Waterbury Metropolitan District No. 1
2154 E. Commons Ave., Suite 2000
Centennial, CO 80122

July 29, 2026

VIA EMAIL and U.S MAIL

El Paso County
Department of Public Works
3275 Akers Drive
Colorado Springs, CO 80922
dotweb@elpasoco.com

Re: Written Direction of Assignment of Obligations Under Intergovernmental Agreement Regarding Construction of Stapleton Roadway Improvements dated March 30, 2010, from 4-Way Ranch Metropolitan District No. 1 (n/k/a Waterbury Metropolitan District No. 1) to 4-Way Ranch Metropolitan District No. 2

Dear Chair and Members of the Board:

This firm serves as general counsel to Waterbury Metropolitan District No. 1, formerly known as 4-Way Ranch Metropolitan District No. 2 (the "**District**"). This letter is delivered on behalf of the District pursuant to Section 7 of the Settlement Agreement dated September 2020 (the "**Settlement Agreement**"), by and between the District and 4-Way Ranch Metropolitan District No. 1 ("**District No. 1**"), for the purpose of providing the County with written direction confirming the assignment described below.

On March 30, 2010, District No. 1 and the Board of County Commissioners of El Paso County, Colorado (the "**County**") entered into that certain Intergovernmental Agreement Regarding Construction of Stapleton Roadway Improvements (the "**Stapleton IGA**"), setting forth District No. 1's obligations with respect to certain improvements to Stapleton Road, including without limitation the widening of the segment described therein as the "Future Stapleton Expansion."

Section 7 of the Settlement Agreement provides as follows:

> ***Stapleton Road.*** *The obligation of District No. 1 for performance of the Stapleton Road Intergovernmental Agreement, dated March 30, 2010, is hereby assigned to District No. 2 and it shall provide written direction to the County of this assignment.*

This letter constitutes the District's written direction to the County of the assignment effected by Section 7 of the Settlement Agreement.

The District hereby provides written direction to the County, effective as of September of, 2020, that:

(a) All obligations of District No. 1 arising under or pursuant to the Stapleton IGA, including without limitation the obligations relating to the Future Stapleton Expansion, have been assigned to, assumed by, and are the sole obligations of the District.

(b) The County should direct all future notices, correspondence, invoices, requests for performance, and other communications relating to the Stapleton IGA to the District at the address set forth below, in care of the undersigned.

All notices under the Stapleton IGA should be directed to the District as follows:

Waterbury Metropolitan District No. 1
c/o WBA, PC
Attn: Kristin J. Bowers, Esq.
2154 East Commons Avenue, Suite 2000
Centennial, CO 80122
Email: kbowers@wbapc.com

For the County's records, enclosed with this letter are: (a) an executed copy of the Stapleton IGA, and (b) an executed copy of the Settlement Agreement dated September 2020.

Please contact the undersigned with any questions or requests for additional documentation. The District appreciates the County's attention to this matter.

Sincerely,

Kristin J. Bowers, Esq.
Shareholder

Enclosures:

1. Stapleton Road IGA dated March 30, 2010
2. Settlement Agreement dated September, 2020

cc: El Paso County, 3275 Akers Drive, Colorado Springs, CO 80922, dotweb@elpasoco.com

INTERGOVERNMENTAL AGREEMENT
(Regarding Construction of Stapleton Roadway Improvements)

THIS INTERGOVERNMENTAL AGREEMENT ("IGA") is made and entered into as of the 30th day of March, 2010, by and between the Board of County Commissioners of El Paso County, Colorado, a political subdivision of the state of Colorado ("County"), and 4-Way Ranch Metropolitan District No. 1, a quasi-municipal corporation and political subdivision of the state of Colorado ("District") (the County and District are collectively referred to as the "Parties").

RECITALS

A. The District was organized in 2005 pursuant to the Special District Act, §§ 32-1-201, *et seq.*, C.R.S., for the purposes of, *inter alia*, financing, constructing and installing certain public improvements.

B. The District is located in unincorporated El Paso County adjacent or near to Stapleton Road.

C. The County is a duly organized county and political subdivision of the state of Colorado.

D. The County entered into an Intergovernmental Agreement with the Pikes Peak Rural Transportation Authority ("PPRTA"), effective January 1, 2005, which provides a mechanism for the expenditure of PPRTA funds for certain approved County capital projects.

E. The Stapleton/Judge Orr Extension from US 24 Hwy to Eastonville Road is identified by the PPRTA as a "Priority A" County capital project (the "Stapleton Road Project") for which PPRTA funds have been budgeted.

F. The development within the District will impact the traffic on Stapleton Road and as a result the District has identified, in its service plan, the Stapleton Road Project as a capital project eligible to be designed, financed and constructed by the District.

G. The District has entered into an Infrastructure Acquisition Agreement with the Developer, Plainview Properties, LLC, (the "Infrastructure Acquisition Agreement") for the construction and acquisition of certain improvements including the Stapleton Road Project.

H. At the present time, due to the economic downturn, market conditions do not support development within the District, and the Parties to this IGA desire to set forth an understanding of an alternative plan to finance and construct the Stapleton Road Project.

I. The Constitution and laws of the State of Colorado permit and encourage state and local governmental entities to cooperate with each other to make the most efficient and effective use of their powers and responsibilities.

J. Pursuant to Colo. Const. Art. XIV, Sec. 18(2) and Sections 29-1-201, *et seq.*, C.R.S., the parties may cooperate and contract with each other to provide any function, service or facility lawfully authorized to each.

NOW, THEREFORE, in consideration of the mutual promises and benefits herein expressed, and for other good and valuable consideration, the receipt and sufficiency of which is hereby freely acknowledged, the parties hereto covenant and agree as follows:

COVENANTS AND AGREEMENTS

1. Stapleton Road Project. The Stapleton Road Project can be generally described as the design and construction of Stapleton Road from Eastonville Road to Highway 24. For purposes of this IGA, the Stapleton Road Project shall be divided into three phases: a two-lane road from Eastonville Road to Bandanero Drive, which road has already been completed by the Developer; a two-lane road from Bandanero Drive to Highway 24, which shall be completed by the County pursuant to this IGA and is depicted in Exhibit A, attached hereto and incorporated herein by reference (the "Initial Stapleton Expansion"); and the widening of Stapleton Road to four lanes from Eastonville Road to Highway 24, which shall be completed by the District pursuant to this IGA (the "Future Stapleton Expansion"). The Initial Stapleton Expansion and Future Stapleton Expansion are anticipated to cost a total of approximately $3,000,000.00, including traffic signalization at Stapleton Road and Highway 24.

2. Initial Stapleton Expansion. The County shall complete the Initial Stapleton Expansion, which is generally defined to include the following work within Stapleton Road and along Highway 24: (1) grading to finish grade and/or final sub-grade; (2) installation of utility crossings including gas, electric, sewer, water and conduit for future signalization; (3) relocation of existing utilities as required; (4) installation of storm sewer facilities necessary for the Initial Stapleton Expansion and connection to Highway 24; (5) installation of seeding and erosion control measures; (6) installation of curb and gutter; and (7) paving and striping of two lanes along Stapleton Road, including transitions and connection to existing paved areas, and paving and striping along Highway 24 including transitions, turn lanes and overlays. The Initial Stapleton Expansion project is generally comprised of the following steps:

a. Preliminary Design, including but not limited to surveys, design, field work, inspection, preparation of design plans and specifications in accordance with all applicable local, state and federal requirements and submission of the plans and specifications, together with any other pertinent documents, for approval by the County;

b. Final Design, including but not limited to acquisition of public rights-of-way and easements and completion of final contract documents for approval by the County;

c. Bidding, whereby the County will prepare an invitation to bid and publicly bid the Initial Stapleton Expansion pursuant to applicable requirements;

d. Construction pursuant to the final contract documents;

e. Post-construction, including but not limited to final inspection and acceptance of the improvements, completion of the dedication process, submission of lien waivers, assignment of warranties and submission of final as-built plans.

3. Future Stapleton Expansion. The District shall fund and complete the Future Stapleton Expansion which is generally defined to include the following work within Stapleton Road and along Highway 24: (1) installation and/or extensions of storm sewer facilities as necessary; (2) installation of traffic signal(s); (3) installation of seeding and erosion control measures; (4) installation of curb and gutter; and (5) paving and striping of two additional lanes along Stapleton Road including transitions, turn lanes and connection to existing paved areas, and paving and striping along Highway 24 including transitions, turn lanes, overlays and connection to existing paved areas. The Future Stapleton Expansion may be contracted for by the District pursuant to applicable public procurement provisions of Title 32 and Title 24, unless otherwise acquired by the District pursuant to the Infrastructure Acquisition Agreement, and is generally comprised of the following steps:

a. Preliminary Design, including but not limited to, surveys, design, field work, inspection, preparation of design plans and specifications in accordance with all applicable local, state and federal requirements and submission of the plans and specifications, together with any other pertinent documents, for approval by the County;

b. Final Design, including but not limited to, acquisition of public rights-of-way and easements and completion of final contract documents for approval by the County;

c. Bidding, whereby the District (if applicable) will prepare an invitation to bid and publically bid the Future Stapleton Expansion pursuant to § 32-1-1001(1)(d)(I), C.R.S.;

d. Construction pursuant to the final contract documents;

e. Post-construction, including but not limited to final inspection and acceptance of the improvements, completion of the dedication process, submission of lien waivers, assignment of warranties and submission of final as-built plans.

To the extent that elements of the Future Stapleton Expansion are completed by future developments, the District's obligation to complete such elements shall be reduced thereby.

4. County Ownership and Maintenance. Upon completion of each phase of the Stapleton Road Project, the improvements shall be conveyed to and owned and maintained by the County.

5. Funding of the Initial Stapleton Expansion. The Parties acknowledge that the current PPRTA budget is $1,741,215 for the Stapleton Road Project and that the costs for the Initial Stapleton Expansion are currently estimated to be $1,484,573.84. A copy of the Opinion of Probable Cost provided by the District is attached hereto as Exhibit B and incorporated herein by reference.

6. Express Conditions Precedent to County's Performance. The County's performance of its obligations in this IGA is expressly contingent upon the PPRTA's funding of the Initial Stapleton Expansion and the conveyance of any necessary permits, utility relocation agreements, rights-of-way, and the granting of any necessary easements for the project. All required permits including the State access permit for Highway 24, environmental permits required by the Colorado Department of Public Health and the Environment, and the U.S. Army Corps of Engineers, and any required utility company approvals and agreements for utility relocation shall be provided by the District prior to the County contracting for construction of the Initial Stapleton Expansion. All rights-of-way and easements necessary for the Initial and Future Stapleton Expansion (including those along Highway 24) must be provided to the County or its designee by the District or its developer prior to the County contracting for construction of the Initial Stapleton Expansion. The District shall therefore deliver a deed fully executed by all necessary grantors dedicating all rights-of-way and easements required by this paragraph within thirty (30) days of being notified by the County that the County is ready to proceed with a construction contract.

7. Conveyance and Assignment of Construction Plans. The District has procured or will procure the construction plans for the preliminary design of the Initial Stapleton Expansion from the Developer pursuant to the Infrastructure Acquisition Agreement and has ensured that the design meets all applicable regulations and PPRTA construction standards. The District agrees to convey or cause the conveyance and assignment of the completed construction plans of the Initial Stapleton Expansion to the County upon reimbursement to the District by the PPRTA in the amount of One Hundred Thirty-six Thousand Dollars ($136,000) for the completed engineering design and construction plans, as more particularly described on Exhibit C attached hereto and incorporated herein by reference. To obtain reimbursement for any additional future costs incurred by the District, the District shall submit an accounting of costs to the County and the PPRTA for review and acceptance.

8. Timing for Construction. Construction of the Initial Stapleton Expansion is anticipated to commence in 2010, with final completion anticipated in 2010. Timing for the construction of the Future Stapleton Expansion shall be based upon the traffic volume and future traffic studies.

9. Notices. Any notice or other communications required or permitted by this IGA or by law to be served on, given to, or delivered to any of the parties hereto by one of the other parties shall be in writing and shall be deemed duly served, given, or delivered when personally

delivered to the party to whom it is addressed or in lieu of such personal service, when deposited in the United States' mail, first-class, postage prepaid, addressed to:

the COUNTY:

El Paso County
3275 Akers Drive
Colorado Springs, CO 80922
Attention: Andre Brackin
(719) 520-6460

the DISTRICT:

4-Way Ranch Metropolitan District No. 1
c/o Seter & Vander Wall, P.C.
7400 E. Orchard Road, Suite 3300
Greenwood Village, CO 80111
Attention: Barbara T. Vander Wall
(303) 770-2700

10. Governmental Immunity Act. Nothing in this IGA shall be construed as a wavier by any Party of any rights, immunities, privileges, monetary limitations, or defenses available to the Parties by the Colorado Governmental Immunity Act, C.R.S. § 24-10-101, et seq.

11. Assignment. No party to this IGA shall assign its rights or obligations hereunder without the prior written consent of the non-assigning parties.

12. Amendment/Modification. Any amendments or modifications to this IGA must be reduced to writing and executed by both parties to be valid and binding.

13. Binding Agreement. This IGA shall inure to and be binding on the heirs, executors, administrators, successors and assigns of all parties hereto.

14. No Waiver. No waiver of any of the provisions of this IGA shall be deemed to constitute a waiver of any other of the provisions of this IGA.

15. Controlling Law. This IGA shall be governed by and construed in accordance with the law of the State of Colorado.

16. Counterpart Execution. This IGA may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

17. Entire Agreement. This IGA contains the entire agreement between the parties relating to the transactions contemplated, and all prior or contemporaneous agreements, understandings, representations or statements, oral or written are superseded.

18. Venue and Jurisdiction. Venue and jurisdiction shall be in the El Paso County District Court.

IN WITNESS WHEREOF, the Parties have executed this IGA the day and year first above written. By signature of its representatives below, each party affirms that it has taken all necessary action to authorize said representative to execute this IGA.

[signature page of Intergovernmental Agreement]

BOARD OF COUNTY COMMISSIONERS OF
EL PASO COUNTY, COLORADO

By: DENNIS HISEY
Title: CHAIR

ATTEST:

By: EILEEN J. WHEELER
Title: DEPUTY COUNTY CLERK

APPROVED AS TO FORM:

County Attorney's Office

[signature page of Intergovernmental Agreement]

4-WAY RANCH METROPOLITAN DISTRICT NO. 1

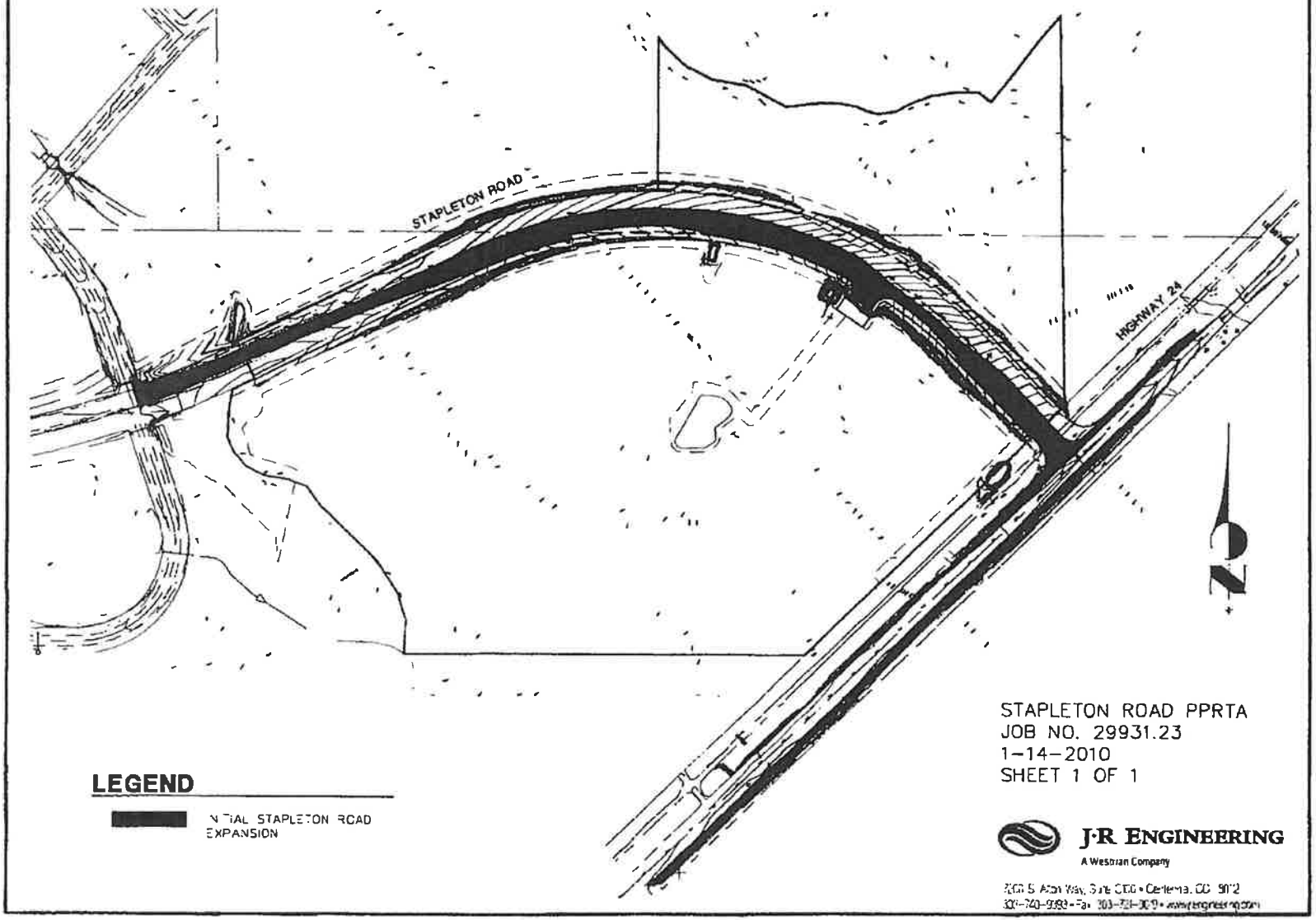
By: PETER R MARTZ
Title: President

ATTEST:

By: W. Kelly Lee
Title: Secretary or Assistant Secretary

X:\2990000.all\2893123\Drawings\Presentations\2009-12-15 Exhibit B - Scope of Construction.dwg, 8.5x11 Landscape, 1/14/2010 11:32:10 AM, ReidA

EXHIBIT A
INITIAL STAPLETON ROAD EXPANSION



LEGEND

INITIAL STAPLETON ROAD EXPANSION

STAPLETON ROAD PPRTA
JOB NO. 29931.23
1-14-2010
SHEET 1 OF 1

J·R ENGINEERING
A Westrian Company

7200 S. Alton Way, Suite C200 • Centennial, CO 80112
303-740-9393 • Fax 303-721-3099 • www.jrengineering.com

EXHIBIT B
Initial Stapleton Road Expansion

Construction Cost Estimate 1/14/2010				STAPLETON ROAD		HIGHWAY 24	
CONTRACT ITEM NO.	CONTRACT ITEM	UNIT	UNIT COST	QUANTITY	COST	QUANTITY	COST
201-00001	CLEARING AND GRUBBING	LS	$ 10,000.00	1	$ 10,000.00	1	$ 5,000.00
202-00220	REMOVAL OF ASPHALT MAT	SY	$ 5.20	0	$ -	970	$ 5,044.00
202-00240	REMOVAL OF ASPHALT MAT (PLANING)	SY	$ 2.00	0	$ -	13,231	$ 26,462.00
202-00250	REMOVAL OF STRIPING	LF	$ 1.00	0	$ -	11,961	$ 11,961.00
202-00810	REMOVAL OF GROUND SIGN	EACH	$ 100.00	0	$ -	1	$ 100.00
202-01000	REMOVAL OF FENCE	LF	$ 3.00	0	$ -	178	$ 534.00
202-01130	REMOVAL OF GUARDRAIL TYPE 3	LF	$ 2.50	0	$ -	267	$ 667.50
203-00010	UNCLASSIFIED EXCAVATION (COMPLETE IN PLACE)	CY	$ 2.00	52,281	$ 104,562.00	2,364	$ 4,728.00
203-00060	EMBANKMENT MATERIAL (COMPLETE IN PLACE)	CY	$ 2.00	0	$ -	0	$ -
203-01697	POTHOLING	HOUR	$ 250.00	0	$ -	15	$ 3,750.00
210-00010	RESET MAILBOX STRUCTURE	EACH	$ 250.00	0	$ -	1	$ 250.00
210-00810	RESET GROUND SIGN	EACH	$ 150.00	0	$ -	2	$ 300.00
304-06000	AGGREGATE BASE COURSE (CLASS 6) (MAINTENANCE ACCESS ROAD)	TON	$ 15.00	1,927	$ 28,905.00	0	$ -
403-00720	HOT MIX ASPHALT (PATCHING)(ASPHALT)	TON	$ 100.00	0	$ -	8	$ 800.00
403-33841	HOT MIX ASPHALT (GRADING S)(100)(PG 64-22) [5.5 INCH]	SY	$ 16.50	18,404	$ 303,670.95	5,265	$ 87,202.50
403-34851	HOT MIX ASPHALT (GRADING SX)(100)(PG 64-28) [2 INCH]	SY	$ 6.00	18,404	$ 110,425.80	5,285	$ 31,710.00
506-00209	RIPRAP (9 INCH)	CY	$ 45.00	200	$ 9,000.00	0	$ -
603-01180	18 INCH REINFORCED CONCRETE PIPE	LF	$ 40.00	212	$ 8,480.00	0	$ -
603-01240	24 INCH REINFORCED CONCRETE PIPE	LF	$ 55.00	260	$ 14,300.00	0	$ -
603-01300	30 INCH REINFORCED CONCRETE PIPE	LF	$ 77.00	156	$ 11,935.00	0	$ -
603-02305	38x24 INCH HORIZONTAL ELLIPTICAL REINFORCED CONCRETE PIPE	LF	$ 90.00	81	$ 7,290.00	0	$ -
603-05024	24 INCH REINFORCED CONCRETE END SECTION	EACH	$ 1,300.00	2	$ 2,600.00	0	$ -
603-05030	30 INCH REINFORCED CONCRETE END SECTION	EACH	$ 1,445.00	2	$ 2,890.00	0	$ -
603-10240	24 INCH CORRUGATED METAL PIPE	LF	$ 57.50	0	$ -	57	$ 3,277.50
604-00305	INLET TYPE C (5 FOOT)	EACH	$ 3,000.00	2	$ 6,000.00	0	$ -
604-19105	INLET TYPE R (5 FOOT)	EACH	$ 3,500.00	2	$ 7,000.00	0	$ -
604-19110	INLET TYPE R (10 FOOT)	EACH	$ 4,270.00	3	$ 12,810.00	0	$ -
604-19115	INLET TYPE R (15 FOOT)	EACH	$ 5,150.00	3	$ 15,450.00	0	$ -
606-00301	GUARDRAIL TYPE 3 (6-3 POST SPACING)	LF	$ 16.00	0	$ -	238	$ 3,800.00
606-01370	TRANSITION TYPE 3G	EACH	$ 1,200.00	0	$ -	1	$ 1,200.00
606-02001	END ANCHORAGE (SLOTTED RAIL TERMINAL)	EACH	$ 1,500.00	0	$ -	1	$ 1,500.00
608-00010	CONCRETE CURB RAMP (TYPE 3)	EACH	$ 820.00	1	$ 820.00	0	$ -
609-21010	CURB AND GUTTER TYPE 2 (SECTION I-B)	LF	$ 10.00	2,019	$ 29,190.00	0	$ -
609-21020	CURB AND GUTTER TYPE 2 (SECTION II-B)	LF	$ 12.00	5,036	$ 60,432.00	0	$ -
609-60011	CURB AND GUTTER TYPE 6 (SECTION M)	LF	$ 12.00	139	$ 1,668.00	0	$ -
610-00030	MEDIAN COVER MATERIAL (CONCRETE)	SF	$ 4.50	19,281	$ 86,764.50	0	$ -
612-00001	DELINEATOR (TYPE I)	EACH	$ 52.00	0	$ -	30	$ 1,560.00
614-00011	SIGN PANEL (CLASS I)	SF	$ 20.00	53	$ 1,060.00	18	$ 350.00
614-00012	SIGN PANEL (CLASS II)	SF	$ 21.00	49	$ 1,029.00	27	$ 567.00
614-00200	STEEL SIGN POST (U-2)	LF	$ 9.00	0	$ -	180	$ 1,620.00
614-01563	STEEL SIGN SUPPORT (2-INCH ROUND)(POST & SOCKET)	EACH	$ 170.00	11	$ 1,870.00	4	$ 680.00
614-80312	BARRICADE TYPE 3	EACH	$ 1,200.00	10	$ 12,000.00	0	$ -
626-00000	MOBILIZATION (INCLUDES FIELD OFFICE & SANITARY FACILITIES)	LS	$ 35,000.00	1	$ 15,000.00	1	$ 20,000.00
627-00005	EPOXY PAVEMENT MARKING	GAL	$ 100.00	79	$ 7,866.33	128	$ 12,801.67
627-30405	PREFORMED THERMOPLASTIC PAVEMENT MARKING (WORD-SYMBOL)	SF	$ 17.00	75	$ 1,275.00	227	$ 3,859.00
627-30406	PREFORMED THERMOPLASTIC PAVEMENT MARKING (2 FOOT STOP BAR)	SF	$ 13.00	253	$ 3,289.00	0	$ -
630-10005	TRAFFIC CONTROL	LS	$ 12,500.00	0	$ -	2	$ 25,000.00
	5x5 FOOT REINFORCED CONCRETE BOX CULVERT W/ HEADWALLS	LF	$ 260.00	320	$ 69,600.00	0	$ -
	4x4 REINFORCED CONCRETE BOX CULVERT W/ 45 DEG WINGWALLS	LF	$ 250.00		$ -	35	$ 8,750.00
	PUBLIC INFORMATION SERVICES	LS	$ 2,500.00	0	$ -	1	$ 2,500.00
	MATERIAL TESTING	LS	$ 10,000.00	1	$ 10,000.00	0	$ -
	CONSTRUCTION STAKING	LS	$ 12,500.00	1	$ 12,500.00	0	$ -
SUBTOTAL					$ 989,692.58	0	$ 265,974.17
5% CONTINGENCY					$ 49,484.63	0	$ 13,298.71
TOTAL					$ 1,039,177.21	0	$ 279,272.88

EXHIBIT B
Initial Stapleton Road Expansion

Utility Relocations Cost Estimate

CONTRACT ITEM NO	CONTRACT ITEM	UNIT	UNIT COST	STAPLETON ROAD QUANTITY	STAPLETON ROAD COST	HIGHWAY 24 QUANTITY	HIGHWAY 24 COST
	*RESET FIBER OPTIC PEDESTAL (PROJECT COST)	EA	$ -	0	$ -	2	$ -
	*RELOCATE TELEPHONE PEDESTAL (PROJECT COST)	EA	$ -	0	$ -	1	$ -
	*RELOCATE POWER POLE (PROJECT COST)	EA	$ 100,000.00	0	$ -	1	$ 100,000.00
TOTAL					$ -		$ 100,000.00

*Contractor to coordinate with utility owner

Storm Water Management Cost Estimate

CONTRACT ITEM NO	CONTRACT ITEM	UNIT	UNIT COST	STAPLETON ROAD QUANTITY	STAPLETON ROAD COST	HIGHWAY 24 QUANTITY	HIGHWAY 24 COST
	VEHICLE TRACKING PAD	EACH	$ 1,550.00	3	$ 4,650.00	0	$ -
	INLET PROTECTION	EACH	$ 35.00	8	$ 280.00	0	$ -
	SILT FENCE	LF	$ 2.50	15718	$ 39,295.00	0	$ -
	SEEDING/MULCHING	AC	$ 750.00	9	$ 6,750.00	0	$ -
	SEDIMENT BASIN INLET/OUTLET WORKS	EACH	$ 3,000.00	4	$ 12,000.00	0	$ -
SUBTOTAL					$ 62,975.00		$ -
5% ENGINEERING AND CONTINGENCY					$ 3,148.75		$ -
TOTAL					$ 66,123.75		$ -

SUBTOTAL	$ 1,105,300.96		$ 379,272.88
TOTAL FOR INITIAL STAPLETON ROAD EXPANSION	$		1,484,573.84

EXHIBIT C
STAPLETON RD. CONVEYANCE AND ASSIGNMENT OF CONSTRUCTION PLANS

ITEM	COST
FIELD SURVEY - TOPO MAPPING/HORIZ/VERT CONTROL	$ 4,500.00
FIELD SURVEY - UTILITIES & EXISTING CONDITIONS	$ 7,500.00
PRELIMINARY DESIGN - ALIGNMENT/HORIZ/VERT	$ 10,500.00
FINAL ENGINEERING DESIGN	$ 20,000.00
TRAFFIC IMPACT ANALYSIS REPORT	$ 4,500.00
COORDINATION WITH CDOT - ACCESS PERMIT	$ 3,500.00
TRAFFIC SIGNAL DESIGN - STAPLETON/HIGHWAY 24	$ 5,000.00
LEGAL DESCRIPTIONS/RIGHT OF WAY DEDICATION	$ 3,500.00
MODIFY PLANS TO REFLECT PHASE 1 CONSTRUCTION	$ 4,500.00
FORMAT PLAN SET TO PPRTA BASE SHEET STANDARDS	$ 4,700.00
PREPARE ADDITIONAL PLAN SHEETS - PPRTA STANDARDS	$ 7,500.00
FINAL DRAINAGE REPORT	$ 7,500.00
PREPARE DRAINAGE TABULATION SHEET	$ 2,500.00
GRADING AND EROSION CONTROL PLANS	$ 7,500.00
SURFACE AND EARTHWORK TABULATION SHEET	$ 2,500.00
PREPARE STORM WATER MANAGEMENT PLAN	$ 4,500.00
PREPARE OVERALL QUANTITIES SHEET	$ 7,500.00
SIGNING AND STRIPING TABULATION SHEET	$ 2,500.00
PREPARE TRAFFIC CONTROL PLAN	$ 4,000.00
GEOMETRIC LAYOUT PLAN	$ 2,500.00
HORIZONTAL CONTROL PLAN	$ 2,300.00
SOILS TESTING AND PAVEMENT DESIGN REPORT	$ 7,500.00
LEGAL AND ACCOUNTING	$ 6,500.00
REIMBURSABLES/DIRECT COST - BUDGET	$ 3,000.00
TOTAL	$ 136,000.00

SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT ("Agreement") dated this ___ day of September, 2020, is entered into by and between 4-Way Ranch Metropolitan District No. 1 and the individual Plaintiffs (collectively the "Plaintiffs") listed in the pleadings for Case No. 2018CV30875 ("Case") and the 4-Way Ranch Metropolitan District No. 2 and 4 Way Ranch Joint Venture, LLC (collectively the "Defendants"). Plaintiffs and Defendants are sometimes collectively referred to as the "Parties."

A. The purpose of this Agreement is to memorialize the terms of agreement that the Parties have reached regarding all claims of the Case, it being understood and agreed that litigation has risks and the certainty of a negotiated agreement is a benefit to all Parties.

B. The Parties acknowledge that after a two-day trial the Court found for the Defendants and against the Third Party- Intervenor. The Third Party-Intervenor has appeal rights. In the event the Third-Party Intervenor successfully appeals the Case, the Parties may be unable to perform all of the settlement points identified herein until final resolution of any appeal.

C. Notwithstanding the limitation defined in B above, the Parties desire to execute this Agreement setting forth the settlement details and to highlight those provisions that can be performed regardless of the outcome of the Case.

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

1. **Dismiss with Prejudice**. The parties will mutually dismiss with prejudice all claims in the Case against each other. Nothing in this paragraph requires Defendants to dismiss any claims pending against Third Party-Intervenor.

~~1.~~ 1-A **New Bonds**. District No. 2 agrees that it will, at its sole cost and expense, issue new bonds that will be subject to an ad valorem tax against property owners within the boundaries of District No. 2 only and will obtain a discharge of debt of the 2011-B bonds ("Junior Bonds") from the current bond holders. To undertake and accomplish this task, the Parties agree to follow the proposed plan outlined by Dee Wisor as set forth in **Exhibit A** to this Agreement. The Parties must cooperate in providing documentation and materials as deemed necessary by Mr. Wisor to effectuate this task. District No. 2 agrees to use best efforts to accomplish the 2020 Junior Bonds and forgiveness of the 2011-B Bonds by the end of 2020. If that deadline proves impossible, District 2 nonetheless agrees to proceed without undue delay.

2. **Senior Debt**. Plaintiffs, property owners within District No.1 and the Joint Venture property ("Excluded Property") will continue to be responsible for debt service on the senior bonds (2011A), (the "Senior Bonds") in the remaining principal amount of approximately $490,000 plus accrued interest since June 1, 2020. The current reserve balance of the debt service fund of District No. 1 (approximate balance $50,000 as of January 1, 2020) will continue to be used for payment of the Senior Bonds. Of the total cost of every new water tap within District No. 1 or District No.2, $4,000 will continue to be collected by District 2 and remitted to District 1 as pledged revenues

toward repayment of the Senior Bonds as provided in the bond documents until the Senior Bonds have been paid in full.

3. **Exclusion**. Residential property owners remaining in District No. 1 shall have the option to request exclusion from District No. 1. according to statutory procedures. All excluded property owners from District No. 1 shall be responsible for debt service of the Senior Bonds after exclusion. But, if they are excluded, those property owners would no longer be responsible for operations mill levies of District No. 1 pursuant to statute. All parties stipulate to their non-opposition to such exclusion. All residential property owners who request exclusion from District No. 1 and are presently served by District No. 2 for water service must, as a condition of exclusion, agree to the extraterritorial service agreement described in paragraph 5 below.

4. **Extra-Territorial Service**. District No. 2 (with an appropriate intergovernmental agreement with District 1 that would be recorded with the County Clerk and Recorder) agrees to provide water service to the remaining (if any) District No. 1 homeowners and any excluded residential homeowners. For those excluded residential property owners service, water service shall be via an extraterritorial service agreement ("Extraterritorial Agreement"). The Extraterritorial Agreement will establish a contractual right to receive continued water service to residential homeowners who execute the Extraterritorial Agreement from District No. 2 subject to the rules and regulations of District No. 2 that are attached hereto as **Exhibit B**, and as may be amended from time to time ("Rules and Regulations"). All parties stipulate their agreement and agree not to oppose approval by a Court or the El Paso County Board of County Commissioners ("BOCC"), if such approval is required.

5. **Rates and Charges** District No. 2 agrees that the rates and charges for providing water service to the Plaintiffs' properties in District No. 1 or the excluded properties will be set based on the current rate of such service, with any changes based on reasonable and necessary changes in cost of providing the water service to the properties pursuant to Colorado law. To the extent not precluded by law, District No. 2 agrees not increase the rates and charges of providing residential water service to District No. 1 or the excluded properties based on the additional costs of extending service solely to the Waterbury property or any new properties in District No. 2, or commercial properties in District No. 1. Prior to any proposed rate change in District No. 2 it agrees to provide notice as required by CRS §32-1-1001 (2) (a), as amended. Under no circumstances would residential properties in District No. 1 be charged with any increases in rates or charges due to the cost of providing new or additional wastewater service since the residential properties in District No. 1 utilize individual septic systems.

6. **Transfer of Obligation**. The judgment obligation of District No. 1 to KO1515 in El Paso County District Court civil case No. 2015CV301486 will be transferred to District No. 2. Plaintiffs will be relieved from this obligation and District No. 2 hereby accepts this obligation.

7. **Stapleton Road**. The obligation of District No. 1 for performance of the Stapleton Road Intergovernmental Agreement, dated March 30, 2010, is hereby assigned to District No. 2 and it shall provide written direction to the County of this assignment.

8. **No Claim to District Funds**. District No. 2 will make no claim to the approximate amount of $15,000.00 in the District No. 1 proprietary fund that was designated for water service. District No. 2 will not object to any transfer by District No. 1 of the $15,000.00.

9. **Attorney's Fees.** 4-Way Ranch Joint Venture, LLC will pay Plaintiffs' counsel the sum of $50,000.00 as payment toward its costs and attorney fees. With the exception of that payment, all parties will bear their own costs and attorney fees in connection with this matter. Payment will be made within thirty (30) days of final execution of this Agreement by all parties.

10. **Court Approval**. The Parties will cooperate as needed to obtain any necessary court approval of the terms of settlement as memorialized in this Agreement.

11. **Approval by Districts**. This Agreement is subject to approval at the next public meetings of District No. 1 and District 2, as required by law.

13. **Settlement Terms that Survive Appeal**. Items 1, 8, and 9 of the foregoing settlement terms are not dependent on the outcome of the Case. All other settlement terms are dependent on the outcome of the Case. Should the Intervenor-Plaintiff prevail in the Case, the remaining terms except for items 1, 8, and 9 above, will be severed from this Agreement. It is the parties' intent that this paragraph be self-executing.

~~14. **Confidentiality.** The Parties agree and specifically represent that the terms of the Agreement are confidential and will not be disclosed, discussed, or otherwise revealed, either directly or indirectly, to any third parties for any purpose by the Parties, or by their agents, servants, representatives, attorneys or employees; except to their legal representatives, accountants, insurer/reinsurers, or as may be mandated or required by law, statute or rule of procedure, a court order or a subpoena, or in an action to enforce the provisions of this Agreement.~~

15. **Entire Agreement.** This Agreement shall constitute the entire agreement between the Parties, and any prior understanding or representation of any kind preceding the date of the Agreement shall not be binding upon either Party except to the extent incorporated in this Agreement.

16. **Modification of Agreement.** Any modification of this Agreement or additional obligation assumed by either Party in connection with this Agreement shall be binding only if evidenced in writing and signed by each Party or an authorized representative of each Party, or agreed upon and confirmed through explicit, reciprocal reply emails or facsimiles. Scanned documents and facsimile copies shall be sufficient to satisfy the writing requirement.

17. **Rules of Construction.** The Parties hereto agree that this Agreement shall be deemed to have been jointly negotiated, prepared and drafted, and each Party has had the opportunity to have counsel review this Agreement. Therefore, each Party waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document.

18. **Warranty of Non-Assignment.** Each Party expressly acknowledges that the Party has not assigned or transferred, or purported to assign or transfer any claim covered under this Agreement.

19. **Binding Effect.** This Agreement is binding upon and shall inure to the Parties and their respective heirs, successors, and assigns.

20. **Counterparts and Copies.** Duplicate originals of this Agreement may be executed by the Parties. A copy of this Agreement is admissible to the same extent as the original in any subsequent proceeding and has the same force and effect as the original.

21. **Choice of Law and Venue.** This Agreement shall be construed and enforced by the laws of the State of Colorado. If any action is brought to construe, interpret, or enforce any provision of this Agreement, the Parties irrevocably consent to personal jurisdiction and venue in a court of competent jurisdiction located in Denver County, Colorado.

22. **Attorney Fees and Costs.** Unless otherwise provided for in this Agreement, each Party shall bear its own costs and attorney fees arising out of, relating to, or in connection with the Lawsuit. However, in the event of any dispute regarding the interpretation or enforcement of this Agreement, the prevailing party shall be entitled to recover their reasonable attorney fees and costs.

23. **Informed Consent.** The Parties hereby agree that they have read this Agreement and that they fully understand the terms of this Agreement. Each Party affirmatively states that he or she has had the benefit of advice from counsel of his or her own choosing before executing this Agreement.

24. **Investigation of Facts.** Each Party represents and warrants that he or she has made such investigation of the facts pertaining to this Agreement and all matters pertaining thereto as he or she deems necessary.

25. **Knowledge and Review of Agreement.** The Parties warrant and represent that this Agreement is executed voluntarily with full knowledge and understanding of the consequences and implications of their obligations contained herein, and that they have carefully and thoroughly reviewed this Agreement in its entirety.

26. **Headings and Captions.** All headings and captions used in this Agreement are for convenience only, and shall not be construed to either limit or broaden the language of this Agreement or any particular section contained herein.

27. **Authorization.** The persons and Parties signing below represent and warrant that they have the authority to enter into this Agreement on behalf of themselves or the Party for whom they are acting, and that they have authority to bind themselves or that Party to this Agreement.

28. **Denial of Liability.** The Parties state that this Agreement is in no way an admission by any Party of any liability or wrongdoing in the Case or any other matter. The Parties deny, and will continue to deny, any and all liability for all claims herein released by either Party.

29. **Facsimile Signatures and Counterparts.** This Agreement may be executed with facsimile signatures and counterparts, each of which shall be deemed an original and which shall together constitute a single document.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date set forth above:

4-WAY RANCH METROPOLITAN DISTRICT NO. 1

By: Andrew Westra (Sep 22, 2020 16:44 MDT)
Name:
Title: Andrew Westra

Date: Sep 22, 2020

4-WAY RANCH METROPOLITAN DISTRICT NO. 2

By:
Name:
Title: PRESIDENT

Date: 11/11/20

4-WAY RANCH JOINT VENTURE, LLC

By:
Name:
Title: Author Lindenmoyer CFO

Date: 11/13/20

Andrew Westra, by P.O.A. dated 8-17-2020

Date: Sept. 28, 2020

Sandy Westra, by P.O.A. dated 8-19-2020

Date: Sept. 28, 2020

Amy Campbell, by P.O.A. dated 8-19-2020

Date: Sept. 28, 2020

Kevin Campbell, by POA dated 8-14-2020

Date: Sept. 28, 2020

Michael Andrews, by POA

Date: Sept. 28, 2020

Kristen Andrews, by POA

Date: Sept. 28, 2020

Troy Andrews, by P.O.A.

Date: Sept. 28, 2020

Paul Schafroth, by P.O.A. dated 8-21-2020

Date: Sept. 28, 2020

Jennifer Schafroth, by P.O.A. dated 8-21-2020

Date: Sept. 28, 2020

for Paul Hartmann by P.O.A. dated 8-21-2020

Date: Sept. 28, 2020

for Susan Drake by P.O.A. dated 8-18-2020

Date: Sept. 28, 2020

for Cindy Hartmann by P.O.A. dated 8-19-2020

Date: Sept. 28, 2020

for Matt Tannehill, by P.O.A. dated 8-21-2020

Date: Sept. 28, 2020

for Kenneth Stott, by P.O.A. dated 8-20-2020

Date: Sept. 28, 2020

for Bobbie Tennehill by P.O.A. dated 8-21-2020

Date: Sept. 28, 2020

for Angie Stott, by P.O.A dated 8-20-2020

Date: Sept. 28, 2020

for David Learn, by P.O.A. dated 8-21-2020

Date: Sept. 28, 2020

for Danell Pugh, by P.O.A dated 8-20-2020

Date: Sept. 28, 2020

for Sallie Learn, by P.O.A. dated 8-21-2020

Date: Sept. 28, 2020

for Mike Pugh, by P.O.A. dated 8-20-2020

Date: Sept. 28, 2020

for Barry Bortner, by POA dated 8-20-2020

Date: Sept. 28, 2020

for Jeffrey Wilson, by P.O.A. dated 8-24-2020

Date: Sept. 28, 2020

for Jackie Bortner by POA dated 8-20-2020

Date: Sept. 28, 2020

for Michael Drake, by P.O.A. dated 8-17-2020

Date: Sept. 28, 2020

for G. Marshall Brown by POA dated 8-20-2020

Date: Sept. 28, 2020

Brian K. Mattie for Brenda Brown, by POA dated 8-20-2020

Date: Sept. 28, 2020

Brian K. Mattie by POA dated 8-19-2020

Michael Raczykowski

Date: Sept. 28, 2020

Brian K. Mattie for William Montgomery, by P.O.A. dated 8-19-2020

Date: Sept. 28, 2020

Approved as to form by counsel for Plaintiffs.

Burg Simpson Colorado

By: Brian K. Mattie

Name: Brian K. Mattie

Title: Shareholder

Date: Sept. 28, 2020

Approved as to form by counsel for District No. 2.

Seter & Vander Wall

By: Colin Mielke

Name: Colin Mielke

Title: Attorney at Seter & Vander Wall, P.C.
Attorneys For District No. 2

Date: 11/13/2020

Approved as to form by counsel for the Joint Venture.

Fairfield and Woods, P.C.

By: 
Jack E. Reutzel, Director

Date: November 6, 2020

2280919.3

Exhibit A

BUTLER | SNOW

April __, 2020

VIA EMAIL

TO: Nelson Boyle, Brian Matise, Marni Nathan Kloster, Jack Reutzel, and Bill Ankele

Re: *Westra et al. v. Martz, et al.*, 2005CV3774 (El Paso County Dist. Ct.)

Dear Counsel:

As discussed in our conference on April 3, this will summarize a proposed bond issue (the "2020 Bonds") by 4-Way Ranch Metropolitan District No. 2 ("District 2") and the cancellation of the Subordinate Limited Tax General Obligation Bonds, Series 2011B (the "2011B Bonds") issued by 4-Way Ranch Metropolitan District No. 1 ("District 1"). The effect of the proposed transaction will be to relieve properties that were located within District 1 on the date the 2011B Bonds were issued from the obligation to pay taxes levied by District 1 to pay the 2011B Bonds. This transaction will be part of a global settlement of the litigation.

The following is a summary of the proposed transaction. District 1, District 2, and the owner of the 2011B Bonds (the "Owner") will enter into an agreement that District 2 will issue its 2020 Bonds to compensate District 1 for the transfer of the water system to District 2. The 2020 Bonds will be delivered to the Owner in exchange for the cancellation of the 2011B Bonds.

The following will be necessary to implement this proposal:

1. A valuation of the water system from an engineer or other qualified professional showing that the value of the system is equal to or in excess of the principal amount of the 2020 Bonds. Since JDS-Hydro Consultants, Inc. provided a valuation in connection with the 2011B Bonds perhaps they can prepare a new one.
2. A certification from an underwriter or municipal advisor that the interest rate on the 2020 Bonds is reasonable.
3. A market study showing projected absorptions for development of property in District 2. Since King & Associates prepared a market study in connection with the 2011B Bonds perhaps they can prepare a new one. Exclusion of property from District 1 and the inclusion of such property in District 2 should be accomplished in connection with the closing of the 2020 Bonds so those properties can be considered for purposes of the market study.
4. A financial forecast prepared by an accountant or other qualified professional demonstrating that based upon the market study the 2020 Bonds are expected to be paid when due.

1801 California Street
Suite 5100
Denver, Colorado 80202

DEE P. WISOR
(720) 330-2357
Dee.Wisor@ButlerSnow.com

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F (720) 330-2301
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BUTLER SNOW LLP

5. A certificate signed by District 1, the Owner, and the paying agent for the 2011B Bonds evidencing that the 2011B Bonds are discharged and no longer outstanding. The paying agent will destroy the physical 2011B Bonds.
6. Resolutions, certifications, and opinions which are customary in a tax-exempt bond transaction by a Colorado special district.

if the transaction is implemented as outlined above, the 2011B Bonds of District 1 will no longer be outstanding. District 1 will no longer levy taxes on any property (whether it is excluded or not) to pay the 2011B Bonds. Only property in District 2 (regardless of whether it is in the boundaries of District 2 at the time of issuance or is later included in the boundaries) will be subject to a tax levy by District 2 to pay the proposed 2020 Bonds.

BUTLER SNOW LLP

By: Dee P. Wisor

Dee P. Wisor

Exhibit B

RESOLUTION OF THE
4-WAY RANCH METROPOLITAN DISTRICT NO. 2

Adoption of Rules and Regulations

WHEREAS, 4-Way Ranch Metropolitan District No. 2 (the "District") is a special district located within El Paso County, Colorado, organized pursuant to Article 1 of Title 32, Colorado Revised Statutes (the "Special District Act"); and

WHEREAS, in accordance with the provisions of § 32-1-1001(1)(m), C.R.S., the District is authorized to promulgate and adopt Rules and Regulations to govern the operations of the District (the "Rules and Regulations"); and

WHEREAS, the Board of Directors of the District (the "Board") desires to adopt Rules and Regulations.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF 4-WAY RANCH METROPOLITAN DISTRICT NO. 2, EL PASO COUNTY, COLORADO, AS FOLLOWS:

1. The Board, having determined that it is in the best interests of the District, and its customers, residents and property owners to adopt the Rules and Regulations as set forth in **Exhibit A** attached hereto, hereby adopts such Rules and Regulations.

2. This Resolution constitutes a legislative measure of the District, which may be modified only by formal action of the Board of Directors of the District.

APPROVED, ADOPTED, AND EFFECTIVE as of this 2nd day of May, 2018.

4-WAY RANCH METROPOLITAN DISTRICT NO. 2

President

ATTEST:

Secretary/Assistant Secretary

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Rules and Regulations

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RULES AND REGULATIONS

OF THE

4-WAY RANCH METROPOLITAN DISTRICT NO. 2
EL PASO COUNTY, COLORADO

ADOPTED AND EFFECTIVE: May 2, 2018

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ARTICLE I

GENERAL PROVISIONS

1. GENERAL

1.1 Authority: These Rules and Regulations are adopted in accordance with the authority conferred in Title 32, Article 1, and other provisions of the Colorado Revised Statutes, by the 4-Way Ranch Metropolitan District No. 2, a quasi-municipal corporation and political subdivision of the State of Colorado with all the powers thereof that are specifically granted to the District, or are necessary or incidental to or implied from powers specifically granted by statute, constitution or other law, for carrying out the objectives and purposes of the District.

1.1.1 The District is empowered by § 32-1-1001(1)(m), C.R.S. and by Colorado law to adopt, amend and enforce rules and regulations, not in conflict with the Constitution and laws of the State of Colorado, for carrying on the business and affairs of the District.

1.1.2 The District is empowered by § 32-1-1001(1)(d)(I), C.R.S. and by Colorado law to enter into contracts and agreements affecting the affairs of the District.

1.1.3 The District has the authority to implement the Rules and Regulations provided herein by policies and resolutions.

1.2 Policy: These Rules and Regulations are established to serve a public use and promote the health, safety, and general welfare of the inhabitants and visitors of the District.

1.3 Purpose of Water System: The water system of the 4-Way Ranch Metropolitan District No. 2 is designed as a central water system, supplied with treated Denver Basin groundwater, including a booster station and tank for delivery pressure and potable water storage, and water distribution and transmission lines. The water system is owned, controlled, managed and operated by the District. The District's water system does not include a wastewater system; wastewater service is to be provided by contract by a separate entity. Water service by the District will be available only in accordance with these Rules and Regulations.

1.4 Scope: These Rules and Regulations shall be considered a comprehensive set of Rules and Regulations governing the control, management and operation of the District. However, these Rules and Regulations do not cover every conceivable aspect of the control, management and operation of the District and the Board reserves the right to make rulings and adopt resolutions concerning matters not covered herein as and when appropriate, in the opinion of the Board. In addition, these Rules and Regulations are not intended to supersede or contravene specific terms or conditions of any agreement, contract, or other document entered into between the District and a party, unless such agreement or contract is made subject to these Rules and Regulations.

1.5 Regulations By Other Governmental Entities: Any additional limitations, restrictions or prohibitions validly placed upon the District by any governmental entity or by any

agreement between the District and any other governmental entity is hereby incorporated into these Rules and Regulations by this reference and shall constitute a limitation, restriction and/or prohibition on the District's ability to provide service, and on each customer of the District.

1.6 Effective Date: These Rules and Regulations shall be effective immediately upon adoption by a majority of the Board at a public meeting.

1.7 Construction: It is the intent of the Board that these Rules and Regulations shall be liberally construed to affect the general purposes and policies set forth herein. Nothing set forth herein shall be construed as an alteration, waiver or deviation from any grant of power, or any limitation or restriction thereof, conferred or imposed upon the District by the statutes, constitutional provisions or other laws of Colorado as they currently exist and as they may exist in the future.

1.8 Amendments: These Rules and Regulations may be amended, withdrawn, changed or added to by the Board at any regular or special meeting.

1.9 Severability: The invalidity of any section, clause, sentence or provision of these Rules and Regulations shall not affect the validity of any other part of these Rules and Regulations that can be given effect without such invalid part or parts, and to this end the provisions of these Rules and Regulations are hereby declared to be severable.

1.10 Delegation to District Staff: The District's Board of Directors may delegate decision-making authority under these Rules and Regulations to District staff.

1.11 Acceptance of Service. Acceptance of service from the District shall constitute acceptance by the Customer of all of the terms and conditions of such service as set forth in these Rules and Regulations, as they may be amended from time to time in accordance with the law.

2. DEFINITIONS

All definitions set forth in this Article I apply throughout these Rules and Regulations, unless otherwise specifically indicated.

2.1 Applicant: The party requesting an extension, connection, new or additional service or an increase in tap size from the District.

2.2 Board or Board of Directors: The Board of Directors of the 4-Way Ranch Metropolitan District No. 2.

2.3 Connection: The connection of water service lines to District lines for either a permanent or temporary purpose.

2.4 Connection Fee(s): The sum of the fees and charges associated with obtaining water service from the District.

2.5 Contractor: Any person, firm, partnership, corporation, or other entity acting as an independent contractor that is hired by either the District or other persons or entities; is authorized by the District to perform work on District Facilities, on facilities to be connected to the District's Facilities, or on facilities to be dedicated to the District; is authorized by the District to furnish materials within the District for use in connection with the District's Facilities; and from whom the District will accept completed facilities so long as such facilities are constructed in accordance with the District's Rules and Regulations and Design Standards. All contractors, hired by either the District, Developer or other Persons or entities shall be required to comply with all District requirements.

2.6 Cost(s): All costs associated with the construction, reconstruction, enlargement or dedication of any water system facilities, including, but not limited to, costs associated with planning, engineering, inspection, administration, acquisition of facilities, acquisition of rights-of-way, acquisition of water rights, attorney fees and all other fees and/or costs necessary to provide new, different or additional service.

2.7 Customer: Any Person, company, corporation, public entity or authority, Developer, Property Owner, lessee, tenant or occupant of such property owner, who is supplied with service by the District or authorized by the District to use water or to connect to the District's public water facilities.

2.8 Design Standards: Specifications established by the District relating to the standards for the design and construction of water facilities within the District.

2.9 Developer: Any person, firm, partnership, corporation or other entity engaged in the construction, remodeling or development of improvements on real property within the District either for its own use or for sale to others. A developer shall be held directly responsible by the District for ensuring that all work performed by it or its Contractor(s) is completed in accordance with all District requirements.

2.10 District: The 4-Way Ranch Metropolitan District No. 2, acting by and through its Board of Directors.

2.11 District Engineer: A registered professional engineer in the State of Colorado charged with the responsibility for District engineering.

2.12 District Facilities: Any and all improvements owned and operated by the District for the provision of water service, including without limitation main lines, treatment units, storage and pumping units.

2.13 District Representative: The District Manager or other person authorized to conduct and carry out business for the District.

2.14 Dwelling: Any building or portion thereof that contains living facilities including provisions for sleeping, cooking and sanitation.

2.15 ERU (Equivalent Residential Unit): An approximate measure of the level of service necessary to serve a single-family dwelling, which is used to calculate the cost of connection fees and service charges.

2.16 Extension: A main required in order to provide service to properties according to the terms and conditions set forth herein.

2.17 Main Line: Water pipe owned by the District and used for the purpose of conveying water to a service connection.

2.18 Manager or District Manager: The person retained by the Board to administer and supervise the affairs of the District and its employees, including, but not limited to, enforcement of the District's Rules and Regulations, and who may, among other things, operate, inspect and approve all connections, excavations, extensions, installations, systems and facilities owned or under the control of the District.

2.19 May: "May" is permissive.

2.20 Permit: Written permission of the Board given pursuant to these Rules and Regulations, subject to the specific terms and conditions contained therein.

2.21 Person: Any individual, partnership, co-partnership, firm, company, corporation, association, joint stock company, trust, estate, governmental entity, or any other legal entity, or their legal representatives, agents or assigns.

2.22 Property Owner or Owner: The Person or Persons who hold title to a parcel of land as shown on the property tax assessment roll in the office of the El Paso County Assessor.

2.23 Service Area: The area to which the District is authorized to provide water services, within its legal boundaries or by contractual arrangement.

2.24 Service Lines: See "Water Service Line."

2.25 Shall, Will: "Shall" and "will" are mandatory.

2.26 Stub-In: The curb stop.

2.27 Subdivision Plat: A map of a platted subdivision recorded with the proper land use authority for the purpose of creating land parcels that can be identified uniquely by reference to such map.

2.28 Unit: A building or portion thereof used for a single-family residence, individual commercial use or which is provided separate service by the District.

2.29 User: Shall mean and refer to a Person utilizing water from a Water Tap on the Premises and may include the Owner, Customer, tenant or homeowner's association.

2.30 Water Main Line: Any pipe, system of piping and appurtenances used as a conduit for water in the District's Water System and owned by the District.

2.31 Water Meter Fee: A water meter fee shall be collected at the time of tap purchase. The amount of the Water Meter Fee shall be set by the Board from time to time and shall include the cost of the meter, the cost of setting the meter, and administrative costs.

2.32 Water Resource Development Charge: Provides funds for the development of water supplies needed to serve new customers.

2.33 Water Service Line: Any pipe, system of piping, tap line and appurtenances used as a conduit for water from the Water Main Line to the building where the water service is provided to the Customer. Ownership and maintenance responsibilities for Water Service Lines are described in Article I, Section 3.6.

2.34 Water System: All structures, facilities, equipment and processes used for diverting, transporting, distributing, storing, pumping, treating and measuring the water of the District. The terms "water system" and "water facility" are used interchangeably throughout these Rules and Regulations.

2.35 Water Tap: The physical connection of the District's Water System, including all rights for water service granted upon payment and satisfaction of all applicable connection charges.

2.36 Any Other Term: Any other term not herein defined shall be defined as presented in the "Glossary - Water and Sewage Control Engineering," A.P.H.A., A.W.W.A., A.S.C.E., and F.W.S.A., latest edition.

3. OPERATING PRINCIPLES AND LIMITATIONS

3.1 Policy: The District is responsible for providing water service in an economical manner within the District subject to any capacity limitations, and providing for the operation, maintenance, repair and replacement of all facilities owned by the District, in accordance with these Rules and Regulations. The use of the District's Water System is only by permission of the District. The District reserves full right to determine all matters related to the control and use of its Water System, with the right to use the District's Water System being subject to suspension or revocation by the District.

3.2 Facilities Construction Costs: Notwithstanding any other provision of these Rules and Regulations to the contrary, all costs of new construction, reconstruction or enlargement of any water facilities, including all associated planning, engineering, administration and attorney fees, which are necessary to provide new, different or additional water service within the District's Service Area (including, but not limited to, service lines, main lines and water treatment facilities), shall be paid for by the Owner(s) of the property or building to be provided service. The provisions of these Rules and Regulations apply regardless of whether the District or some other Person contracts for, or initially pays for, such construction, reconstruction or

enlargement, or whether such service is compelled by the District. The Board may act other than as required in this section when it determines, in its sole discretion that such action is in the best interests of the District, or is necessary to provide for the health, safety and welfare of the inhabitants and visitors of the District.

3.3 Compliance with Design Standards: All water facility construction, repair, maintenance or modification work within the District shall comply with the District's Design Standards, as they currently exist and may be amended.

3.4 Liability:

3.4.1 District Not Liable: No claim for damage shall be made against the District, and the District and its officials and employees shall not be liable by reason of damage resulting from, but not limited to, any of the following: breaking of any service line, supply line, main line, pipe, cock or meter by any employee of the District; failure of the water supply; shutting off or turning on water in the Water Main Lines; the making of connections or extensions; damage caused by water running or escaping from open or defective faucets; burst service pipes or other facilities not owned by the District; damage to water heaters, boilers, or other appliances resulting from shutting water off, or from turning it on, or from inadequate, sporadic and excessive pressures; breakage of main lines by District personnel; interruption of water service and the conditions resulting therefrom where said interruption of service is brought about by request of claimant, or by circumstances beyond the District's control; failure of water facilities to be located where the District's map indicates they should be; failure to obtain access to isolation valve; or for taking certain actions with respect to the Water System of the District deemed necessary by the Board of Directors or its agents. This paragraph shall not relieve the District from liability for negligence of its employees, if such liability would otherwise have existed.

3.4.2 District Not Responsible for Damages: These Rules and Regulations shall not be construed to hold the District in any manner responsible for any damages to Persons or property resulting from any inspections as herein authorized or resulting from the issuance or denial of any permit as herein provided, or resulting from the institution of court action as allowed by law, or the forbearance by the District to so proceed.

3.4.3 Officials Not Liable: Any District official or employee, charged with the enforcement of these Rules and Regulations, acting in good faith and without malice on behalf of the District in the discharge of his official duties, shall not thereby render himself or herself personally liable for any damages that may accrue to persons or property resulting from any such act or omission committed in the discharge of such duties. Any suit or proceeding instituted against such official or employee, stemming from any act or omission performed by him in the enforcement or attempted enforcement of any provision of these Rules and Regulations, shall be defended by the District until final termination of the proceedings, in such a manner as to be consistent with the District's resolution indemnifying such officials and employees.

3.4.4 Non-Liability for Work of Others: The District does not assume any liability for any work performed by others. No claim shall be made against the District or any of

its officers or employees on account of errors of omission or commission made by the District's licensees or independent contractors.

3.4.5 Indemnity: The Property Owner(s) shall indemnify the District from any loss or damage that may directly or indirectly be occasioned by the installation of a Main or Service Line, and shall obtain any guarantee required by these Rules and Regulations.

3.4.6 Non-Waiver: The foregoing shall not constitute a waiver by the District of the defense of sovereign immunity or the Colorado Governmental Immunity Act, or any other defenses it may have to an action against the District, its officials or employees, nor a waiver of its insurance coverage.

3.5 Ownership and Maintenance of Water Facilities: Except as otherwise provided in these Rules and Regulations, all existing and future water facilities connected with and forming an integral part of the District's Water System shall become and are the property of the District. The District shall be responsible for maintenance, repair and reconstruction of such property, including Water Main Lines, at the cost of the District, unless the facility is under warranty or unless the situation necessitating such repair or reconstruction is the result of a change or enlargement of use, abnormal use or damage to such facilities, in which case such repair or reconstruction will be done at the expense of the Person responsible for such change or enlargement of use, abnormal use or damage. The District's ownership will remain valid regardless of whether such property is constructed, financed, paid for, or otherwise acquired by the District or by other Persons. No other Persons, except those authorized by the District, shall have any right to enter upon, inspect, operate, adjust, change, alter, move or relocate any portion of the foregoing or any of the District's facilities.

3.6 Ownership and Maintenance of Water Service Lines:

3.6.1 Water Service Lines from the District-owned Main Line to the water meter are the property and maintenance responsibility of the District. Water Service Lines from the meter to the building or unit are the property and maintenance responsibility of the Owner of said property. All curb boxes, valve boxes and meter pits are owned and shall be maintained by the District.

3.6.2 Leaks, stoppages or breaks in such portions of such Service Lines shall be repaired by the Property Owner within a reasonable period of time after discovery or notification of such condition by the District. If satisfactory progress toward repairing the said leak, stoppage or break has not been accomplished within such time period, the District may shut off the water service until the leaks, stoppage or breaks have been repaired or take actions necessary to make all required repairs at the full expense of the Owner. The District reserves the right to make the repair at the expense of the Owner when, in the opinion of the District, such repair is necessary to protect the health, safety and welfare of the inhabitants and visitors of the District. Responsibility for maintenance shall remain valid whether the Service Lines are constructed, financed or paid for by the District or by other Persons.

3.7 Ownership and Maintenance of Water Meters, Related Assembly and Remote Register:

3.7.1 All water meters, remote registers and transmitters shall be owned and maintained by the District. If the District determines that the water meter remote register has been abused, neglected or willfully damaged, the District shall have the equipment repaired or replaced and shall charge the Owner as part of the District's charges for water service.

3.7.2 It shall be the duty of all customers to notify the District if a water meter and/or remote register are operating defectively. It shall also be the duty of all Owners to maintain free and clear access to the water meter and all component parts making up the meter assembly and the remote register.

3.7.3 The District may at any time test, repair or replace a Customer's water meter to ensure the meter is recording within the accuracy limits recognized by the A.W.W.A. If the District determines that a water meter or remote register is not functioning properly, the District will assess the meter or remote register and at the District's discretion, the District may elect to repair or replace the damaged equipment.

3.7.4 If any water service meter and/or its related remote register shall fail to register in any billing period, the Owner shall be charged the average period consumption as determined by the District. No adjustment will be made to any prior bills.

3.8 Service Outside the District Boundaries: Service outside the boundaries of the District is available only by contract with the District. Contract service may be offered at the sole discretion of and upon terms established by the Board of Directors.

4. GENERAL USE PROVISIONS

4.1 Allowed Uses: The District will furnish water for ordinary domestic, household, business, industrial and community use and for fire protection purposes as the District's System may reasonably supply and as may be approved by the Board.

4.2 Use Allowed Only Within Service Area: The District will not provide water for use outside the boundaries of the District without the approval of the Board.

4.3 Use Restricted to Premises: Except with prior written authorization of the District, no Customer shall use, or permit the use of, any water furnished by the District on any premises other than that specified in the User's application for service, nor shall any Customer resell or distribute any water furnished by the District for resale to any Person.

4.4 Drought Conditions: The Board, in its sole discretion, may make a determination that drought conditions exist.

4.4.1 Limitations Imposed During Drought Conditions: In the event the Board determines that drought conditions exist, the District may take such action as it deems necessary

or advisable to ensure the efficient use and conservation of limited water supplies. The District may adopt supplemental regulations relative to water rationing, time of use schedules, limitation of use and such other measures as it deems necessary or appropriate for the conservation of limit water supplies, insuring continued water availability, and appropriate utilizations of limited water resources.

4.4.2 Responsibilities of Users During Drought: It shall be the responsibility of the Users to carefully observe all rules, regulations, and prohibitions established by the District in the event the Board shall determine that drought conditions exist. The unavailability if water or limitation of water use at certain times shall not relieve the Customer from the payment of all fees and charges established by the District.

5. EXPANSION OF DISTRICT BOUNDARIES

5.1 Policy: Subject to the District's Service Plan, the District's boundaries may be expanded by inclusion (annexation) of property into the District. Properties located outside the boundaries of the District may propose inclusion of such property into the District. Growth and development to be included within the District's boundaries must pay for itself and neither the District nor its existing residents shall be required to subsidize growth and development of any property to be included within the District's boundaries.

5.2 Conditions for Inclusion: All requests for inclusion of property within the boundaries of the District shall be made pursuant to the provisions of § 32-1-401, *et seq.*, C.R.S. Any property proposed for inclusion within the District must provide all of the water facilities and water resources needed to serve the property or, in the District's sole discretion, financial resources sufficient to compensate the District for the provision of service to the property. In addition, the District may require that a Property Owner seeking to include property within the District's boundaries satisfy certain conditions as determined on a case-by-case basis.

5.3 Mill Levies: Applicable mill levies shall be assessed upon inclusion of the property within the District's boundaries.

5.4 Inclusion Fee: Any request for inclusion into the District's boundaries shall be accompanied by a nonrefundable inclusion fee, established by the District, to cover engineering, legal and administrative fees and the estimated cost of processing the application for inclusion. Any additional costs or fees which may occur shall be assessed and paid prior to approval of inclusion by the Board.

6. USE OF PUBLIC WATER SYSTEMS REQUIRED

6.1 Unlawful to Deposit Waste in Unsanitary Manner: It is unlawful for any person to place, deposit or permit to be deposited in any unsanitary manner, on public or private property within the District, any human excrement or other objectionable waste.

6.2 Water Wells Prohibited: Unless otherwise approved by the Board, after the effective date of these Rules and Regulations, the construction, use or connection to the District's facilities of any water well within the District is prohibited.

7. INSPECTIONS

7.1 Powers and Authority of Inspectors: The District Manager or Representative shall be permitted to enter all private property within the District for the purposes of reading meters, testing public water system, inspection, observation, measurement, sampling, repair, maintenance of any portion of the Water Facilities lying within said properties, and related matters.

7.2 Construction Inspection: The District Manager or Representative shall have the right to inspect any and all work during construction to ensure installation in accordance with District standards. After completion of construction of any Water Line, the District Manager or Representative shall make a final inspection of construction.

8. PROTECTION OF DISTRICT FACILITIES

8.1 Compliance With Statutes and Regulations: For all projects that require digging, boring, directional drilling or excavation around District Facilities, the Person, Contractor or excavator wishing to dig or excavate around said facilities shall comply with all applicable statutes and regulations of the State of Colorado, including, without limitation, §§ 9-1.5-101, *et seq.*, C.R.S.

8.2 Locate Information: For projects that require digging, boring, directional drilling or excavation around District Facilities, a contractor or excavator must provide locate information to the District and must call in the location to the Utility Notification Center of Colorado at phone number 811, or 800-922-1987; or, by fax at 303-234-1712 or website www.uncc.org prior to commencing any digging, boring, directional drilling or excavation. No activity will take place until signed paperwork defining the dig area is received by the contractor or excavator. The original locate is considered an extended job, and all locates shall be done on a day-to-day basis.

8.3 District Not Liable: The District is not responsible for locating water service lines as they are owned by the Property Owner. The District's records may show only where the tap is made on the District's Main Line and not for all service line connections. The District may locate the water tap to the best of its ability as a courtesy, but assumes no responsibility for damages to such water services by the Contractor.

9. ENFORCEMENT

9.1 Prohibitions: No unauthorized person shall turn on service from, uncover, make any connection or reconnection with, open, extend, use, alter or disturb any public water main facility or appurtenance, or fail to comply with these Rules and Regulations, or construct a main

line extension without first obtaining a written permit from the District, and paying all applicable fees and charges and complying with all applicable Rules and Regulations of the District.

9.2 Violations: In case of violation of the District's Rules and Regulations, the District may revoke service, disconnect service, turn off service, require the responsible Person to disconnect, or require the responsible Person to return the District's system to its original condition, and shall require payment of all applicable fees and charges provided by these Rules and Regulations and all costs associated with the violation, including any expense, loss, damage or attorney fees caused by such violation by the responsible Person prior to the District providing any service to any property or facilities owned, leased or occupied by the responsible Person, whether or not such property or facilities are directly involved in the violation of this section. This section shall not be construed to limit the right of the District to pursue other fees, charges, remedies or forms of relief provided in these Rules and Regulations and by other applicable law.

9.3 Misdemeanor Offenses: Any person who maliciously, willfully or negligently, breaks, damages, destroys, uncovers, defaces or tampers with any part of the District's Water System or facilities, or takes water from the District's facilities, including fire hydrants, without written authorization, may be charged with a misdemeanor or other appropriate offense, and upon conviction thereof, shall be fined in an amount as established by the court for each violation, along with whatever additional penalties as may be appropriate.

9.4 Shut-off/Revocation of Service: In addition to any other remedies available, the District shall be authorized to shut off service to any property for which District charges remain unpaid and past due. Service shall be revocable by the District upon non-payment of fees or charges owed to the District, upon failure to comply with the District's Rules and Regulations, or when the District Manager or District Representative determines that an emergency exists and such revocation is necessary to protect the health, safety and welfare of the inhabitants and visitors of the District.

9.5 Perpetual Lien: Until paid, all fees, rates, tolls, penalties, or charges due and as set by the District from time to time, shall constitute a perpetual lien on and against the property served. Any such liens may be foreclosed as provided by law and shall take superior priority status as against all other liens which may have attached and have been perfected against any property jointly and severally/served or benefited or to be served or benefited by the District.

ARTICLE II

REQUIREMENTS FOR ACQUIRING WATER SERVICE

1. WATER SERVICE

1.1 Application for Service: Provision of water service by the District to property located within the District's boundaries, to property proposed for inclusion within the District's boundaries, or to property receiving contractual service by the District, is subject to these Rules and Regulations. All parties desiring to obtain or required to obtain water service must submit an application for a water tap at the District business office on a form provided by the District. The application to the District shall be supplemented by any plans, specifications, or other information deemed necessary by the District to determine compliance with all ordinances, regulations or rules concerning the Water Systems. Applications for water taps will not be approved until the Connection Fees, capital improvement charges and any other fees, rates, tolls, charges or deposits, required by the Board of Directors, are paid in full. Connection fees, capital improvement charges and all other fees, rates, tolls and charges are non-refundable. The District may deny any application for water service based on the District's determination that the District lacks sufficient water treatment capacity, water and/or water resources to serve the property, or in the Board's sole discretion, it determines that service would not be in the best interests of the District or its residents and Property Owners. The District will determine the water ERUs needed to serve each property by analyzing the potable and irrigation water demand associated with the planned development of the property.

1.2 Amended Connection Permits: Any time an application for service has been granted and a connection permit has been issued, and subsequently the meter size is changed, the classification of the property is changed or level of service is changed or recalculated by the District, so as to increase the level of service, quantity of water, or amount of water treatment necessary, the Property Owner shall apply for an amended connection permit and pay the amended connection permit fee as set forth in the District's schedule of fees, in addition to any other fees and charges required by the District.

1.3 Cancellation of an Application for Service: An application for service will be canceled under the following conditions: (1) where there are existing frontage mains, but the Connection Fees have not been paid; or (2) where there is an extension contract and accompanying deposit, but the Connection Fees are not paid.

The District reserves the right to deny, cancel or revoke any application previously granted, before service has been provided, in which case any applicable fees paid by the Applicant shall be refunded.

1.4 Limitations on Connection Permits: Each connection permit shall allow only one Service Line connection. Connection permits issued to a Property Owner are applicable only to the real property and building(s) or portion thereof specified in the connection permit, and all rights under the connection permit shall be deemed to be automatically conveyed with title to

such property. The connection permit shall not be transferable for use on other property or for use on other buildings on the same property.

1.5 Expiration of Connection Permit: If tap rights are not utilized by a physical connection within one year of the date of payment as recorded by the District, a new tap application is required. If the new tap application is approved, current charges and fees will be assessed with credit for any amount previously paid.

1.6 Building Permits: Before a Property Owner can acquire water service from the District; he shall obtain a valid building permit from the appropriate agency for the property for which service is requested.

1.7 Conditions on Connection Permits:

1.7.1 Requirements for Construction: All Service Line extensions and connections to Main Lines shall be in accordance with the requirements provided in these Rules and Regulations and the District's Design Standards. A water tap will not be authorized until the Water Facility on which the tap will be installed has been preliminarily accepted by the District.

1.7.2 Connection Permits Do Not Authorize Road Cuts: Issuance of any Connection permit by the District does not authorize the holder thereof to make any cut in a public road or street or to do anything for which separate permission is required of another governmental entity.

1.7.3 Revocation: Any connection permit or grant of service may be revoked at any time by the District's Manager or Board if the planned installation or use of Water Service Lines is changed or not made in accordance with these Rules and Regulations.

1.7.4 Subject to Rules and Regulations: All connection permits, grants of service and any other agreements issued or entered into by the District shall be subject to each of the provisions of these Rules and Regulations as they may be amended from time to time, and shall be subject to each of the conditions and limitations set forth herein.

1.7.5 Cancellation: The District reserves the right, in its sole discretion, for cost-related, lack of capacity or other reasons, to cancel any connection permits or grants of service issued by the District, including grants of water service or approvals of Main Line extensions at any time prior to connection to the District's Water System. The District shall then refund all fees previously paid that have not been expended for evaluation of the respective application for service.

1.8 Non-Potable Irrigation System: In certain areas of the District a Property Owner seeking to acquire water service from the District may be required to pay for the construction of a separate non-potable irrigation system for the subject property.

1.9 Temporary Water Service Through Fire Hydrants: Special permission from the District is required for temporary water service supplied through fire hydrants. Such use shall

require the use of a hydrant meter and regulating valve for the monitoring of water use, and payment of the hydrant meter permit fee, established by the District. Connections and disconnections shall be made by authorized personnel only.

2. EXTENSION OF FACILITIES

2.1 Extension of Water Facilities: When District Water Facilities are not already located adjacent to a proposed development within the District's boundaries; it shall be the responsibility of the Property Owner/Developer seeking service to extend existing Water Facilities to provide service to the property. The Property Owner/Developer shall pay all costs associated with the Water Facility extensions; such costs may include engineering, legal and construction costs. If the District constructs the water facility extensions, the Property Owner/Developer shall provide all funds necessary for such construction. All Water Facility extensions shall be constructed in accordance with these Rules and Regulations and the District's Design Standards. No work on a proposed Water Facility extension shall commence, and no Water Facility extension shall be constructed within the District, prior to payment of all fees and the issuance of applicable permits.

2.2 Extension of Water Facilities In and Through a Platted Subdivision: In addition to the other provisions set forth herein, a Developer shall install necessary Water Facilities in and through the subdivision upon approval of the plans and specifications for construction by the Board. The District shall inspect the construction of the Water Facilities, and shall not accept the Water Facilities until final approval is granted by the Manager.

2.3 Additional Water Facilities: The District shall determine if any additional Water Facilities, including, but not limited to, storage tanks, treatment facilities and booster pumps, will be required to provide service in conjunction with a Water Facility extension. The applicant shall be responsible for the installation of such facilities in accordance with the District's Rules and Regulations and Design Standards.

2.3.1 Fire Hydrants: The installation of public fire hydrants shall be determined by the appropriate fire protection authority and shall be subject to approval by the District.

2.4 Costs: All costs associated with Water Facility extensions and the provision of service by the District shall be the responsibility of the Property Owner or Developer seeking to acquire water service, unless otherwise determined by the District. Costs of Water Facility extensions shall include the actual cost of the extensions, labor and equipment used, plus overhead at the prevailing District overhead rates for the required extension. If pavement excavation and replacement or repairs are required for the Water Facility extension, the additional costs of the required excavation and replacement or repairs will be added to the cost of the Water Facility extension. There may be additional costs required to provide adequate fire flow as determined by the fire protection authority including, but not limited to, Main Lines, storage tanks and booster pumps. The costs of extending Water Facilities that will benefit land for more than one Property Owner may be subject to District participation or special assessment. Booster Pumps placed on any service line shall be prohibited.

2.5 Ownership and Control of Extension: Ownership of any Water Facility extension shall at all times be and remain vested in the District. All facility extensions are under the sole control and jurisdiction of the District. This includes the right to connect additional Customers without the consent of the Applicant, make further facility extensions beyond or running laterally from said facility extension, or connect the facility extension with any other portion of the water distribution systems of the District, without incurring any obligations to the Applicant or Property Owner receiving services from the facility extension except as hereinafter provided.

2.6 Service Line Extension and Connection to District Water Lines: Property Owners seeking to acquire water service from the District are responsible for extension of the building facilities and Service Lines to the District's Water Main Lines. A separate and independent Water Service Line shall be provided for every building, business, Dwelling and subdivided lot except approved outbuildings or as otherwise approved herein. All service line extensions and connections shall be constructed in accordance with these Rules and Regulations and the District's Design Standards. Payment of all fees and the issuance of a connection permit are required prior to connection to the District's Main Lines.

2.6.1 Reserved.

2.6.2 Commercial/Industrial/Business Buildings: Each commercial, industrial, or business unit within a building shall have a separate and independent Water Service Line and connection for each commercial, industrial or business unit in the commercial, industrial, or business building.

2.6.3 Contractor Qualifications: No person, other than a Contractor licensed by the District, shall construct a building Water Service Line or make a connection to the District's Facilities as allowed by a connection permit, and all Contractors and subcontractors shall be approved by the District Manager or Representative prior to commencing work. Service Line connections shall be made by bonded, licensed plumbers or pipe layers, but plumbing contracted by a licensed master plumber may be performed through journeyman plumbers or apprentices under their direction. The District assumes no responsibility for work performed by general Contractors or subcontractors or their agents.

2.6.4 Inspections: The Applicant shall notify the District when the Service Line is ready for inspection and connection to the District's Facilities. The connection and testing shall be made under the supervision of the District or representative. The entire length of the trench containing the Service Line, from the building to the District's Facilities, or a Main Line extension, shall not be backfilled until inspection by the District's Representative. If the District has not conducted such inspection within 48 hours, Saturdays, Sundays, and legal holidays excepted, after receipt of notification that the line is ready for inspection and connection to the public system, the line may be backfilled by the Property Owner; however, the Property Owner will be responsible for costs, expenses or damages resulting from improper connection or construction.

2.6.5 Costs: All costs and expenses of the installation and construction of Water Service Lines or connections shall be the responsibility of the Property Owner or Developer seeking to acquire water service.

2.6.6 Damages: The Property Owner shall indemnify and hold the District harmless from any loss or damage that may directly or indirectly be occasioned by the installation of a Water Service Line or connection to the District's lines.

2.6.7 Maintenance/Replacement of Service Lines: Each Property Owner shall be responsible for maintaining and/or replacing his Water Service Lines.

3. FEES, RATES AND SERVICE CHARGES

3.1 Connection Fees for Water Service: Connection fees shall be calculated to recover all expenses and costs associated with providing water service, and shall be assessed in accordance with the District's schedule of fees. Water connection fees will be charged to all Property Owners or Developers seeking water services from the District by means of a new, additional or increased size of tap, meter or connection to District Main Lines. The connection fees shall be determined according to the District's schedule of fees. If it is determined that the demand associated with a particular connection exceeds the typical demand for that connection as set forth in the connection fee schedule, the District's Manager will determine appropriate connection fees.

3.1.1 Components of Water Connection Fees: Water connection fees may consist of different components such as: water tap fee, tap-in charge, development plan review fee, water resource development charge, system development charge, labor charge and/or meter charge.

3.1.2 Payment of Connection Fees: The connection fees will be due and payable when application is made to the District for new or additional water service and prior to the installation of a water connection. Connection fees can be prepaid.

3.1.3 Abandonment of Connection: Any and all connections must be installed and put into service within one (1) year of purchase. Failure to do so may result in the abandonment of the connection and refund of the applicant's original purchase amount.

3.1.4 Increase or Change in Type of Service: A request for an increase in water meter size will be granted upon payment of the difference in water connection fees for the water meter size requested and the water meter size existing at the time of request, provided that sufficient capacity is available in the District's Facilities.

3.2 Payment of Fees: Subject to the terms of individual agreements with the District, all fees due to the District shall be paid prior to the issuance of the connection permit and provision of service. However, when Developers or proposed Customers pre-install service lines prior to road paving, no fee shall be required to be paid until such time as the application for service is made as required above. Connection fees shall be non-refundable.

3.3 Decrease or Abandonment of Service: No refund shall be made to any Applicant for a decrease in size of water meter or abandonment of water service.

3.4 Turn-On-Service Fee: When service has been turned off by the District, and the stoppage of service was not voluntary on the part of the Customer, the District will turn on service only upon payment of a turn-on-service fee as provided in the District's schedule of fees. A turn-on-service fee shall not be charged when service has been voluntarily turned off at the request of the Customer; the payment of the voluntary turn-off-service fee being deemed as covering the subsequent turn-on request.

3.5 Inclusion Fee: The fee charged by the District that is intended to cover the costs incurred by the District in evaluating a petition for Inclusion and requirements for service.

3.6 Special Service Fee: If, in order to enforce compliance with District regulations, employees or representatives of the District provide special services at a property which, after appropriate notice, the Owner or occupant neglects or refuses to perform himself, or which are not related to the general maintenance of Water Facilities, the cost of such work, including without limitation all materials, shall be charged to the Property Owner as a special service fee.

3.7 Miscellaneous Fees: Other fees may be adopted from time to time by the District's Board.

3.8 Service Charges: Service charges shall be paid by all Customers as provided in the District's schedule of service charges. Statements for service charges shall be sent out on a monthly basis. Charges for late payments, turn-on, turn-off, etc., shall be added to such statements. Statements shall be payable upon receipt.

3.9 Billing Procedures:

3.9.1 Customer Deposit: Each customer shall be required to pay an account set-up fee prior to establishment of service.

3.9.2 Commencement of Service: Balances on the account associated with a particular property must be current prior to the commencement of service to said property.

3.9.3 Service Charges: Upon the securing of a connection permit for service and upon payment of the connection fees, service charges shall commence at the time of meter installation. Whenever possible, service charges will be directed to the User/occupant, although the Owner of the property remains ultimately liable for such charges. In no event shall the District be obligated to bill the owners of individual units within a condominium unless service to each unit is metered separately.

3.9.4 Billing Cycle: Statements of service charges will be mailed monthly. Except as specifically provided by written agreement between the District and an Owner, all service charges are due upon receipt.

3.9.5 Delinquent Charges: All charges not paid and received at the District's office within thirty (30) days of the billing date shall be considered delinquent. The owner or customer is responsible for all delinquent charges, plus all fees and costs incurred by the District associated with the collection of delinquent charges. If such charges are delinquent, the District may stop service to the property after providing notice of the proposed termination of service for non-payment of fees and charges. In addition, the District may either certify the delinquency to the El Paso County Treasurer or initiate lien foreclosure proceedings. The District assumes no responsibility for agreements between Owners and occupants and vendors and vendees.

3.9.6 Liens for Unpaid Charges: All charges shall be charged against the Owner or Customer of the property served and shall be a perpetual lien upon the property to which said service is provided or requested from the time when due.

3.9.7 Returned Checks: If any check or other negotiable instrument tendered to the District for payment is returned to the District or dishonored for any reason whatsoever, the owner or customer shall be subject to immediate discontinuance of service, until the owner or customer's account is paid in full. The District may charge a returned check fee.

3.9.8 Abandonment: When abandonment has occurred, the District shall not refund or reimburse any fees, charges or any other monies paid for service to the affected property. In order to renew service to the property, the Property Owner must apply for service in accordance with the District's then-current Rules and Regulations and pay all applicable connection fees and other fees. Abandonment occurs when either of the following occurs:

3.9.8.1 A building or other structure receiving service is voluntarily demolished or destroyed.

3.9.8.2 There is no service to a property for three (3) years.

3.9.9 Tampering Charge: The District may assess a charge established by the Board, to be charged to any Owner, Customer or Developer who tampers with, in any manner, District-owned property, including without limitation, meter pits, meters, yokes, meter pit lids, stop boxes, remotes and other District-owned property. The District may disconnect service to any property benefited by such District-owned property for failure to pay the charge. This charge is in addition to costs accrued by the District for repair or replacement of any damages.

ARTICLE III

GENERAL CONSTRUCTION REQUIREMENTS FOR WATER FACILITIES/WATER LINE EXTENSIONS

1. GENERAL

1.1 Policy: This Article is enacted to provide for the orderly development of the District's Water Facilities for the benefit of all current and potential users of these facilities. All Developers desiring to proceed with development within the District must conform to all the Rules and Regulations of the District and to the specific conditions contained in this Article.

1.2 District Planning: The District considers it imperative to engage in long range planning of the overall development of the District's Water Facilities. The District reserves the right to establish system development priorities as determined within the sole and unlimited discretion of the Board.

1.3 General Conditions for Providing Services to Developments: The following general conditions shall apply to all developments within the 4-Way Ranch Metropolitan District No. 2's Service Area. All Contractors, plumbers and others doing work on any Water Main, Service Line or any part of the District's Water System shall comply with all of the following:

1.3.1 Developer shall pay all costs involved in providing water services within the proposed development.

1.3.2 All proposed facilities will be sized in accordance with the strict engineering requirements of the District. Cost sharing or reimbursement provisions may be made by the Board of Directors of the District at its sole and unlimited discretion when the Water Facilities are of general benefit to the District.

1.3.3 Developer will be required to install all facilities to reach the proposed development in accordance with District's Standards and pursuant to plans and specifications approved by the District, when the need for the services arises prior to the time the District has planned to install the facilities.

1.3.4 Upon completion of construction of the Water Mains and appurtenances thereto and upon acceptance by the Board of Directors after recommendation by the District's Engineer and after an appropriate warranty period, which shall not be less than one year, the Water Mains and appurtenances shall become the property of the District and the District will immediately assume maintenance of such facilities.

1.3.5 At the completion of the warranty period it will be the responsibility of the project owner to inform the District that the Water Mains and appurtenances are ready for final inspection and acceptance and to obtain the approval of the District.

2. APPLICATION FOR SERVICE TO PROPOSED DEVELOPMENT

2.1 Construction Options: Construction of Water Mains or extensions thereof which are to be owned and operated by the District shall conform to the provisions of these Rules and Regulations. At the option of the Developer, construction may proceed either by the District, with funding provided by the Developer, or directly by the Developer.

2.2 District-Built Facilities: Funded by Developer: In cases where the Developer desires to furnish funds for the purpose of allowing the District to contract for the construction of facilities, the following shall apply:

2.2.1 Application for Approval: No Person shall construct a Water Main or extension thereof within the Service Area of the District without first having made formal application to the District for approval and having complied with the Rules and Regulations of the District.

2.2.2 Responsibility for Providing Facilities: The cost for the Water Main, including design and construction costs, shall be the sole responsibility of the Developer. Any Water Main including all sites, rights-of-way and easements required to serve development of the property, as determined by the District, shall be provided by the Developer at his or her expense.

2.2.3 Plan Submittal: Plans for all Water Mains within the Service Area of the District shall be submitted to the District's Engineer together with any other pertinent documents. All of the Water Mains shall be designed and installed so as to provide an acceptable level of service to the specific parcel as well as to all existing and potential Customers of the District. All Water Mains shall be constructed according to the District's standards and specifications. All costs of plan review shall be an expense of the applicant.

2.3 Location of Extensions and Mains: Water Mains shall be installed in roads or streets which the County, Colorado Department of Transportation, or other public agency has accepted for maintenance as public rights-of-way, or, when approved by the District, in easements granted to the District. If the Water Mains are to be installed within an easement to be granted to the District, Developer shall comply with the procedures contained in these Rules and Regulations.

2.4 Contract for Construction: After the District has approved the engineering layout or design for the facilities to be constructed, the Developer shall enter into a facility extension agreement and deposit in advance with the District an amount equal to the estimated cost plus contingencies as determined by the District so that the District can contract for the construction of the facilities. If the deposit is not great enough to equal the lowest responsible bid plus contingencies as determined by the District, the Developer shall be notified and no contract shall be let until the deficiency is added to the deposit. Upon completion of the work, the final cost including engineering, observation, legal and administrative shall be certified by the District and any overage refunded to or deficiency made up by the Developer.

2.5 Inspection Fees: All inspection fees on Water Main facilities required by the District, El Paso County, the Colorado Department of Transportation, or any other entity with

jurisdiction shall be paid for by the Developer, or other Person performing the work in the District.

2.6 Performance and Payment Bonds: A performance and payment bond shall be furnished to the District which is equal to 100% of the construction cost and contingencies on all Water Main construction contracted for by the District.

2.7 Developer-Built Facilities: Dedication To and Acceptance by the District: In cases where the Developer desires to install facilities by private contract for dedication to and acceptance by the District, the following shall apply:

2.7.1 Application for Approval: No Person shall construct a Water Main or extension thereof within the Service Area without first having made formal application to the District for approval and having complied with the Rules and Regulations of the District.

2.7.2 Responsibility for Providing Facilities: The cost for the Water Main, including design and construction costs, shall be the sole responsibility of the Developer. Any Water Mains including all sites, rights-of-way and easements required to serve development of the property, as determined by the District, shall be provided by the Developer at his or her expense.

2.7.3 Plan Submittal: Plans for all Water Mains within the Service Area of the District shall be submitted to the District's Engineer together with any other pertinent documents. All of the Water Mains shall be designed and installed so as to provide an acceptable level of service to the specific parcel as well as to all existing and potential Customers of the District. All Water Mains shall be constructed according to the District's standards and specifications. All costs of plan review shall be an expense of the applicant.

2.8 Construction of Facilities: After the District has accepted the engineering layout or design; the Developer shall install the facility extension by private contract upon approval of the plans, specifications and contractor by the District and subject to District field observation of actual construction.

2.9 Easements: In the event the Water Mains are to be located within an easement to be granted to the District, Developer shall comply with the following:

2.9.1 Developer shall submit to the District Engineer for review and approval the legal description and a drawing clearly depicting each interest proposed to be granted to the District.

2.9.2 Developer shall deliver to the District, or, at the discretion of the District the District shall cause to be prepared, a commitment for title insurance, prepared by a title company approved by the District, on the proposed easement interest, subject to the following requirements.

2.9.3 The title commitment shall be effective within 30 days of the submittal date.

2.9.4 The title commitment shall show the proposed insured as "4-Way Ranch Metropolitan District No. 2, a quasi-municipal corporation and political subdivision of the State of Colorado."

2.9.5 The title commitment shall reflect the amount of insurance on the proposed easement interest to be a minimum of $5,000.

2.9.6 The proposed easement shall be free and clear of all encumbrances, except such encumbrances agreeable to the District. Any deeds of trust or mortgages shall be subordinated to the District's easement interest.

2.9.7 All costs incurred in providing the easement to the District shall be borne by the Developer. Such costs include, but are not limited to, the costs of the preparation of the title commitment, the title insurance policy insuring the District's easement interest, recording fees, legal fees involved in the review of the title work and legal fees for document preparation in connection with the granting of the easements.

2.10 Subordination Agreements: Upon receipt of the title commitment, the District shall prepare and provide to Developer for execution an easement agreement in a form acceptable to the District for the conveyance of the proposed easement to the District from the Developer, and accompanying subordination agreements acceptable to the District, where appropriate. If necessary, in the discretion of the District, the District may request an update of the title commitment from the title company.

2.11 Right of Inspection: During the construction of facilities to be dedicated to or otherwise connected to District facilities, the District Engineer or other District representatives shall have a continuing and ongoing right of inspection.

2.12 Preliminary Inspection: Following completion of the Developer's construction activities, and upon payment of all fees and charges, the District Engineer shall conduct a preliminary inspection and certify the line or other facility as conditionally acceptable.

2.13 Warranty: The Developer shall warrant the facilities for a period of a minimum of 24 months from the date of conditional acceptance, until all deficiencies have been corrected to the satisfaction of the District.

2.14 Warranty Bond: Prior to conditional acceptance, the Developer shall provide to the District a warranty bond to be executed in the District's favor in the minimum amount of ten percent (10%) of all construction costs, effective upon commencement of conditional acceptance, such bond to be security for any corrections required as a result of the post-warranty inspection.

2.15 Certification of Costs. Prior to conditional acceptance of Water Mains or other Developer-built District facilities, the Developer shall provide the District with a certification of costs in a form satisfactory to the District to establish the cost of the facilities.

2.16 As-Builts. Prior to conditional acceptance of Water Mains, or other Developer-built District facilities, the Developer shall provide the District with "as-builts" or equivalent executed by a licensed professional engineer, certifying the accurate size and location of the Public Infrastructure, together with supporting maps and other documentation, in the form, format and detail required by the District.

2.17 Conditional Acceptance: Upon recommendation by the District Engineer for conditional acceptance of the Water Mains or other Developer-built District facilities, and upon provision to the District of all appropriate easements for the maintenance and operation of such facilities, payment of all fees and charges due hereunder, completion of an appropriate bill of sale dated to coincide with the expiration of the 24 month warranty period, and compliance with any other applicable requirements contained herein, the District shall conditionally accept the facilities.

2.18 Final Inspection/Acceptance: Following expiration of the warranty period, and upon request of the Developer, the District Engineer shall then make a final inspection and upon correction of any defects or deficiencies, at the expense of the Developer, and satisfactory evidence of an executed bill of sale, the District Engineer may recommend final acceptance of the Water Mains.

2.19 Oversizing: If, in the opinion of the District, an increase in line size is necessary in order to provide an acceptable level of service to the Developer parcel or other Customers within the District, the Developer may be required to provide oversized pipelines and/or facilities. The cost for the "oversizing" of such pipelines and/or facilities shall be borne by the Developer. The basis for such costs shall be the difference in unit prices between the maximum line size which is the Developer's responsibility and the actual size to be constructed. The cost for the design and preparation of contract documents for these "oversized" pipelines shall be the sole responsibility of the Developer. If the District determines that it will construct the facilities, the Developer shall submit payment for the cost. The District will not issue a notice of award until such payment has been made. The District may collect fees or charges as determined by the Board from other Customers served by the "oversized" facilities and may, as determined by the Board, reimburse the Developer for all or a portion of the oversizing costs incurred by the Developer.

2.20 Inspection: The District shall have a right to inspect at all times all facilities connected to, or to become connected to, the District's Water Mains. Authorized employees and representatives of the District shall be allowed free access at all reasonable hours to any building, premises or property receiving water service to ensure compliance with these Rules and Regulations.

ARTICLE IV

WATER CONSERVATION

1. GENERAL

The District requires the conservation of water within its Service Area. No Person shall use any water provided by the District other than for uses permitted by the District.

1.1 Determination of Available Water Supply: The District shall, from time to time, determine the amount of available potable water supply for use and shall determine the expected demands for said water by all Customers of the District's Water System for any given period of time. In the event the Board shall determine at any given time that there are insufficient potable water supplies to meet all of the present and anticipated needs, the Board may order restrictions, curtailments or prohibitions upon the use of water.

1.1.1 Any restrictions, curtailments or prohibitions contemplated will be uniformly applied to all similarly situated water users within the District's Service Area. Nothing herein shall be construed to prevent the District from treating different categories of water users and/or Customers in different geographical areas of the District in a different fashion.

1.2.2 Except in cases of emergency, the Board shall cause written notice by publication in a paper of general circulation within the District prior to imposing any curtailments, restrictions or prohibitions upon the use of water as herein provided. The notice shall include a statement as to said restrictions, curtailments or prohibitions, together with a statement of the penalties for violation thereof and the time period for which they shall be in effect.

1.2.3 Any Person, Customer or user of the District violating any provision of this section shall be subject to penalties as may be set by the Board.

1.2 Required Water Conservation Devices: Water service shall not be furnished to any Customer unless the Customer has fully complied with the water conservation standards set forth by the District.

ARTICLE V

CROSS CONNECTION CONTROL AND BACKFLOW PREVENTION POLICY AND REGULATIONS

1. CROSS-CONNECTION CONTROL AND BACKFLOW CONTROL POLICY

1.1 Purpose: As described in detail in the District's Design Standards, the District requires the installation of appropriate cross-connection and backflow controls to protect the District's public water system from the possibility of contamination or pollution by backflow or backsiphonage, and to assure the safety of the water quality for the District's customers.

1.2 Authority: The authority to implement and maintain and the standards to administer this program on cross-connection and backflow control is contained in the following legislative actions, regulations and documents:

- Colorado Department of Public Health and Environment Law C.R.S. 1973 Title 25-1-114-, 25-1-114.1;
- Colorado Primary Drinking Water Regulations Article 12 (Hazardous Cross Connections);
- Colorado Cross-Connection Control Manual, Colorado Department of Public Health and Environment, or latest edition;
- Occupational Safety and Health Administration Federal Register #202 part 2, page 22234, subparts J;
- Uniform Plumbing Code of the International Plumbing and Mechanical Officials, latest version;
- Uniform Pool, Spa and Hot Tub Code;
- Uniform Solar Code;
- Colorado Swimming Pool and Mineral Bath Regulations;
- "Manual for Cross Connection Control", Foundation for Cross Connection Control and Hydraulic Research, University of Southern California;
- Cross-Connection Control Committee, Pacific Northwest Section AWWA Manual of Accepted Procedures and Practices;
- "Recommended Practice for Backflow Prevention and Cross-Connection Control", AWWA Manual M14;
- The Environmental Protection Agency, "Cross-Connection Control Manual."

1.3 Costs: All costs for design, installation, maintenance, repair, and testing of backflow prevention devices are to be borne by the Customer/Owner.

1.4 No Grandfather Clause Exists: All laws and regulations apply regardless of the age of the facility.

2. DEFINITIONS

2.1 Approved Backflow Prevention Device: A device that has been manufactured in full conformance with the standards established by the Colorado Department of Public Health and Environment Cross Connection Control Manual and by the District.

2.2 Backflow: The undesirable reversal of the direction of flow of the water or mixtures of water and other liquid, gases, or other substance into the distribution pipes of the potable water supply from any source or sources caused by backpressure and/or backsiphonage.

2.3 Backflow Prevention Device: An approved device or method, designed to prevent backflow or backsiphonage into the public water supply by containing or isolating the owner's water system from the public water system.

2.4 Back-Pressure: The backflow of water or other contaminated fluids caused by a pump, elevated tank, boiler or other means that could create pressure within the Owner's system greater than the District's supply pressure.

2.5 Backsiphonage: The backflow of water or other liquids, mixtures or substances into the distribution pipes of a potable water supply system from any source other than its intended source caused by the sudden reduction of pressure in the potable water supply system.

2.6 Certified Inspector and/or Tester: A person who has passed a State approved and/or sponsored testing and/or inspection course and who is listed by the State as a certified inspector and/or tester.

2.7 Colorado Department of Public Health and Environment Cross Connection Control Manual: Manual published by the state addressing cross connection control practices, which will be used as a guidance document for the District in implementing the cross connection control program.

2.8 Contamination: Any impairment of the quality of the potable water by pollution from sewage, industrial fluids or waste liquids, compounds or other materials to a degree that creates an actual hazard to the public health.

2.9 Cross Connection: Any physical arrangement whereby a public water supply is connected, directly or indirectly, with any other water supply system, sewer, drain, conduit, pool, storage reservoir, plumbing fixture, or other device which contains, or may contain, contaminated water, sewage, or other waste or liquid of unknown or unsafe quality which may be capable of imparting contamination to the public water supply as a result of backflow. Bypass arrangements, jumper connections, removable sections, swivel or changeover devices, and other temporary or permanent devices through which, or because of which, backflow could occur are considered to be cross connections.

2.10 Cross Connections, Controlled: A connection between a potable water system and a non-potable water system with an approved backflow prevention device properly installed

that will continuously afford the protection commensurate with the degree of hazard.

2.11 Customer System: The Customer's system shall include those parts of the facilities beyond the meter termination of the distribution system that are utilized in conveying district-delivered domestic water to the points of use.

2.12 Double Check Valve Assembly: An assembly of two independently operating approved check valves with tightly closing shut-off valves on each side of the check valves, plus properly located test cocks for the testing of each check valve.

2.13 Any Other Term: Any other term not herein defined shall be defined as presented in Article I of these Rules and Regulations.

* Definitions used in this section are those contained in the "Colorado Cross-Connection Control Manual," Colorado Department of Public Health and Environment, Water Quality Control Division.

3. INSTALLATION

3.1 Requirements: Backflow prevention devices are to be installed in accordance with the District's Design Standards.

3.2 Installation of New Backflow Prevention Devices: The District will be informed of all backflow prevention devices that are installed on any premises. Upon installation, the device will be inspected and tested by a certified inspector and/or tester. The District will be informed in writing of the results of this inspection and test.

4. STANDARDS FOR BACKFLOW PREVENTION DEVICES

4.1 Backflow Prevention Devices: Any backflow prevention device required herein shall be a model and size approved by the District. The term "Approved Backflow Prevention Device" shall mean a device that has been manufactured in full conformance with the standards established by the Colorado Department of Public Health and Environment Cross Connection Control Manual and by the District. Exception: Residential containment may be accomplished with a device not approved by the Foundation for Cross-Connection Control and Hydraulic Research, but approved by the American Society of Sanitary and Mechanical Engineers and designated as approved by the Water Division Manager. Backflow devices used on fire lines shall have O.S. & Y. valves and be listed by the National Fire Protection Association.

4.2 Testing and Final Approval: Final approval shall be evidenced by a "Certificate of Approval" issued by an approved testing laboratory certifying full compliance with Colorado Department of Public Health and Environment standards and FCCC and HR specifications. The following testing laboratory is qualified to test and certify backflow prevention devices:

Foundation for Cross-Connection Control and Hydraulic Research University of Southern California OHE 430-D University Park-MC 1453 Los Angeles, CA 90089-1453.

Testing laboratories other than the one listed above will be added to an approved list as they are qualified by the Manager.

4.3 Replacement of Existing Devices: Backflow preventers currently installed that are not approved shall be replaced with an approved device at the time it fails an operational test.

5. USE OF DISTRICT HYDRANTS

5.1 Policy: No person shall take water from a District hydrant without prior authorization from the District.

5.2 Hydrant Permit: Any person seeking to take water from a District hydrant shall submit a Hydrant Permit Application on the form prescribed by the District and shall pay the District's hydrant permit fee. Approval of any Hydrant Permit Application shall be at the sole discretion of the District.

5.3 Requirements: Only District approved meters and backflow prevention devices shall be used for the withdrawal of water from District hydrants. No backflow prevention device of any kind shall be installed directly to a District hydrant.

5.4 Backflow Prevention: The only authorized methods of backflow prevention for the withdrawal of water from a District hydrant are as follows:

5.4.1 Air Gap. An air gap on the vessel that is at least twice the diameter of the delivery pipe.

5.4.2 Reduced Pressure Principle Device. A reduced pressure principal device if it is permanently connected to the vessel.

5.4.3 Testing: All backflow prevention devices used in conjunction with the withdrawal of water from a District hydrant shall be tested at least once each year by a certified cross connection control technician and all test reports must be kept current and with the vessel at all times.

6. TESTING AND MAINTENANCE

6.1 Policy: At least once per year, it will be the duty of the Customer/User at any premises where any backflow prevention devices are installed to have certified tests made of these devices. In those specific instances where the District Manager deems the hazard great enough, he will require certified inspections at more frequent intervals. These tests shall be made at the expense of the water User and shall be performed by a certified technician approved by the Colorado Department of Public Health and Environment and Water Division Manager or Water Distribution and Wastewater Collection Systems Certification Council. An inspection of the device may be performed at any time. All testing gauges shall be checked for accuracy yearly, or more often, in the event of questionable readings.

6.2 Testing of Existing Backflow Devices: Existing backflow devices installed on all systems, including irrigation systems, shall be required to be tested by June 30 of each calendar year. Any failed devices, as evidenced on the test inspection report, must be repaired within ten (10) business days. Existing devices shall be sealed by the technician performing the test at the completion of the test.

6.3 Installation and Testing of New Devices: If determined by the District that a device is required, owner has sixty (60) business days, from the time a District inspection was performed, to install and test the device. New devices must be tested upon installation. Deadline for installation and device testing will be noted on the District inspection report, and a copy will be provided to the customer.

6.3.1 If a new device is found to not have been tested, owner has ten (10) business days, from the time a District inspection was performed, to have the device tested. Deadline for testing will be noted on the District inspection report, with a copy provided to the customer.

6.3.2 All test reports should be mailed to:

4-Way Ranch Metropolitan District No. 2
District Cross-Connection and Backflow Prevention
c/o JDS Hydro
545 East Pikes Peak Avenue, Suite 300
Colorado Springs, Colorado 80903

6.4 Replacement/Repair: As necessary, the device shall be repaired or replaced at the expense of the Customer/User whenever the device(s) are found to be defective. Records or copies of same, of all such tests, repairs or replacement shall be kept with a copy sent to:

4-Way Ranch Metropolitan District No. 2
District Cross-Connection and Backflow Prevention
c/o JDS Hydro
545 East Pikes Peak Avenue, Suite 300
Colorado Springs, Colorado 80903

6.5 District Testing: The District retains the right to test or otherwise check the installation and operation of any containment device.

7. RIGHT OF ENTRY

7.1 District's Right of Entry: The District shall have the right of entry during usual business hours to inspect any and all buildings and premises for cross-connection. This right of entry shall be a condition of water service in order to provide assurance that the health, safety, and welfare of the people throughout the District are being protected.

7.2 Location of Backflow Devices: Where building security is required, the backflow device(s) should be located in an area not subject to security.

8. VIOLATIONS AND PENALITIES

8.1 Discontinuance of District Service: Failure of the customer to cooperate in the installation, maintenance, testing or inspection of backflow prevention devices required by the District's Rules and Regulations shall be grounds for the discontinuance of water service to the premises or the requirement for an air-gap separation from the public water system. Service of water to any premises may be discontinued by the Manager of the District after written notification, if unprotected cross-connections exist on the premises or if any defect is found in an installed backflow prevention device, or if a backflow prevention device has been removed or bypassed. Service shall not be restored until such conditions or defects are corrected to the District's satisfaction.

8.2 Penalties: In addition to any other penalties allowed, the District may recover reasonable actual damages incurred by the District by appropriate suit at law against the person or entity who is found to have violated any provision of these regulations.