

ELK SPRINGS HOMEOWNERS ASSOCIATION INC.

DATE: April 24, 2026

TO: Elk Springs Homeowners Association Unit Owners and Members of Elk Springs Homeowners Association (“Members”)

FROM: Elk Springs Homeowners Association Board of Directors (“Board”)

RE: Written Ballot To Authorize the Transfer of the Elk Springs Homeowners Association Water System and Water System Capital Reserves from the Association to a Duly-Organized Title 32 Special District

Dear Elk Springs Homeowners Association Member,

You are receiving this letter because an important decision regarding the future of our community’s water system is before you. We are voting on a required key step towards establishing a special water district. The proposed district will be responsible for ownership, operation, maintenance, and administration of the water system and serving Elk Springs and other water users.

If this vote is successful, the next step will be to place a question to voters within the proposed district boundaries on an election ballot, hopefully in November of 2026.

The Board recommends a “**yes**” vote on the enclosed ballot, which would authorize conveyance of the water system and capital reserve funds for the water system, as the next step in the special district formation process.

Please complete and return the enclosed ballot BEFORE June 10, 2026; voting instructions are below. Ballots that are incomplete or not received by June 10 will be counted as “no” votes.

There will be a special meeting for all Members on May 5 to provide information on the proposed special district and this ballot question as well as an updated webpage.

Background

Today, the Association owns, maintains and administers a water system that delivers treated water to Elk Springs’ members as well as other property within an area known as the Los Amigos PUD. This system includes the treated water supply, water lines, hydrants, valves, meters, water storage tanks, wells, electrical controls, chemical systems, easements and water rights (“Water System”). The Water System is regulated by the Colorado Department of Health and Environment under the Public Water System ID CO0123485. This exposes the ESHOA and its members to significant and insufficiently mitigated financial liability, which grows as the System ages. The Board wants to change this.

A Water District will provide the following opportunities and protections that are unavailable to the Association:

- It enjoys limited governmental immunity from liability;
- It has access to a state-backed insurance pool that provides better insurance than what is available to Elk Springs as a homeowners association and private water company;

- A special district reduces and distributes liability related to the Water System across all users in the district rather than concentrating it only on Elk Springs homeowners;
- It has access to better financing mechanisms, including capital financing at reduced interest
- Favorable financing options like federal and state grants, and forgivable loans reduce the need for large accumulation of money reserves and annual reserve assessments;
- A special district will not owe any income tax on revenue received from water customers outside the Association, eliminating a significant expense the Association bears now;
- A special district will be overseen by a board of five directors elected by property owners within the district boundaries and will be professionally managed, operated and audited;
- A special district is subject to open meetings and open records laws, providing transparency and accountability to all users on an equal basis;
- The water company functions of the Association have increased legal costs, conflict with neighboring water users, and other burdens. A special district will minimize or eliminate these costs and distractions from the Association's focus on the community;
- A special district can better ensure the long-term sustainability of the Water System, including protection and defense of water rights.

Explanation of the Ballot Question

The Ballot Question asks whether you approve or disapprove of the Association transferring the Water System to the Water District once it is duly organized under applicable Colorado law. More specific details of the terms and conditions of the proposed transaction are in the attached **Exhibit A**, will be available on the HOA website <https://www.elkspringshoa.com/>, and will be provided at the May 5th informational special meeting at CMC.

The components of the Water System to be conveyed do not include fee simple interest in or to any real property, but do include transfer of water rights, and conveyance of easements for access to and installation, maintenance, repair, improvement and replacement of components of the Water System.

The Ballot Question also asks for your vote on the proposed transfer of a portion of the Association's capital reserve account for the water system in the amount of up to One Million One Hundred Ninety-Five Thousand Five Hundred and 00/100 Dollars (\$1,195,500.00) ("Capital Funds"). Any Elk Springs capital water reserves more than the amount proposed will be transferred to the roads and general capital reserve funds, potentially reducing future capital reserve assessments.

The proposed Capital Funds transfer is in an amount recommended by the Elk Springs Board of Directors and Elk Springs Water Facility Management Committee and based on reasonable capital needs of the District calculated based on a system needs study performed by engineers retained by the Committee. Included in this amount are contributions for the district formation costs of the third-party water customers of Elk Springs, Pinyon Mesa and Auburn Ridge totaling costs based on each customers' revenues and proportional expenses from 2014-2025.

If you consent to the Association's transfer of the Water System and Capital Funds to the Water District once the Water District has been duly organized under applicable Colorado law, vote "YES." If you do not give such consent, vote "NO."

Please note that this Ballot Question will not authorize formation of the Water District; that must occur by a different legal process, which is underway, and owners of property within the Community will have the opportunity to vote on the District's organization, along with other property owners within the proposed District boundaries, in an election which is anticipated to occur November 10, 2026, provided that other state and local prerequisites are met, including without limitation approval of a service plan by the Garfield County Commissioners.

Board Recommendation

The Board proposes, and recommends, that the Association convey the Water System and Capital Funds to the Water District once it has been duly formed, and based on its findings as described above, the Board recommends a "YES" vote on the Ballot Question.

Votes Required to Authorize Conveyance of Water System to a Special District

The Association is authorized to convey Association property to a governmental entity with the approval of 67% of the voting interests in the Association (Colorado Common Interest Ownership Act, C.R.S. §38-33.3-312, and paragraph 4.14.G of the Second Amended and Restated Declaration of Covenants, Conditions, and Restrictions for Elk Springs, Recorded at Reception No. 891466 in the office of the Clerk and Recorder for Garfield County, Colorado).

The total number of voting units in the Elk Springs Community is **249**; therefore a minimum of **167** affirmative votes is required to authorize the Association to convey the Water System and Capital Funds to the Water District. Only one vote per Unit is allowed. Only one vote per Unit will be counted.

If the Ballot Question does not pass, the Water System will not be conveyed by the Association to the Water District. Also, regardless of the outcome of this Ballot Question, if the Water District is not formed, the Water System will not be conveyed to such District.

Execution of Conveyance Instrument

The Ballot Question, if approved, also authorizes a member of the Board to execute all documents necessary for the conveyance of the Water System and the Capital Funds to the Water District, once it has been duly organized.

How to Submit Your Vote

Please complete and sign the enclosed ballot and return it to the Association as follows:

- Mail your written ballot signature page to the Association c/o Integrated Mountain Management, P.O. Box 908 Glenwood Springs 81601. A self-addressed envelope is included for your convenience
- Scan or photograph a legible picture and email your completed ballot signature page to vote@elkspringshoa.com
- Bring your signed ballot to the Special Members Meeting scheduled for May 5, 2026

Once you have submitted a vote, your vote cannot be revoked or changed.

Thank you,
ELK SPRINGS HOMEOWNERS ASSOCIATION INC.

ELK SPRINGS HOMEOWNERS ASSOCIATION INC.

WRITTEN BALLOT

TO AUTHORIZE CONVEYANCE OF THE ASSOCIATION'S WATER SYSTEM TO A DULY ORGANIZED TITLE 32, C.R.S WATER DISTRICT

BALLOT QUESTION:

Shall the Elk Springs Association Inc. ("Association"), acting by and through its Board of Directors, be authorized to convey and transfer the treated water supply system and its components currently owned, maintained, and operated by the Association, and capital funds of the Association in the amount of up to One Million One Hundred Ninety-Five Thousand Five Hundred and 00/100 Dollars (\$1,195,500.00) to a public water district duly organized under applicable Colorado law for the purpose of owning, maintaining, and operating a water system and providing domestic water services to the Elk Springs common interest community and other properties within the said water district?

VOTE (please check or mark one only one):

YES (for the transfer of the Water System and Capital Funds): _____

NO (against the transfer of the Water System and Capital Funds): _____

Owner Signature: _____ Date: _____

Owner Name (printed): _____

Property Address: _____

Please complete and sign the enclosed ballot and return it to the Association as follows:

- Mail your written ballot signature page to the Association c/o Integrated Mountain Management, P.O. Box 908 Glenwood Springs 81601. A self-addressed envelope is included for your convenience
- Scan or photograph a legible picture and email your completed ballot signature page to vote@elkspringshoa.com
- Bring your signed ballot to the Special Members Meeting scheduled for May 5, 2026

EXHIBIT A

BILL OF SALE

KNOW ALL BY THESE PRESENTS, that **ELK SPRINGS HOMEOWNERS ASSOCIATION, INC.**, a Colorado non-profit corporation (“**Grantor**”) for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has bargained and sold, and by these presents does grant and convey unto **LOS AMIGOS WATER DISTRICT**, a quasi-municipal corporation and political subdivision of the State of Colorado (“**Grantee**”), its successors and assigns, all of Grantor’s right, title and interest in and to the facilities, personal property and the improvements shown on Exhibit A attached hereto and incorporated herein by this reference (“**Improvements**”).

TO HAVE AND TO HOLD the same unto the District, its successors and assigns forever; and Grantor, its successors and assigns, shall warrant and defend the sale of said Improvements made unto the District, its successors and assigns, against all and every person or persons whosoever, and warrants that the conveyance of the Improvements to the District, its successors and assigns, is made free from any claim or demand whatsoever.

IN WITNESS WHEREOF, this Bill of Sale is effective as of _____, 202_.

GRANTOR:

ELK SPRINGS HOMEOWNERS
ASSOCIATION, INC.

By:

Title:

STATE OF COLORADO

)

) ss.

COUNTY OF GARFIELD

)

The foregoing instrument was acknowledged before me this _____ day of _____, 202_, by _____, as _____ of Grantor, Elk Springs Homeowners Association, Inc.

Witness my hand and official seal.

My commission expires: _____

Notary Public

ACCEPTED BY GRANTEE:

LOS AMIGOS WATER DISTRICT

President

Attest:

Secretary

Exhibit A

Water System Improvements Owned by Elk Springs Homeowners' Association			
Infrastructure	Location	Quantity	Unit
6" water lines	Flg. 1 (Sub.1)	232.5	LF
6" water lines	Flg. 1	3,434.3	LF
6" water lines	Flg. 2-4; Flg. 5	6,332.6	LF
6" water lines	Flg. 6-9	16,097.4	LF
6" water lines		0.0	LF
8" water lines	Flg. 1 (Sub.1)	2,673.9	LF
8" water lines		0.0	LF
8" water lines	Flg.5	5,341.5	LF
8" water lines	Flg.6-9 / PM	25,049.0	LF
8" water lines	Flg. 6A	474.1	LF
10" water lines	Flg. 5	2,019.4	LF
10" water lines	Flg. 6	1,196.8	LF
24" water lines	Flg. 5	360	LF
Fire hydrants	Flg. 1 (Sub.1)	2	EA
Fire hydrants	Flg. 1	3	EA
Fire hydrants	Flg. 2-4; Flg. 5	22	EA
Fire hydrants	Flg. 6-9 / PM	68	EA
Fire hydrants	Flg. 6A	2	EA
Valves (6")	Flg. 1 (Sub.1)	1	EA
Valves (6")	Flg. 1	2	EA
Valves (6")	Flg. 2-4; Flg. 5	14	EA
Valves (8")	Flg. 6-9 / PM	105	EA
Valves (8")	Flg. 6A	3	EA
PRV stations	Flg. 5	2	EA
PRV stations	Flg. 6-9 / PM	3	EA
PRV stations	Flg. 10	1	EA
Storage Tanks			
320,000 gal welded steel tank		320000	GAL
320k gal tank - interior coating		320000	GAL
320k gal tank - exterior coating		320000	GAL
300,000 gal welded steel tank		300000	GAL
300k gal tank - interior coating		300000	GAL
300k gal tank - exterior coating		300000	GAL
Wells			
Well #5 casing (240-ft deep)		1	EA
Well #5 pump		1	EA
Well #6 casing (214-ft deep)		1	EA

Well #6 pump		1	EA
Controls			
Chlorination building (bunker style)		1	LS
Electrical controls		1	LS
Chlorine feed system		1	LS