

BYLAWS
OF
HAPPY SCENES WATER
System NO 1, INC.

ARTICLE I

Corporate Office

1. **Principal Office:** The principal office of the Corporation will be 257 Trust Drive, Bayfield, Colorado, 81122.

ARTICLE II

Membership and Transfer of Memberships

1. **Members:** The Corporation members shall be the recorded owners of record of any property located within the Happy Scenes Subdivisions who were conveyed an interest in the Happy Scenes Water System (herein the Water System) either by deed or by other properly recorded conveyance.
 - A. **Eligible Members** of the Water System are defined as Members who are current on all dues and assessments.
2. **Automatic Transfer of Membership:** The conveyance of any parcel of property legally entitled to receive water from the Water System shall be deemed to automatically transfer the membership in the Corporation upon the recording of the deed that conveys ownership to the new Owner.

It shall be the duty of the purchaser of any property to inform the Board of the Corporation in writing of the transfer and to provide a copy of the recorded deed and of any other instrument of transfer reasonably requested by the Board. Notice should be mailed to Corporation address.

ARTICLE III
Members Meetings

1. **Annual Meeting:** Annual Meeting of Members shall be held on or about the third Saturday of June of each year or on such other date and time set forth in the notice sent by the Board according to these Bylaws. Meeting notice should contain outline of topics to be addressed at the meeting. At the annual meeting, the Directors shall be elected by the Members as provided herein. The Members may transact other business as may properly come before them at the meeting.
2. **Special Meetings:** Special Meetings of the Association may be called as follows: (a) by the President, (b) by a majority of the members of the Board, or (c) by Members comprising 10 percent of the members eligible to vote in the Corporation.
3. **Location of Meeting:** The Annual Meeting of the Members shall be held at Vallecito Community Center or may be adjourned to a suitable place convenient to the Members as may be designated by the Board or the President. The location of the annual meeting may be changed by action of the Board of Directors.
4. **Notice:** The Board shall cause notice to be hand delivered or sent prepaid by United States mail to the mailing address of each Member, or to the mailing address designated in writing by the Member to the Bookkeeper, not less than thirty (30) nor more than (60) days in advance of a meeting. No action shall be adopted at a meeting except as stated in the notice. Notice may be provided by e-mail if requested by a Member. A copy of the financial report shall also be sent with the meeting notice. The Treasurer shall receive a full quarterly financial report in addition to the report being mailed with the meeting notice.
5. **Order of Business:** The order of business at all meetings of the Members shall be as follows:
 - A. Sign-in Sheet (or other check-in procedure)
 - B. Call to Order
 - C. Establish Quorum
 - D. Agenda Approval
 - E. Read & Approve Previous Minutes
 - F. Read & Approve Financial Report

G. Old Business:

1. Review Progress Report
2. Review incomplete business from previous meeting.

H. New Business

1. Election of Board Members (Vote, if required)
2. Review any proposed amendments of Bylaws (Vote, if required). Any changes will be sent to members prior to meeting for review. Approved and amended By-Laws will be mailed to all members.
3. Review fees and set new fees, if required.
4. All other New Business

6. **Voting:** Eligible Members shall be entitled to cast one vote per residential unit, regardless of the actual number of lots or taps owned. Each family unit shall be required to designate the person eligible to cast the vote for that membership. Votes allocated to a member may be cast in person or cast by written proxy. Any proxy shall terminate one year after its date, unless it specifies a shorter term. Voting shall be by show of hands unless any member present at the meeting requests a written secret ballot.

7. **Quorum:** One third of the Eligible Members, but not less than 15 Members, shall constitute a Quorum to conduct business.

8. **Majority Vote:** The vote of a majority of the Members present in person, or by proxy, at a meeting which a quorum shall be present, shall be binding upon all Members for all purposes except where a higher percentage vote is required in these Bylaws or by Law.

Article IV

Directors

1. The business and affairs of the Corporation shall be managed by a Board of Directors, who shall exercise all the powers of the corporation within the limits provided by Colorado Law, the Articles of Incorporation, or by these Bylaws. These powers shall include but not be limited to:
 - A. The right to inspect tap size, to meter water usage through any member's tap, and to require

member correction of violations.

B. Authority to set quotas or restrict usage as deemed beneficial to the membership and necessary for equitable distribution

C. Authority to adopt Rules and Regulations for use of and connection to the Water System

2. The number of Directors shall not be less than seven (7), but may be increased or decreased from time to time by amendment to the Bylaws. Directors shall be elected at each annual meeting as required. Each Director shall hold office until the next annual meeting and thereafter until his successor shall have been elected and qualified. The terms of office shall be three (3) years with terms staggered so that no more than three (3) Directors are elected in any year. There shall be no limit on the number of terms served by any director.
3. Resignations. Any Director may resign at any time by delivering written notice of their resignation to the President of the Corporation, and any such resignation shall take effect at the time specified therein or, if no time is specified, then at the next meeting of the Board.
4. Directors need not be residents of Colorado but must be Members.
5. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of majority of the remaining Directors even though less than a quorum of the Board of Directors exist. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.
6. The Board of Directors shall meet each year immediately following the annual meeting of the Members. No prior notice of such meetings other than the notice of the Members meetings shall be necessary.
7. Special meetings of the Board of Directors may be called at any time and at any place within La Plata County by the President, or by any one of the Directors, and notice of such meeting to be telephoned or e-mailed to each Director at least 1 week prior to the date fixed for the meeting. Directors are not required to be physically present if unavailable at time of meeting. Phone conferencing or other communication tools may be utilized.
8. A majority of the number of Directors fixed by this article shall constitute a quorum for the transaction of business. The act of the majority of the Directors present at a meeting in which a quorum is present shall be the act of the Board of Directors.
9. Members of the Board of Directors shall not receive any compensation for services as a Director, but may be paid for services as an independent contractor for services as approved by the Board of Directors.

10. Any action required to be taken at a meeting of the Directors of the Corporation, or any action which may be taken at such meeting, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all the Directors entitled to vote with respect to the subject matter thereof.

11. The following actions shall require approval by the Board of Directors:

- A. Formation, termination, amendment or renewal of any Employment Contracts.
- B. Change of officers.
- C. Hiring and firing of employees or service contractors.
- D. Incurring debt.
- E. Entering any contract that obligates the Corporation for more than five hundred Dollars (\$500.00).

The Treasurer will also, in writing (e-mail is acceptable), approve any check over \$500.00 being written prior to it being distributed. If the Treasurer is not available, then the President will approve.

12. The President of the Corporation is automatically Chairman of the Board. In his absence, the Vice-President shall act as Chairman of all meetings of the Board.

13. Bank Accounts. The Corporation shall establish bank accounts as needed and all Corporate checks more than \$500 must be signed by the Bookkeeper, approved in writing by the Treasurer and, if the Treasurer is not available, then approved by the President. E-mail is acceptable.

Article V

Officers

1. The officers of the corporation shall consist of a President, a Vice-President, Secretary, and a Treasurer, each of who shall be appointed by the Board of Directors. The Board of Directors may elect or appoint such other officers and assistant officers and agents as be deemed necessary. The Board of Directors shall fix the authority, duties, term of office and salaries, if any, of all of the officers and employees of the corporation. No person can hold two offices at the same time except the position of Secretary/Treasurer, if necessary and approved by the Board. The officers shall be elected at the first meeting of the Board of Directors, and each officer shall hold office until his successor shall be chosen and shall be qualified, unless he shall sooner resign or be removed.

2. President: The President shall, subject to the direction and supervision of the Board of Directors, be the Chief Executive Officer of the Corporation and shall have general and active control of its affairs and business and general supervision of its officers, agents and employees.
3. Vice-President: The Vice-President shall, in the absence or disability of the President, perform the duties and exercise the power of the President, and shall perform such other duties as, from time to time, may be prescribed by the Board of Directors or the President.
4. Secretary: The Secretary shall attend all sessions of the Board of Directors and all meetings of members and shall record all votes and minutes of all proceedings in a file to be kept for that purpose for the executive committee when required. If the Secretary is unable to attend any meeting for any reason, then the minutes shall be taken by another attending Board Member.
5. Treasurer: The Treasurer shall be responsible to oversee and direct financial operation of the Corporation which shall include providing direction and oversight to the Corporations Bookkeeper. The Treasurer will receive regular reports from the bookkeeper along with copies of all bank statements and receipts for outgoing and incoming funds. Electronic copies of reports, statement and back-up documentation are acceptable.

Article VI

Bookkeeper

1. Bookkeeper: The Bookkeeper shall be a paid position and shall give due notice of all meetings and special meetings as directed by the Board and keep in safe custody the corporate records. In addition, the Bookkeeper shall keep a record of the members, giving names and addresses of all members, at the registered office or the principal place of business of the Corporation. The Bookkeeper, in general, shall perform all duties incident to the office of the Bookkeeper and such other duties as from time to time may be assigned to them by the President or by the Board of Directors. Quarterly reports of financial transactions are to be sent to the Treasurer. Also, bank statements are to be sent to the Treasurer monthly. The Bookkeeper shall be required to attend all annual Members meetings and any other meetings as requested by the Board.

2. Additional duties of the Bookkeeper include oversight of the corporate funds and securities at the direction of the Treasurer, the keeping of full and accurate accounts of receipts and disbursements in files belonging to the Corporation, and the deposit of all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Bookkeeper is to ensure all invoices for annual water fees are sent out by June 30th of each year, and that past due notices will be sent 60 days from date of invoice for nonpayment. Reports of non-paying Members will be presented to the Treasurer quarterly. The Bookkeeper is to file liens in a timely manner to ensure proper payment of past due monies on properties being sold. The Bookkeeper shall disburse the funds of the Corporation as may be ordered by the Board, or after receiving proper invoices for such disbursements, and shall render to the President and the Directors at the regular meeting of the Board an account of all the transactions and of the financial conditions of the Corporation. A report of the financial condition of the Corporation shall be sent to the Treasurer on a quarterly basis.

Article VII

Indemnification

Each Director and Officer of the Corporation shall be indemnified by the Corporation against all costs and expenses incurred by him in connection with the defense of any action, suit or proceedings deemed to be the result of an error or an omission on the part of the Director/Officer. Such indemnification shall include costs and expenses incurred in litigation. The foregoing right of indemnification shall not be exclusive of other rights to which he may be entitled as a matter of law or by agreement.

Article VIII
Miscellaneous

1. Fiscal Year: The fiscal year of the Corporation shall begin on the first day of March of each year, and end on the last day of February each year.
2. Annual financial reviews will be performed by two (2) Board members, one being the Treasurer and one other member selected by the Board President before the 1st of March every year.
3. Notice: Whenever notice is required to be given by these bylaws or under the Colorado Corporate Code, it shall be deemed to be sufficiently given by depositing in the U.S. Mail, postage prepaid, addressed to the person entitled to it at his last known address shown on the books of the Corporation, or emailed to the party, with return receipt. Notice shall be deemed to be given upon the date of such notice.
4. Amendment of Bylaws: The Bylaws may be amended from time to time by action of the Board of Directors and approved by the Members at any general Member meeting, or upon motion of any Member and approved by the majority of those present at a general Members meeting. All new amendments must be recorded in a current set of Bylaws and the Amended By-Laws will be recorded at the Colorado Secretary of State office and sent to all Members within 30 days.
5. New Tap fees: The Board of Directors must approve New tap fees for Members within the Happy Scenes Water System. Once approved, new tap fees will be \$4,500.00. This fee must be paid along with the current yearly water dues prior to installation of the tap. This cost covers only the new tap, and not the water line from the residence to the tap. New lines from the residence to the tap are the responsibility of the property owner.
6. Request for well: The Members of the Board have the sole responsibility to approve requests for drilling new wells in the Happy Scenes Subdivision. There is no obligation of the Board to approve a new well request. Before a request for a new well is approved, the Member must be current on all fees owing to Happy Scenes Water. The member requesting to drill the well will still be required to pay the annual water fee to Happy Scenes Water. If the member requests to go back onto the system and is current with water fees, they will be charged a \$250.00 reconnect fee. Any mechanical issues with the tap or line will be the responsibility of the member prior to reconnection.

7. The Rules and Regulations are a part of the Happy Scenes Water System No.1, Inc. By-Laws. See Exhibit A attached.
8. A transfer of ownership fee of will be assessed once property is sold to any persons other than an Immediate Family Member.
9. Members that have a tap on their property, but are not connected to the system, will pay any special assessments in full.

Article IX

Delinquent Assessments

1. The Board of Directors are authorized to discontinue or deny water service or connection to Members delinquent in annual dues, duly approved special assessments, or individual charges. Action to be taken by the Board of Directors on delinquent accounts shall be as follows:
 - A. Members with connections:**
 1. Notice of delinquency shall be mailed by certified mail and regular mail to the delinquent account at the last known addresses of the member after 60 days from invoice being sent.
 2. A late charge of \$50.00 will be charged 60 days from the date of the unpaid invoice and the unpaid balance and late charges will accrue at a cost of \$10.00 monthly. If not paid within 30 days after Notice, then water service to the delinquent account may be discontinued.
 3. If service is discontinued for any reason, a \$250.00 fee will be assessed. A full annual fee will continue to be assessed following disconnect.
 4. A \$250.00 fee will be assessed to reconnect service, plus any delinquent fees, annual fees and special assessments that have accumulated during that time.
 5. All correspondence will be sent via certified mail and regular mail and the postage and fees will be included in the total assessment due. The Treasurer and Board President will be copied on all correspondence sent to delinquent members and lien placements. Any correspondence regarding removal from system or any other matter that involves the water system, members of the board shall be copied and, if a response is required, the board members must approve before sending to member.

6. If an account remains delinquent for more than two (2) years, and if all overdue fees or other assessments have not been paid, then the tap shall be forfeited to the Corporation. Any reconnection thereafter will require payment of the reconnect fee, special assessments fees, annual fees, delinquent fees and a new tap fee of \$4,500.00.

B. Members not connected to the system:

1. Notice of delinquency shall be mailed by certified mail and regular mail to the delinquent account at the last known addresses of the member after 60 days from invoice being sent.

2. A late charge of \$50.00 will be charged 60 days from the date of the unpaid invoice and the unpaid balance and late charges will accrue a cost of \$10.00 monthly. If not paid within 30 days after Notice, then water service to the delinquent account may be discontinued, unless the Member has made acceptable arrangements for monthly payments.

3. No sooner than thirty (30) days after such notice is mailed, such delinquent accounts will be notified in writing that future connection to the system will not be authorized. A \$250.00 fee will be assessed to reconnect service, plus any delinquent fees, annual fees and special assessments that have accumulated during that time.

4. If an account remains delinquent for more than two (2) years, and if all overdue fees or any assessments have not been paid, then the tap shall be forfeited to the Corporation. Any requested connection thereafter will require payment of all special assessments, annual fees and delinquent fees and a new tap fee of \$4,500.00. All correspondence will be sent via certified and regular mail and the postage and fees will be included in the total assessment due.

Article X

Liens

1. The Owner of each Lot served by the Water System by acceptance of a Deed therefor, whether or not it shall be expressed in such Deed, is deemed to covenant and agree to pay the Corporation assessments or charges for water use and special assessments for capital improvements, and individual assessments, all such assessments to be established and collected as noted above. The annual, special and individual assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made until paid. Each such assessment, together with Attorney's fees shall also be the obligation of the person who was the Owner of such property at the time when the assessment fell due.
2. A lien for any delinquencies may be filed against the Member's property with prior approval of the Board.

Approved this _____ day of _____, 2018.

President

Secretary

FILED: