#### ELDORADO ARTESIAN SPRINGS, INC. 1783 Dogwood Street Louisville, CO 80027 (303) 604-3000

**September 23, 2016** 

#### **Dear Shareholder:**

You are cordially invited to attend a special meeting of shareholders of Eldorado Artesian Springs, Inc. (the "Company"), to be held at 10:00 a.m. on October 24, 2016, at 1783 Dogwood Street, Louisville, Colorado, 80027.

Matters on which action will be taken at the meeting include approval of a reverse stock split and an accompanying amendment to the Company's Articles of Incorporation ("Articles") to reduce the Company's authorized common stock as a result of the reverse stock split, approval of an amendment to the Articles to permit shareholder approval to be given by shareholders holding not less than two-thirds of the outstanding shares of common stock acting by written consent in lieu of a meeting, and approval of an amendment to the Articles to grant co-sale rights and impose transfer restrictions and voting obligations on the Company's common stock. We will also act on such other business as may properly come before the meeting or any adjournment or postponement thereof. Additionally, accompanying this proxy statement is an offer to repurchase shares that the Company has extended to all shareholders who may desire to sell their shares, subject to the reverse stock split being approved and effected.

We are excited about the future of our company, and we look forward to conversing with those of you who are able to attend the meeting in person. Whether or not you can attend, it is important that you sign, date, and return your proxy as instructed on the enclosed proxy card. If you are a shareholder of record and attend the meeting in person, you may revoke your proxy and vote at the meeting if you wish.

Sincerely,

Douglas A. Larson President and Chief Executive Officer

#### ELDORADO ARTESIAN SPRINGS, INC.

#### NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON OCTOBER 24, 2016

You are invited to attend a special meeting of shareholders (the "Special Meeting") of Eldorado Artesian Springs, Inc., a Colorado corporation (the "Company"), to be held at 1783 Dogwood Street, Louisville, Colorado, 80027, at 10:00 a.m. on October 24, 2016.

Only shareholders of record at the close of business on September 8, 2016 will be entitled to notice of and to vote at the Special Meeting or any postponements or adjournments thereof.

The Special Meeting is being held to consider and vote on the following matters:

- 1. Approval of a reverse stock split at a ratio of 1-for-10,000, to be effected as determined by the Board of Directors:
- 2. If the shareholders approve and the Board of Directors effect the reverse stock split, approval of an amendment to the Company's current Articles of Incorporation to decrease the number of authorized shares of the Company's common stock from fifty million (50,000,000) to ten million (10,000,000):
- 3. Approval of an amendment to the Company's current Articles of Incorporation to permit shareholder approval to be given by shareholders holding not less than two-thirds of the outstanding shares of Common Stock acting by written consent in lieu of a meeting;
- 4. Approval of an amendment to the Company's current Articles of Incorporation to grant co-sale rights and impose transfer restrictions and voting obligations on the Company's common stock; and
- 5. To act upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

These items of business are more fully described in the proxy statement accompanying this Notice.

All shareholders are cordially invited to attend the meeting, although only shareholders of record at the close of business on September 8, 2016 as fixed by action of the Board of Directors will be entitled to notice of, and to vote at, the meeting or at any and all adjournments thereof.

Additionally, accompanying this proxy statement is an offer to repurchase shares that the Company has extended to all shareholders in connection with the above matters, subject to the reverse stock split being approved and effected. Should you desire to sell your shares to the Company on the terms set forth in the accompanying repurchase offer, which has been mailed separately, please follow all enclosed instructions and deliver the required documents by October 23, 2016.

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, TO ENSURE YOUR REPRESENTATION AND A QUORUM AT THE MEETING, PLEASE COMPLETE, DATE, SIGN AND PROMPTLY RETURN YOUR PROXY CARD IN THE ENCLOSED POSTAGE PREPAID ENVELOPE. Your prompt return of your proxy card will not prevent you from voting in person, should you so desire, but will help assure a quorum and avoid added solicitation costs. Your proxy may be revoked by you at any time before it is voted by delivering a written revocation or a duly executed proxy bearing a later date with the Company at the Company's principal address indicated above or by casting a ballot in person at the Special Meeting. However, your presence at the Special Meeting alone will not be sufficient to revoke your previously-granted proxy or vote.

The Board of Directors of the Company recommends that you vote "FOR" each of the proposals set forth above.

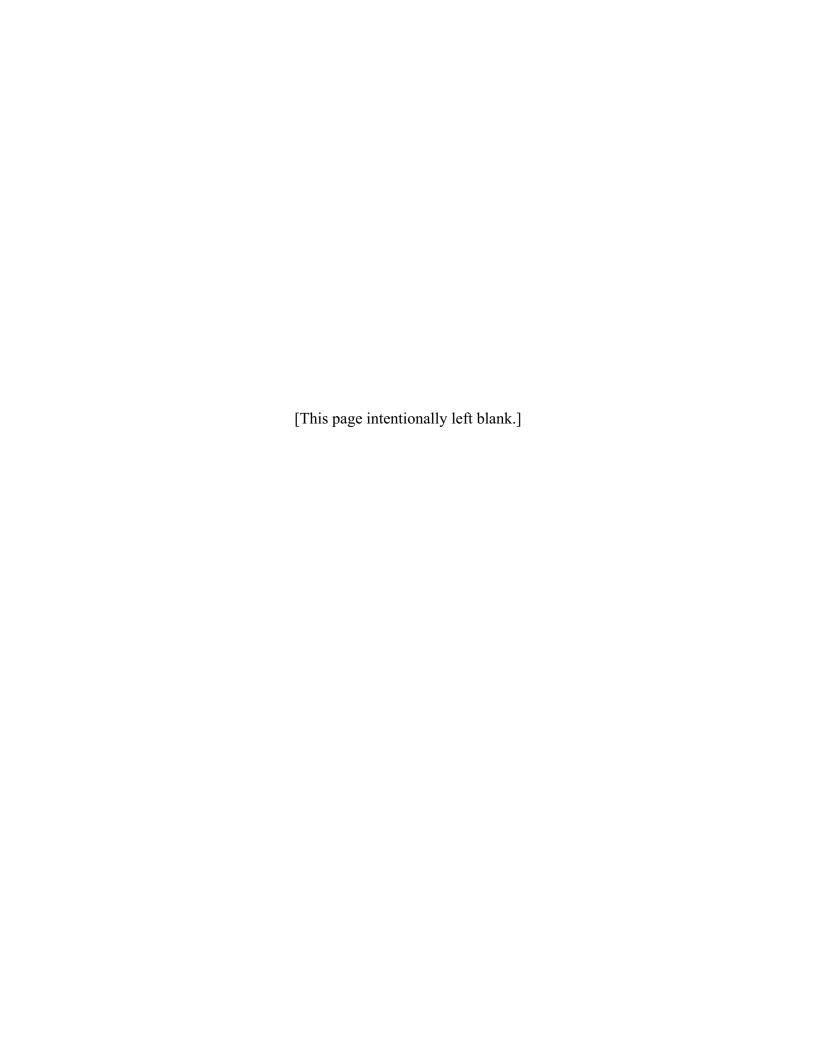
BY THE ORDER OF THE BOARD OF DIRECTORS

/s/ Cathleen Shoenfeld Cathleen Shoenfeld Secretary

Louisville, Colorado September 23, 2016

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## PROXY STATEMENT FOR THE SPECIAL MEETING OF SHAREHOLDERS OF ELDORADO ARTESIAN SPRINGS, INC.

#### **GENERAL**

This proxy statement, together with the accompanying proxy card, is furnished in connection with the Board of Directors' solicitation of proxies for use at the special meeting of shareholders (the "Special Meeting") of Eldorado Artesian Springs, Inc. (the "Company," "we," or "us"), to be held at 1783 Dogwood Street, Louisville, Colorado, 80027, at 10:00 a.m. on October 24, 2016. It is anticipated that this proxy statement and the accompanying proxy card will be mailed to the Company's shareholders ("shareholders" or "you") on or about September 23, 2016. Any shareholder who executes and returns a proxy may revoke it by delivering a written revocation to the offices of the Company at any time before such proxy is voted at the meeting; by submitting a duly executed proxy bearing a later date at any time before the meeting; or by casting a ballot in person at the Special Meeting. However, your presence at the Special Meeting alone will not be sufficient to revoke your previously-granted proxy or vote.

The cost of solicitation of proxies, including the cost of preparing, assembling and mailing this proxy material to shareholders, will be borne by the Company. The Company may also reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for expenses incurred by them in sending proxy material to the beneficial owners of the Company's stock. Brokerage houses, custodians, nominees and fiduciaries are requested to vote directly, in accordance with applicable law, proxies held for their beneficial owners. In addition to solicitation by mail, certain directors, officers and regular employees of the Company may solicit proxies by telephone. No additional remuneration will be paid for such solicitation.

#### SHARES OUTSTANDING AND VOTING RIGHTS

The Board of Directors ("Board") has fixed the close of business on September 8, 2016, as the record date for determining the holders of the Company's \$0.001 par value common stock who will be entitled to notice of and to vote at the Special Meeting. On September 8, 2016, the Company had issued and outstanding 6,036,091 shares of the Company's \$0.001 par value common stock. Holders of the Company's common stock are entitled to one vote for each share owned as of the record date. None of the matters to be presented at the meeting will entitle any shareholder to dissenters' rights. The presence in person or by proxy of the holders of a majority of the shares outstanding and entitled to vote at the meeting shall constitute a quorum. There must be a quorum for any action to be taken at the meeting (other than an adjournment or postponement of the meeting). If a shareholder submits a properly executed proxy card, even if the shareholder abstains from voting, the shareholder's shares will be counted for purposes of determining the presence of a quorum. If a broker indicates on a proxy that it lacks discretionary authority as to certain shares to vote on a particular matter, commonly referred to as "broker non-votes," those shares will still be counted for purposes of determining the presence of a quorum at the meeting.

For purposes of determining whether any of the proposals has received the requisite vote, where a shareholder abstains from voting, it will have the same effect as a vote against the proposal. In tabulating the voting results for any of the proposals expected to be presented at the meeting, shares that constitute "broker non-votes" will not be included in the vote totals, and therefore will have no effect on the outcome of the vote of any of the proposals. If a quorum is not present at the meeting, a vote for adjournment will be taken among the shareholders present or represented by proxy. If a majority of the shareholders present

or represented by proxy vote for adjournment, it is the Company's intention to adjourn the meeting until a later date and to vote proxies at such adjourned meeting(s).

The accompanying proxy, unless the shareholder otherwise specifies in the proxy, will be voted (i) "FOR" approval of the reverse stock split, (ii) "FOR" approval of the amendment to the Articles of Incorporation reducing the number of authorized shares of common stock from 50 million to 10 million (attached as EXHIBIT A hereto), (iii) "FOR" approval of the amendment to the Articles of Incorporation permitting approval to be given by shareholders holding not less than two-thirds of the outstanding shares of common stock acting by written consent action in lieu of a meeting (attached as EXHIBIT B hereto), (iv) "FOR" approval of the amendment to the Articles of Incorporation granting co-sale rights and imposing transfer restrictions and voting obligations on the Company's common stock (attached as EXHIBIT C hereto), and (v) at the discretion of the proxy holders on any other matter that may properly come before the meeting or any adjournment thereof.

Where shareholders have appropriately specified how their proxies are to be voted, they will be voted in accordance with such instructions. If any other matter of business is properly brought before the meeting, the proxy holders may vote the proxies on such matters at their discretion. The directors do not know of any such other matter or business.

#### **BACKGROUND**

Founded in 1983, Eldorado Artesian Springs, Inc. had been a public company since April 1987. However, on April 20, 2015, the Board determined that it was in the best interests of the Company and its shareholders to deregister its common stock and suspend certain of its reporting requirements under the Securities Exchange Act of 1934 ("go dark"). Public companies are subject to numerous reporting requirements and enhanced regulatory oversight, and as such, incur great expense in remaining compliant. Further, the Company was not experiencing the anticipated benefits of its status as a public company, which include access to capital and enhanced liquidity. Therefore, the Board determined that the benefits of going dark, including the substantial costs savings, outweighed the unrealized benefits of remaining a public company. On April 30, 2015, the Company filed Form 15 with the Securities and Exchange Commission, officially terminating its registration under Section 12(g) of the Securities Exchange Act of 1934.

After making the decision to go dark, the Board determined that it was in the best interests of the Company and its shareholders to go private, thus eliminating the possibility of inadvertently exceeding 300 shareholders and therefore becoming subject to required reporting and the costs associated therewith. In considering the Company's options to take the Company private, on December 18, 2015, the Company engaged DealSource Partners, LLC ("DealSource") to provide advisory services and explore strategic alternatives in going-private transactions. DealSource also served as the Company's primary contact for qualified prospective investors and negotiated potential terms with interested parties. With input from DealSource, and after exploration of various alternatives, the Board determined that the best vehicle to take the Company private was a reverse stock split. Reverse stock splits generally are more economically efficient, more certain, and involve fewer third parties than other forms of going-private transactions, and as such is believed to be the best option for the Company. In January 2016, DealSource, with the assistance of the Forbes M+A Group, drafted a "Teaser" and Confidential Information Memorandum for distribution to banks and mezzanine lenders to obtain debt financing for the proposed transactions. After contacting a number of banks and mezzanine/unitranche/equity/ alternative funds, the Board selected the financing option it felt best served the interests of the Company and its shareholders.

In connection with the reverse stock split, the Company is offering all shareholders the option to sell any remaining whole shares they hold after the reverse stock split back to the Company, so as to provide complete liquidity to its shareholders, and entering into a series of agreements and transactions, as set forth below, to put the Company in an advantageous position following the consummation of the reverse stock

split. The Company is also proposing to implement three amendments to the Company's Articles of Incorporation, as described in greater detail below. Shareholders are being asked to vote on each of the three amendments independently. Conditioned upon the amendments receiving shareholder approval, the Board retains discretion to implement any or all of the amendments.

#### SPECIAL COMMITTEE AND BOARD APPROVAL

On September 8, 2016, the Board held a special meeting to review the transactions and agreements set forth below. The Board approved three credit facilities, described in greater detail below, allowing the Company to retire its existing loan and line of credit. The Board determined, however, that, in light of the related party nature of the transactions, the Company and its shareholders would benefit from the review of such transactions by the independent members of the Board before approving such transactions and the remaining credit facility designed to finance such transactions. The Board unanimously approved the formation of a special committee consisting of the two independent directors, J. Ross Colbert and Jane S. Miller (the "Special Committee") to review the documents and related transactions presented at the meeting and determine whether to approve and, for those matters as to which applicable law requires the full Board, recommend the proposed actions to the Board.

On September 14, 2016, the Special Committee held a meeting to review the proposed reverse stock split, the proposed amendments to the Company's Articles of Incorporation, the proposed second amended and restated bylaws, the draft proxy statement, the share repurchase agreements, the voting agreement, the draft repurchase offer, the draft shareholders agreement, the proposed executive employment agreements and the proposed 2016 Incentive Equity Plan (the "2016 Plan") and executive awards and form of awards thereunder (all such agreements and transactions are described in detail below). The Special Committee approved the voting agreement, share repurchase agreements, repurchase offer and executive restricted stock awards and resolved to recommend the approval of the reverse stock split, the amendments to the Articles of Incorporation, the second amended and restated bylaws, the proxy statement, the repurchase offer and the 2016 Plan and form of award agreement thereunder to the Board. The Special Committee, in its review of the \$1.25 price per share contemplated in certain of the agreements set forth below, also considered the Company's audited financial statements for the fiscal year ended March 31, 2016 (attached as EXHIBIT D hereto) and the valuation of the Company's equity provided by Quist Financial Inc. ("Quist"). The Special Committee determined that \$1.25 per share represented fair value for the Company's common stock.

After the Special Committee meeting, Douglas A. Larson, the Company's President and Chief Executive Officer and Jeremy S. Martin, the Company's Vice President of Marketing, met and agreed upon certain changes to the foregoing documents and additional documents and proposed such items to the Special Committee for consideration. On September 22, 2016 the Special Committee reconvened to review management's recommendations and approved an amendment to the Company's existing bylaws to set the quorum and approval requirements for director action to unanimous approval (instead of a majority of a quorum of our four current directors), a revision to the proposed amendment to the Articles of Incorporation allowing shareholder action by written consent to change the consent requirement from a majority of shares to two-thirds, revisions to the draft second amended and restated bylaws to reflect the revised consent threshold and to change the quorum and approval requirements for director action to five out of six directors or with respect to future issuances of voting stock, all disinterested directors, a revised draft proxy statement, a grant of 390,000 non-qualified stock options under the 2016 Plan to Mr. Larson, an option to purchase a parcel of our real estate to Mr. Martin at fair market value the repurchase offer and the 2016 Plan and form of awards thereunder. After the Special Committee meeting concluded and reported its actions to the full Board, the Board approved, contingent upon the relevant parties' agreement to the 10% agreement described in detail below, each of the matters approved by the Special Committee at their two meetings, approved the remaining credit facility, and also approved the appointments of Mr. Larson as President and Chief Executive Officer, Mr. Martin as Executive Vice President, Cathleen M.

Shoenfeld as Secretary and Chief Financial Officer and Kathy R. Janssen as Chief Business Development Officer, in accordance with the Special Committee's recommendations.

#### CERTAIN RELATED TRANSACTIONS

#### **Share Repurchase Agreements**

The Company has entered into share repurchase agreements (the "Repurchase Agreements") with Cathleen M. Shoenfeld, Chief Financial Officer, and Kevin M. Sipple, Company Co-Founder, (each a "Selling Shareholder"). Upon entering into the Repurchase Agreements, the Selling Shareholders agreed to sell all of their shares back to the Company at the same price offered to all shareholders electing to sell their shares as part of the accompanying offer to repurchase shares and the same price per share to be paid to shareholders in cash in lieu of issuing fractional shares as part of the reverse stock split. The closing of the transactions contemplated in the Repurchase Agreements will occur upon consummation of the reverse stock split, and the closing was conditioned upon execution of the voting agreement described below.

#### **Voting Agreement**

On August 26, 2016, the Company entered into a voting agreement (the "Voting Agreement") with each of the Selling Shareholders, Mr. Martin and Mr. Larson, pursuant to which such shareholders have agreed, among other things and subject to the terms and conditions of their respective voting agreements, to vote their shares in favor of each of the Proposals contained herein. Subsequently, Mr. Martin requested that Mr. Larson and Ms. Shoenfeld, the proxy holders with authority to vote Mr. Martin's shares under the Voting Agreement, agree not to vote his shares without his explicit written approval of the final proxy statement for this shareholders meeting, and they so agreed. After approval of the additional requests by Mr. Martin described above, Mr. Martin approved this proxy statement in writing and authorized the proxy holders to vote his shares for each of the Proposals. The Selling Shareholders, Mr. Martin and Mr. Larson control 70.3% of the Company's outstanding stock, and as such, the Voting Agreement ensures that each of the Proposals will be approved.

#### **Repurchase Offer**

On September 22, 2016, the Board approved, and authorized the Company to distribute, an offer to all shareholders to repurchase any remaining whole shares they hold after the split at the same per share price to be paid to holders of fractional shares in connection with the reverse stock split (the "Repurchase Offer"). The Board determined it was in the best interests of the Company to make the Repurchase Offer to allow all shareholders the opportunity to liquidate their equity interest in the Company. Details of the Repurchase Offer and procedural instructions for tendering shares pursuant to the Repurchase Offer can be found in the offer documents, which have been mailed separately.

#### **Shareholders Agreement**

On September 22, 2016, the Board approved a voting, transfer rights and co-sale agreement (the "Shareholders Agreement") to be distributed to holders of whole shares after the reverse stock split who do not tender their shares for repurchase pursuant to the Repurchase Offer. The Shareholders Agreement gives the Company and other shareholders rights of first refusal in any proposed transfer of shares, grants co-sale rights to shareholders in the event of a Change of Control (as defined in the Shareholders Agreement), and imposes voting obligations on shareholders who enter into the agreement. The Company, Ms. Janssen, Messrs. Larson and Martin, and Ms. Shoenfeld have entered into the Shareholders Agreement. See Proposal 4 for further discussion of the rights conferred and obligations under the Shareholders Agreement.

#### 10% Shareholders Agreement

On September 23, 2016, Ms. Janssen, Messrs. Larson and Martin, and Ms. Shoenfeld entered into an agreement whereby each party agreed to forego their statutory right to call a special meeting of shareholders as holders or future holders of shares representing 10% or more of the Company's outstanding common stock unless each of the parties to the agreement consent to calling a special meeting (the "10% Agreement"). If one party refuses to grant consent to call a special meeting of shareholders, the 10% Agreement allows any party to request that the independent directors of the Board determine that a special meeting is in the best interests of the Company and its shareholders. If such independent directors so approve, then a special meeting may be called without the 10% Agreement parties' unanimous consent.

#### **DEBT FINANCING**

The Company has entered into binding agreements with CoBiz Bank of Denver, Colorado to provide financing for the various transactions described herein including the purchase of the shares tendered in the Repurchase Offer and the cash payments that will be made in lieu of issuing fractional shares as part of the reverse stock split. The funds being provided to the Company to fund the transactions are a part of a larger, fully secured loan package that will provide the Company with up to \$9,075,000 of funding through four separate credit facilities, including a \$750,000 line of credit that may be drawn upon repeatedly as needed over the term of the line. The lending package is to be secured by essentially all assets of the Company, and Douglas Larson and Jeremy Martin will be providing limited personal guaranties on up to \$2,250,000 of the borrowings. In addition to their personal guaranties, Messrs. Larson and Martin, Ms. Shoenfeld and Ms. Janssen (collectively, the "Executives") have agreed to pledge Company stock that collectively represents at least a majority of the Company's outstanding common stock as collateral to secure repayment of up to \$2,250,000 of the loan package that will be used to fund the transactions. addition to the funds that are to be used to finance the transactions, management plans to use proceeds from the loan package to retire the Company's existing loan and line of credit with ANB Bank, for working capital including proceeds to fund closing under the Repurchase Agreements, the reverse stock split and Repurchase Offer, and to acquire new and used equipment as needed for expanded operations. Company anticipates closing on the refinancing of the ANB Bank loan on September 29, 2016 and the other three credit facilities concurrently with the closing of the reverse stock split and Repurchase Offer.

#### RELATED PARTY TRANSACTIONS

#### The 2016 Incentive Equity Plan

The Special Committee has recommended, and the Company's Board has approved, the 2016 Plan to replace the Company's 2008 Incentive Stock Plan. The 2016 Plan is intended to enable the Company to enhance its ability to provide employees with meaningful awards and incentives commensurate with their contributions and competitive with those offered by other employers. The Board of Directors believes that the Company's long-term success depends upon the ability of the Company to attract and retain superior individuals who, by virtue of their ability and qualifications, make important contributions to the Company's business. The number of shares of common stock reserved for issuance under the 2016 Plan, 2,000,000 (which effective upon consummation of the reverse stock split will automatically adjust to 200 shares), is intended to support the Company's requirements for current and future employees, directors and consultants and to allow a broad distribution of awards for employees.

The 2016 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights and other stock-based awards (collectively, "Awards") that may be earned in whole or in part upon attainment of performance criteria established by the 2016 Plan administrator. Based on the recommendations of Messrs. Larson and Martin and the Special Committee, the Board has approved awards of 50 post reverse stock split restricted shares of the Company's common

stock, (the "Executive Awards") to each of Ms. Shoenfeld and Ms. Janssen effective immediately after the closing of the reverse stock split. After the reverse stock split and upon issuance of the Executive Awards, Ms. Shoenfeld and Ms. Janssen will each own 50 restricted post reverse stock split shares. The Executive Awards are subject to a five year vesting schedule, whereby one-fifth of the total number of shares awarded shall vest one year after the date the shares are awarded (the "Vesting Commencement Date"), and one-fifth of the shares awarded shall vest on each yearly anniversary of the Vesting Commencement Date thereafter. The Special Committee also approved \$14,000 bonuses to each of Ms. Shoenfeld and Ms. Janssen to alleviate the financial burden associated with the tax consequences of their awards.

Upon request of Messrs. Larson and Martin, the Special Committee also approved the grant of 390,000 non-qualified stock options to acquire common stock (or 39 post reverse stock split shares) to Mr. Larson with an expiration date of ten years from the grant date and with the date of grant to be the date upon which Company receives a written valuation setting forth the Fair Market Value (as defined in the Plan) of such options from Quist and the exercise price to be 100% of such value. If Mr. Larson exercises all such options and assuming no other changes in ownership by Mr. Larson or Mr. Martin, Messrs. Larson (and his family trust) and Martin would each own the same number and percentage of our outstanding common stock. The Special Committee approved such grant in order to provide our CEO with the opportunity to purchase shares that would allow him and his family trust to have the same number of shares as Mr. Martin and appropriately incentivize Mr. Larson going forward.

#### **Executive Employment Agreements**

The Company is contemplating entering into new employment agreements with each Executive. The proposed agreements are likely to contain the following provisions:

- 1. Description of position, duties, authority, compensation, benefits and obligation of the employee to fulfill his/her obligations under the agreement.
- 2. Acknowledgement and agreement that the executive is an employee at will and that either the Company or the executive may terminate the employment agreement at any time with or without cause or reason.
- 3. Restrictive obligations relating to confidential subject matter, which survive after termination of employment.
- 4. Acknowledgment that copyright works are "works for hire" and obligation of employee to maintain written records of all inventions and confidential subject matter.
- 5. Restrictive obligations designed to protect the Company's business, including agreement that the executive will not compete or solicit the Company's employees or clients during employment with the Company and for one year after separation from employment.
- 6. Acknowledgment and agreement regarding no conflicting obligations and severance obligations upon termination of employment without cause, or by an executive for good reason, and within twelve months of a change of control.

#### PRINCIPAL SHAREHOLDERS

The following table sets forth the beneficial ownership of our common stock as of September 8, 2016, by (i) each person or entity who is known by us to own beneficially more than 5 percent of the outstanding shares of common stock, (ii) each of our directors, (iii) each of our executive officers, and (iv) all of our directors and executive officers as a group.

	Shares		
	Beneficially		Percentage
Name and Address	Owned		of Class
Owners of more than 5 percent:			
Douglas A. Larson	1,156,829	(1)	19.2%
Kevin M. Sipple	1,527,348		25.3%
Jeremy S. Martin	1,542,120		25.5%
<b>Directors and Executive Officers:</b>			
Douglas A. Larson	1,156,829	(1)	19.2%
Jeremy S. Martin	1,542,120		25.5%
Jane S. Miller			
J. Ross Colbert			
Kathy R. Janssen			
Cathleen Shoenfeld	18,000		less than 1%
All officers and directors as a group, 6 persons	2,716,949		45%

(1) Mr. Larson's shares include 176,829 shares that are held in the Larson Family Trust. Mr. Larson is the sole trustee of the Larson Family Trust.

#### **Proposed Reverse Split Ownership Change**

	Ownership Before Reverse Stock	Percentage of Class	Ownership After Reverse Stock Split	Percentage of Class
	Split			(approximate*)
All officers	2,716,949	45%	369	71.8%
and directors				

<sup>\*</sup> The percentage of class ownership figure after the reverse stock split is approximate because the number of shareholders who will opt to sell their shares to the Company under the Repurchase Offer cannot be ascertained until consummation of such transactions. The figure presented represents the minimum potential ownership, assuming no shareholders sell their shares via the Repurchase Offer. If Mr. Larson exercises all of his stock options, the ownership by all officers and directors would be 408 shares, or 73.8% of our outstanding common stock, assuming no shareholders sell their shares via the Repurchase Offer.

#### **Director Independence**

Our common stock trades on the Pink Sheets (a quotation medium operated by Pink Sheets LLC). As such, we are not currently subject to corporate governance standards of listed companies, which require, among other things, that the majority of the board of directors be independent.

#### MATTERS TO BE CONSIDERED AT THE SPECIAL MEETING

#### PROPOSAL 1

#### APPROVAL OF A REVERSE STOCK SPLIT

#### General

The Special Committee and full Board believe it is in the best interests of the Company and its shareholders to authorize a reverse stock split of the Company's outstanding common stock (the "Reverse Split"). If approved by our shareholders, the reverse stock split proposal would permit (but not require) our Board to effect a reverse stock split of our issued and outstanding common stock by a ratio of 1-for-10,000. No further action on the part of the shareholders would be required to either effect or abandon the Reverse Split.

The principal effect of the Reverse Split would be to decrease the outstanding number of shares of common stock. The contingent amendment to the Articles of Incorporation set forth in Proposal 2 would reduce the number of authorized shares to reflect a reduced number of outstanding shares.

If the shareholders approve the Reverse Split at the Special Meeting, the Board will be authorized to implement a reverse stock split at a ratio of 1-for-10,000 or to abandon the Reverse Split, as determined at the discretion of the Board. The Board's determination as to whether the Reverse Split will be effected will be based upon certain factors, including existing and expected marketability and liquidity of our common stock, prevailing market and economic conditions, and the likely effect on the market price of our common stock. In determining the ratio, our Board considered, among other things, factors such as:

- the listing requirements of various stock exchanges;
- the historical trading price and trading volume of our common stock;
- the number of shares of our common stock outstanding;
- the then-prevailing trading price and trading volume of our common stock and the anticipated impact of the Reverse Split on the trading market for our common stock;
- the anticipated impact of a particular ratio on our ability to reduce administrative and transactional costs; and
- prevailing general market and economic conditions.

To implement the reverse stock split, the Company would, at a meeting of the Board or by written consent in lieu of a meeting, resolve to effect the Reverse Split. The number of issued and outstanding shares of common stock would thereby be reduced by a ratio of 1-for-10,000 resulting in one share remaining for every 10,000 shares outstanding. The Reverse Split will affect all holders of our common stock uniformly, except that the Company will make a cash payment in lieu of issuing any fractional shares resulting from the Reverse Split. Thus, the Reverse Split will not affect any shareholder's proportionate ownership's voting power (subject to the treatment of fractional shares). Further, pursuant to the Repurchase Offer, the Company will, subject to the Board effecting the Reverse Split, purchase shares from all shareholders who desire to sell their equity interest in the Company at the same price per share as those receiving cash payment in lieu of fractional shares resulting from the Reverse Split.

#### Purpose

The Board is proposing the Reverse Split and the Company has made the Repurchase Offer in an effort to decrease the number of shares of common stock outstanding. Decreasing the number of common shares outstanding will allow the Company to maintain its non-reporting status, resulting in substantial time savings, reduced administrative and transactional costs, elimination of various corporate governance requirements, and reduced risk of liability for securities-related violations. The Board is also seeking to reduce certain administrative burdens and costs relating to the number of shares that are currently issued and outstanding. Accordingly, we believe that effecting the reverse stock split is in the Company's and our shareholders' best interests.

#### **Advantages of the Reverse Stock Split**

The Special Committee and Board believe the Reverse Split may have the following advantages, among others:

- through the Reverse Split (and Repurchase Offer), we will be able to provide complete liquidity for any of our shareholders at a price determined by the Board to be fair and in the best interests of the unaffiliated shareholders, where there has, recently, been somewhat limited liquidity available through the public trading markets;
- although liquidity is limited, unaffiliated shareholders will have some ability to either buy or sell shares in order to determine whether to remain as shareholders or to be cashed out;
- the price per share paid to fractional shareholders in the Reverse Split and offered to all shareholders in the Repurchase Offer is greater than what a shareholder may reasonably expect to receive due to the limited liquidity of the shares and the potential for holders of large numbers of shares to drive down the share price; and
- we will be able to better maintain our non-reporting status as a private company, ensuring continued exception from complying with certain obligations of public companies to the benefit of those shareholders remaining after the Reverse Split (and Repurchase Offer). Since the Company will continue to be exempt from complying with the public reporting and other requirements of the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act, we will continue to be able to avoid incurring certain expenses relating to printing and mailing shareholders documents, our investor relations function, SEC filing fees, and personnel time required to comply with our obligations under certain U.S. federal securities laws. Further, the Company will be better positioned to achieve exemption from any future regulatory requirements applicable to public companies.

#### Disadvantages of the Reverse Stock Split

The Special Committee and Board believe the Reverse Split may have the following disadvantages, among others:

- shareholders owning fewer than 10,000 shares will not have an opportunity to liquidate their shares at a time and for a price of their choosing following effectiveness of the reverse stock split. Instead, these shareholders will be cashed out, will no longer be shareholders and will not have the opportunity to participate in or benefit from any future potential appreciation in our value;
- shareholders of our common stock following the Reverse Split and those who elect not to tender their shares via the Repurchase Offer will face a lack of a liquid market for their stock;
- the Company will incur substantial costs associated with the Reverse Split; and
- the Reverse Split may be taxable for cashed-out shareholders.

#### **Procedure for Implementing the Reverse Stock Split**

If our shareholders approve this Proposal and our Board determines to effect the Reverse Split, upon the filing of documentation with the Financial Industry Regulatory Authority (FINRA) and our stock transfer agent, the reverse stock split will become effective. Our Board, based on its evaluation as to when such action will be the most advantageous to the Company and our shareholders, will determine the exact timing. In addition, the Board reserves the right, notwithstanding shareholder approval and without further action by the shareholders, to elect not to proceed with the Reverse Split if, at any time our Board, in its sole discretion, determines that it is no longer in our best interest and the best interests of our shareholders to proceed with the Reverse Split.

The reverse stock split, if and when effected, would affect all of our shareholders uniformly and would not affect any shareholder's percentage ownership interests or proportionate voting power, except to the extent that the Reverse Split results in any of our shareholders receiving cash in lieu of a fractional share. As described below, shareholders otherwise entitled to fractional shares as a result of the Reverse Split will receive cash payments in lieu of such fractional shares. These cash payments will reduce the number of post-reverse stock split shareholders to the extent there are presently shareholders who would otherwise receive less than one share of our common stock after the Reverse Split. The Reverse Split will likely increase the number of shareholders who own odd lots (less than 100 shares). Shareholders who hold odd lots may experience an increase in the cost of selling their shares and may have greater difficulty in executing sales.

After the reverse stock split becomes effective, our common stock will have a new Committee on Uniform Securities Identification Procedures (CUSIP) number, which is a number used to identify our equity securities.

#### **Fractional Shares**

We do not currently intend to issue fractional shares in connection with the Reverse Split. Therefore, we will not issue certificates representing fractional shares. Instead, the Company will make a cash payment in lieu of issuing any fractional shares.

No transaction costs will be assessed on shareholders for the cash payment. Shareholders will not be entitled to receive interest for the period of time between the effective time of the Reverse Split and the date payment is made for their fractional share interest in our common stock. You should also be aware that, under the escheat laws of certain jurisdictions, sums due for fractional interests that are not timely claimed after the funds are made available may be required to be paid to the designated agent for each such jurisdiction. Thereafter, shareholders otherwise entitled to receive such funds may have to obtain the funds directly from the state to which they were paid.

If you believe that you may not hold sufficient shares of our common stock at the effective time of the Reverse Split to receive at least one share in the reverse stock split and you want to continue to hold our common stock after the Reverse Split, you may do so by either purchasing a sufficient number of shares of our common stock; or if you have shares of our common stock in more than one account, consolidating your accounts, so that in each case you hold a number of shares of our common stock in your account prior to the Reverse Split that would entitle you to receive at least one share of our common stock on a post-reverse stock split basis (at least 10,000 shares). Shares of common stock held in registered form (that is, stock held by you in your own name in our stock register records maintained by our transfer agent) and stock held in "street name" (that is, stock held by you through a bank, broker or other nominee) for the same investor will be considered held in separate accounts and will not be aggregated when effecting the reverse stock split.

#### Valuation of Fractional Shares

The Special Committee and Board have reviewed the proposed transaction and have determined that the Reverse Split is in the best interests of the Company and is substantively and procedurally fair to the shareholders of the Company. In connection with its review, the Board, through the Company, retained Quist as independent valuation consultants and received Quist's opinion concerning the value of the Company's common stock. Quist's valuation followed Internal Revenue Service ("IRS") guidelines for valuing privately held companies and considered the following factors in establishing the Company's value:

- the general history of the Company and nature of the business;
- the general economic conditions and the outlook for the bottled water production industry;
- the book value and financial condition of the Company;
- the earning capacity of the Company;
- the risk associated with investment in the Company;
- the ownership structure of the Company and rights accorded to shareholders of the Company;
- prior sales of the Company's stock and the size of the block of stock being valued;
- the dividend capacity and dividend policy of the Company;
- the goodwill and intangible assets of the Company;
- the stock price of corporations with stock actively traded in a free and open market in the same or a similar line of business; and
- the liquidity of an investment in the Company.

Quist determined that the marketable minority value of the Company's total equity as of March 31, 2016 was \$10,000,000. Including a 25% discount for lack of marketability Quist concluded that the non-marketable minority value of the Company's equity was \$7,500,000 or \$1.25 per share based on 6,026,903 shares outstanding. Further, \$1.25 is the same price per share that the Selling Shareholders including Mr. Sipple, our former executive and director, have agreed to sell their shares for under the Repurchase Agreements. The price of the Company's shares on the open market varies significantly. As of September 22, 2016 the twelve-month average sales price per share of the Company's common stock was \$1.245. The 52-week low was \$1.00 and the 52-week high was \$1.60. The Special Committee and Board also reviewed the Company's most recent audited financial statements for the fiscal year ended March 31, 2016 (attached as EXHIBIT D hereto). Based on this data and other information, the Special Committee and Board believe that \$1.25 per share represents fair market value.

#### **Accounting Matters**

The proposed amendments to the Company's current Articles of Incorporation will not affect the par value of our common stock. As a result, as of the effective time of the Reverse Split, the stated capital attributable to common stock on our balance sheet will not change due to the reverse stock split. Reported per share net income or loss will be higher because there will be fewer shares of common stock outstanding.

#### Certain Federal Income Tax Consequences of the Reverse Stock Split

The following summary describes certain material U.S. federal income tax consequences of the Reverse Split to holders of our common stock, but it does not purport to address the particular tax consequences that may be unique to each individual shareholder. This information is not intended as tax advice to any person and is not a comprehensive description of the tax consequences that may be relevant to each shareholder's own particular circumstances.

Unless otherwise specifically indicated herein, this summary addresses the tax consequences only to a beneficial owner of our common stock that is a citizen or individual resident of the United States, a

corporation organized in or under the laws of the United States or any state thereof or the District of Columbia or otherwise subject to U.S. federal income taxation on a net income basis in respect of our common stock (a "U.S. holder"). A trust may also be a U.S. holder if (1) a U.S. court is able to exercise primary supervision over administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) it has a valid election in place to be treated as a U.S. person. An estate whose income is subject to U.S. federal income taxation regardless of its source may also be a U.S. holder. This summary does not address all of the tax consequences that may be relevant to any particular shareholder, including tax considerations that arise from rules of general application to all taxpayers or to certain classes of taxpayers or that are generally assumed to be known by shareholders. This summary also does not address the tax consequences to (i) persons that may be subject to special treatment under U.S. federal income tax law, such as banks, insurance companies, thrift institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, U.S. expatriates, persons subject to the alternative minimum tax, traders in securities that elect to mark to market and dealers in securities or currencies, (ii) persons that hold our common stock as part of a position in a "straddle" or as part of a "hedging," "conversion" or other integrated investment transaction for federal income tax purposes, or (iii) persons that do not hold our common stock as "capital assets" (generally, property held for investment).

This summary does not address the tax treatment of partnerships (or entities or arrangements that are treated as partnerships for United States federal income tax purposes), S corporations or persons that hold our common stock through partnerships, S corporations or other pass-through entities for U.S. federal income tax purposes. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of our common stock, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. Such partners and partnerships, S corporations and other pass-through entities that hold our common stock, and partners in such partnerships, should consult their own tax advisors regarding the U.S. federal income tax consequences of the Reverse Split.

This summary is based on the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations, administrative rulings and judicial authority, all as in effect as of the date of this proxy statement. Subsequent developments in U.S. federal income tax law, including changes in law or differing interpretations, which may be applied retroactively, could have a material effect on the U.S. federal income tax consequences of the Reverse Split.

#### U.S. Holders

The Reverse Split should be treated as a tax-free recapitalization for U.S. federal income tax purposes to the Company and to the shareholders who remain shareholders pursuant to Code Section 368(a)(1)(E). Therefore, a shareholder generally will not recognize gain or loss on the Reverse Split, except to the extent of cash, if any, received in lieu of a fractional share interest in the post-reverse stock split shares. The aggregate tax basis of the post-split shares received will be equal to the aggregate tax basis of the pre-split shares exchanged therefore (excluding any portion of the shareholder's basis allocated to fractional shares), and the holding period of the post-split shares received will include the holding period of the pre-split shares exchanged. A holder of the pre-split shares who receives cash will generally recognize gain or loss equal to the difference between the portion of the tax basis of the pre-split shares allocated to the fractional share interest and the cash received. Such gain or loss will generally be a capital gain or loss and will be short term if the pre-split shares were held for one year or less and long term if held more than one year. The Company will not recognize a gain or loss as a result of the Reverse Split. Each shareholder who is to receive cash in the Reverse Split will be required to furnish the shareholder's social security number or taxpayer identification number on an IRS Form W-9. Failure to provide the information on the IRS Form W-9 may result in backup withholding.

PLEASE CONSULT YOUR OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE REVERSE SPLIT IN YOUR PARTICULAR CIRCUMSTANCES UNDER THE INTERNAL REVENUE CODE AND THE LAWS OF ANY OTHER TAXING JURISDICTION.

#### **No Dissenters' Rights**

Under Colorado Revised Statutes, the Company's shareholders are not entitled to dissenters' rights in connection with this Proposal 1, and we will not independently provide our shareholders with any such right.

#### **Vote Required**

If a quorum is present, Proposal 1 will be approved if the number of votes cast in favor of the proposal exceeds the number of votes cast against the proposal. A majority of shares entitled to vote is not required. Abstentions and broker non-votes will have the same impact as a vote against Proposal 1. You may vote "FOR" or "AGAINST" or abstain from voting.

#### Recommendation

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" APPROVAL OF A 1 FOR 10,000 REVERSE STOCK SPLIT OF OUR ISSUED AND OUTSTANDING COMMON STOCK.

#### PROPOSAL 2

### APPROVAL OF AN AMENDMENT TO THE ARTICLES OF INCORPORATION DECREASING THE NUMBER OF AUTHORIZED SHARES

The Special Committee has recommended, and the Board has approved and recommends that the shareholders approve, (subject to shareholder approval of and the Board effecting the Reverse Stock Split) an amendment to the Company's current Articles of Incorporation decreasing the number of authorized shares of common stock from 50,000,000 to 10,000,000 shares in connection with the Reverse Stock Split. The Amendment will be effective upon the filing of the amendment to the Company's current Articles of Incorporation with the Secretary of State of Colorado in substantially the form attached hereto as EXHIBIT A

#### **Effects of the Decrease in Authorized Common Stock**

The relative rights and limitations of the shares of our common stock will remain unchanged as a result of the decrease in our authorized shares.

#### **No Dissenters' Rights**

Under Colorado Revised Statutes, the Company's shareholders are not entitled to dissenters' rights in connection with this Proposal 2.

#### **Vote Required**

Proposal 2 will be approved if a majority of those shares entitled to vote on the proposal vote "FOR" the proposal. Abstentions and broker non-votes will have the same impact as a vote against Proposal 2. You may vote "FOR" or "AGAINST" or abstain from voting.

#### Recommendation

THE BOARD RECOMMENDS A VOTE "FOR" THE APPROVAL OF AN AMENDMENT TO THE COMPANY'S CURRENT ARTICLES OF INCORPORATION TO DECREASE AUTHORIZED SHARES OF COMMON STOCK FROM 50 MILLION TO 10 MILLION.

#### PROPOSAL 3

### APPROVAL OF AN AMENDMENT TO THE ARTICLES OF INCORPORATION TO ALLOW SHAREHOLDER ACTION BY NON-UNANIMOUS WRITTEN CONSENT

The Special Committee has recommended, and the Board has approved and recommends that the shareholders approve, a proposed amendment to the Articles of Incorporation to consist of an addition to current Article VI in order to allow action by non-unanimous written consent of shareholders whenever shareholder action is required. The Colorado Business Corporation Act only permits shareholder action by less than all shareholders if such action is permitted by the Articles of Incorporation. The proposed Second Amended and Restated Bylaws include conforming language to allow action by non-unanimous majority shareholder written consent, contingent upon shareholder approval.

This amendment will eliminate the need for a costly meeting of shareholders with respect to matters that would be assured of passage at any shareholders meeting. The amendment is proposed to read as follows:

"Unless these Articles of Incorporation require that an action be taken at a shareholders' meeting, any action required or permitted to be taken at a shareholders meeting may be taken without a meeting if the shareholders holding not less than two-thirds of the outstanding shares of Common Stock consent to such action in writing."

The Amendment will be effective upon the filing of the amendment to the Company's current Articles of Incorporation with the Secretary of State of Colorado in substantially the form attached hereto as EXHIBIT B.

#### No Dissenters' Rights

Under Colorado Revised Statutes, the Company's shareholders are not entitled to dissenters' rights in connection with this Proposal 3.

#### **Vote Required**

Proposal 3 will be approved if a majority of those shares entitled to vote on the proposal vote "FOR" the proposal. Abstentions and broker non-votes will have the same impact as a vote against Proposal 3. You may vote "FOR" or "AGAINST" or abstain from voting.

#### Recommendation

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF AN AMENDMENT TO THE COMPANY'S ARTICLES OF INCORPORATION TO PERMIT SHAREHOLDER ACTIONS BY WRITTEN CONSENT OF LESS THAN ALL SHAREHOLDERS.

#### **PROPOSAL 4**

## APPROVAL OF AN AMENDMENT TO THE ARTICLES OF INCORPORATION TO GRANT CO-SALE RIGHTS AND IMPOSE TRANSFER RESTRICTIONS AND VOTING OBLIGATIONS ON THE COMPANY'S COMMON STOCK

The Board of Directors has approved, and recommends that the shareholders vote in favor of adopting, a proposed amendment to Article II of the Articles of Incorporation to grant co-sale rights and impose transfer restrictions and voting obligations on the Company's common stock. The amendment will incorporate by reference and include the Shareholders Agreement and, specifically, the transfer restrictions, voting obligations and co-sale rights therein. The amendment is proposed to read as follows "The Common Stock is subject to restrictions and obligations set forth in the Shareholders Agreement among the Company and certain of its shareholders attached hereto as Exhibit A."

The Amendment will be effective upon the filing of the amendment to the Company's current Articles of Incorporation with the Secretary of State of Colorado in substantially the form attached hereto as EXHIBIT C.

#### Rights and Restrictions Under the Shareholders Agreement

Rights of Refusal

Shareholders unconditionally and irrevocably grant the Company a right of first refusal to purchase all or any portion of capital stock the shareholder proposes to transfer. Additionally, shareholders unconditionally and irrevocably grant non-transferring shareholders a secondary right of refusal, whereby such shareholders may purchase all or any portion of capital stock not purchased by the Company. Any violation of the rights of refusal shall entitle the Company and/or the non-transferring shareholders to purchase any or all shares by sending the transferring shareholder the purchase price.

#### Right of Co-Sale

If any shares are not purchased by the Company or shareholders pursuant to their respective rights of refusal, and (i) the capital stock subject to the proposed transfer represents at least 10% of all issued and outstanding capital stock and (ii) such proposed transfer has the unanimous approval of the "Executives" (as defined in the Shareholders Agreement), shareholders may elect to participate on a pro-rata basis in the proposed transfer on the same terms and conditions as the transferring shareholder. If any shareholder transfers any stock in contravention of the right of co-sale, each non-transferring shareholder who desires to exercise such right may require the transferring shareholder to purchase the non-transferring shareholder's shares in the number and at the price the non-transferring shareholder would have been entitled to sell their shares for had the right of co-sale been properly observed.

#### Prohibited Transfers

Any transfer not made in compliance with the requirements of the Shareholders Agreement shall be null and void. Additionally, shareholders are prevented from transferring shares to any entity that, in the Board's determination, competes with the Company or any customer, distributor or supplier of the Company that, in the Board's determination, would result in such customer, distributor or supplier receiving such information that would place the Company at a competitive disadvantage. Executives and directors and their assignees are prohibited from transferring any shares without first obtaining the unanimous consent of the Executives except as allowed in the Shareholders Agreement.

#### Permitted Transfers

Restrictions on transfer do not apply (a) in the case of a shareholder that is an entity, upon a transfer by such shareholder to its shareholders, members, partners or other equity holders, (b) to a repurchase of shares from a shareholder by the Company at a price no greater than that originally paid by such shareholder for such shares and pursuant to an agreement containing vesting and/or repurchase provisions approved by a majority of the Board or (c) in the case of a shareholder that is a natural person, upon a transfer of shares made for bona fide estate planning purposes to a family member or any other person approved by the Board, or any custodian or trustee of any trust, partnership or limited liability company for the benefit of, or the ownership interests of which are owned wholly by such shareholder or such shareholder's family members

#### Drag-Along Right

If the holders of at least a majority of the shares of common stock then issued (the "Controlling Shareholders") and the Board approve a transaction or series of related transactions in which a person, or a group of related persons, acquires from shareholders shares representing more than 50% of the outstanding voting power of the Company (i.e. a "Change of Control"), then the other shareholders shall be compelled to approve such transaction, if shareholder approval is required; sell the same proportion of their shares on the same terms as the Controlling Shareholders; execute and deliver all related documentation and take other such action as necessary to consummate the transaction; and to refrain from exercising dissenters' rights or appraisal rights with respect to the transaction.

#### **Voting Provisions**

Shareholders shall vote, or caused to be voted, all shares owned or controlled by such shareholders at all times, in whatever manner shall be necessary to ensure the size of the Board remains at six directors. Shareholders shall also vote, or cause to be voted, all shares to ensure that the Board be composed of two individuals nominated by the Board and the following individuals: Douglas A. Larson, Jeremy S. Martin, Cathleen M. Shoenfeld and Kathy R. Janssen or if an Executive is unable or unwilling to serve as a director, a person nominated by the Board as a substitute for such person.

#### **Effect of Amendment**

Shareholders who vote in favor of adopting the foregoing amendment to the Articles of Incorporation will be bound by the restrictions and granted the rights in the Shareholders Agreement. Further, future assignees and transferees of the Company's common stock will likewise be bound by such restrictions.

#### **Vote Required**

Proposal 4 will be approved if a majority of those shares entitled to vote on the proposal vote "FOR" the proposal. Abstentions and broker non-votes will have the same impact as a vote against Proposal 4. You may vote "FOR" or "AGAINST" or abstain from voting.

#### Recommendation

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF AN AMENDMENT TO THE COMPANY'S ARTICLES OF INCORPORATION TO GRANT CO-SALE RIGHTS AND IMPOSE TRANSFER RESTRICTIONS AND VOTING OBLIGATIONS ON THE COMPANY'S COMMON STOCK.

#### REPURCHASE OFFER

Subject to the Board effecting the Reverse Split, shareholders who will hold whole shares after the Reverse Split may elect to sell their shares to the Company at the same price per share as those receiving cash payment in lieu of fractional shares. The Repurchase Offer, which has been mailed separately on the same date as this proxy statement, provides information about the repurchase process. Shareholders desiring to liquidate any or all of their equity in the Company should review the Repurchase Offer and comply with the processes set forth therein.

#### **OTHER BUSINESS**

As of the date of this proxy statement, management does not know of any other matters to be presented at the Special Meeting other than those set forth herein. However, if any other matters properly come before the meeting, the accompanying proxy will be voted in accordance with the best judgment of the proxy holders.

#### WHERE YOU CAN FIND MORE INFORMATION

This proxy statement refers to certain documents that are not presented herein or delivered herewith. Such documents are available to any person, including any beneficial owner of our shares, to whom this proxy statement is delivered upon oral or written request, without charge. Requests for such documents should be directed to Eldorado Artesian Springs, Inc., 1783 Dogwood Street, Louisville, CO 80027, (303) 604-3000, Attention: Cathleen Shoenfeld, Secretary; cathys@eldoradosprings.com. Please note that additional information can be obtained from our website at http://www.eldoradosprings.com.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Cathleen Shoenfeld Cathleen Shoenfeld Secretary

Louisville, Colorado September 23, 2016

#### EXHIBIT A

# ARTICLES OF AMENDMENT TO AMENDED AND RESTATED ARTICLES OF INCORPORATION OF ELDORADO ARTESIAN SPRINGS, INC.

Pursuant to the provisions of Section 7-90-301 and 7-110-106 of the Colorado Revised Statutes, the undersigned person, desiring to amend the Amended and Restated Articles of Incorporation of ELDORADO ARTESIAN SPRINGS, INC. (the "Corporation"), under the laws of the State of Colorado, does hereby sign, verify, and deliver to the Office of the Secretary of State of Colorado, these Articles of Amendment to the Amended and Restated Articles of Incorporation for the Corporation:

**FIRST:** The name of the Corporation is Eldorado Artesian Springs, Inc.

**SECOND:** The original Articles of Incorporation of the Corporation were filed with the Colorado Secretary of State on April 15, 1986. The Amended and Restated Articles of Incorporation of the Corporation were filed with the Colorado Secretary of State on August 31, 2000.

**THIRD:** Article II of the Amended and Restated Articles of Incorporation is amended by reducing the number of authorized shares of common stock, and shall read as follows:

"The aggregate number of shares which the Corporation shall have authority to issue shall be twenty million (20,000,000) shares, with ten million (10,000,000) being designated as Common Stock and ten million (10,000,000) being designated as Preferred Stock, having a par value of \$.001 per share. The Preferred Stock shall be a blank check preferred stock and, as such, is subject to these Articles and the Colorado Business Corporation Act, and may be designated by the Company's Board of Directors to have such voting powers, full or limited, or no voting tights, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as the Corporation's Board of Directors shall deem appropriate."

**FOURTH:** The preceding amendment to the Amended and Restated Articles of Incorporation was duly adopted by the Board of Directors on DATE, 2016 and by the shareholders of the Corporation on DATE, 2016 pursuant to and in accordance with the Colorado Business Corporation Act and the Amended and Restated Articles of Incorporation.

**FIFTH:** The amendment is to be effective at 12:01 a.m. Mountain Daylight Time on DATE, 2016.

#### EXHIBIT B

# ARTICLES OF AMENDMENT TO AMENDED AND RESTATED ARTICLES OF INCORPORATION OF ELDORADO ARTESIAN SPRINGS, INC.

Pursuant to the provisions of Section 7-90-301 and 7-110-106 of the Colorado Revised Statutes, the undersigned person, desiring to amend the Amended and Restated Articles of Incorporation of ELDORADO ARTESIAN SPRINGS, INC. (the "Corporation"), under the laws of the State of Colorado, does hereby sign, verify, and deliver to the Office of the Secretary of State of Colorado, these Articles of Amendment to the Amended and Restated Articles of Incorporation for the Corporation:

**FIRST:** The name of the Corporation is Eldorado Artesian Springs, Inc.

**SECOND:** The original Articles of Incorporation of the Corporation were filed with the Colorado Secretary of State on April 15, 1986. The Amended and Restated Articles of Incorporation of the Corporation were filed with the Colorado Secretary of State on August 31, 2000.

**THIRD:** Article VI of the Amended and Restated Articles of Incorporation is amended by adding a new paragraph at the end thereof, which new paragraph shall read as follows:

"Unless these Articles of Incorporation require that an action be taken at a shareholders' meeting, any action required or permitted to be taken at a shareholders' meeting may be taken without a meeting if the shareholders holding not less than two-thirds of the outstanding shares of Common Stock consent to such action in writing."

**FOURTH:** The preceding amendment to the Amended and Restated Articles of Incorporation was duly adopted by the Board of Directors on DATE, 2016 and by the shareholders of the Corporation on DATE, 2016 pursuant to and in accordance with the Colorado Business Corporation Act and the Amended and Restated Articles of Incorporation.

**FIFTH:** The amendment is to be effective at 12:01 a.m. Mountain Daylight Time on DATE, 2016.

#### **EXHIBIT C**

# ARTICLES OF AMENDMENT TO AMENDED AND RESTATED ARTICLES OF INCORPORATION OF ELDORADO ARTESIAN SPRINGS, INC.

Pursuant to the provisions of Section 7-90-301 and 7-110-106 of the Colorado Revised Statutes, the undersigned person, desiring to amend the Amended and Restated Articles of Incorporation of ELDORADO ARTESIAN SPRINGS, INC. (the "Corporation"), under the laws of the State of Colorado, does hereby sign, verify, and deliver to the Office of the Secretary of State of Colorado, these Articles of Amendment to the Amended and Restated Articles of Incorporation for the Corporation:

**FIRST:** The name of the Corporation is Eldorado Artesian Springs, Inc.

**SECOND:** The original Articles of Incorporation of the Corporation were filed with the Colorado Secretary of State on April 15, 1986. The Amended and Restated Articles of Incorporation of the Corporation were filed with the Colorado Secretary of State on August 31, 2000.

**THIRD:** Article II of the Amended and Restated Articles of Incorporation is amended by adding a new sentence at the end thereof, which new sentence shall read as follows:

"The Common Stock is subject to restrictions and obligations set forth in the Shareholders Agreement among the Company and certain of its shareholders attached hereto as Exhibit A."

**FOURTH:** The preceding amendment to the Amended and Restated Articles of Incorporation was duly adopted by the Board of Directors on DATE, 2016 and by the shareholders of the Corporation on DATE, 2016 pursuant to and in accordance with the Colorado Business Corporation Act and the Amended and Restated Articles of Incorporation.

**FIFTH:** The amendment is to be effective at 12:01 a.m. Mountain Daylight Time on DATE, 2016.

#### **Exhibit A to Articles of Amendment**

#### **SHAREHOLDERS AGREEMENT**

This Shareholders Agreement, as executed and as it may be amended, modified, supplemented or restated from time to time, as provided herein, (the "Agreement"), dated as of September 23, 2016, is entered into by and between Eldorado Artesian Springs, Inc., a Colorado corporation (the "Company") and each Person identified on <u>Schedule A</u> hereto and executing a signature page attached hereto (each, a "Shareholder" and, collectively, the "Shareholders").

#### RECITALS

WHEREAS, the Company and the Shareholders desire to enter into this Agreement to set forth their understanding and agreement as to the shares of capital stock held by the Shareholders, including the voting, tender and transfer of such shares under the circumstances set forth herein; and

WHEREAS, as of the date hereof, each Shareholder is the beneficial owner of the number of shares of capital stock of the Company as set forth on Schedule A hereto, which reflects the ownership of all the issued and outstanding shares in the Company as of the date hereof. The Company shall update Schedule A from time to time to reflect any other person that acquires shares in the Company, the issuance of additional classes or series of shares in the Company, and such other changes in share ownership in accordance with this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to incorporate the foregoing Recitals into this Agreement, hereto agree as follows:

## **ARTICLE 1 DEFINITIONS**

Section 1.1 <u>Definitions.</u> When used in this Agreement with initial capital letters, the following terms have the meanings specified or referred to in this Article 1 or as defined in the context in which they are used and shall have the meanings therein indicated:

"Affiliate" means, with respect to any Person, any other Person who, directly or indirectly (including through one or more intermediaries), controls, is controlled by, or is under common control with, such Person, including any partner, member, shareholder or other equity holder of such Person or manager, director, officer or employee of such Person. For purposes of this definition, "control," when used with respect to any specified Person, shall mean the power, direct or indirect, to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or partnership or other ownership interests, by contract or otherwise; and the terms "controlling" and "controlled" shall have correlative meanings.

"Applicable Law" means all applicable provisions of (a) constitutions, treaties, statutes, laws (including the common law), rules, regulations, decrees, ordinances, codes, proclamations,

- declarations or orders of any Governmental Authority; (b) any consents or approvals of any Governmental Authority; and (c) any orders, decisions, advisory or interpretative opinions, injunctions, judgments, awards, decrees of, or agreements with, any Governmental Authority.
- "Articles of Incorporation" means the Company's Amended and Restated Articles of Incorporation, as amended from time to time.
- **"Board"** means the Board of Directors of the Company.
- "Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in the State of Colorado are authorized or required to close.
- "Capital Stock" means the Common Stock and any other class or series of capital stock or other equity securities of the Company, whether authorized as of or after the date hereof.
- "Change of Control" means a transaction or series of related transactions in which a person, or a group of related persons, acquires from Shareholders of the Company shares representing more than fifty percent (50%) of the outstanding voting power of the Company.
- "Company Notice" means written notice from the Company notifying the selling Shareholders that the Company intends to exercise its Right of First Refusal as to some or all of the Transfer Stock with respect to any Proposed Shareholder Transfer.
- "Executives" means Douglas A. Larson, the Company's Co-Founder and President; Jeremy S. Martin, the Company's Co-Founder and Vice President of Marketing; Cathleen M. Shoenfeld, the Company's Chief Financial Officer; and Kate Janssen, the Company's Vice President of Sales, each individual being an "Executive".
- "Executive Approval" means unanimous approval of the Executives.
- "Governmental Authority" means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of law), or any arbitrator, court or tribunal of competent jurisdiction.
- "Non-Transferring Shareholder" means any Shareholder not proposing an assignment, sale, offer to sell, pledge, mortgage, hypothecation, encumbrance, disposition of or any other like transfer or encumbering of any Transfer Stock.
- "Non-Transferring Shareholder Notice" means written notice from a Non-Transferring Shareholder notifying the Company and the selling Shareholder that such Non-Transferring Shareholder intends to exercise its Secondary Refusal Right as to a portion of the Transfer Stock with respect to any Proposed Shareholder Transfer.
- "Person" means any individual, firm, corporation, partnership, association, limited liability company, trust or any other entity.

- "Proposed Shareholder Transfer" means any assignment, sale, offer to sell, pledge, mortgage, hypothecation, encumbrance, disposition of or any other like transfer or encumbering of any Transfer Stock (or any interest therein) proposed by any of the Shareholders.
- "Proposed Transfer Notice" means written notice from a Shareholder setting forth the terms and conditions of a Proposed Shareholder Transfer.
- "**Prospective Transferee**" means any person to whom a Shareholder proposes to make a Proposed Shareholder Transfer.
- "Right of Co-Sale" means the right, but not an obligation, of a Non-Transferring Shareholder to participate in a Proposed Shareholder Transfer on the terms and conditions specified in the Proposed Transfer Notice.
- "Right of First Refusal" means the right, but not an obligation, of the Company, or its permitted transferees or assigns, to purchase some or all of the Transfer Stock with respect to a Proposed Shareholder Transfer, on the terms and conditions specified in the Proposed Transfer Notice.
- "Secondary Notice" means written notice from the Company notifying the Shareholder that the Company does not intend to exercise its Right of First Refusal as to all shares of Transfer Stock with respect to any Proposed Shareholder Transfer.
- "Secondary Refusal Right" means the right, but not an obligation, of each non-Transferring Shareholder to purchase up to its pro rata portion (based upon the total number of shares of Capital Stock then held by all Shareholders) of any Transfer Stock not purchased pursuant to the Right of First Refusal, on the terms and conditions specified in the Proposed Transfer Notice.
- "Stock Equivalents" means any option, warrant and any other security or obligation that is by its terms, directly or indirectly, convertible into or exchangeable or exercisable for shares, and any option, warrant or other right to subscribe for, purchase or acquire shares or Stock Equivalents (disregarding any restrictions or limitations on the exercise of such rights).
- "Transfer Stock" means shares of Capital Stock owned by a Shareholder, or issued to a Shareholder after the date hereof (including, without limitation, in connection with any stock split, stock dividend, recapitalization, reorganization, or the like).
- "Undersubscription Notice" means written notice from a Non-Transferring Shareholder notifying the Company and the selling Shareholder that such Non-Transferring Shareholder intends to exercise its option to purchase all or any portion of the Transfer Stock not purchased pursuant to the Right of First Refusal or the Secondary Refusal Right.

### ARTICLE II RIGHT OF FIRST REFUSAL

Section 2.1 <u>Grant.</u> Subject to the terms of Article III below, each Shareholder hereby unconditionally and irrevocably grants to the Company a Right of First Refusal to purchase all or

any portion of Transfer Stock that such Shareholder may propose to transfer in a Proposed Shareholder Transfer, at the same price and on the same terms and conditions as those offered to the Prospective Transferee.

Section 2.2 Notice. Each Shareholder proposing to make a Proposed Shareholder Transfer must deliver a Proposed Transfer Notice to the Company and each Non-Transferring Shareholder not later than forty-five (45) days prior to the consummation of such Proposed Shareholder Transfer. Such Proposed Transfer Notice shall contain the material terms and conditions (including price and form of consideration) of the Proposed Shareholder Transfer, the identity of the Prospective Transferee and the intended date of the Proposed Shareholder Transfer. To exercise its Right of First Refusal under this Section 2, the Company must deliver a Company Notice to the selling Shareholder within fifteen (15) days after delivery of the Proposed Transfer Notice. In the event of a conflict between this Agreement and any other agreement that may have been entered into by a Shareholder with the Company that contains a preexisting right of first refusal, the Company and the Shareholder acknowledge and agree that the terms of this Agreement shall control and the preexisting right of first refusal shall be deemed satisfied by compliance with Sections 2.1 and 2.2.

Section 2.3 Grant of Secondary Refusal Right to Non-Transferring Shareholders. Subject to the terms of Section 3 below, each Shareholder hereby unconditionally and irrevocably grants to the Non-Transferring Shareholders a Secondary Refusal Right to purchase all or any portion of the Transfer Stock not purchased by the Company pursuant to the Right of First Refusal, as provided in this Section 2.3. If the Company does not intend to exercise its Right of First Refusal with respect to all Transfer Stock subject to a Proposed Shareholder Transfer, the Company must deliver a Secondary Notice to the selling Shareholder and to each Non-Transferring Shareholder to that effect no later than fifteen (15) days after the selling Shareholder delivers the Proposed Transfer Notice to the Company. To exercise its Secondary Refusal Right, a Non-Transferring Shareholder must deliver a Non-Transferring Shareholder Notice to the selling Shareholder and the Company within ten (10) days after the Company's deadline for its delivery of the Secondary Notice as provided in the preceding sentence.

<u>Undersubscription of Transfer Stock.</u> If options to purchase have been exercised Section 2.4 by the Company and the Non-Transferring Shareholders with respect to some but not all of the Transfer Stock by the end of the ten (10) day period specified in the last sentence of Section 2.3 (the "Non-Transferring Shareholder Notice Period"), then the Company shall, immediately after the expiration of the Non-Transferring Shareholder Notice Period, send written notice (the "Company Undersubscription Notice") to those Shareholders who fully exercised their Secondary Refusal Right within the Non-Transferring Shareholder Notice Period (the "Exercising **Shareholders**"). Each Exercising Shareholder shall, subject to the provisions of this Section 2.4, have an additional option to purchase all or any part of the balance of any such remaining unsubscribed shares of Transfer Stock on the terms and conditions set forth in the Proposed To exercise such option, an Exercising Shareholder must deliver an Undersubscription Notice to the selling Shareholder and the Company within ten (10) days after the expiration of the Non-Transferring Shareholder Notice Period. If there are two (2) or more such Exercising Shareholders that choose to exercise the last-mentioned option for a total number of remaining shares in excess of the number available, the remaining shares available for purchase under this Section 2.4 shall be allocated to such Exercising Shareholders pro rata based on the number of shares of Transfer Stock such Exercising Shareholders have elected to purchase pursuant to the Secondary Refusal Right (without giving effect to any shares of Transfer Stock that any such Exercising Shareholder has elected to purchase pursuant to the Company Undersubscription Notice). If the options to purchase the remaining shares are exercised in full by the Exercising Shareholders, the Company shall immediately notify all of the Exercising Shareholders and the selling Shareholder of that fact.

Section 2.5 Forfeiture of Rights. Notwithstanding the foregoing, if the total number of shares of Transfer Stock that the Company and the Non-Transferring Shareholders have agreed to purchase in the Company Notice, Non-Transferring Shareholder Notices and Undersubscription Notices is less than the total number of shares of Transfer Stock, then the Company and the Non-Transferring Shareholders shall be deemed to have forfeited any right to purchase such Transfer Stock, and the selling Shareholder shall be free to sell all, but not less than all, of the Transfer Stock to the Prospective Transferee on terms and conditions substantially similar to (and in no event more favorable than) the terms and conditions set forth in the Proposed Transfer Notice, it being understood and agreed that (i) any such sale or transfer shall be subject to the other terms and restrictions of this Agreement; (ii) any future Proposed Shareholder Transfer shall remain subject to the terms and conditions of this Agreement, including this Section 2; and (iii) such sale shall be consummated within seventy-five (75) days after receipt of the Proposed Transfer Notice by the Company and, if such sale is not consummated within such seventy-five (75) day period, such sale shall again become subject to the Right of First Refusal and Secondary Refusal Right on the terms set forth herein.

Section 2.6 <u>Consideration; Closing.</u> If the consideration proposed to be paid for the Transfer Stock is in property, services or other non-cash consideration, the fair market value of the consideration shall be as determined in good faith by the Board and as set forth in the Company Notice. If the Company or any Non-Transferring Shareholder cannot for any reason pay for the Transfer Stock in the same form of non-cash consideration, the Company or such Non-Transferring Shareholder may pay the cash value equivalent thereof, as determined in good faith by the Board and as set forth in the Company Notice. The closing of the purchase of Transfer Stock by the Company and the Non-Transferring Shareholders shall take place, and all payments from the Company and the Non-Transferring Shareholders shall have been delivered to the selling Shareholder, by the later of (i) the date specified in the Proposed Transfer Notice as the intended date of the Proposed Shareholder Transfer; and (ii) forty-five (45) days after delivery of the Proposed Transfer Notice.

## ARTICLE III RIGHT OF CO-SALE

Section 3.1 <u>Exercise of Right.</u> If any Transfer Stock subject to a Proposed Shareholder Transfer is not purchased pursuant to Article II above and thereafter is to be sold to a Prospective Transferee, so long as such Transfer Stock represents at least ten percent (10%) of all issued and outstanding Capital Stock and has received Executive Approval, each respective Non-Transferring Shareholder may elect to exercise its Right of Co-Sale and participate on a pro rata basis in the Proposed Shareholder Transfer as set forth in Section 3.2 below and, subject to Section 2.4, otherwise on the same terms and conditions specified in the Proposed Transfer Notice. Each Non-Transferring Shareholder who desires to exercise its Right of Co-Sale (each, a "Participating").

**Shareholder**") must give the selling Shareholder written notice to that effect within fifteen (15) days after the deadline for delivery of the Secondary Notice described above, and upon giving such notice such Participating Shareholder shall be deemed to have effectively exercised the Right of Co-Sale.

Shares Includable. Each Participating Shareholder may include in the Proposed Shareholder Transfer all or any part of such Participating Shareholder's Capital Stock equal to the product obtained by multiplying (i) the aggregate number of shares of Transfer Stock subject to the Proposed Shareholder Transfer (excluding shares purchased by the Company or the Participating Shareholders pursuant to the Right of First Refusal or the Secondary Refusal Right) by (ii) a fraction, the numerator of which is the number of shares of Capital Stock owned by such Participating Shareholder immediately before consummation of the Proposed Shareholder Transfer (including any shares that such Non-Transferring Shareholder has agreed to purchase pursuant to the Secondary Refusal Right) and the denominator of which is the total number of shares of Capital Stock owned, in the aggregate, by all Participating Shareholders immediately prior to the consummation of the Proposed Shareholder Transfer (including any shares that all Participating Shareholders have collectively agreed to purchase pursuant to the Secondary Refusal Right), plus the number of shares of Transfer Stock held by the selling Shareholder.

Section 3.3 <u>Purchase and Sale Agreement.</u> The Participating Shareholders and the selling Shareholder agree that the terms and conditions of any Proposed Shareholder Transfer in accordance with Article III will be memorialized in, and governed by, a written purchase and sale agreement with the Prospective Transferee (the "**Purchase and Sale Agreement**") with customary terms and provisions for such a transaction, and the Participating Shareholders and the selling Shareholder further covenant and agree to enter into such Purchase and Sale Agreement as a condition precedent to any sale or other transfer in accordance with this Article III.

Section 3.4 <u>Allocation of Consideration.</u> The aggregate consideration payable to the Participating Shareholders and the selling Shareholder shall be allocated based on the number of shares of Capital Stock sold to the Prospective Transferee by each Participating Shareholder and the selling Shareholder as provided in Section 3.2.

Section 3.5 Purchase by Selling Shareholder; Deliveries. Notwithstanding Section 3.3 above, if any Prospective Transferee or Transferees refuse(s) to purchase securities subject to the Right of Co-Sale from any Participating Shareholder or Shareholders or upon the failure to negotiate a Purchase and Sale Agreement satisfactory to the Participating Shareholders, no Shareholder may sell any Transfer Stock to such Prospective Transferee or Transferees unless and until, simultaneously with such sale, such Shareholder purchases all securities subject to the Right of Co-Sale from such Participating Shareholder or Shareholders on the same terms and conditions (including the proposed purchase price) as set forth in the Proposed Transfer Notice and as provided in Section 3.4 In connection with such purchase by the selling Shareholder, such Participating Shareholder or Shareholders shall deliver to the selling Shareholder any stock certificate or certificates, properly endorsed for transfer, representing the Capital Stock being purchased by the selling Shareholder (or request that the Company effect such transfer in the name of the selling Shareholder). Any such shares transferred to the selling Shareholder will be transferred to the Prospective Transferee against payment therefor in consummation of the sale of the Transfer Stock pursuant to the terms and conditions specified in the Proposed Transfer Notice,

and the selling Shareholder shall concurrently therewith remit or direct payment to each such Participating Shareholder the portion of the aggregate consideration to which each such Participating Shareholder is entitled by reason of its participation in such sale as provided in this Section 3.5.

Section 3.6 <u>Additional Compliance.</u> If any Proposed Shareholder Transfer is not consummated within seventy-five (75) days after receipt of the Proposed Transfer Notice by the Company, the Shareholders proposing the Proposed Shareholder Transfer may not sell any Transfer Stock unless they first comply in full with each provision of these Articles II, III and IV. The exercise or election not to exercise any right by any Non-Transferring Shareholder hereunder shall not adversely affect its right to participate in any other sales of Transfer Stock subject to this Article III.

## ARTICLE IV EFFECT OF FAILURE TO COMPLY

Section 4.1 <u>Transfer Void; Equitable Relief.</u> Any Proposed Shareholder Transfer not made in compliance with the requirements of this Agreement shall be null and void *ab initio*, shall not be recorded on the books of the Company or its transfer agent and shall not be recognized by the Company. Each party hereto acknowledges and agrees that any breach of this Agreement would result in substantial harm to the other parties hereto for which monetary damages alone could not adequately compensate. Therefore, the parties hereto unconditionally and irrevocably agree that any non-breaching party hereto shall be entitled to seek protective orders, injunctive relief and other remedies available at law or in equity (including, without limitation, seeking specific performance or the rescission of purchases, sales and other transfers of Transfer Stock not made in strict compliance with this Agreement).

Section 4.2 <u>Violation of First Refusal Right.</u> If any Shareholder becomes obligated to sell any Transfer Stock to the Company or any Non-Transferring Shareholder under this Agreement and fails to deliver such Transfer Stock in accordance with the terms of this Agreement, the Company and/or such Non-Transferring Shareholder may, at its option, in addition to all other remedies it may have, send to such Shareholder the purchase price for such Transfer Stock as is herein specified and transfer to the name of the Company or such Non-Transferring Shareholder (or request that the Company effect such transfer in the name of a Non-Transferring Shareholder) on the Company's books any certificates, instruments, or book entry representing the Transfer Stock to be sold.

Section 4.3 <u>Violation of Co-Sale Right.</u> If any Shareholder purports to sell any Transfer Stock in contravention of the Right of Co-Sale (a "**Prohibited Transfer**"), each Non-Transferring Shareholder who desires to exercise its Right of Co-Sale under Article III may, in addition to such remedies as may be available by law, in equity or hereunder, require such Shareholder to purchase from such Non-Transferring Shareholder the type and number of shares of Capital Stock that such Non-Transferring Shareholder would have been entitled to sell to the Prospective Transferee had the Prohibited Transfer been effected in compliance with the terms of Article III. The sale will be made on the same terms, including, without limitation, as provided in Section 3.4, as applicable, and subject to the same conditions as would have applied had the Shareholder not made the Prohibited Transfer, except that the sale (including, without limitation, the delivery of the purchase

price) must be made within ninety (90) days after the Non-Transferring Shareholder learns of the Prohibited Transfer, as opposed to the timeframe proscribed in Article III. Such Shareholder shall also reimburse each Non-Transferring Shareholder for any and all reasonable and documented out-of-pocket fees and expenses, including reasonable legal fees and expenses, incurred pursuant to the exercise or the attempted exercise of the Non-Transferring Shareholder's rights under Article III.

#### ARTICLE V Exempt Transfers

Section 5.1 Exempted Transfers. Notwithstanding the foregoing or anything to the contrary herein, the provisions of Articles II, III and IV shall not apply (a) in the case of a Shareholder that is an entity, upon a transfer by such Shareholder to its shareholders, members, partners or other equity holders, (b) to a repurchase of Transfer Stock from a Shareholder by the Company at a price and pursuant to an agreement approved by the Board, (c) in the case of a Shareholder that is a natural person, upon a transfer of Transfer Stock by such Shareholder made for bona fide estate planning purposes, either during his or her lifetime or on death by will or intestacy to his or her spouse, parent, sibling, child (natural or adopted), or any other direct lineal descendant of such Shareholder (or his or her spouse), such Shareholder's parent or such Shareholder's sibling (all of the foregoing collectively referred to as "Family Members"), or any other person approved by the Board, or any custodian or trustee of any trust, partnership or limited liability company for the benefit of, or the ownership interests of which are owned wholly by such Shareholder or any such Family Members or (d) in the case of Douglas A. Larson and/or Jeremy S. Martin, with respect to their Securities and Instruments Pledge Agreement with Cobiz Bank and their Capital Stock pledged thereunder; provided that in the case of clause(s) (a) or (c), the Shareholder shall deliver prior written notice to the Non-Transferring Shareholders of such pledge, gift or transfer and such shares of Transfer Stock shall at all times remain subject to the terms and restrictions set forth in this Agreement and such transferee shall, as a condition to such issuance, deliver a counterpart signature page to this Agreement as confirmation that such transferee shall be bound by all the terms and conditions of this Agreement as a Shareholder (but only with respect to the securities so transferred to the transferee), including the obligations of a Shareholder with respect to Proposed Shareholder Transfers of such Transfer Stock pursuant to Articles II, III and IV; and provided further in the case of any transfer pursuant to clause (a) or (c) above, that such transfer is made pursuant to a transaction in which there is no consideration actually paid for such transfer.

Section 5.2 <u>Prohibited Transferees</u>. Notwithstanding the foregoing, no Shareholder may transfer any Transfer Stock to (a) any entity which, in the determination of the Company's Board, directly or indirectly competes with the Company; or (b) any customer, distributor or supplier of the Company, if the Company's Board should determine that such transfer would result in such customer, distributor or supplier receiving information that would place the Company at a competitive disadvantage with respect to such customer, distributor or supplier and no Executive or director and no assignee of any Capital Stock now or hereafter owned by an Executive or director may transfer or acquire any Capital Stock except pursuant to the provisions of Section 5.1 (c) and (d) without first obtaining Executive Approval. Any purported or attempted transfer in violation of this Section 5.2 shall be null and void and of no force or effect and shall not be recognized by the Company or its transfer agent.

#### ARTICLE VI Drag-Along Right

- Section 6.1 <u>Actions to be Taken.</u> If the (i) the holders of at least a majority of the shares of Common Stock then issued (the "Controlling Shareholders") and the Board approve a Change of Control in writing, specifying that this Article VI shall apply to such transaction, then each Shareholder and the Company hereby agree:
- (a) if such transaction requires Shareholder approval, with respect to all Shares that such Shareholder owns or over which such Shareholder otherwise exercises voting power, to vote (in person, by proxy or by action by written consent, as applicable) all Shares in favor of, and adopt, such Change of Control (together with any related amendment to the Articles of Incorporation required in order to implement such Change of Control) and to vote in opposition to any and all other proposals that could delay or impair the ability of the Company to consummate such Change of Control;
- (b) to sell the same proportion of shares of Capital Stock beneficially held by such Shareholder as is being sold by the Controlling Shareholders to the Person to whom the Controlling Shareholders propose to sell their shares, and, except as permitted in Section 6.2 below, on the same terms and conditions as the Controlling Shareholders;
- (c) to execute and deliver all related documentation and take such other action in support of the Change of Control as shall reasonably be requested by the Company or the Selling Shareholders in order to carry out the terms and provision of this Article VI, including, without limitation, executing and delivering instruments of conveyance and transfer, and any purchase agreement, merger agreement, indemnity agreement, escrow agreement, consent, waiver, governmental filing, share certificates duly endorsed for transfer (free and clear of impermissible liens, claims and encumbrances), and any similar or related documents;
- (d) not to deposit, and to cause their Affiliates not to deposit, except as provided in this Agreement, any Capital Stock owned by such party or Affiliate in a voting trust or subject any shares to any arrangement or agreement with respect to the voting of such shares, unless specifically requested to do so by the acquiror in connection with the Change of Control;
- (e) to refrain from exercising any dissenters' rights or rights of appraisal under Applicable Law at any time with respect to such Change of Control;
- (f) if the consideration to be paid in exchange for the shares pursuant to Article VI includes any securities and due receipt thereof by any Shareholder would require under Applicable Law (x) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities; or (y) the provision to any Shareholder of any information other than such information as a prudent issuer would generally furnish in an offering made solely to "accredited investors" as defined in Regulation D promulgated under the Securities Act of 1933 as amended (the "Securities Act"), the Company may cause to be paid to any such Shareholder in lieu thereof, against surrender of the shares which would have otherwise been sold by such Shareholder, an amount in cash equal to the fair value (as determined in good faith by the

Company) of the securities which such Shareholder would otherwise receive as of the date of the issuance of such securities in exchange for the shares; and

- if the Controlling Shareholders, in connection with such Change of Control, appoint a shareholder representative (the "Shareholder Representative") with respect to matters affecting the Shareholders under the applicable definitive transaction agreements following consummation of such Change of Control, (x) to consent to (i) the appointment of such Shareholder Representative, (ii) the establishment of any applicable escrow, expense or similar fund in connection with any indemnification or similar obligations, and (iii) the payment of such Shareholder's pro rata portion (from the applicable escrow or expense fund or otherwise) of any and all reasonable fees and expenses to such Shareholder Representative in connection with such Shareholder Representative's services and duties in connection with such Change of Control and its related service as the representative of the Shareholders, and (y) not to assert any claim or commence any suit against the Shareholder Representative or any other Shareholder with respect to any action or inaction taken or failed to be taken by the Shareholder Representative in connection with its service as the Shareholder Representative, absent fraud or willful misconduct.
- Section 6.2 <u>Exceptions.</u> Notwithstanding the foregoing, a Shareholder will not be required to comply with Section 6.1 above in connection with any proposed Change of Control (the "**Proposed Change of Control**"), unless:
- (a) the liability for indemnification, if any, of such Shareholders in the Proposed Change of Control and for the inaccuracy of any representations and warranties made by the Company or its Shareholders in connection with such Proposed Change of Control, is several and not joint with any other Person (except to the extent that funds may be paid out of an escrow established to cover breach of representations, warranties and covenants of the Company as well as breach by any Shareholder of any of identical representations, warranties and covenants provided by all Shareholders), and is pro rata in proportion to, and does not exceed, the amount of consideration paid to such Shareholder in connection with such Proposed Change of Control;
- (b) upon the consummation of the Proposed Change of Control (i) each Shareholder will receive the same form of consideration for their shares as is received by other Shareholders, provided, however, that, notwithstanding the foregoing, if the consideration to be paid in exchange for the shares, as applicable, pursuant to this Subsection 6.2 (b) includes any securities and due receipt thereof by any Shareholder would require under Applicable Law (x) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities; or (y) the provision to any Shareholder of any information other than such information as a prudent issuer would generally furnish in an offering made solely to "accredited investors" as defined in Regulation D promulgated under the Securities Act, the Company may cause to be paid to any such Shareholder in lieu thereof, against surrender of the Shareholder's shares, as applicable, which would have otherwise been sold by such Shareholder, an amount in cash equal to the fair value (as determined in good faith by the Company) of the securities which such Shareholder would otherwise receive as of the date of the issuance of such securities in exchange for their shares, as applicable; and
- (c) subject to clause (b) above, requiring the same form of consideration to be available to all Shareholders, if any holders of any Capital Stock are given an option as to the form

and amount of consideration to be received as a result of the Proposed Change of Control, all holders of such Capital Stock will be given the same option; provided, however, that nothing in this Subsection 6.2(c) shall entitle any holder to receive any form of consideration that such holder would be ineligible to receive as a result of such holder's failure to satisfy any condition, requirement or limitation that is generally applicable to the Company's Shareholders.

### ARTICLE VII Voting Provisions

- Section 7.1 <u>Size of the Board.</u> Each Shareholder agrees to vote, or cause to be voted, all shares owned by such Shareholder, or over which such Shareholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to ensure that the size of the Board shall be set and remain at six (6) directors and may be increased only with Executive Approval.
- Section 7.2 <u>Board Composition.</u> Each Shareholder agrees to vote, or cause to be voted, all Shares owned by such Shareholder, or over which such Shareholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to ensure that at each annual or special meeting of Shareholders at which an election of directors is held or pursuant to any written consent of the Shareholders, the following persons shall be elected to the Board:
- (a) Two persons nominated by the Board, which individuals shall initially be Jane S. Miller and J. Ross Colbert; and
- (b) Each of the Executives or if an Executive is unwilling to serve as a director, as reflected in a written notice to the Board or because he or she has died or been declared legally incapacitated, a person nominated by the Board as a substitute for such person.
- Section 7.3 <u>Failure to Designate a Board Member.</u> In the absence of any designation from the Persons with the right to designate a director as specified above, the director previously designated by them and then serving shall be reelected if still eligible to serve as provided herein.
- Section 7.4 <u>Removal of Board Members.</u> Each Shareholder also agrees to vote, or cause to be voted, all Shares owned by such Shareholder, or over which such Shareholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to ensure that:
- (a) no director elected pursuant to this Agreement may be removed from office other than for cause unless such removal is directed by all Executives or receives Executive Approval;
- (b) any vacancies created by the resignation, removal or death of a director elected pursuant to this Agreement shall be filled pursuant to the provisions of this Article VII; and
- (c) upon the request of any party entitled to designate a director as provided in Section 7.2 to remove such director, such director shall be removed.

All Shareholders agree to execute any written consents required to perform the obligations of this Agreement, and the Company agrees at the request of any party entitled to designate directors to call a special meeting of Shareholders for the purpose of electing directors.

- Section 7.5 No Liability for Election of Recommended Directors. No Shareholder, nor any Affiliate of any Shareholder, shall have any liability as a result of designating a person for election as a director for any act or omission by such designated person in his or her capacity as a director of the Company, nor shall any Shareholder have any liability as a result of voting for any such designee in accordance with the provisions of this Agreement.
- Section 7.6 No "Bad Actor" Designees. Each party with the right to designate or participate in the designation of a director as specified above hereby represents and warrants to the Company that, to such party's knowledge, none of the "bad actor" disqualifying events described in Rule 506(d)(1)(i)-(viii) promulgated under the Securities Act (each, a "Disqualification Event"), is applicable to such party's initial designee named above except, if applicable, for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) is applicable. Any director designee to whom any Disqualification Event is applicable, except for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) is applicable, is hereinafter referred to as a "Disqualified **Designee**". Each party with the right to designate or participate in the designation of a director as specified above hereby covenants and agrees (A) not to designate or participate in the designation of any director designee who, to such party's knowledge, is a Disqualified Designee and (B) that if such party becomes aware that any individual previously designated by any such party is or has become a Disqualified Designee, such party shall as promptly as practicable take such actions as are necessary to remove such Disqualified Designee from the Board and designate a replacement designee who is not a Disqualified Designee.

## ARTICLE VIII MISCELLANEOUS

- Section 8.1 <u>Representations and Warranties.</u> Each Shareholder, severally and not jointly, represents and warrants to the Company that:
- (a) This Agreement constitutes the legal, valid and binding obligation of such Shareholder, enforceable against such Shareholder in accordance with its terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law). The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, require no action by or in respect of, or filing with, any Governmental Authority;
- (b) Except for this Agreement, such Shareholder has not entered into or agreed to be bound by any other agreements or arrangements of any kind with any other party with respect to any Capital Stock or Stock Equivalents of the Company, including agreements or arrangements with respect to the acquisition or disposition of any such Capital Stock or Stock Equivalents or any interest therein or the voting of any Capital Stock or Stock Equivalents (whether or not such agreements and arrangements are with the Company or any other Shareholder);
- (c) Subject to the other provisions of this Agreement, the representations and warranties contained herein shall survive the date of this Agreement and shall remain in full force

and effect for the full period of all applicable statutes of limitations (giving effect to any waiver, mitigation or extension thereof);

- (d) Such Shareholder has had the opportunity to consult with its independent attorney(s) and/or tax advisor(s) prior to the execution of this Agreement. Further, such Shareholder hereby acknowledges and agrees that (i) the Company retained Fortis Law Partners LLC ("Fortis") to represent the Company in connection with this Agreement and transactions contemplated hereby; (ii) Fortis has not, and is not currently, representing any Shareholders other than the Company; (iii) no current or future conflicts of interest may be asserted on the basis of the services rendered by Fortis in connection with this Agreement, such conflicts being hereby waived; (iv) Fortis shall be permitted to represent the Company in connection with any matter whatsoever, now or in the future, including but not limited to any litigation with a Shareholder or their Affiliates; and (v) each Shareholder hereby waives any conflicts of interest that may arise in connection with any or all of the foregoing.
- Section 8.2 <u>Further Assurances.</u> In connection with this Agreement and the transactions contemplated hereby, the Company and each Shareholder hereby agrees, at the request of the Company or any other Shareholder, to execute and deliver such additional documents, instruments, conveyances and assurances and to take such further actions as may be required to carry out the provisions hereof and give effect to the transactions contemplated hereby and to otherwise carry out the intent of the parties hereunder.
- Section 8.3 <u>Notices.</u> All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent from 8:00 a.m. to 5:00 p.m. Mountain Time ("**Business Hours**"), and on the next Business Day if sent after Business Hours; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or to such other address that may be designated by a party from time to time in accordance with this Section):

If to the Company: Eldorado Artesian Springs, Inc.

1783 Dogwood Street Lakewood, CO 80027 Fax: (303) 499-1339

E-mail: doug@eldoradosprings,com Attention: Doug Larson, President

If to Shareholders: At the address indicated for each Shareholder in

the Company's books and Records.

with a copy to:

Fortis Law Partners LLC 1900 Wazee St. Suite 300 Denver, Colorado 80202 Fax: (303) 567 - 8989

E-mail: JHerzog@fortislawpartners.com

Attention: Julie Herzog

Section 8.4 <u>Headings.</u> The headings in this Agreement are inserted for convenience or reference only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Agreement or any provision of this Agreement.

Section 8.5 <u>Severability.</u> Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision of this Agreement shall be held to be prohibited by or invalid under Applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 8.6 <u>Entire Agreement.</u> This Agreement constitutes the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

Section 8.7 <u>Successors and Assigns; Beneficiaries.</u> This Agreement is for the sole benefit of the parties hereto (and their respective heirs, executors, administrators, successors and assigns) and nothing herein, express or implied, is intended to or shall confer upon any other Person, including any creditor of the Company, any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto. The Executive Approval rights set forth herein are personal to each individual, and if such individual dies or becomes incapacitated, such rights shall terminate immediately.

Section 8.9 <u>Amendment.</u> No provision of this Agreement, other than Schedule A hereto, which shall be updated by the Company from time to time without any action or approval by any shareholder, may be amended or modified except by an instrument in writing executed by the Company and approved by Shareholders holding a majority of Shares. Any such written amendment or modification will be binding upon the Company and each Shareholder.

Section 8.10 <u>Waiver</u>. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 8.11 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado. Each of the parties hereto irrevocably consents to the exclusive jurisdiction and venue of any federal or state court within Denver County, State of Colorado in connection with any matter based upon or arising out of this Agreement, agrees that process may be served upon it in any manner authorized by the laws of the State of Colorado for such persons and waives and covenants not to assert or plead any objection that they might otherwise have to jurisdiction, venue and such process. Each party agrees not to commence any legal proceedings based upon or arising out of this Agreement except in such courts.

Section 8.12 <u>Waiver of Jury Trial.</u> Each party hereto hereby acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues and, therefore, each such party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Agreement or the transactions contemplated hereby.

Section 8.13 <u>Equitable Remedies.</u> Each party hereto acknowledges that a breach or threatened breach by such party of any of its obligations under this Agreement would give rise to irreparable harm to the other parties, for which monetary damages may not be an adequate remedy, and hereby agrees that in the event of a breach or a threatened breach by such party of any such obligations, each of the other parties hereto shall, in addition to any and all other rights and remedies that may be available to them in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction (without any requirement to post bond).

Section 8.14 <u>Attorneys' Fees.</u> If any party hereto institutes any legal suit, action or proceeding, including arbitration, against another party in respect of a matter arising out of or relating to this Agreement, the prevailing party (as determined by the court or arbiter) in the suit, action or proceeding shall be entitled to receive, in addition to all other damages to which it may be entitled, the costs incurred by such party in conducting the suit, action or proceeding, including reasonable attorneys' fees and expenses and court costs.

Section 8.15 <u>Remedies Cumulative.</u> The rights and remedies under this Agreement are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise.

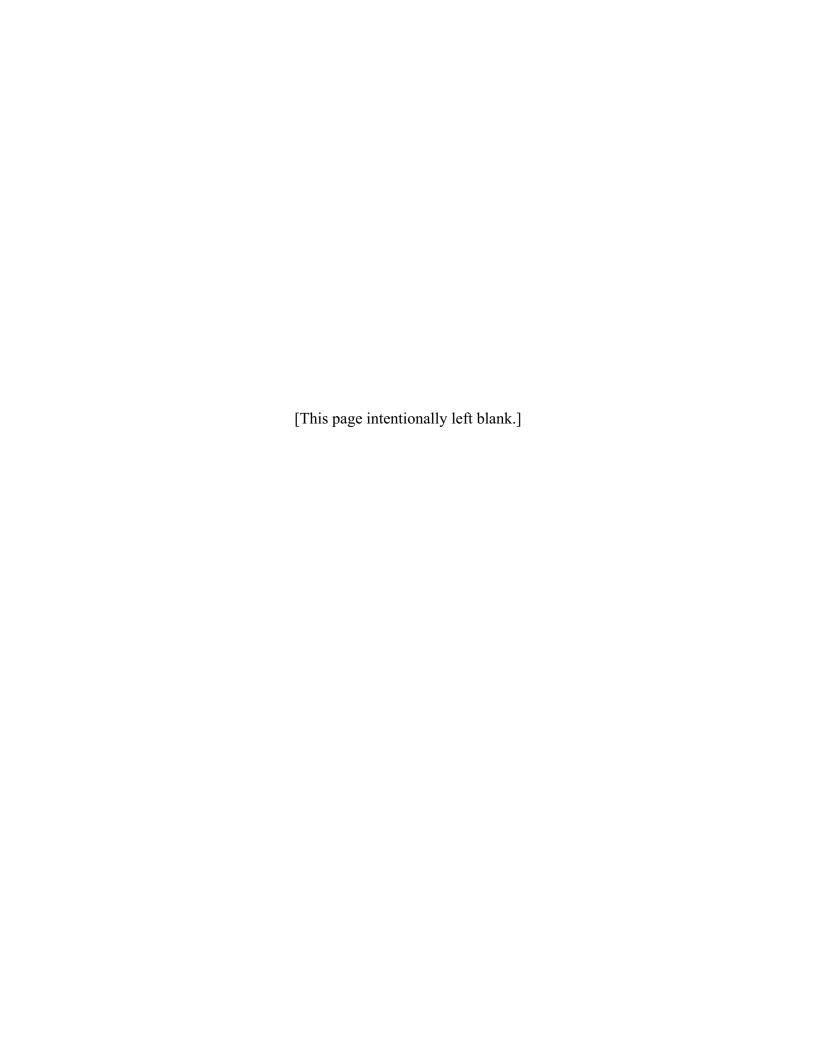
Section 8.16 <u>Legend.</u> In addition to any other legend required by Applicable Law, all certificates representing issued and outstanding Capital Stock shall bear a legend substantially in the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A SHAREHOLDERS AGREEMENT AMONG THE COMPANY AND ITS SHAREHOLDERS, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICE OF THE COMPANY. NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF SUCH SHAREHOLDERS AGREEMENT.

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED EXCEPT (A) PURSUANT TO A REGISTRATION STATEMENT EFFECTIVE UNDER SUCH ACT AND LAWS, OR (B) PURSUANT TO AN EXEMPTION FROM REGISTRATION THEREUNDER.

Section 8.17 <u>Counterparts.</u> This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

# Exhibit D

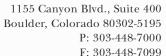


Financial Statements and Independent Auditors' Report March 31, 2016 and 2015



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#### INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders Eldorado Artesian Springs, Inc. Louisville, Colorado

We have audited the accompanying financial statements of Eldorado Artesian Springs, Inc., which are comprised of the balance sheets as of March 31, 2016 and 2015, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

#### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors and Stockholders Eldorado Artesian Springs, Inc. Page Two

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **OPINION**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eldorado Artesian Springs, Inc. as of March 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

EKS+H LLLP

EKS&H LLLP

May 31, 2016 Boulder, Colorado

# **Balance Sheets**

	March 31,			
		2016		2015
Assets				
Current assets			_	
Cash	\$	1,116,799	\$	1,050,655
Accounts receivable - trade, net		1,604,484		1,643,740
Inventories		485,789		450,041
Prepaid expenses and other		68,076		56,332
Total current assets		3,275,148		3,200,768
Non-current assets				
Property, plant and equipment, net		3,909,663		3,732,498
Investments		361,196		361,196
Water rights		71,675		71,675
Deposits		20,384		20,384
Deferred tax assets		78,806		44,470
Other, net		68,614		109,545
Total non-current assets		4,510,338		4,339,768
Total assets	\$	7,785,486	\$	7,540,536
Liabilities and Stockholders'	Eauity			
Current liabilities	1 3			
Line-of-credit	\$	750,000	\$	_
Accounts payable		320,211		359,643
Accrued expenses		405,345		398,605
Income taxes payable		202,828		138,914
Customer deposits		145,066		146,639
Current portion of capital lease obligations		165,441		91,860
Current portion of long-term debt		93,437		188,654
Total current liabilities		2,082,328		1,324,315
Non-current liabilities				
Deferred tax liability		140,496		147,805
Capital lease obligations, less current portion		205,602		68,771
Long-term debt, less current portion		2,397,324		3,719,369
Total non-current liabilities		2,743,422		3,719,309
Total liabilities		4,825,750		5,260,260
		4,023,730		3,200,200
Commitments and contingencies				
Stockholders' equity				
Preferred stock, par value \$0.001 per share; 10,000,000 shares				
authorized; zero shares issued and outstanding		-		-
Common stock, par value \$0.001 per share; 50,000,000 shares				
authorized; 6,036,091 shares issued and outstanding		6,036		6,036
Additional paid-in capital		1,693,738		1,693,738
Retained earnings		1,259,962		580,502
Total stockholders' equity		2,959,736		2,280,276
Total liabilities and stockholders' equity	\$	7,785,486	\$	7,540,536

See notes to financial statements.

# **Statements of Income**

	For the Years Ended March 31,			
		15		
Revenues				
Water and related, net	\$ 13,721,288 \$ 12,4	197,850		
Resort operations		170,381		
Total revenues	13,949,301 12,6	568,231		
Cost of goods sold	3,525,609 3,1	182,997		
Gross profit	10,423,692 9,4	185,234		
Operating expenses				
Salaries and related expenses	4,747,454 4,2	208,275		
Administrative and general	2,457,459 2,2	267,421		
Delivery	1,079,642 1,0	90,900		
Advertising and promotions	220,364	259,194		
Depreciation and amortization	672,594	577,267		
Total operating expenses	9,177,513 8,4	103,057		
Income from operations	1,246,179 1,0	)82,177		
Other income (expense)				
Interest income	1,802	1,508		
Interest expense	(241,196) (2	<u>215,395</u> )		
Total other expense	(239,394)	213,887)		
Income before income taxes	1,006,785	368,290		
Income tax (expense) benefit				
Current	(368,970) (2)	224,271)		
Deferred	41,645	(73,833)		
Total income tax expense	(327,325) (2	<u>298,104</u> )		
Net income	\$ 679,460 \$ 5	570,186		

# Statement of Changes in Stockholders' Equity For the Years Ended March 31, 2016 and 2015

				1	Additional				Total
	Commo	on S	Stock		Paid-in		Retained	St	tockholders'
	Shares		Amount		Capital		Earnings		Equity
Balance - March 31, 2014	6,036,091	\$	6,036	\$	1,693,738	\$	10,316	\$	1,710,090
Net income				_		_	570,186	_	570,186
Balance - March 31, 2015	6,036,091		6,036		1,693,738		580,502		2,280,276
Net income		_		_		_	679,460	_	679,460
Balance - March 31, 2016	6,036,091	\$	6,036	\$	1,693,738	\$	1,259,962	\$	2,959,736

See notes to financial statements.

#### **Statements of Cash Flows**

	For the Years Ended March 31,			
		2016		2015
Cash flows from operating activities				
Net income	\$	679,460	\$	570,186
Adjustments to reconcile net income to net cash provided by				
operating activities				
Depreciation and amortization		672,594		577,267
Deferred income taxes		(41,645)		73,833
Changes in assets and liabilities				
Accounts receivable		39,256		(322,410)
Inventories		(35,748)		(72,134)
Prepaid expenses and other		(12,755)		38,781
Accounts payable		(39,432)		(92,851)
Accrued expenses		6,740		37,579
Income taxes payable		63,914		196,271
Customer deposits		(1,573)		39,448
Net cash provided by operating activities		1,330,811		1,045,970
Cash flows from investing activities				
Purchases of property and equipment		(427,597)		(369,228)
Proceeds from line-of-credit		750,000		
Net cash provided by (used in) investing activities		322,403	_	(369,228)
Cash flows from financing activities				
Payments on long-term debt		(1,417,262)		(205,858)
Payments on capital lease obligations		(169,808)		(94,688)
Net cash used in financing activities		(1,587,070)		(300,546)
Net increase in cash		66,144		376,196
Cash - beginning of year		1,050,655		674,459
Cash - end of year	\$	1,116,799	\$	1,050,655

# Supplemental disclosure of cash flow information:

Cash paid for interest for the years ended March 31, 2016 and 2015 was \$241,196 and \$215,395, respectively.

Cash paid for income taxes for the years ended March 31, 2016 and 2015 was approximately \$300,000 and \$28,000, respectively.

# Supplemental disclosure of non-cash activity:

The Company acquired \$380,220 and \$99,349 for the years ended March 31, 2016 and 2015, respectively, in equipment through capital leases.

See notes to financial statements.

#### **Notes to Financial Statements**

## Note 1 - Description of Business and Summary of Significant Accounting Policies

Eldorado Artesian Springs, Inc. (the "Company") is a Colorado corporation that primarily sells bottled Artesian spring water from springs located in Eldorado Springs, Colorado, and rents water dispensers. The Company sells coffee products and rents coffee equipment to customers. The Company also sells a line of Organic Vitamin Charged Spring Water to retail stores. During the summer months, the Company operates a natural Artesian spring pool. The Company's bottling and distribution facility is located in Louisville, Colorado.

On April 20, 2015, the Board of Directors of the Company approved and authorized the Company to terminate the registration of its common stock and suspend its reporting obligations under Sections 12(g) and 15(d), respectively, of the Securities Exchange Act of 1934, as amended. The Company filed a Form 15 with the U.S. Securities and Exchange Commission (the "SEC") to effect this termination on April 30, 2015, and the deregistration was effective 90 days after the filing of the Form 15.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. At March 31, 2016 and 2015, the Company had no cash equivalents. As of the balance sheet date and periodically throughout the year, the Company's cash accounts exceeded federally insured limits.

#### Accounts Receivable

The Company extends unsecured credit to its customers in the ordinary course of business. The Company considers a reserve for doubtful accounts based on the creditworthiness of the customer. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Company on an ongoing basis.

#### Concentrations of Credit Risk

The Company grants credit in the normal course of business to customers located primarily in Colorado. The Company periodically performs credit analysis and monitors the financial condition of its customers to reduce credit risk.

#### **Notes to Financial Statements**

## Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

#### Inventories

Inventories consist of direct costs, which are primarily made up of water bottles and packaging, and are stated at the lower of cost or market, determined using the first-in, first-out method.

### Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Machinery, equipment, furniture, and fixtures are depreciated using various methods over their estimated useful lives, ranging from 3 to 10 years. Buildings and improvements are depreciated using the straight-line method over the estimated useful lives for owned assets, ranging from 15 to 39 years. Depreciable lives on leasehold improvements are the shorter of the lease term or the useful life. Capital leased assets amortize over the shorter of the estimated useful life or related lease term.

#### Investments

The Company owns investments of capital stock in an investee. This investment entitles the Company to an equal pro rata share of this investee's irrigation system. As the ownership represents less than 20% ownership of the Company, the value of this investment is stated at cost and evaluated for impairment if there are indications of such.

#### Water Rights

Water rights are recorded at cost. As water rights have an indefinite life, no amortization is recognized.

#### Deposits

Deposits consist primarily of deposits related to the purchase of equipment.

#### Other Assets

Other assets consist of loan fees and other costs, which have been recorded at cost and are being amortized using the effective interest method over the term of the loan. The Company expects to amortize approximately \$18,500 each year for the next two years.

### **Long-Lived Assets**

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. No impairments were deemed necessary during the fiscal years 2016 and 2015.

#### **Notes to Financial Statements**

## Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

### Revenue Recognition

The Company recognizes revenue on the sale of products as customer shipments are made. Returns are estimated and recorded at the time of sale. Rental revenue is recognized on a monthly basis upon commencement of the lease agreement. Water utility revenue is recognized on a monthly basis based upon the monthly contracted rate.

The Company recognizes certain promotional expenses as a reduction in revenues. These costs include off-invoice discounts to resellers and promotions for customers.

## **Shipping Costs**

Shipping costs for materials used in the final products are included in the cost of goods. Shipping costs for products delivered to customers are included in operating expenses.

#### Income Taxes

The Company recognizes deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years.

The Company prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return.

## **Advertising Costs**

The Company expenses advertising costs as incurred. Advertising expense for the years ended March 31, 2016 and 2015 was \$220,364 and \$259,194, respectively.

#### **Customer Deposits**

Customer deposits consist primarily of deposits on bottles and equipment.

### Fair Value of Financial Instruments

The carrying amount of financial instruments, including cash, receivables, accounts payable, and accrued expenses, approximated fair value as of March 31, 2016 because of the relatively short maturity of these instruments. The carrying amount of long-term debt issued approximates fair value as of March 31, 2016 because interest rates on these instruments approximate market interest rates.

#### Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

#### **Notes to Financial Statements**

## Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

### **Stock-Based Compensation**

At March 31, 2015, all of the outstanding stock options were fully vested. During the 2016 fiscal year, as part of the deregistration with the SEC, the Company repurchased all of the outstanding stock options for approximately \$7,000.

### Subsequent Events

The Company has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available for issuance. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

March 31

2015

2016

### **Note 2 - Balance Sheet Disclosures**

Accounts receivable are summarized as follows:

Accounts receivable Allowance for doubtful accounts	\$ 1,724,484 (120,000)	\$	1,763,740 (120,000)
	\$ 1,604,484	\$	1,643,740
Property and equipment are summarized as follows:			
	Marc	h 31	l,
	2016		2015
Machinery and equipment	\$ 7,039,086	\$	6,545,792
Buildings and improvements	4,714,021		4,634,662
Land	1,000,263		1,000,263
Office furniture and fixtures	562,388		390,224
CRM/ERP system	 283,807		220,807
	13,599,565		12,791,748
Less accumulated depreciation	 (9,689,902)	_	(9,059,250)
	\$ 3,909,663	\$	3,732,498

Depreciation expense for the years ended March 31, 2016 and 2015 was \$630,652 and \$558,465, respectively.

#### **Notes to Financial Statements**

# Note 2 - Balance Sheet Disclosures (continued)

Accrued expenses consist of the following:

	March 31,			
		2016		2015
Accrued property taxes Accrued payroll and taxes Accrued sales taxes	\$	162,420 75,375 43,992	\$	169,971 185,843 42,791
Accrued vacation		123,558	_	
	\$	405,345	\$	398,605

#### Note 3 - Line-of-Credit

The Company has a line-of-credit with ANB Bank in the amount of \$750,000. The line-of-credit is subject to certain borrowing base requirements and requires monthly interest payments calculated at prime rate plus 1.00% with a minimum rate of 4.50% (5.88% as of March 31, 2016). The borrowing base was \$750,000 as of March 31, 2016. The line includes certain reporting and financial covenants, is cross collateralized by accounts receivable and inventory of the Company, and is guaranteed by two Company executives, who are also directors of the Company. The line has a maturity date of December 27, 2016. As of March 31, 2016 and 2015, the outstanding balance on the line-of-credit was \$750,000 and \$0, respectively.

#### Note 4 - Capital Leases

The Company has acquired assets under the provisions of long-term leases. For financial reporting purposes, minimum lease payments relating to the assets have been capitalized. The leases expire between April 25, 2016 and January 27, 2019. Amortization of the leased property is included in depreciation expense.

The assets under capital lease have cost and accumulated amortization as follows as of March 31, 2016:

Cost	\$ 723,606
Less accumulated amortization	 (352,563)
	\$ 371,043

### **Notes to Financial Statements**

# Note 4 - Capital Leases (continued)

Maturities of capital lease obligations are as follows:

# Year Ending March 31,

2017	\$ 198,932
2018	164,822
2019	57,751
Total minimum lease payments	421,505
Amount representing interest	(50,462)
Present value of net minimum lease payments	371,043
Less current portion	(165,441)
Long-term capital lease obligations	\$ 205,602

# Note 5 - Long-Term Debt

Long-term debt consists of:

	March 31,			
		2016		2015
Note payable to a bank with interest fixed at 5.0% until February 2017, at which time the interest rate may change. The note calls for monthly principal and interest payments of \$17,690 with unpaid principal and interest due February 2, 2022. The note is cross-collateralized with the line-of-credit and backed by substantially all assets of the Company and guaranteed by two Company executives, who are also directors of the Company, and a previous director and officer of the Company. The note is subject to certain restrictive covenants.	\$	2,484,788	\$	2,568,417
Note payable to a bank with interest fixed at 6.0% until maturity in May 2017. The note calls for monthly principal and interest payments of \$444. The note is cross-collateralized with the line-of-credit and backed by substantially all assets of the Company and is guaranteed by two Company executives, who are also directors of the Company, and a previous director and officer of the Company.		5,973		10,396
Note payable to a bank paid in-full during fiscal year 2016.		-		1,289,506
Note payable to a bank and vendor agreement paid in-full during fiscal year 2016.  Less current portion		2,490,761 (93,437)		39,704 3,908,023 (188,654)
	\$	2,397,324	\$	3,719,369

#### **Notes to Financial Statements**

## Note 5 - Long-Term Debt (continued)

Maturities of long-term obligations are as follows:

## Year Ending March 31.

2017	\$ 93,43	7
2018	93,77	1
2019	97,730	0
2020	102,80	1
2021	108,13:	5
Thereafter	1,994,88	7
	Φ 2 400 76	1
	<u>\$ 2,490,76</u>	Ī

### **Note 6 - Income Taxes**

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the differences between the financial statement and tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that are not expected to be realized based on available evidence. The Company expects future taxable income; therefore, it believes it will recognize future benefits related to its deferred tax assets.

Temporary differences and carryforwards giving rise to a significant portion of deferred tax assets and liabilities are as follows:

	March 31,			
		2016		2015
Allowance for doubtful accounts	\$	44,467	\$	44,470
Vacation accrual		34,339		-
Amortization of other assets		(13,241)		-
Property and equipment depreciation		(127,255)		(149,805)
Net operating loss and credits				2,000
	\$	(61,690)	\$	(103,335)

#### **Notes to Financial Statements**

# Note 6 - Income Taxes (continued)

The following is a reconciliation of the statutory federal income tax rate applied to pre-tax accounting net income compared to the income taxes in the statements of income:

	For the Years Ended March 31,		
		2016	2015
Federal income taxes computed at statutory rate	\$	344,449 \$	295,218
State income taxes, net of federal benefit		29,677	25,432
Change resulting from Domestic production activities deduction Other permanent disallowances Return to provision adjustments and other		(33,552) 19,302 (32,551)	(26,570) 23,031 (19,007)
	\$	327,325 \$	298,104

### **Note 7 - Commitments and Contingencies**

### Operating Leases

The Company leases delivery trucks, vehicles, equipment, and property under non-cancelable operating leases. Rent expense for these leases for the years ended March 31, 2016 and 2015 was \$600,356 and \$463,662, respectively.

Future minimum lease payments under these leases are as follows:

### Year Ending March 31,

2017 2018	\$ 528,800 522,966
2019	487,800
2020	355,271
2021	202,872
Thereafter	63,665
	<u>\$ 2,161,374</u>

#### **Notes to Financial Statements**

## Note 7 - Commitments and Contingencies (continued)

### Renewable Energy Service Agreement

On June 11, 2009, the Company entered into a 20-year renewable energy service agreement with Eldorado Springs Solar, LLC, an unrelated third party, to design, install, own, operate, and maintain a solar electricity generating system at the property in Louisville, Colorado. The Company will purchase all of the solar electricity generated by the system, which will provide approximately 50% of the electricity needs at the facility in Louisville, Colorado. The agreement provides a guaranteed energy rate schedule for 10 years with a reset rate in year 11 for the electric cost. If the Company were to terminate the agreement, the Company would be required to pay a termination penalty. As of March 31, 2016, this penalty would be approximately \$340,000. The Company also has the option to purchase and take title to the system starting in year 11. During the fiscal years ended March 31, 2016 and 2015, the Company expensed \$11,487 and \$9,916, respectively, in utility costs under this agreement.

### Contingency

When the Company purchased the Eldorado Springs, Colorado, property in 1983, included in the purchase of the real estate were certain water rights that had been decreed for the water sources located on the property. The Company has the right to beneficially use the water derived from the sources of water that are the subject of the decreed water rights, unless there is a call being made downstream from its location by a water right that is senior to the Company's. A senior water right would be obtained by those that applied water to a beneficial use prior to the uses associated with the Company's water sources. Because the Eldorado Springs area was not developed until the early 1900's, there are many senior water rights that could place a call on the stream, and unless the Company has a recognized replacement source of water or a decreed augmentation plan ("Augmentation Plan"), it would be forced to stop using the water from its sources.

Because demand for the Company's spring water exists on a year-round basis, the Company requires a replacement water source that can be delivered to the stream at any time during the year. Since the drought of 2002, the Company purchased shares of stock of the Farmers Reservoir and Irrigation Company ("FRICO"), entitling it to use a pro rata portion of the water belonging to FRICO as operated pursuant to state regulations that govern what are known as Mutual Ditch Companies. The Marshall Reservoir is located in close proximity to the Company's water sources in Eldorado Springs, and because the water is stored, it can be released upon demand to meet the Company's obligations.

#### **Notes to Financial Statements**

## Note 7 - Commitments and Contingencies (continued)

### Contingency (continued)

The water represented by the Company's shares in the FRICO system had been historically used for irrigating croplands. This meant that, in addition to obtaining a decreed Augmentation Plan from the Colorado Water Court, the Company had to obtain a change of use decree in order to use the water for replacing withdrawals as part of the Augmentation Plan. The Water Court of the State of Colorado entered a Decree on April 16, 2013 approving the change in water rights and the terms and conditions of the Company's Augmentation Plan, subject to the retained jurisdiction clauses normally associated with such actions. The Decree allows the Company to use the water represented by the FRICO shares as augmentation water to replace out-of-priority withdrawals from the Company's springs and other sources. It also established the conditions under which the Company can add other sources of water to the Augmentation Plan for use as additional replacement water. It is possible that the Company's ability to withdraw water from its springs in a particular year may be limited if the water associated with the Company's FRICO shares under drought conditions is not sufficient to meet all of the Company's replacement requirements. Because drought is an ever-present possibility in the Company's location, the Company will continue to seek additional sources of replacement and augmentation water to add to the Augmentation Plan.

## Note 8 - Employee Benefit Plan

The Company has adopted a 401(k) profit sharing plan for its employees. Employees become eligible to participate in the plan once they have completed one year of service and have reached 21 years of age. Contributions by the Company and employees vest immediately. The Company matches 100% of employees' contributions up to 3% of each employee's gross pay. The Company matched approximately \$61,100 and \$54,200 for the years ended March 31, 2016 and 2015, respectively. No discretionary profit-sharing contributions were approved by the Board of Directors for the years ended March 31, 2016 and 2015.

# Eldorado Artesian Springs, Inc. Financial Statements June 30, 2016

#### **Balance Sheets**

	June 30, 2016 (Unaudited)		March 31, 2016	
Current assets				
Cash	\$	1,121,780	\$	1,116,799
Accounts receivable - trade, net		1,882,992		1,604,484
Inventories		517,108		485,789
Prepaid expenses and other		235,012		68,076
Total current assets		3,756,892		3,275,148
Non-current assets				
Property, plant and equipment, net		3,861,989		3,909,663
Investments		361,196		361,196
Water rights, net		71,675		71,675
Deposits		20,384		20,384
Deferred tax assets		78,806		78,806
Other, net		32,310		68,614
Total non-current assets		4,426,360		4,510,338
Total assets	\$	8,183,252	\$	7,785,486
Liabilities and Stockholde	rs' Equi	ity		
Current liabilities				
Line-of-credit	\$	750,000	\$	750,000
Accounts payable		491,138		320,211
Accrued expenses		425,096		405,345
Income taxes payable		269,828		202,828
Customer deposits		146,784		145,066
Current portion of capital lease obligations		187,939		165,441
Current portion of long-term debt		92,603		93,437
Total current liabilities		2,363,388		2,082,328
Non-current liabilities				
Deferred tax liability		140,496		140,496
Capital lease obligations, less current portion		229,500		205,602
Long-term debt, less current portion		2,375,496		2,397,324
Total non-current liabilities		2,745,492		2,743,422
Total liabilities		5,108,880		4,825,750
Commitments and contingencies				
Stockholders' equity Preferred stock, par value \$.001 per share; 10,000,000 shares authorized; 0 shares issued and outstanding				
Common stock, par value \$.001 per share; 50,000,000		-		-
shares authorized; 6,036,091 issued and outstanding		6,036		6,036
Additional paid-in capital		1,693,738		1,693,738
Retained Earnings		1,374,598		1,259,962
Total stockholders' equity		3,074,372		2,959,736
Total liabilities and stockholders' equity	\$	8,183,252	\$	7,785,486

# **Unaudited Statements of Operations**

	For the Three Months Ended		
	June 30, 2016 June 30, 2015		
	(unaudited)		
Davidura			
Revenues Water and related	¢ 2.706.625	e 2.406.615	
	\$ 3,796,625 96,407		
Resort operations  Total revenues	3,893,032	62,292 3,468,907	
1 otal revenues	3,893,032	3,408,907	
Cost of goods sold	966,176	893,244	
Gross profit	2,926,856	2,575,663	
Operating expenses			
Salaries and related expenses	1,293,862	1,112,980	
Administrative and general	780,527		
Delivery	304,030		
Advertising and promotions	89,989		
Depreciation and amortization	182,447	151,797	
Total operating expenses	2,650,855	2,290,476	
Income from operations	276,001	285,187	
Other income (expense)			
Interest income	-	450	
Interest expense	(54,365)	(56,356)	
Total other expense	(54,365)	(55,906)	
Income before income taxes	221,636	229,281	
In a second control of the second control of			
Income tax expense Current	(77,000)	(105,000)	
	(77,000)	(105,000)	
Deferred	<del>_</del>		
Total income tax expense	(77,000)	(105,000)	
Net income available to common shareholders	<u>\$ 144,636</u>	<u>\$ 124,281</u>	
Basic common shares outstanding	6,036,091	6,036,091	
Basic income per common share	<u>\$ 0.02</u>	<u>\$ 0.02</u>	

