



WIGWAM MUTUAL DITCH COMPANY

RULES AND REGULATIONS

ADOPTED

2005

AMENDED

AUGUST 12, 2005

WIGWAM MUTUAL DITCH COMPANY
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ARTICLE I

GENERAL

1.1 Authority. The Company is a Colorado Corporation with those powers of a Mutual Ditch Company pursuant to Colorado Revised Statutes § 7-42-101 et seq. and the provisions of the Colorado Revised Nonprofit Corporation Act.

1.2 Purpose. The purpose of this consolidated body of Rules and Regulations is to ensure an orderly and uniform administration of the provision of water service and operations of the Wigwam Mutual Water Company.

1.3 Scope. These Rules and Regulations shall be treated and considered as comprehensive regulations governing the operations and functions of the Company.

1.4 Intent of Construction. It is intended that these Rules and Regulations shall be liberally construed to affect the general purposes set forth herein, and that each and every party thereof is separate and distinct from all other parts. No omission or additional material set forth in these Rules and Regulations shall be construed as an alteration, waiver, or deviation from any grant or power, duty, or responsibility, or limitation or restriction, imposed or conferred upon the Board of Directors by virtue of statutes now existing or subsequently amended, or under any contract or agreement existing between the Company and any other governmental entity. Nothing contained herein shall be so construed as to prejudice or affect the right of the Company to secure the full benefit and protection of any law which is now enacted or may subsequently be enacted by the Colorado General Assembly pertaining to governmental or proprietary affairs of the Company.

1.5 Amendment. It is specifically acknowledged that the Company shall retain the power to amend these Rules and Regulations to reflect those changes determined to be necessary by the Company. Prior notice of these amendments shall not be required by the Company in exercising its amendment powers pursuant to this Section.

ARTICLE II

DEFINITIONS

Unless the context specifically indicates otherwise, the meaning of the terms used herein shall be as follows:

2.1 Applicant. "Applicant" means any Person (as herein defined) who applies to the Company for inclusion, a service connection or service disconnection, Main Line extension, or other such service.

2.2 Board. "Board" and "Board of Directors" mean the Board of Directors of the Company.

2.3 Company. "Company" means the Wigwam Mutual Water Company, a Colorado Corporation.

2.4 Contractor. "Contractor" means any Person authorized by the Company to perform work and to furnish materials to the Company or upon any facility which will be connected to the Company's facilities.

2.5 C.R.S. "C.R.S." means the Colorado Revised Statutes, as amended from time to time.

2.6 Customer. "Customer" means any Person, company, corporation, homeowners' association, or similar entity to whom the Company provides services.

2.7 Company Engineer. "Company Engineer" means that person or firm that has been authorized by the Company to perform engineering services for the Company

2.8 Developer. "Developer" means any Person who owns land and/or is subdividing land for resale and seeking to have the land served by the Company.

2.9 Dwelling Unit. "Dwelling Unit" means one or more habitable rooms arranged, occupied, or intended or designed to be occupied by not more than one family, with facilities for living, cooking, sleeping, and eating.

2.10 Equivalent Dwelling Unit. "Equivalent Dwelling Unit" or "Single Family Equivalent Dwelling Unit" means a use (including both residential and nonresidential uses) which is estimated to have an impact upon the Water System equal to that of the average single family dwelling unit.

2.11 Existing User. "Existing User" means those persons connected to the Water System as of May 1, 2005 who elect to receive service from the Company, who shall receive a Stock Share and Tap Permit evidencing such existing connection without payment of additional fees.

2.12 Inspector. "Inspector" means that Person who, under the direction of the Board shall inspect an water connections, excavations, installations of, and repairs to the Water System and facilities of the Company, to ensure compliance with the Rules and Regulations.

2.13 Licensed Plumber. "Licensed Plumber" means any Person who has been bonded and authorized by the Company to perform services which physically affect the Water System of the Company and who holds a current license as a master, journeyman or residential plumber granted by the State of Colorado. Plumbing contracted for by a Licensed Plumber may be performed through apprentices working under the direction of the Licensed Plumber.

2.14 Main Line. "Main Line" means any Water Main used as a conduit for water in the Company's Water System which is owned by the Company.

2.15 Manager. "Manager" of the Company means the Person or entity retained by the Board to administer and supervise the affairs of the Company.

2.16 Owner. "Owner" means a person who is the owner of real property within the service area of the Company; provided however, that if title is held in representative capacity, or the right to possession, use and control of the property has been judicially vested in another person, such equitable owner shall have the rights and responsibilities set forth herein for owners.

2.17 Person. "Person" means any individual, firm, partnership, joint venture, corporation, limited liability company, homeowners' association, governmental unit or other entity of any nature, whether public or private.

2.18 Qualified Owner. "Qualified Owner" means any person who dedicates water rights (including through the transfer of water shares) to the Company upon terms and conditions acceptable to the Company in exchange for which the Company transfers Stock Shares, whether or not such Stock Shares are designated to a particular property within the Service Area by contemporaneous issuance of a Tap Permit.

2.19 Rules and Regulations. "Rules and Regulations" means the Rules and Regulations of the Company, including all amendments and policies as set forth in the Company minutes and resolutions.

2.20 Service Area. "Service Area" means the area designated by the Company as eligible to receive service from the Company, as may be amended from time to time.

2.21 Service Line. "Service Line" means the privately owned and maintained water pipe, line, or conduit extending from the Water Main to the Customer's building.

2.22 Shall; May. Whenever "shall" is used herein, it shall be construed as a mandatory direction; whenever "may" is used herein, it shall be construed as a permissible, but not mandatory, direction.

2.23 Shareholder. "Shareholder" means the record owner of a share of stock of the Company.

2.24 Stock Share. "Stock Share" means the stock of the Company that is issued to each Owner receiving water service from the Company upon payment of the then-applicable Tap Fee, and which permits each such Owner to receive a Tap for each Single Family Equivalent Dwelling Unit to the Water System operated by the Company. Stock Share also includes stock of the Company issued to an Existing User and a Qualified Owner. A Stock certificate reflecting a stock share in the Company issued to a Shareholder in the Company shall state the water service address or legal description of the property where the water service is, or both.

2.25 Stub-Out. "Stub-out" shall mean any connection to a Main Line which extends from the Main Line and which is intended to facilitate connection to the Water System, either directly to the Main Line or indirectly through a non-District main; provided, that a stub-out may extend to, but not through, the foundation or exterior walls, or floor of any structure intended to be served.

2.26 Tap or Connection. "Tap" or "Connection" means the connecting of the Service Line to the Water System.

2.26 Tap Fee and Connection Charge.

a. "Tap Fee" means a fee for the privilege of connecting a particular property to the Water System, and which entitles an Owner to the issuance of a Stock Share. Such Tap Fee shall be charged at the time application for service is made. Once the Tap Fee is paid, the Owner is entitled to connect to the Water system for so long as the Owner continues to pay all Company charges and fees and complies with these Rules and Regulations.

b. "Connection Charge" means the payment to the Company of a fee for the actual physical connection of a particular use to the Water System. The connection charge is dependent upon the cost of making the actual connection.

2.27 Tap Permit. "Tap Permit" means the written permission issued by the Company pursuant to the Rules and Regulations of the Company evidencing the right of a Person to connect to the Water System. A Tap Permit permits the holder thereof the right to connect to the Water System for the stated number of Equivalent Dwelling Units, and the right to use up to a maximum of 76,000 gallons per annum per Equivalent Dwelling Unit, which maximum amount is not guaranteed by the Company, and which amount is subject to transfer losses and other losses as set forth by any court with jurisdiction, or by the water engineer of the State of Colorado, for any use allowed in the applicable Augmentation Plans relating to water rights held by the Company to permit water to be supplied in connection with Tap Permits.

2.28 Water Main. "Water Main" means any pipe, piping, or system of piping used for the purpose of conveying water to the Customer's Service Line. Unless otherwise provided by the Board, a Water Main shall be two inches (2") or more in diameter.

2.29 Water Operator. "Water Operator" means that Person appointed by the Board to supervise the operation and maintenance of the Company's facilities.

2.30 Water System. "Water System" means the tangible facilities used to deliver and treat water, including Water Mains and storage and pumping units, owned and maintained by the Company.

2.31 Any Other Term. Any other term not herein defined shall be defined as presented in the "Glossary - Water and Sewage Control Engineering", APHA, AWWA, ASCE, and FWSA, latest editions.

ARTICLE III

OWNERSHIP AND MAINTENANCE

3.1 Ownership of Water. The Company shall have sole dominion and control of all water supplied through the Water System, subject to reasonable use thereof by its Customers in compliance with applicable water service permits and/or these Rules and Regulations. Such dominion and control shall continue without interruption as to all wastewater, return flows, runoff, sewage or tailwater attributable to or originating in water supplied through the Water System. The Company shall have the exclusive right to recapture such return flows or claim credit therefrom for exchange, replacement, augmentation, substitute supply or any other lawful purpose, and the Company's dominion and control over water shall continue to attach to all such return flows even after they return to the ground. All return flows from water supplied through the Water System remain the property of the Company. The Company retains the sole authority to determine the yield of all water, water rights, and augmentation plans which are offered to the Company for any purpose. Once the Company has delivered water to the Shareholder's property as described on the Company stock certificate, the Shareholder shall not resell water to a third party.

3.2 Ownership and Maintenance of Facilities.

3.2.1 Except as otherwise provided in a written agreement with the Company all existing and future Main Lines and treatment works connected with and forming an integral part of the Water System shall become and are the property of the Company regardless of whether the Main Lines and treatment works are constructed financed, paid for, or otherwise acquired by the Company, or by other Persons, and the Company shall be responsible for the operation and maintenance of such Main Lines and treatment works.

3.2.2 All existing or future Service Lines extending from the Main Line to each unit or building for each Customer shall become, and are, the property of the Customer. This principle shall not be changed by the fact that the Company might construct, finance, pay for, repair, maintain, or otherwise affect the Service Lines. The construction of any Service Line shall be done in compliance with Article VI of these Rules and Regulations. The Customer's ownership of the Service Line shall not entitle the Customer to make unauthorized uses of the Water System once the Service Line has been connected to a Main Line. All uses of the Service Line, or any appurtenances thereto, at any time after the initial connection to the Water System, shall be subject to these Rules and Regulations. Each Customer shall be responsible, at its expense, for constructing and maintaining the entire length of the Service Line serving such Customer's property. Leaks or breaks in the Service Line shall be repaired by the property owner within twenty-four (24) hours of obtaining knowledge of a leak, or from the time of notification of such condition by the Company. If satisfactory progress toward repairing said leak has not been completed within the same time period, the Manager shall shut off the service until the leaks or breaks have been repaired; in addition, the Company shall have the right to effect the repair, and the cost therefor shall constitute a lien on and against the property of such Customer, securing payment of such cost, and each such Customer hereby consents to the recording of a

lien statement against the real and/or personal property of such Customer to secure payment thereof. Each Customer is responsible for complying with the Company's Cross-Connection and Backflow Control Regulation as it may be adopted from time to time. Each Customer having boilers and/or other appliances on its premises, depending upon pressure or water in pipes, or on a continual supply of water shall provide, at its own expense, suitable high-pressure safety devices to protect such Customer and such Customer's property against a stoppage of water supply or loss of pressure. The Company expressly disclaims any liability or responsibility for any damage resulting from a Customer's failure so to equip the Customer's property.

3.2.3 All water meters and shut-off valves shall become, and are the property of the Company Regardless of whether the meters and/or shut-off valves are installed, financed, paid for, repaired, or maintained by another Person, or whether the meters and/or shut-off valves are located on a Customer owned and maintained Service Line. The Company shall, at Customer's expense, have the right to test, remove, repair, or replace any and all water meters. It shall be the duty of each Customer to notify the Manager's office if the water meter for such Customer's property is operating defectively. If any meter shall fail to register in any period the Customer shall be charged the average period consumption, as shown by the meter, during the preceding two (2) years, when deemed by the Company to be in working order.

3.3 Liability of Company. Nothing contained in these Rules and Regulations shall be deemed to constitute the assumption of any duty by the Company. The Company shall not be liable or responsible for inadequate treatment; blockage in the Water System; damage caused by "smoking" of lines to determine connections to Company lines; breakage of Main Lines; interruption of water service and the conditions resulting therefrom; breaking of any service or collection line, pipe cock or meter by any employee of the Company; failure of the water supply; shutting off or turning on water; making of connections or extensions; damage caused by water running or escaping from open or defective faucets; burst Service Lines or boiler facilities not owned by the Company; damage to water heaters, boilers, or boiler appliances resulting from shutting water off, or from turning it on, or from inadequate, excessive, or sporadic pressures; or for doing anything to the Water System of the Company deemed necessary by the Board or its agents. The Company shall have no responsibility for notification to Customers of any of the foregoing conditions.

3.4 Inspection Powers and Authority of Company Agents. The Water Operator, Manager, and other duly authorized employees of the Company, bearing proper credentials and identification, shall be permitted to enter upon all properties for the purpose of inspection, observation, measurement, sampling, repairing, replacing and testing, in accordance with the provisions of these Rules and Regulations. Failure to permit such inspections, observations, measurements, samplings, repairs, replacement and/or testings upon the request, in writing, of the Manager shall result in the immediate disconnection of service to the property of the party failing to permit such activity.

ARTICLE IV

USE OF WATER SYSTEM

4.1 Policy. It is the function of the Company to distribute water to its Customers. The Company will use its due diligence and reasonable efforts to provide water in sufficient quantity and of acceptable quality for its Customers. The Company cannot and does not guarantee a quantity of water to be available to meet the demand that may arise nor does it guarantee water pressures sufficiency high to operate sprinkler systems, automatic household appliances or other equipment dependent upon water pressure for their operation. Accordingly, it can be anticipated that certain limitations and conditions may be imposed by the Company with respect to the use of the Water System and the ability to make new connections when requested

4.1.1 Limitations on New Taps or Connections. The Company shall maintain at all times a record of taps or connections made to the Water System and the demand for service as a result of the connections made. The Company reserves the right to refuse to issue a tap permit which may exceed the physical or legal capability of the Company to provide water service.

4.1.2 Allocation of New Connections or Taps. Subject to the terms and conditions of the Rules and Regulations, new connections will be issued in the order of receipt of each application. All taps issued for new connections shall be subject to strict compliance with the Rules and Regulations.

4.1.3 Discontinuance of Service. The Company reserves the right temporarily to discontinue service to any property at any time for any reason deemed necessary or appropriate by the Company. The Company shall have the right to revoke service to any property for violations of the Rules and Regulations.

4.2 Unauthorized Tampering with Water System

4.2.1 Unauthorized Use. No Person other than the Company shall uncover, enlarge the use, alter, disturb, or make any connection with, or opening onto, the Water System without first obtaining a written Permit from the Company. Unauthorized uses of the Company's Water System include, but are not limited to, an unauthorized turn-on or turn-off of water service, or a tampering with, or in any way modifying any meter, even though the same may be performed on a Customer owned and maintained Service Line.

4.2.2 Malicious or Negligent Damage. No Person shall maliciously, willfully, or negligently break, damage, destroy, uncover, deface, or tamper with any portion of the Water System.

4.2.3 Prosecution. Any person who shall violate the provisions of this section 4.2 shall be prosecuted to the full extent of Colorado law.

4.2.4 Penalties. Any person violating any of the provisions of these Rules and Regulations shall become liable to the Board for any expense, loss, or damage occasioned by reason of such violation, and upon non-payment thereof, at the demand of the Board shall be assessed a penalty, the greater of 10% of the expense, loss or damage or \$500.00, which penalty shall be a lien upon the violator's property or a lien upon the property serviced by the line where the violation occurred, whichever the Board deems appropriate. Any person that resells water to a third party from property stated on the Company stock certificate shall, at the demand of the Board, be assessed a penalty of \$5,000, which penalty shall be a lien upon the violators property or lien upon the property serviced by the line where violation occurred. At the Option of the Board, water service may be terminated at the property serviced where the violation occurred.

4.3 Use of Water System. No connection shall be made to the Water System without a water meter having been installed to serve the subject unit. All water meters shall have devices for remote reading. The type of water meter and location of the meter shall be subject to the approval of the Company.

4.4 Conservation Measures. The Company may, in order to comply with any applicable law, rule, directive or order, or to enable it to provide adequate services to its Customers in times of shortage or other practical or legal limitation on the ability of the Company to provide the water services, limit the delivery of water and/or restrict the use of water. Use of Company water will be curtailed on the following basis:

1. First shall be restrictions of non-domestic uses such as irrigation;
2. Second shall be prohibition of non-domestic uses;
3. Third shall be restrictions of domestic uses.

The Company will impose any restrictions or prohibitions uniformly on all Customers of the Company.

ARTICLE V

SERVICE

5.1 Application for Service. An application for service must be filed with the Company on forms provided by the Company and accompanied by (i) the certification of an engineer qualified to make such certification that the building or structure to be serviced can be adequately serviced to established and recognized standards for the intended uses by the water tap proposed, and (ii) appropriate fees prior to any action to connect to the system. Only upon authorized approval of the application, and a receipt therefor, may a connection to the system be made. All information requested on the tap application form must be completed, and a diagram of the stop box location included. Should any information disclosed on the application prove at any time to be false, or should the Applicant omit any information, the Company shall have the right to reassess the tap fee originally charged at the rate currently in effect at the time of discovery by the Company of the false or omitted information, and/or disconnect the service in question, and/or backcharge the property in question for service fees that may be due and owing, and/or charge any other or additional fee or penalty specified in these Rules and Regulations, as amended. Any reassessment shall be due and payable, together with any penalties or other additional fees charged, plus interest at the maximum legal rate on the entire balance, at and from the date of the original application.

5.2 Denial of Application. The Company reserves the exclusive right to deny an application for service when, in the opinion of the Board, the service applied for would create an excessive seasonal, or other, demand on the facilities, or where the Applicant has not otherwise furnished the Company with adequate water rights to support water service to the new connection. The Company may not deny the issuance of a tap permit to the owners of any Stock Share previously issued and not yet designated for service to an address within the service area of the Company based on insufficient water supply. Denial may also be based upon an unresolved obligation between the Company and the Applicant, inadequate documentation of easements for Main Lines serving the property, any misrepresentation made in the application for service, inability to pay appropriate Rates and Charges outlined in Article VI, failure to own property within the Service Area, or any other reason as determined by the Board.

5.3 Cancellation of Application. The Company reserves the right to revoke any prior approval of an application before service has been provided, and thereafter for any violation of these Rules and Regulations.

5.4 Deposits. The Company reserves the right to require any Customer or Applicant to pay a deposit as a condition of provision, continuation, or reinstatement of water service. While monies held on deposit may be applied toward any and all past due amounts owing to the Company, the Company's use of such deposits shall not prejudice the Company's right to use other means of collecting past due amounts not covered by the deposit.

5.5 Change in Ownership. The Customer shall notify the Company upon any change of ownership of property serviced by the Company.

5.6 Moved or Destroyed Buildings. When buildings are moved or destroyed the original tap authorization shall terminate and no credit shall be authorized for tap fees paid previously with respect to said building unless the original tap shall remain in good standing by continuous, uninterrupted payment of the Company's minimum service charge (as the same may be amended from time to time). If payment of the minimum service charge ceases for any reason said tap shall be in violation of these Rules and Regulations and the tap shall be revoked. Non-payment within thirty (30) days of the billing shall be considered cessation of payment of the minimum service charge.

5.7 Change in Customers' Equipment, Service, or Use of Property.

5.7.1 Procedures for Changes. No change in the Customer's equipment, service, or use of property served shall be made without the prior notification of and approval by the Company. Any such change which, in the opinion of the Company, will increase the burden placed on the Company's system by the Customer, shall require a re-determination of the tap fee and other charges of the Company and a payment by the Customer of any additional tap fees and charges resulting from the re-determination. Subject to Section 5.6 above, tap fees previously paid with respect to the property in question shall be credited against the re-determined tap fee so that only the unpaid portion of any re-determined tap fee shall be due, provided, however, that re-determinations resulting in a conclusion that the tap fee, if assessed currently, would be an amount less than that originally paid, shall not result in a refund or credit of any kind to the Customer. The Company may also require physical changes in the facilities through which the services connect to the property as a result of the Customer's proposed changes.

5.7.2 Penalties. Any violation of this section shall be deemed an unauthorized connection and the provisions of Section 5.9 shall be applicable.

5.8 Unauthorized Connections and Fees. No person shall be allowed to connect onto the Water System or to enlarge or otherwise change equipment, service, or use of property without prior payment of Tap Fees, approval of application for service, and adequate supervision and inspection of the tap by Company representatives. Upon the discovery of any unauthorized connections, or if the Company believes a Customer has changed the equipment, service, or use of their property in violation of Section 5.7, the Company shall send written notice to the Customer of the property benefited by such connections stating that an unauthorized connection has been made between the owner(s)' property and the Company facilities and the Company's intent to assess additional Tap Fees, unauthorized connection fees or other charges. The Customer shall then have twenty (20) days from the date of the notice to pay the Tap Fees specified in the notice or to otherwise respond to the Company's notice. To defer the collection of said fees, and as a prerequisite to the right to hearing as provided for and described in Article VIII of these Rules and Regulations, any response by the Customer must, in addition to being provided in twenty (20) days, include permission to make such inspection of the property in question as the Board deems necessary to establish clearly the nature of equipment, service, and use of the property in question. Failure to respond as required within the twenty (20) day period shall be deemed to establish that an unauthorized connection has been made and such additional

tap fee, unauthorized connection fee or other charges as are deemed appropriate by the Company, shall be assessed against the property in question. The unauthorized connection fee is an amount equal to twice the then-current Tap Fee that would be due for such property. Once discontinued, service may be returned to the property, only upon receipt by the Company of all assessed fees and any turn-on/turn-off fees due. The Company may exercise any and all rights provided by law, including foreclosure rights, for the collection of unpaid fees and charges of the Company.

5.9 Revocation of Service. Service shall be revocable by the Company upon nonpayment of any fees or charges owing to the Company or upon any violation of these Rules and Regulations. Revocation of service for nonpayment of monthly service charges and related fees shall be as set forth in Article VI hereof. In the event of a proposed revocation of service under this Section 5.9, the Customer shall be given not less than ten (10) days advance notice in writing of the revocation, which notice shall set forth:

- a. The reason for the revocation;
- b. That the Customer has the right to contact the Company and the manner in which the Company may be contacted for the purpose of resolving the obligations; and
- c. That there is an opportunity for a hearing in accordance with Article VIII of these Rules and Regulations.

If the obligations are not resolved or a request for a hearing accompanied by a deposit equal to the amount of any fees and charges specified in the notice is not received by the Company within ten (10) days, the Company shall disconnect the service and the Customer shall be assessed the cost of the disconnection. Deposit for service, if any, shall be applied against the outstanding obligation.

5.10 Revocation of Tap Permit. A tap permit and its associated Stock Share may be revocable by the Company pursuant to policies that may be adopted from time to time that are not inconsistent with the Company's Articles of Incorporation or its Bylaws.

5.11 Turn-Ons/Turn-Offs of Service. All turn-ons or turn-offs of water service through a shut-off valve on a Service Line that has been connected to the Company's Water System, pursuant to a written permit issued by the Company, shall be performed only by Company personnel regardless of the ownership of the shut-off valve or Service Line, and regardless of the circumstances respecting the turn-on or turn-off. The Company shall assess a charge as provided in Appendix A for each such turn-off and turn-on performed. The Company will provide this service without charge for (1) a tap for new construction, one time prior to the occupancy of the building served, and (2) for Customers requiring service to be turned off for maintenance of a Service Line. All requests for a turn-off or turn-on of Company service, other than as set forth in (1) and (2) in the preceding sentence, may be granted or denied by the Manager in his/her sole discretion. Violation of this section and/or failure to pay the fee shall result in the assessment against the property served of a penalty of \$1,000.00 in addition to the turn-on/turn-off fee, and

in addition to the penalties provided for unauthorized tampering with the Company's system in Section 4.2 of these Rules and Regulations.

ARTICLE VI

FEES AND CHARGES

6.1 Service Charges. The Schedule of Fees and Charges attached hereto as Appendix A sets forth the current fees and charges applicable to water services provided by the Company. Such fees and charges shall remain in effect until modified by the Board in accordance with these Rules and Regulations and applicable laws. Nothing contained herein shall limit the Board from modifying fees and charges from time to time. Revised fees adopted by the Company will become a part of these Rules and Regulations.

6.2 Application of this Article. The fees, charges and other information set forth herein shall apply only to Customers within the Company, and shall in no way obligate the Company with respect to services provided outside the Company boundaries.

6.3 System Development Fees. In order to defray the capital costs of building, replacing, and expanding the Water System, system development fees may be assessed and payable at the time of issuance of the tap permit.

6.4 Tap Fee. A tap fee shall be charged to all Customers of the Company (except Existing Users and Qualified Owners) for a Tap Permit to connect to the Water System. Such fee is a prerequisite for service and shall be assessed and paid before the Tap Permit is issued. In connection with the payment of such fee, the Owner shall be entitled to issuance of a Stock Share for each Residential Equivalent Dwelling Unit. No Tap Permit or Stock Share shall be issued except to the extent the Applicant has furnished sufficient water rights in a form, source and substance acceptable to the Company, or unless the Company otherwise has existing water rights to support issuance of such Tap Permit. No tap fee shall be due with respect to Stock Shares issued in exchange for the conveyance of water rights that have been accepted by the Company. Except as described herein, tap fees shall be assessed as provided for in Appendix A. The fees and charges reflected in Appendix A are based upon factors of usage and physical structure and upon the application by the Manager of the Company of those factors to the facts and circumstances surrounding the application. Therefore, if an application, in the opinion of the Company Engineer, does not properly reflect the nature and use of the structure to carry out the purposes of Appendix A, then:

(i) The Company Engineer shall report said opinion and the facts supporting the same to the Board of Directors;

(ii) The Board of Directors shall, upon receipt of the Company Engineer's report and upon a determination that said report is supported by sufficient facts to justify a hearing, provide notice to the Applicant of a hearing to be held at the convenience of the Board to determine the facts and circumstances surrounding the application, and the Board shall hold a hearing in accordance with the notice provided and shall hear any person who may wish to come before the Board to provide the Board with information concerning the facts and circumstances surrounding the application; and

(iii) After hearing all who come before it at said hearing, the Board shall determine whether the application properly reflects the nature and use of the structure and fulfills the purposes of this section, and, if not, the Board shall assess the tap fee that is appropriate for the Applicant, which tap fee shall be collected in accordance with these Rules and Regulations and the laws of the State of Colorado.

6.5 Transfer of Tap Permits.

6.5.1 Transfer Requirements. No Tap Permit paid on behalf of a designated property, or any portion thereof, may be transferred to any other property unless:

a. The owner requesting the transfer is the common owner of the property for which the tap fee has been paid and the property to which the transfer of the tap fee is being requested;

b. The property to which the tap permit is to be transferred is within the Service Area;

c. The Stock Share associated with the tap permit is similarly transferred so as to apply to the new property;

d. The owner requesting the transfer has no outstanding unpaid accounts with the Company and has previously maintained a good credit record with the Company;

e. The property to which the tap permit initially applied has never been connected to the Company's system; and

f. The owner requesting the transfer has filed an application for service for the property to which the tap permit is to be transferred.

Any approval of a request for transfer of a tap permit shall be in the sole discretion of the Company. Upon approval of a request for transfer of a tap permit, the tap permit issued for the property to which the tap fee initially applied shall be canceled and a new tap permit shall be issued with respect to the property to which the tap permit is transferred. To the extent required by the Company, the Stock Share shall be reissued or otherwise modified to reflect the new property being served.

6.5.2 Transfer Fee. The owner requesting the transfer shall pay to the Company the difference between the tap fee which would otherwise be charged on the date the transfer is requested for the property to which transfer is being sought, and the tap fee previously paid, but in no event shall the Company make a credit or refund. In the event an owner transfers only a portion of the total sum previously paid as a tap fee, the owner shall retain a credit for any non-transferred portion of the previously paid fee.

6.5.3 Tap Permits and Transfers for Qualified Owners. Notwithstanding anything herein to the contrary, Qualified Owners shall be entitled to issuance of a Tap Permit (without payment of any fees or charges relating to the issuance, including Tap Fees) for any property within the Service Area they may designate for a particular Stock Share, upon written notice to the Company specifying the Stock Share number and corresponding legal description for the service address within the Service Area. Following issuance of the Tap Permit for such Stock Shares, the provisions of these Rules and Regulations pertaining to transfers of Tap Permits shall apply equally to such transfers.

6.6 Amended Service Charges. In those situations where, in the Board's sole discretion, the fees and charges shown on Appendix A do not represent a fair, reasonable, and equitable charge for the intended use, the Board, in its sole discretion, may adjust said fees and charges.

6.7 Payment of Service Charges.

6.7.1 Billing. It is the policy of the Company to bill all monthly service charges in arrears. The Company shall have the right to issue only one (1) bill for a multi-unit structure or development off the Service Line which is not separately metered. When a condominium or homeowners' association exists for a number of units receiving service from the Company, said association shall receive an invoice for all units included in the association. Any other structure with more than one (1) residential or commercial unit off the Service Line which is not separately metered shall establish one (1) responsible party for water bills.

6.7.2 Due Date. The Customer shall pay to the Company within ten (10) days after the date shown on the statement the full amount of that statement. Where the Customer believes said statement is in error, the Customer must deposit the amount of the statement with the Company by the date due, and at the same time file in writing, a notice to the Company of the presumed error and request a clarification from the Manager. Upon review by the Manager and re-submittal and/or revision of the statement, any underpayment shall be immediately due and payable by the Customer, and any overpayment shall be applied as a credit against the next billing (except in the case where service is being terminated by the Customer in which case the overpayment shall be refunded to the Customer within ten (10) days.

6.7.3 Late Payments. At any time the Customer is twenty (20) days tardy in payment of any charges due the Company, the Company shall have the right to assess an interest charge at a rate of one percent (1%) per month on the unpaid balance to accrue beginning on the original due date, not to exceed twenty-five percent (25%) of the amount due, which will appear on the next billing. Additionally, the Company shall have the right to assess a late payment fee for each month fees remain past due and unpaid, as set forth on Appendix A hereto. If, at the time a billing issues, a Customer has unpaid amounts due from any prior billing, the Customer's service may be disconnected if the unpaid amount is not fully paid by the due date for the new billing. The Company's billing (or other written notice issued in connection with such billing) shall advise the Customer of the Customer's right to a hearing to be conducted in accordance with Section 8.3. The Company also has the right to assess to any Customer who is tardy in

payment of his account all legal, court, disconnection, and other costs necessary to or incidental to the collection of said account.

6.8 Liens for Fees/Foreclosure Proceedings. Each such Customer hereby consents to the recording of a lien statement against the real and/or personal property of such Customer to secure payment of any fees, charges or assessments imposed by the Company from time to time. At any time it becomes necessary for the Company, following efforts to collect any fee, charge or assessment by the Company under these Rules and Regulations and/or Colorado law, to initiate foreclosure proceedings as allowed by C.R.S. 38-38-101, et. seq., the Company shall, in each such case, assess a foreclosure fee against the subject property in the minimum amount of \$1,000.00, or such larger amount which the Company shall incur as its costs of foreclosure, which fee shall be payable in full upon assessment and shall be included in the amount then being foreclosed. Payment and said foreclosure fee, and any and all other fees outstanding against the subject property, shall be a precondition to either resumption of service to that property or issuance of a tap permit.

ARTICLE VII

MISCELLANEOUS

7.1 Signs.

a. No billboard sign, notice or advertisement, whether of a permanent or temporary nature, shall be constructed or posted within any easement, right of way, roadway or other property belonging to the Company.

7.2 Construction Within Easements.

7.2.1 Prohibition. No structure or facility of any type shall be constructed within, under, or over, or which encroach any easement, right-of-way or dedication granted in favor of the Company or public easements, rights-of-way, or dedications which benefit the Company (collectively referred to in this Section 7.2 as "Company Easements"), without the express written consent of the Board.

7.2.2 Variances. Upon written application to the Board, the Board may, after consultation with the Company Engineer and in the Board's sole discretion, grant written variances to allow construction within, under, over, or which encroaches Company Easements. All variances must be signed by the property owner to be benefited and shall specify that the property owner will indemnify and hold the Company harmless from any damage to the landowner's structure or facilities, or any landscaping, located within Company Easements which may occur as a result of the Company's exercise of its easement rights, including the excavation of such easement. Such variance shall be recorded with the Clerk and Recorder of El Paso County and will constitute covenants which run with the land.

7.2.3 Removal of Unauthorized Structures. The Company, in its sole discretion, may remove any unauthorized structure or facilities and all landscaping located within, under, or over, or which encroach any Company Easement, which are inconsistent with the Company's use of such easement, at the sole cost of the property owner. Such cost shall include reasonable attorney's fees and damages incurred by the Company. The Company shall not be responsible for repair or replacement of unauthorized structures or facilities, or any landscaping, if such is required as a result of the Company's exercise of its easement.

7.2.4 Private Use of Easements. Except where the language of a Company Easement so provides, private use of Company Easements incompatible with the Company's rights is prohibited.

7.3 Severability. If any provision of these Rules and Regulations, or its application to any person or circumstances is held invalid, the application of such provision to other persons or circumstances, and the remainder of these Rules and Regulations shall not be affected thereby.

7.4 Modification, Waiver and Suspension of Rules. The Board of the Manager, acting on instructions of the Board, shall have the sole authority to waive, suspend, or modify the

application of these Rules and Regulations, and any such waiver, suspension or modification must be in writing, signed by the Board or the Manager and shall not be deemed an amendment of the Rules and Regulations. No waiver, suspension or modification of anyone occasion shall constitute a waiver, suspension or modification on any subsequent or other occasion.

ARTICLE VIII

HEARING AND APPEAL PROCEDURES

8.1 Application. The hearing and appeal procedures established by this Article shall apply to an complaints concerning the interpretation, application, or enforcement of the Rules and Regulations of the Company, as they now exist or may hereafter be amended. The hearing and appeal procedures established by this Article shall not apply to the following complaints:

- a. Complaints arising out of the interpretation of the terms of Company contracts;
- b. Complaints which arise with regard to personnel matters; and
- c. Any other complaint which does not concern the interpretation, application, or enforcement of the Rules and Regulations of the Company.

8.2 Initial Complaint - Resolution. Complaints must be presented in writing to the Manager or such representative as may be designated by the Company concerning the interpretation, application, or enforcement of Rules and Regulations of the Company. Upon receipt of a complaint, the Manager or the designated representative, after a full and complete review of the allegations contained in the complaint, shall take such action and/or shall make such determination as may be warranted and shall notify the complainant of the action or determination by mail within fifteen (15) days after receipt of the complaint.

8.3 Hearings before the Board. In the event the complainant disagrees with the determination of the Manager or the designated representative, the complainant may, within ten (10) days from the date of the mailing of the determination, file with the Company a written request for a hearing before the Board. The request for a hearing shall set forth with specificity the facts or exhibits presented at the formal hearing upon which the complainant intends to rely, and shall contain a brief statement of the complainant's reasons for the complaint. The Manager or the designated representative shall compile a written record consisting of all exhibits or other physical evidence reviewed in making his or her determination, and a copy of the written determination. The Board shall hold a formal hearing on the complaint at the next regularly scheduled meeting held no earlier than ten (10) days after the filing of the complainant's request for a hearing. At the hearing, the Manager or the designated representative and the complainant shall be entitled to present all evidence that is, in the Board's view, relevant and material to the dispute, and to examine and cross-examine witnesses. The Board may establish rules and procedures governing the hearing. A record of the hearing shall be maintained.

8.4 Board's Findings. Based on the record established, the Board shall issue a written decision concerning the disposition of the dispute presented to it, and shall cause notice of the decision to be hand delivered or sent, by certified mail, to the complainant within thirty (30) days

after the hearing. Such decision shall be final and binding upon the Company and the complainant and shall constitute the final administrative action of the Company.

8.5 Notice. A complainant shall be given notice of any hearing before the Board by hand delivery or certified mail at least seven (7) calendar days prior to the date of the hearing, unless the complainant requests or agrees to a hearing in less time. When a complainant is represented by an attorney, notice of any action, finding, determination, decision, or order affecting the complainant shall also be served upon the attorney.

These Rules and Regulations are adopted as of this _____ day of _____, 2005 by the Board of Directors of the Wigwam Mutual Water Company.

Secretary

APPENDIX A

Wigwam Mutual Water Company

Schedule of Fees and Charges

Monthly Flat Rate: \$20 per Single Family Equivalent Dwelling Unit

Usage Charges

0-9000	Gallons	\$0.00920 per Gallon
9001-10000	Gallons	\$0.01760 per Gallon
10001 – 11000	Gallons	\$0.02348 per Gallon
11001 – 12000	Gallons	\$0.02681 per Gallon
12001- and over	Gallons	\$0.02018 per Gallon

Late Fee for Nonpayment of Monthly Service Charges: \$10 per invoice with past-due balance

Service Disconnection Fee: \$50 per disconnection

Service Reconnection Fee: \$50 per reconnection

Tap Permit Transfer Fee: \$100 per Transfer

The above stated fees are the original fees established by the Company and are subject to change from time to time by the Board. The Board may determine additional fees will be charged in the future.