. The Board will consider the carrying capacity of the siphon and canal segment in question, the integrity of that portion of the canal, and any other matter which might affect the ability of the Company to deliver water as requested.

ARTICLE IX. The Corporate Seal

The Corporate Seal shall have upon its face within a circle the Corporate name of the Company, and state wherein is located its principal business office and the word "Seal."

ARTICLE X. By-Laws

These By-laws may be altered, amended, modified, added to or revoked at any annual meeting of the stockholders called for that purpose, a majority of all the stock issued being represented at such meeting and a majority of the stock represented voting in favor thereof.

ARTICLE XI. INDEMNITY

Section 1

The Corporation shall be authorized to indemnify each member of the Board of Directors and each of its officers, for the defense of civil or criminal actions or proceedings as hereinafter provided and notwithstanding any provision in these By-Laws, in a manner and to the extent permitted by applicable law.

Section 2

The Corporation shall indemnify each of its Directors and officers, from and against any and all judgments, fines, amounts paid in settlement, and reasonable expenses, including attorney's fees, actually and necessarily incurred or imposed as a result of such action or proceeding or any appeal therein, imposed upon or asserted against him/her by reason of being or having been such a Director or Officer and acting within the scope of his/her official duties, but only when the determination shall have been made judicially or in the same manner herein provided the he/she acted on good faith for a purpose which he/she reasonably believed to be in the best interests of the Corporation and, in the case of criminal action or proceeding, in addition, had no reasonable cause to believe that his/her conduct was unlawful. This indemnification shall be made only if the Corporation shall be advised by its Board of Directors acting (1) by a quorum consisting of Directors who are not parties to such action or proceeding upon a finding that, or (2) if a quorum under (1) is not obtainable with due diligence, upon the opinion in writing of legal counsel that, the Trustee or officer has met the foregoing applicable standard of conduct. If the foregoing determination is to be made by the Board of Directors, it may rely, as to all questions of law, on the advice of independent legal counsel.

Section 3

Every reference herein to a member of the Board of Directors or officer of the Corporation shall include every Director and Officer thereof and former Director or Officer thereof. This indemnification shall apply to all the judgments, fines, amounts in settlement, and reasonable expenses described above whenever arising, allowable as above stated. The right of indemnification herein provided shall be in addition to any and all rights to which any Director or Officer of the Corporation might otherwise be entitled and provisions hereof shall neither impair nor adversely affect such rights.