

Roseman Ditch Company

Annual Shareholders Meeting

March 15, 2013 at the New Castle Community Center

7:00 pm

The Annual Meeting of the Roseman Ditch Company this year will address several topics of vital interest to every shareholder.

1. We expect to vote on incorporation as recommended by the Incorporation Committee which was formed at our last meeting in November, and which has been meeting weekly to find an acceptable way to gain the benefits of incorporation (liability protection for shareholders, authority to do business as a single entity, and the ability to organize ditch operations in a way that is fair to all shareholders) while protecting each shareholder's ownership of the senior water rights. The attached Articles of Incorporation and Bylaws (with attachments) are presented for your review prior to the discussion and vote. Please note the following differences between this incorporation effort and previous attempts:
 - a. Shareholders retain ownership of the 1912 and 1913 water-rights and do not have to deed them to the corporation;
 - b. The Ditch Company explicitly recognizes the owners of the two water-right priorities out of Elk Creek, and will operate each of them in priority to the benefit of the respective owners;
 - c. The Ditch Company is organized as a Carrier Ditch, but will have ownership of the 1946 flood right. The Ditch Company will be obligated to operate the flood right in priority for the benefit of all shareholders as directed by the water-right decree;
 - d. There is a graduated scale for share assessments, so that the more shares you own, the less you will pay per share for annual and special assessments; and
 - e. Board members will be elected by Ditch sections, with each section containing approximately 70 shares. The President will be elected at large by the shareholders, but each section will vote independently for a board member.
 - f. The Bylaws and Articles of Incorporation can only be changed by a majority vote of the shareholders, and the Policies and Procedures are enacted by the Board of Directors. The Board also hires the Ditch Walker, prepares the annual budget, and sets special assessments for unforeseen expenses.
2. You will soon receive a letter from the State of Colorado Division of Water Resources which informs you of their decision to begin enforcing the terms of the water-right decrees we hold from Elk Creek. Specifically, the Water Commissioner for Water District 39 is instructed by the court to require and approve measuring devices for every person taking water out of the Roseman Ditch. The rule will be enforced starting in water year 2014. Each shareholder will

have to have a measuring device (weir, flume, flow meter, or flow restrictor) for every place water is removed from the ditch. The decrees require shareholders to provide such measuring devices at their own expense. The Ditch Company will be exploring ways to help out with selection and installation of the devices, which must be designed and installed to accurately measure the amount of water being diverted so that a ditch walker or water commissioner can visually inspect the device and determine the flow.

3. Our Ditch Walker for many years, Roy Cerise, has announced his intention to retire, and we are actively seeking a replacement. Roy says he will be available on a temporary basis to help train the new ditch walker and fill-in when necessary. The need for a new ditch walker and the prospect of adding measuring devices to his duties makes it very likely that we will see a rise in cost.
4. Because of the expected increase in cost for the Ditch Walker, the Board will recommend a substantial increase in the proposed budget for 2013. We are requesting an increase in the Administrative Fee from the present \$125/shareholder to \$150/shareholder. The General Annual Assessment, if the new Bylaws are approved, will go from \$25 per share to a "par value" of \$32/share, with the rate decreasing with the number of shares owned. The specific amount for each shareholder will be available at the meeting.

Please study the enclosed documents and be prepared to vote on the incorporation issue at the meeting. We will have plenty of time for discussion. Proxy forms are enclosed, and your proxy will be able to vote on the incorporation question, but will not be able to sign the documents.

Dave Martin, President

PS:

Wednesday evening March 6, at the Holiday Inn Express in Silt 6:30-8:00pm, URSA Operating Corp. (the gas drilling & production company that bought Antero) will host the annual meeting to discuss their drilling plans for the Rifle/Silt/New Castle area. There are a lot of rumors around the valley about new wells, pipelines, and access roads. It will be important to get to know the people who hold the leases on so much of the area. Also, Garfield County has identified Peach Valley Road (CoRd 214) as a "preferred haul route" for oil & gas activity. If you have an opinion about frac tanks and compressor trucks in your neighborhood, this might be a chance to express it.