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MEMORANDUM OF WATER SERVICE AGREEMENT

This Memorandum of Water Service Agreement is entered into this 14th day of February, 2002, by and between Latigo Trails, LLC, whose address is 5170 Mark Dabling Blvd., Colorado Springs, CO, 80918, and its successors and assigns, and Meridian Service Metropolitan District, whose address is c/o R.S. Wells, LLC, 6399 Fiddler's Green Circle, Suite 102, Greenwood Village, CO, 80111, and its successors and assigns.

1. Latigo Trails and MSMD have entered into the Water Service Agreement dated August 1, 2001, pursuant to which MSMD has agreed to provide potable water service to certain property.
2. Latigo Trails and MSMD now desire to execute this Memorandum of Water Service Agreement for purposes of providing record notice of the Water Service Agreement.
3. In consideration of the Water Service Agreement and the covenants and agreements contained therein, the sufficiency of which is hereby acknowledged, the parties agree as described herein.
4. MSMD shall provide potable water service (with appropriately treated water to up to 292 single-family residences (hereinafter) located or to be located on approximately 1,073.53 acres located in Sections 8, 9, 16, and 17, Township 12 South, Range 54 West of the 6th P.M., El Paso County, Colorado more particularly described on Exhibit A attached hereto and incorporated herein (hereinafter), pursuant to a plan that will satisfy El Paso County's land use requirements and 300-year supply rule, no later than June 1, 2002.
5. On or before the Closing Date, Latigo Trails shall terminate the May 15, 1999 Agreement, as modified by a September 1, 1999 Agreement with Paint Brush Hills Metropolitan District regarding replacement obligations associated with that Second Amended Stipulation and Agreement for Modified Replacement Plan, Case Nos. 94GW06 and 88GW03 (hereinafter Current Replacement Plan). At closing, Latigo Trails shall assign to and MSMD shall assume all rights and obligations of Latigo Trails under the Current Replacement Plan, including but not limited to the administration of the Current Replacement Plan, including the supply and delivery of replacement water from the Laramie Fox-Hills well as required by the Current Replacement Plan. Latigo Trails shall seek the consent of the Colorado Ground Water Commission to this assignment.
6. Latigo Trails or its designated builders shall purchase from MSMD up to 292 Water Taps as scheduled and described in the Water Service Agreement. Such Water

Taps shall entitle the owner to potable water service from MSMD through the anticipated central water system described herein.

All water meters in homes will be the electronic monitored type, similar to those used by the Woodmen Hills Metropolitan District. Homebuilders must provide necessary electric wiring as may be required.

7. MSMD shall bill the owners of all such Water Taps an out-of-District domestic water user rate to be determined by MSMD which is not to exceed 150% of MSMD water user rate within the district.

8. The Property will not be included within the taxing boundaries of MSMD, but will be served by MSMD as an area without the boundaries of MSMD pursuant to the Water Service Agreement only.

9. Latigo Trails will construct and convey to MSMD a central water distribution system to service the Property, including underground piping, valves, pressure reducing vaults, and fire hydrants, at Latigo Trails' sole expense. Latigo Trails shall install any raw or treated water pipelines necessary to connect the wells on the Property and the central water system to MSMD's facilities at the Property's boundaries. Such system shall be installed to the specifications used by the City of Colorado Springs, and shall be accompanied by a 12 month construction warranty running from the date of final inspection and acceptance of the system.

10. MSMD shall construct and maintain all infrastructure to be located off of the Property that is necessary for the provision of water service described herein, including water storage tanks, treatment facilities, and booster pump facilities, and shall construct and maintain the necessary underground piping to convey raw water from the Property boundaries to any such off-site infrastructure and any necessary piping to convey water from such off-site infrastructure to the boundaries of the Property, at locations to be determined by Latigo Trails engineering consultants, including any gravity and booster pump facilities.

11. Latigo Trails shall secure and convey to MSMD on the Closing Date all necessary easements at no cost to MSMD for water lines and electrical lines associated with the central water system.

12. Latigo Trails shall impose restrictive covenants on any lot served by the central water system provided for in this Agreement, which covenants shall:

- A. Restrict irrigation from the central water system to 2500 square feet for each lot;
- B. Prohibit the drilling and operation of water wells on each lot; and

C. Inform the purchaser of each lot, and his and/or her successors and assigns, that water will be provided pursuant to the provisions of this Agreement and subject to the rules and regulations of MSMD relating to out of district service.

13. The parties shall cooperate to secure the approval of the Colorado Ground Water Commission for the transactions contemplated in the Water Service Agreement.

14. The parties shall cooperate to secure the approval of El Paso County in the context of Latigo Trails land use proceedings, including approval of the central water system as an acceptable water supply for the Property.

15. The Water Service Agreement shall be binding upon the parties, their successors and assigns.

Latigo Trails, LLC

Meridian Service Metropolitan District

By: W^{III} L Milb

RMBG, LLC #1 manager
dba Latigo Trails, LLC

By: Douglas E. Woods

Douglas E. Woods, President

W^{III} L Milb
manager, Latigo Trails, LLC