

Pilgrim Downs Homeowners Association

MINUTES OF ANNUAL HOMEOWNERS MEETING

Annual homeowner meeting was held at 5:00 p.m. at the residence of Mike Berman and Joyce Topper on August 23, 2014.

In attendance: Mike Berman, David Bullock, Patricia Carlson, James Errant, Joan Francis, Donald and Georgia Gogel, Joseph Kern, Gail Mathisen, Addison and Cindy Piper, Travis Traylor, Sanford Treat, Doug and Andi Zinser, James Childers - Ranch Manager, Mike Sawyer – Water Rights Attorney, Jeremy Lederer CPA, and Gary Atkinson CPA.

Proxies obtained from Don Baumgartner, Jan Burrows, Fred Emich, Joel Quenneville, and Martin Tacon. A total of 13 owners were present and 5 proxies were received for a total of 18 owners represented (75.00%). It was determined that a quorum was present (50% required or 12 owners) and the meeting could proceed. Georgia Gogel called the meeting to order.

The agenda, the proposed budget and a copy of the meeting minutes for the prior year were sent to all owners prior to the meeting and were available for owners at the meeting.

The annual meeting minutes for the previous year were reviewed. A motion was made and seconded to approve the minutes as presented. Motion was approved.

Board of Managers:

Georgia Gogel and Joan Francis were nominated for re-election to the Board for a three year term. The motion was seconded. The nomination was approved unanimously.

Joseph Kern volunteered to be on the Board of Managers. Nomination to add Joseph Kern for a three year term was made. The motion was seconded. The Nomination was approved unanimously.

The Board of Managers is now composed of the following owners:

- Jim Errant – (expires 2015)
- Joan Francis – (expires 2017)
- Georgia Gogel – (expires 2017)
- Travis Traylor – (expires 2015)
- Michael Berman – (expires 2016)
- Joseph Kern – (expires 2017)

The proposed Budget for 2014-2015 was reviewed.

Discussion was held regarding the Environmental Fund. Related assessments outlined in the proposed budget were reduced significantly because the Fund surpassed its target of \$250,000 in the prior year. It is noted that this fund has been a valuable asset to the Pilgrim Downs Ranch. It has been used successfully

for the pine beetle tree kill removal, major improvements in the irrigation ditches and legal costs associated with maintaining the Ranch water rights as well as certain costs associated with last year's natural gas project. In the future, homeowners will be assessed Environmental Preservation Fund dues only to the extent necessary to maintain the Fund to the \$250,000.00 level.

The majority of the remaining expense line items are being budgeted to equal the prior year actual amounts.

Motion was made to approve the Operations and Environmental Fund budget as presented, seconded. The above motion was approved unanimously.

Water rights issues were reviewed in detail by Mike Sawyer.

Mike Sawyer has been the Association's water rights attorney for 8 years. Before beginning his presentation, he distributed a draft of a document he prepared detailing the issues. This document contains 2 exhibits related to irrigation water rights and wells at Pilgrim. This document is intended to be a resource for Members and their agents during the process of buying and selling Pilgrim Downs real estate.

Mr. Sawyer noted that all properties have wells, and some of the wells are outside of the original envelope granted by the State. He provides his opinion that this is common in Colorado, and very unlikely to cause any future problems for the Association or its Members.

Mr. Sawyer discusses options for correcting the wells that are built outside of the 200 foot radius envelope:

1. Drill at decreed location or use original well, and integrate it into your system with currently operating well.
2. Drill 200 feet from decreed location or use original well, and integrate it into your system with currently operating well.
3. Undertake change in Water Rights Court

After adding that there is additional margin for error outside of the 200 foot radius from original decreed location due to GPS capability, he recommends that any Court filings should be avoided.

Mr. Sawyer strongly advises that Water Rights Court should be avoided. Reasons given included: expense, potential for adjustment of water credits, and contentious neighbors willing to battle. Court would take significant time and money. He believes that it also could risk favorable credits given when the development was originally approved, as metrics and engineering have become more sophisticated. Citing recent statements of opposition filed, it is indicated that neighboring land owners would jump at the chance to contest Pilgrim's rights.

Mr. Sawyer acknowledged that the final draft needs a disclaimer advising users that they need to seek their own legal counsel when dealing with water rights issues.

Mr. Sawyer notes that all water rights are owned by the Association, and none by lot owners.

Other Business:

Jim Childers reminded everyone about the speed limit and asked property owners to relay the message to their subcontractors and caretakers. Also, he asked owners to have their trees trimmed back to facilitate snow plowing in the coming winter.

A new issue was raised concerning a neighbor shooting firearms nearby. Jim Childers mentioned that he had contacted local police and approached the offender to no avail. Mike Sawyer indicated that a desirable outcome may be achieved through the County with a noise ordinance suit. No conclusion was reached during this meeting regarding the next step.

Motion was made to adjourn the meeting. The meeting was adjourned at approximately 6:00 pm.

Jeremy Lederer, CPA
September 3, 2014

Pilgrim Downs Homeowners Association

Water Rights Summary

The Pilgrim Downs subdivision was created from the historic Pilgrim Ranch located on upper West Lake Creek outside of Edwards. The Pilgrim Ranch was an irrigated hay ranch with large pastures flood irrigated by three irrigation ditches. Two of these ditches, the Smith Pallister Ditch and the West Lake Creek Ditch divert water from West Lake Creek. The third ditch, the Casteel Ditch, takes water from a small tributary that runs through Pilgrim Downs named Casteel Creek. All three ditches are still used today to provide water for irrigation of common areas and lawn and garden irrigation on some lots. A summary of the water rights associated with the irrigation ditches is attached as **Exhibit A**.

In accordance with the Water Court decrees related to the development of the Pilgrim Downs Subdivision, all water rights associated with Pilgrim Downs are owned by the Homeowners Association. The Association owns the individual well water rights associated with each lot in the subdivision.

Water rights in Colorado are administered on the basis of priority (in the event of a water shortage, more senior water rights continue to receive water while the use of junior water rights is curtailed). The wells at Pilgrim Downs are junior water rights. In order to ensure that the wells can continue to divert water even in times of a water shortage, the developer of Pilgrim Downs had the Water Court decree an "augmentation plan" for the wells. In Consolidated Case Nos. 80CW549 and 81CW60, Pilgrim Downs was originally awarded water rights for 12 wells (Pilgrim Ranch Well Nos. 1-12) which permitted water to be used in association with 20 single family residences and an equestrian center. The wells were "augmented" by drying up 22.5 acres of pasture lands historically irrigated by the Smith Pallister Ditch. The water saved by drying up the Smith Pallister Ditch pastures is used in connection with water stored in the Pilgrim Ranch Pond No. 1 is released to West Lake Creek to make up for "out of priority" depletions occurring at the Pilgrim Ranch wells. The Pilgrim Ranch Pond No. 1 has been constructed (located near the Pilgrim Downs caretaker house). Most of the 22.5 acres of pasture identified in Consolidated Case Nos. 80CW549 and 81CW60 have been dried up. Approximately 5 acres of pasture identified for dry up in Consolidated Case Nos. 80CW549 and 81CW60 is irrigated under a separate augmentation plan decreed in Case No. 13CW3056 (decree pending).

After the decree in Consolidated Case Nos. 80CW549 and 81CW60 was entered, the developer sought to increase the number of wells at Pilgrim Downs to permit the development of more lots. In Case No. 83CW141, the well water rights for Pilgrim Downs were amended, increasing the number of wells to 20 (Pilgrim Downs Well Nos. A – S). The number of wells allowed at Pilgrim Downs was again increased in Case No. 87CW152 by decreeing Pilgrim Ranch Well Nos. T-Y. These two cases modified the amount of water that can be taken by the Pilgrim Ranch wells to 15 g.p.m. (gallons per minute) - except Pilgrim Ranch Well P (25 g.p.m.) and Pilgrim Ranch Well Q (20 g.p.m.). Collectively under the Water Court decrees referenced above, the Pilgrim Ranch wells can be used on the individual lots for:

Domestic supply in a single family residence

Domestic supply in a "secondary" residence

Irrigation of up to 3,000 square feet of lawn and garden on the lot

Livestock water for up to two horses on the lot (Wells A-S only).

Most of the water rights associated with the wells at Pilgrim Downs have been made "absolute" with the Water Court as the homes have been developed. Absolute water rights do not require additional diligence filings with the Water Court. A chart describing the Water Court status for the Pilgrim Ranch wells is attached as **Exhibit B**.

Certain lots at Pilgrim Downs have the right to construct an aesthetic pond. Pilgrim Ranch Pond Nos. 2 – 16 were decreed in Case No. 83CW304. Pilgrim Ranch Pond Nos. 17-20 were decreed in Case No. 87CW152. Pilgrim Ranch Ponds Nos. 2-16 may have a volume of 0.33 acre feet and a surface area of 0.11 acre. Pilgrim Ranch Pond Nos. 17 and 18 may have a volume of 0.011 acre feet and a total surface area of 750 square feet. The Pilgrim Ranch ponds are augmented meaning that they may be maintained full throughout the year. Pilgrim Ranch Pond Nos. 2-16 are decreed for use on Lots 1-8 and 12-18. Pilgrim Ranch Pond No. 17 may be constructed on Lot 19 and Pilgrim Ranch Pond No. 18 may be constructed on Lot 20. Pilgrim Ranch Pond Nos. 19 and 20 are located on open space within the subdivision. A chart describing the Water Court status for the Pilgrim Ranch ponds is attached as **Exhibit C**.

Some lots at Pilgrim Downs may use water from the irrigation ditches for lawn and garden irrigation. Use of irrigation ditch water is either prohibited or limited pursuant to Water Court decrees on Lots 14, 15, and Phase II Lots 1, 2 and 3.

The Association also holds water rights that are used in conjunction with the subdivision common areas. These water rights include Pilgrim Ranch Pond No. 1, Pilgrim Ranch Pond Nos. 19 and 20, the Pilgrim North Pond, and a well associated with the Pilgrim Downs equestrian center. Under the plans for augmentation associated with Pilgrim Downs, up to 100 horses may be maintained at Pilgrim Downs.

Pilgrim Downs Irrigation Water Rights

Exhibit A

Water Right	Priority	Appropriation Date	Adjudication Date	Decreed Amount	Owned by Pilgrim	Absolute/ Conditional
Smith Pallister	340	7/10/1901	3/17/1919	1.6 cfs	0.8 cfs	absolute
Smith Pallister	340	7/10/1901	3/17/1919	1.4 cfs	0.7 cfs	conditional
West Lake Creek	397	6/1/1905	10/3/1936	5.14 cfs	5.14 cfs	absolute
West Lake Creek	397	6/1/1905	10/3/1936	1.0 cfs	1.0 cfs	conditional
Casteel	370	6/1/1886	10/3/1936	1.0 cfs	1.0 cfs	absolute
Casteel First Enlargement	480	6/1/1933	10/3/1936	1.0 cfs	1.0 cfs	absolute
Casteel Second Enlargement	480	6/1/1933	10/3/1936	0.14 cfs	0.14 cfs	Conditional

Pilgrim Ranch Wells

Exhibit B

Lot No.	Well No.	Absolute / Cond	Permit No.		Lot No.	Well No.	Absolute / Cond	Permit No.
1	Well A	Absolute 01CW102	56638-F		15	Well S	Absolute 01CW102	56639-F
2	Well B	Absolute 04CW08	63847-F		16	Well V	Absolute 01CW102	50519-F
3	Well C	Absolute 94CW365	46313-F		17	Well H	Absolute 01CW102	55605-F
4	Well D	Absolute 90CW52	37523-F		18	Well T	Absolute 01CW102	55605-F
5	Well E	Absolute 86CW49	27086-F		18.1	Well P (Ranch Manager)	Absolute 86CW49	27082
6	Well F	Absolute 86CW49	27087-F		19	Well U	Absolute 01CW102	48972-F
7	Well G	Absolute 91CW204	44843-F		20	Well O	Absolute 91CW204	44892-F
8	Well J	Absolute 90CW52	37522-F		Phase II Lot 1	Well W	Absolute 91CW204	47920-F
9	Well I	Absoute 94CW365	46312-F		Phase II Lot 2	Well X	Conditional	
10	Well K	Absolute 01CW102	51621-F		Phase II Lot 3	Well Y	Absolute 01CW102	51260-F /51261-F
11	Well L	Absolute 94CW365	46311-F		Equestrian Center	Well Q	Conditional	
12	Well M	Absolute 86CW49	28527-F					
13	Well N	Absolute 01CW102	51259-F					
14	Well R	Conditional						

Pilgrim Ranch Ponds

Exhibit C