BYLAWS

OF

LOWER ARKANSAS WATER MANAGEMENT ASSOCIATION

[Adopted September 10, 1998; Amended November 8, 2002; Amended October 12, 2004; Amended July 12, 2006; Amended September 8, 2006; Amended August 13, 2007; Amended February 10, 2009; Amended February 9, 2016; Amended August 8, 2017]

ARTICLE I
OFFICE AND AGENT

Section 1. The corporation shall maintain a registered office and a registered agent.

Section 2. The registered office and registered agent may be changed by the Board of Directors (“Board”) by delivering to the secretary of state for filing a statement of change that sets forth the following:

A. The corporation's corporate name;
B. The street address of its current registered office;
C. If the registered office is to be changed, the street address of the new registered office;
D. The name of its current registered agent;
E. If the registered agent is to be changed, the name of the new registered agent and the new registered agent's written consent to the appointment; and
F. That after the changes are made, the street addresses of its registered office and the business office of its registered agent will be identical.

ARTICLE II
MEMBERS AND SHAREHOLDERS

Section 1. Membership Required for Allocation of Water. A LAWMA membership is required for allocation, to a “LAWMA Structure” as defined in this Article II, of a portion of the water available to the corporation’s water rights or a portion of any other water controlled by the corporation. A holder of a LAWMA membership is referred to herein as a “member.”
Section 2. Application for Membership. The Board may accept new memberships upon application submitted in such form as determined by the Board and upon the following conditions:

A. Applicant's well, gravel pit, surface diversion, or other structure requiring augmentation or replacement ("Augmented Structure") is located within the State of Colorado and is so situated as to be able to be served by the corporation's water court approved plan(s) for augmentation, annual replacement plan approved by the State Engineer for Water Division No. 2 pursuant to Rule 14 of the Amended Rules and Regulations Governing the Diversion and Use of Tributary Ground Water in the Arkansas River Basin, effective June 4, 1996 (including any amendments) ("Rule 14 plan"), or any LAWMA-operated Compact Compliance Plan pursuant to Rule 10 of the Compact Rules Governing Improvements to Surface Water Irrigation Systems in the Arkansas River Basin in Colorado ("Rule 10 plan") (collectively, "Augmentation Plan") without adverse impact thereon, such determination to be made by the Board in its sole discretion; or Applicant’s proposed point of delivery for direct use of water available to the corporation’s water rights or other water controlled by the corporation ("Direct Delivery Point") is located within the State of Colorado and is able to be served by the corporation’s water rights or other water controlled by the corporation without adverse impact thereon, such determination to be made by the Board in its sole discretion; and

B. Augmented Structures and Direct Delivery Points are referred to collectively as “LAWMA Structures” herein; and

C. A member shall hold one membership for each LAWMA Structure, and shall register each such LAWMA Structure with the corporation; and

D. For each membership, the member shall pay a fee to be determined by the Board from time to time; and

E. The member shall pay the costs, including without limitation costs for engineering and legal consulting services, incurred by the corporation to add the Augmented Structure to the corporation's Augmentation Plan or to change or administer the corporation’s water rights as needed for delivery of water to the Direct Delivery Point ("Reimbursable Costs").

(1) The Reimbursable Costs include, without limitation, all costs associated with the following: any Water Court proceeding or administrative proceeding necessary to amend the Augmentation Plan on a temporary or permanent basis to include the Augmented Structure; any Water Court proceeding or administrative
proceeding necessary to allow for direct delivery of water at the Direct Delivery Point; review of the member’s proposed substitute water supply plan (“SWSP”) in which LAWMA shares will be used; review of the member’s past plan for augmentation, replacement plan, or SWSP in which the Augmented Structure was augmented with water from a source other than LAWMA shares; and the preparation, review, or amendment of any lease, contract, or other such document in connection with membership in the corporation; and

(2) At the time of the Board’s approval of the application for a membership for a LAWMA Structure, the member shall enter into a reimbursement agreement with the corporation to provide for payment of the Reimbursable Costs; and

F. New members may be issued shares of stock in the corporation in accordance with Article VI, Section 9 of these bylaws. Nothing in these bylaws precludes the transfer or lease of shares of stock from a current shareholder to a new member, subject to approval of such transfer as described in Article VI, Section 2 below; and

G. The Board may adopt rules and regulations to guide the determination of whether to approve new memberships.

Section 3. Membership and Classes of Stock.

A. Members. There will be one class of members.

B. Shareholders. Those members who satisfy one of the qualifications set forth in Subsection (1) or (2) of this Article II, Section 3.B, and who are issued or hold Preferred Stock or Common Stock will be shareholders in addition to being members.

A. Upon approval of the Board and upon such terms and conditions as are necessary to prevent injury to the corporation, any person or entity may be issued stock and become a shareholder.

B. Any person or entity that acquired, through purchase, gift, foreclosure, or otherwise, shares of stock from a shareholder and whose transfer of such stock has been approved as provided in Article VI, Section 2 below, may be issued stock upon the surrender of the acquired stock, and upon such issuance will become a shareholder.
C. A person or entity will cease to be a shareholder upon the approved transfer to another of all shares of stock owned by that person or entity. Cessation of shareholder status under this section does not and will not release such person or entity from any liability or obligation incurred as a shareholder and not discharged or satisfied as of the date of cessation.

C. Non-Shareholder Members. All members who are not shareholders will nevertheless be full members, designated as “non-shareholder members,” for all purposes other than distribution of benefits and burdens on stock.

A. For non-shareholder members, all rights and obligations relating to LAWMA’s provision of water for augmentation of LAWMA Structures or for delivery to a Direct Delivery Point must be established by written contract between the non-shareholder member and the corporation. Solely for purposes of this provision, non-shareholder members who rent stock will be treated as shareholders upon submitting acceptable proof of the rental of such stock.

B. The Board may add or revise membership classes and the rights and obligations associated therewith from time to time by amendment of these bylaws.

Section 4. Dues and Fees. The corporation shall assess membership dues and fees. The Board shall determine the amount of proposed membership dues and fees each year and shall present said proposed dues and fees to the membership for approval at any annual meeting or special meeting called for that purpose. Membership fees and dues require the approval of a majority of a quorum of all members entitled to vote, either present at the meeting or by proxy. Dues and fees will become due thirty (30) days after the date of billing. The Secretary shall give written notice to each member of the amount of dues and fees and the time when the same will be due, which notice the Secretary shall give by delivering the notice personally to each member or mailing the notice to the address of the member as shown by the books of the corporation.

Section 5. Transfer of Membership. Any membership in this corporation may be transferred with approval of the Board in accordance with these bylaws and such rules as may be adopted from time to time by the Board.

Section 6. Suspension and Termination of Membership. Any membership in this corporation may be suspended or terminated for non-payment of dues and/or fees, or for non-compliance with the conditions of membership or any water court
decree or administrative approval that governs operation of the corporation's water rights and Augmentation Plan.

A. Suspension and renewal for non-payment. Dues and/or fees not paid by March 1 of each year will result in suspension of the membership for which such dues and/or fees were assessed, and all rights attendant to that membership will be suspended unless and until the membership is renewed. To renew a suspended membership, the member shall pay the full amount of unpaid dues and/or fees, together with a 20% penalty on such amount.

B. Termination for non-payment. Dues and/or fees not paid for one year following their due date will result in termination of the suspended membership for which such dues and/or fees were assessed, and all rights attendant to that membership will be terminated. To avoid termination of a suspended membership, the member shall pay, prior to March 1 of the year following the original non-payment, the full amount of unpaid dues and/or fees for the delinquent year, together with a 20% penalty, and the dues and/or fees assessed on the membership for the next year. If such payment has not been made prior to March 1 of the year following the delinquent year, the suspended membership will be terminated, and a new application will be required for a membership for the LAWMA Structure for which the terminated membership was held. Before termination of a membership in accordance with this Article II, Section 6, the Board shall give not less than thirty (30) days’ prior written notice to the member of the impending termination and the reasons therefor, and an opportunity for the member to be heard, orally or in writing, not less than ten (10) days before the effective date of the termination.

ARTICLE III
MEETINGS AND VOTING

Section 1. Annual and Regular Meetings. A meeting of the members and the shareholders shall be held annually at a place and time to be stated in or fixed in accordance with a resolution of the Board. In addition, regular meetings of the members and shareholders may be held at a place and time to be stated in or fixed in accordance with a resolution of the Board.

Section 2. Special Meetings. Special meetings of the members and shareholders may be called at any time by the President, or by a majority of the Board. The President, or in his absence the Vice President, shall call a special meeting upon the written petition of one-third of the members of the corporation.
Section 3. Notice. Written notice of each annual, regular, and special meeting shall be given by mailing a copy of such notice, properly addressed and first class postage prepaid, to each member and each shareholder not less than ten (10) days nor more than thirty (30) days prior to the date of said meeting. The record date for determining the members and shareholders entitled to notice of a meeting and those entitled to vote at a meeting shall be determined by the Board and shall be no more than sixty (60) days and no less than ten (10) days before notice is mailed. A list of members and shareholders who are entitled to notice of, and to vote at, the meeting shall be prepared and made available for inspection in accordance with the provisions of the Colorado Revised Nonprofit Corporation Act, as amended. Notice shall be mailed to each member’s and each shareholder’s last known address according to the corporation’s records. The notice shall state the place, date, and time of the meeting, the purpose of the meeting, and a description of any matter or matters that must be approved by the members and shareholders or for which the members’ and shareholders’ approval is needed.

Section 4. Quorum. Fifteen percent (15%) of the votes entitled to be cast on a matter constitutes a quorum of that voting group for action on that matter. If such a quorum is not present at a meeting at which the matter will be placed to a vote, either in person or by proxy, the meeting may be adjourned by a majority of those present, provided that such meeting may not be adjourned for a period to exceed sixty (60) days for any one adjournment.

Section 5. Voting. The voting rights of the members and shareholders of the corporation shall be as follows:

A. Shareholders. Shareholders shall have one vote for each share of Common Stock and two and five-tenths (2.5) votes for each share of Preferred Stock standing in the shareholder's name on the books of the corporation, in addition to one vote for each membership held by such shareholder, as provided below. Shareholders have two and five-tenths (2.5) votes for each share of Preferred Stock because the Board has determined, based on analysis and recommendations from the Company’s consulting engineers, that a share of Preferred Stock may be issued to a shareholder upon surrender to the corporation of two and five-tenths (2.5) shares of Common Stock (see bylaw Article VI, Section 9). The differential voting rights for Common and Preferred Stock are intended to ensure that a shareholder does not suffer a reduction in voting rights when Common Stock is converted to Preferred Stock, and may be changed by the Board from time to time to maintain the relationship between Common and Preferred Stock as allowed by bylaw Article VIII.
B. **Members.** Each member shall have one vote for each LAWMA Structure owned and for which a membership is held.

Voting by proxy shall be permitted. Cumulative voting shall be prohibited. Unless otherwise provided in these bylaws or in the articles of incorporation of the corporation and to the extent consistent with the Colorado Nonprofit Corporation Act, as amended, any matter requiring approval of the members and shareholders shall require approval by a majority of a quorum of the members and shareholders present at a regular or special meeting or by proxy.

**ARTICLE IV**

**DIRECTORS**

**Section 1.** **Board of Directors.** The Board shall consist of seven (7) shareholders of the corporation to be elected at the members’ and shareholders’ annual meeting or adjourned annual meeting and shall be the seven receiving the highest number of votes cast in favor of their election.

**Section 2.** **Term of Directors.** The directors shall be elected for staggered terms of three (3) years.

**Section 3.** **Compensation.** The Board and the officers of this corporation other than the Secretary or Treasurer shall serve without compensation as such directors or officers, but any such director or officer may be reimbursed for actual expenses incurred in the performance of his duties or in the attendance at any regular or special meetings of the Board.

**Section 4.** **Meetings.** Regular meetings of the Board shall be held at such a time and place as the Board shall determine. Special meetings of the Board may be called by the President or by two (2) or more directors. The Secretary’s oral notice to the directors of special meetings, at least two (2) days prior to the special meeting, shall be sufficient. A majority of the number of directors in office immediately before the meeting begins shall constitute a quorum for the conduct of business.

**Section 5.** **Powers and Duties of the Board of Directors.** The Board shall exercise the following powers:

A. To act for and in behalf of the corporation in any manner not prohibited by statute or by the articles of incorporation of the corporation.

B. To control and supervise the business affairs and management of the corporation, and to hire and employ such labor and other employees as may be necessary and advisable to carry out the purposes of the corporation.
C. To elect the officers of the corporation, and to adopt and procure a corporate seal for the corporation.

D. To authorize and approve the issuance of, and to issue, shares of Common Stock and Preferred Stock in the corporation;

E. To make rules and regulations and set policies for the transaction of the business of the corporation, and for the control, management, and distribution of water by the corporation.

F. To prescribe the form of applications for membership and to approve or reject all such applications.

G. To levy assessments on stock, dues, and fees at such times and in such amounts as to the Board shall deem necessary, and to provide for the manner of receiving and collecting such assessments, dues, and fees and to enforce the collection thereof.

H. To approve or reject any transfer of membership or the rights associated therewith, and to approve or reject any transfer of stock.

I. To provide for the maintenance of accurate records and books of account for the affairs and business of the corporation, and to cause regular audits to be made at least once each year.

J. To approve and direct all disbursements out of the funds of the corporation and to borrow money as it may be necessary upon the credit and for the benefit of the corporation, said indebtedness to be approved in the form of a resolution duly recorded in the minutes of the directors’ meeting.

Section 6. Specific Powers Relating to the Administration of the Corporation’s Water Rights and Augmentation Plan, and to the Allocation of Water. In recognition of the variability in water availability to the corporation’s water rights in different years and under different hydrological circumstances, the Board shall have exclusive authority to determine the allocation of water to Common Stock and to Preferred Stock each year. The Board shall also have exclusive authority over all aspects of operation of facilities and water accounts of the corporation. The Board may adopt rules to provide further detailed guidance with respect to such administration and allocation.

Section 7. Vacancies. Vacancies among the directors and the officers of this corporation shall be filled for the unexpired term by majority vote of the Board.
ARTICLE V  
OFFICERS

Section 1. Officers of the Corporation. The officers of this corporation shall be a President, Vice President, Secretary, and Treasurer. The Secretary and the Treasurer may be the same person. The President and Vice President shall be elected from the Board. The Secretary and Treasurer need not be members, shareholders or directors of this corporation. All officers shall serve for a term of one (1) year or until successors are duly elected and qualified; election of officers of the Board shall be held immediately after each annual meeting of the members and shareholders.

Section 2. Duties and Powers of the President. The President shall preside at all meetings of the Board and meetings of the members and shareholders; and shall sign all stock certificates, bonds, deeds, leases, encumbrances, notes, contracts, or other instruments of writing made or entered into by or on behalf of the corporation. The President shall exercise a general supervision over the business of the corporation and shall have all the power and perform all of the duties usually incident to the office of President of similar associations.

Section 3. Duties and Powers of the Vice President. The Vice President shall perform all of the functions and duties associated with the office of the President in the absence of the President, or in the case of his inability or refusal to act. The Vice President shall perform such additional duties as the Board may prescribe.

Section 4. Duties and Powers of the Secretary. The Secretary shall perform all duties usually incident to the office of Secretary of a corporation. He shall keep the minutes of all members’ and shareholders’ meetings and all directors’ meetings, and have the custody of all minutes, records, and other papers and documents of the corporation. He shall provide notice of members’ and shareholders’ meetings and meetings of the Board as provided by these bylaws. He shall provide written notice of proposed membership dues and fees as described in Article II, Section 4 above, and of proposed annual assessments as described in Article VI, Section 4 below. He shall attest by his signature and affix the corporate seal to all stock certificates, contracts, and conveyances requiring the same. He shall prepare and keep an accurate stock ledger and all other proper books of record and of account of the business of the corporation, and such other books and records as the Board may prescribe. He shall make such reports to the Board of all his accounts and doings as may be required by the Board. Said accounts may also be made to the members and the shareholders if required by the Board. If required by the Board, the Secretary shall furnish a bond satisfactory to the Board for the satisfactory performance of his duties, the cost of which shall be borne by the corporation.
Section 5. Duties and Powers of the Treasurer. The Treasurer shall perform all duties usually incident to the office of Treasurer of a corporation. He shall collect assessments and other sums due to the corporation. He shall safely keep all money and funds of the corporation and disburse the same only on orders signed by the President. He shall keep such financial records and accounts as will accurately reflect the finances and assets of the corporation, and shall report the same to the shareholders at each annual meeting and to the Board upon request. If required by the Board, the Treasurer shall provide a bond in the amount determined by the Board at the cost of the corporation.

Section 6. Manager or Superintendent. In addition to the officers above named, the Board may authorize the appointment of a manager or a superintendent, who may or may not be a director, member or a shareholder of this corporation. The duties, authority, and compensation of such manager or superintendent shall be as determined by the Board.

ARTICLE VI
STOCK, CERTIFICATES AND TRANSFERS

Section 1. Classes of Stock. There shall be two classes of stock, Common Stock and Preferred Stock. Preferred Stock will be identified as such on the face of the stock certificate.

Section 2. Transfer of Stock. No transfer of stock shall be allowed without approval of the Board. The Board may adopt rules governing approval of said transfers. A shareholder proposing to transfer his stock in this corporation, whether to a shareholder, non-shareholder, member, or non-member of this corporation, or from one LAWMA Structure to another LAWMA Structure, shall make a written request to the Board for approval of the transfer. If, in the opinion of the Board, the transfer may be made without injury to the corporation, the corporation’s water rights and other replacement water sources, or to other members, or to the integrity or administrability of the corporation’s water rights or Augmentation Plan, the Board shall approve the transfer and any such approval shall include terms and conditions deemed necessary by the Board to prevent such injury. The proposed transferee shall pay the corporation’s engineering and legal costs associated with evaluating the proposed transfer. It is the policy of the corporation to encourage the free transferability of stock as much as consistent with the foregoing principle. Therefore, a transfer of stock from one well to another well both of which divert from the Valley Fill Aquifer and surficial aquifers along the Arkansas River below John Martin Dam to the Colorado-Kansas stateline, as generally delineated on the map attached to the Amended Rules and Regulations Governing the Diversion and Use of Tributary Ground Water in the Arkansas River Basin, Colorado effective June 4, 1996, will be presumed to be without injury unless the Board determines otherwise based on the
unique facts of any particular circumstance. The corporation shall not be liable
for revegetation of land or weed control on land from which shares of stock have
been transferred. In the event of a transfer of shares by any person, bank, or
institution which is a creditor of a shareholder, as part of a foreclosure or exercise
of a security interest on a loan or financing where the person, bank, or institution
does not use the services of the corporation, such transfer will be presumed to be
without injury unless rebutted on the facts of any particular circumstance. The
subsequent assignment and transfer of such shares of stock to a third party shall
require Board approval as required by these bylaws. The decision of the Board
with respect to any proposed transfer shall be final and shall be transmitted to the
requesting shareholder in writing.

Section 3. Surrender of Certificate and Assignment for Transfers. No transfer of stock
certificates shall be made on the books of the corporation except upon surrender
of the duly endorsed original, duplicate or temporary duplicate stock certificate
and the written assignment of the person to whom the same was issued, or in the
case of his death, the written assignment of his personal representative.

Section 4. Assessments. The Board shall determine the assessment proposed to be levied on
the stock of the corporation for the ensuing year and shall present the question of
making the assessment to the members and shareholders at an annual meeting or a
special meeting called for that purpose.

A. If the members and shareholders vote in favor of making such assessment,
the Board shall levy same.

B. If the members and shareholders fail to hold such a meeting or fail to
make or authorize any assessment within ninety (90) days after the close
of the corporation’s fiscal year, the Board shall have the power to make
any such assessment at any regular or special meeting called for that
purpose.

C. All assessments will become due thirty (30) days after the date of billing.
Assessments paid later than sixty (60) days after billing will require the
additional payment of a 20% penalty. The Secretary shall give written
notice to each shareholder of the amount of each assessment and the time
when the same will be due, which notice the Secretary shall deliver
personally to each shareholder or mail to the address of the shareholder as
shown by the books of the corporation. If any shareholder fails to pay
such assessment, including any penalty, within ninety (90) days after the
assessment is due, his stock shall be forfeited to the corporation. Forfeited
stock may be sold by the corporation.
Section 5. **Effects of Non-Use on Membership Suspension or Termination.** Stock shall not be forfeited due to non-use, but it may be forfeited for non-payment of assessments. If a membership is terminated pursuant to Article II, Section 6 of these bylaws, stock owned by that member will not be forfeited as long as assessments continue to be paid in accordance with the requirements of this Article VI.

Section 6. **Duplicate Stock Certificates.** The Board may order a duplicate stock certificate to be issued in place of any stock certificate of the corporation alleged to have been lost, mislaid, or destroyed, but in every such case, the owner of the lost, mislaid, or destroyed stock certificate shall comply with the provisions of the Ditch and Reservoir Companies Act as codified at Title 7, Article 42, Colorado Revised Statutes, as amended.

Section 7. **Temporary Duplicate Stock Certificates.** The Board may order a temporary duplicate stock certificate to be issued in place of any stock certificate of the corporation alleged to have been lost, mislaid, or destroyed if the owner of the lost, mislaid, or destroyed stock certificate provides a bond to the corporation, with security, to be approved by the Board on such sum as the Board may determine and direct, as indemnity against any loss or claim that the corporation may incur by reason of issuance of the temporary duplicate stock certificate.

A. So long as the shareholder complies with all of the obligations and requirements of the corporation’s articles of incorporation, bylaws, policies, and rules, and so long as no contrary claim of interest or ownership in the subject stock is made to the corporation, a temporary duplicate stock certificate issued by the Board in accordance with Section 7 (A) of this Article VI shall be valid until all of the requirements of the Ditch and Reservoir Companies Act for the issuance of duplicate stock certificates have been satisfied by the shareholder and a duplicate stock certificate has been issued by the corporation in accordance with the provisions of the Ditch and Reservoir Companies Act.

B. Upon compliance with the provisions of the Ditch and Reservoir Companies Act and surrender of the temporary duplicate stock certificate issued pursuant to Section 7 (A) of this Article VI, a duplicate stock certificate shall be issued by the corporation to the shareholder to replace the temporary duplicate stock certificate and original stock certificate alleged to have been lost, mislaid, or destroyed, and the bond provided to the corporation as indemnity against any loss or claim the corporation may have incurred by reason of the issuance of the temporary duplicate stock certificate shall be released.
Section 8. Possession of Stock Certificate. Possession of a stock certificate shall not be regarded as evidence of ownership of the same unless it appears on the stock book of the corporation that said stock certificate was issued or duly transferred to the holder of the same. The Board may, in its discretion, refuse to issue a stock certificate, temporary duplicate stock certificate, or duplicate stock certificate except upon the order of a court having jurisdiction in such matter.

Section 9. Issuance of Shares of LAWMA Stock. No issuance of shares of stock shall be permitted without the approval of the Board. The Board may adopt rules governing approval of the issuance of shares of stock.

A. If in the opinion of the Board the issuance of shares of stock may be made without injury to the corporation, the corporation’s water rights and other replacement water sources, or other members, or to the integrity or administrability of the corporation’s water rights and its Augmentation Plan, the Board may approve the issuance of shares of stock to the member, and any such approval and issuance of shares shall include terms and conditions deemed necessary by the Board to prevent such injury. Such terms and conditions shall be referenced on the face of the stock certificate.

B. A share of Preferred Stock may be issued to a shareholder upon the shareholder’s surrender to the corporation of two and five-tenths (2.5) shares of Common Stock; or, upon the Board’s determination, a share of Preferred Stock may be issued upon the conveyance to LAWMA of water equivalent to two and five-tenths (2.5) shares of Common Stock. This conversion ratio of shares of Common Stock to Preferred Stock is called the “Preferred Stock Conversion Ratio.” The Preferred Stock Conversion Ratio may be changed from time to time upon the Board’s advisement by the corporation’s consulting engineer, but such change may be accomplished only by amendment of these bylaws as provided for herein.

C. The Secretary shall record, on the face of each share certificate representing Preferred Stock, the Preferred Stock Conversion Ratio in effect on the date of issuance of such certificate.

D. Shares of Common Stock may be issued to a shareholder upon the shareholder’s surrender to the corporation of shares of Preferred Stock. The number of shares of Common Stock that will be issued in exchange for surrender of shares of Preferred Stock will be determined by the Preferred Stock Conversion Ratio that was in effect at the time the shares of Preferred Stock were issued to the shareholder. By way of example and not by way of limitation, if a share of Preferred Stock is issued to a shareholder under the Preferred Stock Conversion Ratio of 2.5 to 1, then
the surrender of that share of Preferred Stock in exchange for Common Stock would yield 2.5 shares of Common Stock, regardless of when the surrender of Preferred Stock is made.

E. The person or entity requesting the issuance of shares of stock shall pay all of the corporation’s legal and engineering costs associated with evaluating and implementing the proposed issuance of shares of stock. The decision of the Board as to whether shares of stock will be issued shall be final and shall be transmitted in writing to the person or entity requesting the issuance of shares of stock.

ARTICLE VII
USE OF WATER

Section 1. The Board shall set policies and procedures for and make all decisions regarding use of the water rights and facilities owned or controlled by the corporation, including without limitation the timing and location of releases or deliveries of water available to the corporation’s water rights, replacement of depletions, and retention of water in carryover storage, in accordance with applicable state laws and regulations and with the water court decrees and any administrative approvals governing operation of the corporation’s water rights and Augmentation Plan.

Section 2. The Board shall annually allocate water to each share of stock in the corporation, with such allocation expressed as the amount of fully consumable water available per share. This allocation will include the preferred allocation to holders of Preferred Stock set forth in the corporation’s articles of incorporation. Such allocation shall be made no later than April 1 of each year, and written notice of the allocation shall be provided to each shareholder. The notice shall also state the maximum amount of water that can be diverted by each LAWMA Structure to which the shareholder has dedicated shares of Common Stock or Preferred Stock (“Noticed Maximum Diversion”). A supplemental allocation or a reduction in allocation may be made at any time by the Board at its sole discretion. The amount of water allocated in each year shall be determined with due regard for current year needs and availability and for future year possible needs and availability.

Section 3. The Board may adopt rules to provide general guidance, but in recognition of the difficulty of anticipating all hydrological and water management situations, the Board shall retain the right to make exceptions or alterations to such rules in any particular year, including, without limitation, situations in which the water rights owned or controlled by the corporation are insufficient to allow for the Noticed Maximum Diversion by LAWMA Structures in a given year. Such rules may include a requirement that diversions from LAWMA Structures be curtailed, and may provide for procedures to enforce such curtailment. No member, whether
shareholder or non-shareholder, shall be entitled to divert water in excess of the Noticed Maximum Diversion for a particular LAWMA Structure, or to cause depletions in excess of the allocation to the shares dedicated to that LAWMA Structure, unless a supplemental allocation is made or that member has rented additional sources of replacement water, including rental of the allocation then remaining to stock owned by other shareholders. Such rental sources and the use thereof must be first approved by the Board.

Section 4. Provision of Replacement Water to Members with Water Uses That Are Non-Curtailable. Depletions that may not reasonably and practically be shut down by cessation of pumping or other diversion (“Non-Curtailable Depletions”) must be augmented only with Preferred Stock. Depletions attributable to certain types of Augmented Structures, including without limitation gravel pits, wells that are used to provide water for industrial, commercial, municipal, or domestic uses, and bedrock wells, are presumed to be Non-Curtailable Depletions.

Section 5. Use of LAWMA Stock for Augmentation or Replacement Purposes. It is the policy of the corporation that LAWMA stock may be used for augmentation or replacement purposes only within the LAWMA Augmentation Plan as defined in Article II, Section 2.A of these bylaws. However, the Board understands that, in certain limited circumstances, the use of LAWMA stock for augmentation purposes may be needed temporarily under a substitute water supply plan approved by the State Engineer pursuant to C.R.S. § 37-90-137(11) or § 37-92-308.

A. Upon water court approval of a LAWMA augmentation plan that includes a LAWMA Structure then operating pursuant to a temporary substitute water supply plan, the member shall promptly terminate such temporary plan.

B. LAWMA stock may not be used for augmentation or replacement purposes within a decreed plan for augmentation, Rule 14 plan, or Rule 10 plan operated by any entity other than LAWMA.

Section 6. Use of LAWMA Stock for Direct Use. It is the policy of the corporation that water allocated to LAWMA stock may be delivered to a Direct Delivery Point and used directly, rather than for augmentation or replacement purposes, only upon the prior written approval of the Board, which may grant or deny such approval in its sole discretion based on consultation with the corporation’s consulting engineer and legal counsel.

A. Any member requesting direct use of water allocated to LAWMA stock following delivery to a Direct Delivery Point shall, as part of such request, enter into a reimbursement agreement with the corporation requiring the
member to pay for all of the corporation’s expenses associated with the Board’s evaluation of the proposed direct delivery and direct use. Those expenses will include, but are not limited to, all expenses incurred by the corporation for engineering and legal review of the proposed direct delivery and direct use, as part of the corporation’s determination of whether such use may be made in accordance with state law and with water court decrees and any administrative orders governing operation of the corporation’s water rights and Augmentation Plan.

B. The Board shall deny any request for direct use of LAWMA stock following delivery of water to a Direct Delivery Point if, in the Board’s determination made in the Board’s sole discretion, such use would (i) cause injury to the corporation, the corporation’s water rights and other replacement water sources, or to other members, or to the integrity or administrability of the corporation’s water rights or Augmentation Plan; or (ii) violate the terms and conditions of any water court decree or administrative order governing use and administration of the corporation’s water rights or Augmentation Plan; or (iii) result in an undue administrative burden on the corporation, including with respect to accounting.

C. Delivery of water to a Direct Delivery Point may be made and administered only by the corporation. Members and shareholders are prohibited from calling for water directly from ditch companies in which the corporation holds water rights.

Section 7. Use of Preferred Stock. Preferred Stock may be used directly or for augmentation of all types of water uses, including but not limited to irrigation use.

Section 8. Measurement and Reporting Obligations. LAWMA members shall make all gauge and meter readings necessary to document diversions from and depletions attributable to the LAWMA Structures. Members shall provide copies of all such records, calculations and accounting to LAWMA monthly or on a more frequent basis if requested by LAWMA or required by the water court, the State Engineer, the Division Engineer for Water Division No. 2, or the water commissioner.

ARTICLE VIII
AMENDMENT

These bylaws may be amended by a majority vote at any meeting of the Board. Except as provided in this Article VIII, these bylaws may also be amended by a majority vote of the members and shareholders at any annual meeting or at any special meeting called for that purpose. Notwithstanding the foregoing, the voting rights of shareholders set forth in Article III, Section 5.A. may only be amended by either (1) a majority vote at any meeting of the Board,
which vote is supported by a determination, after consultation with LAWMA’s consulting engineers, that the voting rights of shareholders need to be modified due to a corresponding change under bylaw Article VI, Section 9, in the number of shares of Common Stock that are required to be surrendered to the corporation for the issuance of each share of Preferred Stock; or (2) a vote of at least two-thirds of a quorum of the Preferred Stock, present or by proxy, voting together as a single class and at least two-thirds of a quorum of the Common Stock, present or by proxy, voting together as a single class at any annual meeting or at any special meeting called for that purposes. If an amendment is adopted by vote of the members and shareholders, it may not thereafter be altered by a majority of the Board until after the next meeting of the members and shareholders.

I hereby certify that the foregoing are the bylaws of Lower Arkansas Water Management Association as adopted by the directors at their meeting of August 8, 2017.

ATTEST:

[Signature]

Secretary