

LAKE DURANGO WATER AUTHORITY

BYLAWS

ARTICLE I OFFICES

Section 1.1 PRINCIPAL OFFICE. The principal office of the Authority in the State of Colorado shall be established by the Board of Directors at such location within the State of Colorado as may be determined from time to time. The Authority may have such other offices, either within or outside of the State of Colorado, as the Board of Directors may designate from time to time.

Section 1.2 MEETING LOCATION. The Board of Directors of the Authority (the “Board”) shall establish by a resolution a location for the holding of all regular and special meetings of the Board, which resolution may be amended from time to time. Meeting may be held at locations not specified in the resolution only if the Board determines that it is not feasible or practical to hold a meeting at the regular location or that it is otherwise in the best interest of the Authority to hold the meeting at another location.

ARTICLE II CREATION; MEMBERS

Section 2.1 ESTABLISHMENT. The Authority was created by an Establishment Agreement dated December 18, 2007 (the “Agreement”) executed by Durango West Metropolitan District No. 1 (“DW1”), Durango West Metropolitan District No. 2 (“DW2”) and La Plata County (“LPC”). These Bylaws are intended to supplement the provisions of the Agreement but in those cases where there is a conflict between the Agreement and the Bylaws, the provisions of the Agreement shall control.

Section 2.2 MEMBERS. DW1, DW2 and LPC shall be the sole members of the Authority unless additional members are admitted or members withdraw in accordance with the Agreement.

Section 2.3 RIGHTS AND OBLIGATIONS OF MEMBERS. The Members of the Authority shall have those rights and be subject to those obligations set forth in the Agreement. Members shall not control or participate in the management of the Authority except as provided in the Agreement.

**ARTICLE III
BOARD OF DIRECTORS**

Section 3.1 GENERAL POWERS. The business and affairs of the Authority shall be managed by its Board.

Section 3.2 PERFORMANCE OF DUTIES. A director of the Authority shall perform his or her duties as a director, including his or her duties as a member of any committee of the Board upon which he or she may serve, in good faith and in a manner he or she reasonably believes to be in the best interests of the Authority. Directors individually and the Board collectively shall act in accordance with their fiduciary duties to advance the goals and objectives of the Authority.

Section 3.3 NUMBERS, TENURE AND QUALIFICATIONS.

3.3.1. Number of Directors. The initial number of Directors shall be five (5). The number of Directors may be expanded if other public entities join the Authority. The Board may appoint advisory Directors who shall not have the right to vote and shall not be authorized to exercise any governmental function.

3.3.2. Appointment, qualifications and term. The Board of Directors of DW 1 and DW 2 shall each appoint one Director. The Board of County Commissioners of LPC shall appoint two Directors who shall be retail customers of the Authority and shall appoint one Director who is not a customer of the Authority and who may be an official or employee of La Plata County. The Directors of the Authority shall serve at the pleasure of the governing body of the appointing Member. Each Director shall serve for a term of three years; except that the original Directors shall initially serve staggered terms as follows:

One retail Director:	one year term
One retail Director:	two year term
One at large Director:	three year term
Durango West 1 Director:	one year term
Durango West 2 Director:	two year term

Directors shall hold their offices until their successors are appointed. A Director may be re-appointed for successive terms. A vacancy, whether the result of a Director's resignation, death, removal, or disability, shall be filled within sixty (60) days by appointment of a replacement by the appropriate Member.

Section 3.4 REGULAR MEETINGS. The Board of Directors shall provide, by resolution, the time and place for the holding of regular and special meetings as required by law.

Section 3.5 SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the President or any two directors.

Section 3.6 NOTICE. The Board, from time to time, shall adopt a schedule for the holding of regular meetings and shall post a notice of the schedule in at least one public place in DW1, DW2, the Service Area outside DW1 and DW2 and at the LPC Clerk's office. Such meetings may then be held without additional notice to the Directors.

Section 3.7 QUORUM. A majority of the directors then in office shall constitute a quorum for the transaction of Authority business at any meeting of the Board.

Section 3.8 MANNER OF ACTING. Each director, including the President, shall be entitled to cast one vote. The action of a majority of the directors present at a meeting at which a quorum is present, except as otherwise provided in the Agreement, shall be an act of the Board. Decisions of the Board may be made only at regular or special Board meetings called upon proper notice

Section 3.11 VACANCIES. A vacancy, whether the result of a Director's resignation, death, removal, or disability, shall be filled within 60 days by appointment of a replacement Director by the governing body of the appropriate Member.

Section 3.12 COMMITTEES. By resolution adopted by the Board, the directors may designate one or more directors and such other persons as the Board may choose to constitute a committee, which shall have such duties as may be prescribed by the Board.

Section 3.13 COMPENSATION. Directors may receive reasonable compensation for their services as may be determined by resolution of the Board, subject to approval by all the Members. The Board shall provide by resolution for the reimbursement of Directors for their actual and reasonable expenses incurred on behalf of the Authority, which reimbursements shall not be considered to be compensation. No Director shall be paid any additional compensation by the Authority except as authorized by this provision.

ARTICLE IV OFFICERS

Section 4.1 NUMBER. The officers of the Authority shall be President, Vice President, Secretary, Treasurer and such other officers and assistant officers as may be deemed necessary by the Board. The President and Vice President shall be directors but other officers need not be directors. Any person may be appointed to more than one office except the offices of President and Secretary.

Section 4.2 ELECTION AND TERM OF OFFICE. All officers shall be elected or appointed by the Board and shall serve for terms of one year or at the pleasure of the Board. Vacancies in any office may be filled at any meeting of the Board. Notwithstanding any dates for appointment, reappointment, or election, officers shall hold office until their successors are appointed.

Section 4.3 REMOVAL. Any officer or agent may be removed by the Board whenever in its judgment the best interests of the Authority will be served thereby.

Section 4.4 VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, shall be filled by the Board.

Section 4.5 PRESIDENT. The President shall be the chief executive officer of the Authority and, subject to the control of the Board, shall in general supervise and control all of the business and affairs of the Authority. He or she shall, when present, preside at all meetings of the Board. He or she may sign, with the Secretary or any other proper officer of the Authority authorized by the Board, deeds, mortgages, bonds, contracts, or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Authority, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

Section 4.6 VICE PRESIDENT. The Vice President (or in the event there be more than one vice president, the vice presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall, in the absence of the President or in the event of his or her death, inability or refusal to act, perform all duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned to him or her by the President or by the Board.

Section 4.7 SECRETARY. The Secretary shall: (a) keep the minutes of the proceedings of the members and of the Board in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Authority and see that the seal of the Authority is affixed to all documents the execution of which on behalf of the Authority under its seal is duly authorized; (d) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board.

Section 4.8 TREASURER. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Authority; (b) receive and give receipts for moneys due and payable to the Authority from any source whatsoever, and deposit all such moneys in the name of the Authority in such banks, trust companies or other depositories as shall be selected by the Board; and (c) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

Section 4.9 ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to

them by the Secretary or the Treasurer, respectively, or by the President or the Board of Directors.

Section 4.10 INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES. To the maximum extent permitted by the Colorado Governmental Immunity Act (C.R.S. 24-10-101, *et seq.*), the Directors, Officers and employees of the Authority (“Public Employees”) shall be indemnified by the Authority for claims against them arising from an act or omission of such Public Employee occurring during the performance of the Employee's duties and within the scope of the Public Employee's employment, except where such act or omission is willful and wanton. The Authority may purchase error and omissions insurance to provide additional indemnification to all Public Employees of the Authority.

Section 4.11 SALARIES. The officers shall serve without salary.

ARTICLE V CONTRACTS, REVENUE BONDS, CHECKS AND DEPOSITS

Section 5.1 CONTRACTS. The Board may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Authority, and such authority may be general or confined to specific instances.

Section 5.2 REVENUE BONDS. The Authority shall not have the power to incur any indebtedness. The Authority may, in accordance with Colorado statutes, issue revenue bonds payable solely from revenue of the Authority derived from services provided by the Authority.

Section 5.3 CHECKS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Authority shall be signed by such officer or officers, agent or agents of the Authority and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 5.4 DEPOSITS. All funds of the Authority shall be deemed “public funds” and shall be deposited from time to time to the credit of the Authority in such banks, trust companies or other depositories as the Board may select in accordance with the requirements of Colorado statutes for the investment of public funds.

Section 5.5 GIFTS AND GRANTS. The Board may accept on behalf of the Authority any contribution, gift, bequest, grant or devise from any public or private source.

ARTICLE VI RECORDS; FINANCIAL

Section 6.1 RECORDS. The Authority shall keep minutes of the proceedings of the Board and any committees established by the Board. The Authority shall also keep copies of all correspondence, contracts and other writings made, maintained, or kept by the Authority for use in the exercise of functions required or authorized by law or administrative rule or involving the receipt or expenditure of public funds. All such records shall be deemed “public records” and shall be subject to the requirements of the public records act, C.R.S. 24-72-201, *et seq.*

Section 6.2 FINANCIAL. The Authority shall maintain books reflecting the financial affairs of the Authority in accordance with GAAP requirements for local governments. The Board shall have an annual audit or file an application for an audit exemption in the manner required by law.

Section 6.3 BUDGET. Each year the board shall adopt an annual budget for the next ensuing calendar year in accordance with the Colorado Local Government Budget Law, Part 1 of Article 1 of Title 29, Colorado Revised Statutes. The Board shall, if necessary, adopt such supplemental or amended budgets as may be required.

ARTICLE VII AMENDMENTS

These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board.

CERTIFICATE

I hereby certify that the foregoing Bylaws, consisting of 6 pages, including this page, constitute the Bylaws of Lake Durango Water Authority, adopted by the Board of Directors of the Authority and approved by the Members of the Authority as of _____, 2008.

_____, Secretary