

PARK FOREST WATER DISTRICT
7340 McFerran Road, Colorado Springs, CO 80908

El Paso County Development Services Department
2880 International Circle
Colorado Springs, CO 80903

Re: Casas LP # 4 - Park Forest Water District

Dear Madam/Sir:

On behalf of the Park Forest Water District ("District"), this letter will serve as a review of water resources currently available to the District to serve property that is being planned for residential development by Casas LP # 4 ("Casas"). At this time, this letter is not a binding commitment by the District to serve the Casas property; it is prepared solely for your Department's consideration and for the purpose of demonstrating that the District has sufficient water resources available to serve the Casas property upon inclusion into the District's service area. This review also does not consider the ground water available under the Casas property.

Background

For the past several months, the District has been working with Casas' representatives in response to a request by Casas for inclusion into the District's service area. The District understands the proposed residential subdivision is undergoing review with your office, and part of this review requires Casas to demonstrate it can provide water service for the new development. The District continues to work with Casas on including the property within the District's service area.

District water resources

The District's water system is comprised of four (4) active wells which currently provide water to 285 taps including a small commercial development. The District operates its water system under a plan for augmentation approved and decreed in Case No. 00CW18, Water Division 2. Under the augmentation plan, the District may withdraw annually up to 175.3 acre-feet of water from the Dawson aquifer and up to 70.7 acre-feet from the not-nontributary Arapahoe aquifer. All water consumed within the District is augmented through return flows from individual septic systems on each residential lot, with these return flows accruing back to Cottonwood Creek. The District's augmentation plan requires that four percent (4%) of total pumping from the not-nontributary Arapahoe aquifer must be relinquished to Cottonwood Creek. Taking this into consideration, the total annual quantity available from the not-nontributary Arapahoe aquifer would be reduced to 67.87 acre-feet if the maximum quantity is produced. There is no similar requirement on the Dawson aquifer water, so 175.3 acre-feet would be available from the Dawson aquifer each year. Under the District's current augmentation plan, a total of up to 243.17 acre-feet of water is available to serve the District.

Approximately 335.6 acre-feet of additional water within the Denver aquifer underlying the District's service area could be made available. As this aquifer water was not included within the District's current augmentation plan it is not considered as a current water supply for purposes of this letter.

Annual well pumping records for the District's water system indicate that 115 acre-feet of water was produced in 2012, and average annual water production is approximately 98 acre-feet. These pumping quantities equal 0.40 acre-feet per tap for 2012, and 0.35 acre-feet per tap on an annual average, based on the current number of taps served (285 taps).

Water sufficiency

Presuming up to 17 lots on the Casas property are added to the District's water system with 0.40 acre-feet allocated to each lot, a physical water supply of an additional 6.8 acre-feet of water would be required. Per the District's annual water production records, less than half of the annual water supply available to the District is being produced. Therefore, the District has sufficient water available to supply these additional lots if the Casas property is included within the District's service area.

Please do not hesitate me with any questions. Thank you.



Roger Lage, President, Board of Directors
Park Forest Water District

cc: Board of Directors, Park Forest Water District
John Schwab, P.E.
Paul Anderson, Esq.
Steve Jacobs

INCLUSION AGREEMENT

This Inclusion Agreement ("Agreement") is entered into this 19th day of September, 2013, by and between the Park Forest Water District ("Water District"), whose address is 7340 McFerran Rd., Colorado Springs, Colorado 80908, and Casas Limited Partnership No. 4, a Colorado limited partnership, whose address is 5390 North Academy, Suite 300, Colorado Springs, Colorado 80918, and IQ Investors, LLC, a Colorado limited liability company, whose address is 5390 North Academy, Suite 300, Colorado Springs, Colorado 80918 (collectively "Petitioner").

RECITALS

A. The Water District is a special water district formed and operating under the Colorado Special District Act, and provides water service within its boundaries in northern El Paso County, Colorado.

B. Petitioner is the fee owner of 100 percent of the real property described in Exhibit A attached hereto encompassing approximately 70 acres, more or less, known as the Eagle Rising Subdivision, and consisting of 18 lots as pending subdivision approval before El Paso County, Colorado ("Property").

C. The Petitioner has requested that the Property be included within the service area and boundaries of the Water District and has submitted a Petition for Inclusion into the Water District ("Petition for Inclusion").

D. The Property is eligible for inclusion into the Water District pursuant to C.R.S. 32-1-401, *et. seq.* and also pursuant to the Water District's inclusion resolutions and guidelines. The Water District has initially approved the Petition for Inclusion, contingent upon the execution of this Inclusion Agreement.

E. The Water District and Petitioner wish to set forth the terms and provisions under which the Property is to be included within the Water District.

NOW, THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Court Approval. The Parties agree and acknowledge that this Agreement is premised upon (a) completion of the pending subdivision process by Petitioner, as discussed in Paragraph 12, below; and (b) approval by the District Court of the Petition for Inclusion. The Water District shall, at its own expense, file all documents appropriate with the District Court to facilitate approval of the inclusion of the Property and to obtain an Order of Inclusion therefore. The Petitioner shall provide all support and assistance necessary and as may be requested by the Water District to facilitate

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El Paso County, CO



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completion of the inclusion process, and Petitioner shall reimburse the Water District for all costs, including legal fees, which the Water District incurs associated with not only completion of the Petition process, but also all necessary water court filings and proceedings, an amount estimated to be less than \$10,000.00 for completion of any such necessary legal proceedings and submissions. Petitioner's \$1,000 deposit with the Petition shall be applied to these costs prior to the Water District's request from Petitioner for additional funds for this purpose. The Water District may terminate this Agreement immediately in the event Petitioner fails or refuses to provide such additional funds upon the Water District's request.

2. Water Improvements. Petitioner shall describe and grant legal easements for the benefit of the Water District, construct and pay for the on-site water delivery and distribution system as necessary to properly supply and distribute water from the Water District's existing facilities to the Property ("Water Utility Improvements"), the sufficiency of which shall be determined by the Water District in its reasonable discretion. Petitioner shall provide the Water District with design plans and schematics for the Water Utility Improvements, and shall obtain final design approval of the Water Utility Improvements from the Water District, in writing, that such improvements are in accordance with the Water District's design criteria and construction standards.

3. Plan Approval. Prior to construction of any Water Utility Improvements, Petitioner shall submit detailed construction plans to the Water District for final design approval, which shall be reviewed within one week's time and approved with alacrity. Construction shall not begin until Petitioner has obtained the prior written approval by the Water District of such final design construction plans, which approval shall be in the Water District's reasonable discretion as to whether such plans comply with this Agreement, the Water District's design criteria and construction standards, and all other rules, regulations and policies of the Water District. The Petitioner shall provide the Water District with a copy of the final approved plans and also with a complete set of as-built drawings upon completion of the Water Utility Improvements.

4. Main Lines. Petitioner shall be responsible for the construction, at its expense, of the connection to and extension of the Water District's existing water main lines to and from the Property, as necessary for delivery of utility service to the Property. In this manner, and as discussed in Paragraph 1 above, Petitioner is responsible for the construction and expense of all onsite infrastructure improvements for utility service to the Property.

5. Service Lines. The cost of the Petitioner's connection to the water main lines and the cost of the service lines from the main lines to the improvements on the Property shall be at the sole expense and obligation of the Petitioner.

6. Conveyance and Warranty. The construction obligations of Petitioner referenced in Paragraphs 2 through 5, above, shall not be complete until the Water

District's inspection and written acceptance of the infrastructure as being in compliance with the Water District's specifications and plans accepted by the Water District for use in construction under this Agreement, which acceptance shall occur within three months after completion. Such acceptance shall be in accordance with standard policies and procedures of the Water District. Petitioner guarantees all infrastructure improvements for one year after determination of final completion and acceptance by the Water District. Petitioner shall maintain the improvements during said guarantee period and shall cure any nonconforming work or any failures in materials or workmanship. All infrastructure improvements performed by the Petitioner, once accepted by the Water District and following the one-year guarantee period, shall become the property of the Water District, and shall be maintained and operated by the Water District, except as expressly provided herein concerning the operation and maintenance of the Existing Wells. Upon acceptance by the Water District, the Petitioner shall convey good title for the easements and the utility improvements to the Water District, free and clear of all liens and encumbrances.

7. Existing Well Uses. The Water District and Petitioner acknowledge that two existing wells constructed to the Dawson aquifer are currently permitted for use upon the Property, Colorado Division of Water Resources Permit Nos. 228940 and 203335 ("Existing Wells"). The term "Existing Wells" for purposes of this Agreement shall include not only the existing permitted structures, but also any replacement wells as may be necessary to deliver the water permitted for withdrawal thereby and pursuant to this Agreement, whether constructed to the Dawson aquifer, or the Denver aquifer. The Existing Wells will be added to the Water District's plan for augmentation as augmented structures, and may be utilized by any owner's association(s) ("Association") to be formed by Petitioner, only for non-potable purposes of stock-watering, common area landscape irrigation, hobby use and irrigation of community gardens only. The Existing Wells shall remain generally available to the Eagle Rising community, and shall not be for the service of only particular lots or particular individual residents. The Existing Wells shall be re-permitted consistent with the District's plan for augmentation upon entry of a decree, and shall be metered as necessary to provide accounting thereunder for uses therefrom. The Water District shall not assess any fees or charges upon the Association in regards to the use of the Existing Wells (as re-permitted under the Water District's plan for augmentation), but the Association shall be responsible for all costs associated with the use, operation, maintenance and replacement of the Existing Wells, including utilities necessary for their use and operation. Upon dissolution of any such owner's association as pertains to the use, operation and maintenance of the Existing Wells, unless a similar successor association is formed for similar purposes, ownership and control of the Existing Wells shall revert to the Water District, in which event the Water District shall have sole discretion over their use and disposition. The volumetric limitation on diversions from the Existing Wells by the Association shall be 5 acre feet annually, and maximum depletions shall be 4 acre feet, or 85% of pumping, whichever is less.

8. Augmentation of Evaporative Depletions. The Water District and Petitioner acknowledge that the Property includes three existing ponds with a maximum combined surface area of approximately 5 acres ("Existing Ponds"). The Water District shall add the Existing Ponds to its plan for augmentation as augmented structures, and shall provide replacement/augmentation water sufficient to maintain the Existing Ponds at a full stage, and to augment depletions resulting from surface evaporation, without additional charges or fees assessable upon Petitioner or the Association. It is anticipated that the Water District will utilize excess available septic return flows from within the District for such augmentation purposes, but the Water District may use any such augmentation means available to it, in the Water District's sole and complete discretion. The Existing Ponds will be operated consistent with the terms and conditions of the augmentation plan amendment, which shall be consistent with this Paragraph 8, and no additional ponds may be constructed on the Property without the Water District's prior written consent. Excepting provision of augmentation water as provided in this Paragraph 8 and the obtaining of a decree from the Division 2 Water Court allowing the District to do the same, nothing in this Agreement shall require or otherwise obligate the Water District, at any time or for any other purpose, to provide fill or re-fill water to the Existing Ponds or any future ponds located on the Property, nor shall the Existing Wells be used to fill or supply water to any such ponds, excepting return flows from the authorized uses of the Existing Wells, as described in Paragraph 7 of this Agreement, which may naturally accrue to the Existing Ponds.

9. Water Requirements. The Water District requires, as part of the inclusion of the Property into the Water District, that Petitioner conveys all water and water rights, whether surface or ground water and whether or not adjudicated by decree or by administrative order, including but not limited to all its underlying Denver Basin water rights, to the Water District for the development uses of the Property. The Denver Basin groundwater underlying the Property was subject of the adjudication in Case No. 00CW84, Water Division No. 2, and the plan for augmentation adjudicated in Case No. 10CW24, Water Division No. 2. Petitioner shall deed all such Denver Basin groundwater to the Water District for the Water District's use in provision of water supply to the Property by special warranty deed, and the Water District may then take such action as appropriate to utilize, modify or vacate any such judicial rulings. Notwithstanding the foregoing in this Paragraph 9, Petitioner and the Association(s) to be formed thereby shall maintain dominion and control over the Existing Wells and the uses of water therefrom as provided in Paragraph 7 above, and the Water District shall have dominion and control over all return flow water resulting from such uses. The Water District shall have no obligation to provide any water service to the Property until execution of said special warranty deeds.

10. Tap Fees. The Water Tap Fee for each requested water line to the 18 residential units to be developed on the Property pursuant to the pending subdivision proceedings before El Paso County is currently \$4,000.00 per tap, for total Water Tap Fees of \$72,000.00, were all such tap fees to be paid concurrent with this Agreement,

per the current applicable Water District tap fees (assuming the maximum 18 lots are platted and developed). All Water Tap Fees shall be payable directly to the Water District, and due and payable at the time that water service is requested to be made available to specific lots upon the Property and at the rate structure in place at that time.

a. However, in consideration of other fees and revenues to the Water District resulting from the inclusion of the Property, for a period of 10 years from the recording date of the final plat for Filing No. 2 of the Eagle Rising Subdivision, the Water District shall refund the then-applicable tap fee, less a \$250 meter and connection charge per tap, to MyPad, Inc.¹ or its assigns within 30 days of receipt of said tap fee. Tap fees collected following said 10-year period shall not be rebated to Petitioner, MyPad, Inc. or assigns, and shall be fully retained by the Water District.

11. Application Fee. Petitioner paid an application fee for inclusion within the Water District of \$1,000 coincident with the submission of the above-referenced Petition for Inclusion. Said fee shall be utilized by the Water District to defer legal and engineering costs associated with the inclusion of the Property, including development of this Agreement. Petitioner shall be responsible for all fees incurred by the Water District in processing Petitioner's inclusion petition and shall provide additional funds and in such amounts as the Water District may request. The Water District may terminate this Agreement immediately upon Petitioner's failure or refusal to provide such additional funds requested by the Water District.

12. Subdivision. The Water District acknowledges that Petitioner is currently processing a request for subdivision of the property through El Paso County planning authorities, and that the terms and conditions of this Inclusion Agreement are premised upon successful completion of that subdivision process. Petitioner shall keep representatives of the Water District apprised of progress in said subdivision process, and shall provide the Water District with copies of all relevant development plan filings or submissions to said El Paso County planning authorities promptly following such submissions. Any further subdivision or re-zoning of any parcel within the Property which would act to expand the density beyond the maximum 18 lots considered herein¹, must be completed in cooperation with the Water District and in compliance with any reasonable requirements or restrictions of the Water District as may be provided. Any future subdivision or re-zoning completed without the compliance with Water District requirements or restrictions may result in the Water District's denial of water service to the subject parcel. Further, any such non-compliant subdivision shall not form the basis

¹ MyPad, Inc. is a Colorado Corporation, and a principal in Casas Limited Partnership No. 4.

¹ Petitioner's currently pending subdivision plan contemplates a 17 lot subdivision for the subject property, however, further subdivision creating one additional lot may be feasible, thereby creating an additional 18th lot. The District through this Agreement consents to such subdivision creating said 18th Lot as being "compliant", as considered in Paragraph 12 herein.

for Petitioner or its successors and assigns to seek exclusion from the Water District, and the Water District may use such means as available to compel the Petitioner or its successors and assigns to bring any such non-compliant subdivision into compliance with all applicable Water District rules and regulations.

13. Re-Sale of Lots on the Property. Each subsequent purchaser of lots within the Property, following subdivision, and each successor or assign of Petitioner (subject to Paragraph 23, below), shall at the Water District's request, sign a Water District Service Agreement, and shall likewise be required to pay all applicable fees, rates and mil levies uniformly applicable to all Water District residents, consistent with this Agreement. Any and all future sales, leases or other transfers of ownership or control of lots within the Property shall include notification to prospective purchasers/lessees of all applicable Water District Rules and Regulations, including this Agreement, so as to notify such purchasers/lessees of their responsibilities and obligations hereunder.

14. Easements. The Petitioner shall grant and provide to the Water District, at no cost to the Water District, any and all necessary licenses, permits, easements and rights-of-way across the Property, in size and location acceptable to the Water District. Such grants and provisions shall be in accordance with the Water District's reasonable design criteria and specifications to provide for the construction, operation, maintenance, repair and replacement of the mains, pipelines and appurtenances for the utility lines serving the Property, together with the right of ingress and egress thereto. All easements are appurtenant to the water infrastructure serviced thereby.

15. Compliance. Upon inclusion of the Property by the Water District by final order of the El Paso County District Court, the Petitioner shall abide by all terms of this Inclusion Agreement and comply with all applicable Federal, State, County and local statutes, laws, rules, regulations, policies and resolutions. Further, the Property and all lots thereon will be subject to payment of the mil levy approved by the voters of the Water District and uniformly applicable to all properties included therein, assessments and other charges of the Water District from the date of the inclusion, and Petitioner and its successors and assigns, specifically including all future lot owners within the subdivision upon the included property, shall comply with all rules, regulations, and rate structures of the Water District, both existing and as may be enacted in the future.

16. Nature of Work. All work to be performed by the Petitioner under the terms of this Inclusion Agreement shall be performed using quality materials and shall be performed in a workmanlike manner in compliance with the rules, regulations, specifications, policies and requirements of the Water District. Compliance with such specifications and requirements shall be determined in accordance with standard procedures of the Water District.

17. Water Quality. The Petitioner shall have the obligation to assure that the

Water Utility Improvements constructed by Petitioner are able to deliver water to the development meeting all applicable drinking water quality requirements. The Water District shall have the obligation to meet all applicable drinking water quality requirements to the point of delivery to the Water Utility Improvements.

18. Contingencies. This Inclusion Agreement is conditional upon obtaining the formal inclusion of the Property into the District by order of the El Paso County District Court, and upon completion of the pending subdivision of the property by El Paso County planning authorities. This Inclusion Agreement, as signed by the Water District, is also conditioned upon obtaining the approval of this Inclusion Agreement by resolutions of the Board of Directors of the Water District.

19. Provision of Service. All water service for the Property shall be subject to the rules, regulations, policies and resolutions promulgated by the Water District from time to time. The Water District shall not provide any water service if Petitioner or their successors are not in compliance with this Agreement.

20. Cooperation. The Petitioner and the Water District agree to cooperate with one another in the processing of the Petition for Inclusion, the performance of the post-inclusion obligations set forth in this Agreement, completion of the pending subdivision proceedings before El Paso County planning authority, amendment of the Water District's plans for augmentation, and the execution of any other documents necessary to fulfill the intent and purposes of this Agreement.

21. Default/Remedies. A party shall be in default hereunder in the event it fails to perform its obligations as required hereunder, and if such noncompliance is not cured within 15 days after written notice by the other party of the nature of the alleged noncompliance. In the event of default, the non-defaulting party shall have all remedies available under Colorado law, including that the Water District shall have the right to injunctive relief and specific performance in order to require Petitioner to perform its obligations under this Agreement. The Water District may further have the right to discontinue water service to owners of properties in default, consistent with the Rules and Regulations of the Water District.

22. Assignment. This Inclusion Agreement may not be assigned by Petitioner without the Water District's prior written consent, which consent will not be unreasonably withheld. If any portion of the Property is sold or transferred by Petitioner prior to the time for recording of the Court order for inclusion of the Property into the Water District, the Petitioner shall obtain the Water District's consent for the assignment of this Agreement with the Property. The Petitioner shall obtain and provide to the Water District the consent of the transferee, in recordable form, for the inclusion of that Property into the Water District and the assumption of this Inclusion Agreement. The transferee shall also agree and consent that the Property will be subject to assessments and charges of the Water District from the date of inclusion, including tap fees, and that

they shall comply with the rules, regulations and rate structures of the Water District, both existing and as may be enacted in the future. Any transferee not providing such consents shall not be entitled to connect into and receive service from the Water District's facilities.

23. Entire Agreement. This Inclusion Agreement represents the entire agreement of the parties with respect to the subject matter covered herein. All negotiations, considerations, representations and understandings between the parties are incorporated and merged herein. This Inclusion Agreement may be modified or altered only by the parties' written agreement.

24. Authority/Ownership. All parties to this Inclusion Agreement represent and warrant that they have the full power and authority to enter into and perform this Agreement, and to bind their respective principals. Petitioner represents that it is the owner and is in title to the Property and agrees to deliver good marketable title to the Water District for all easements, water and water rights, and other facilities to be conveyed hereunder, free and clear of liens and encumbrances or with all lienholders' consent. Petitioner shall provide appropriate entity resolutions authorizing the execution and performance of this Agreement. Petitioner warrants and represents that there are no liens upon the Property. The Water District shall not be obligated to provide service to the Property under this Agreement until any lienholder consents to the inclusion of the Property within the Water District and to the terms of this Agreement and subordinates any such lien to the same, or, in the alternative, until this existing lienholder is paid in full and its lien released. These lienholder requirements may be waived by the Water District in its sole discretion. Such waiver must be in writing and signed by the Water District.

25. Severability. Unenforceability of any provision contained in this Agreement shall not affect or impair the validity of any other provision of this Agreement, so long as the primary purpose(s) of this Agreement remain effectuated by the remaining terms.

26. Attorney's Fees. In the event of any dispute between the parties concerning this Agreement or in the event of any action to enforce this Agreement or to collect damages on account of any breach of the obligations provided for herein, the prevailing party shall be entitled to recover from the other party all costs and expenses, including reasonable attorney's fees, incurred in such litigation as well as all additional such costs and expenses incurred in enforcing and collecting any judgment rendered in such action.

27. Time is of the Essence. Time is of the essence in the performance of the parties obligations hereunder. Where not otherwise expressly provided in this agreement, any response required by a party shall be within 45 days or less of the date of receipt of any communication to which such response is required.

28. Governing Law. The laws of the State of Colorado shall govern the validity, performance, and enforcement of this Agreement. Proper venue for any action regarding this Agreement shall be in the District Court of El Paso County, Colorado.

29. No Third Party Beneficiary. This Agreement shall be for the sole benefit of the parties hereto, and no other party is entitled to have any rights or benefits by reason of this Agreement as a third party beneficiary or otherwise.

30. Survival of Provision. The terms and provisions of this Agreement shall be deemed to survive the closing of this transaction and the El Paso County District Court Order for inclusion of the Property within the Water District.

31. Binding Effect/Covenant Upon Property. The covenants, agreements, and obligations contained herein shall extend to, bind, and inure to the benefit of not only the parties hereto, but also their respective personal representatives, heirs, successors, and assigns. This Agreement benefits and burdens the Property and shall constitute a covenant running with the Property. This Agreement shall be recorded.

Effective and executed on the date indicated above.

PARK FOREST WATER DISTRICT

Attest: (SEAL)

By: Roger Lage
 Roger Lage, President

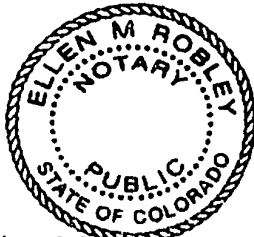
Kenneth Fulton
 Kenneth Fulton, Treasurer

STATE OF COLORADO)
) ss.
 COUNTY OF EL PASO)

Subscribed and sworn to before me this 19th day of September, 2013, by Roger Lage as President, and Kenneth Fulton as Treasurer, of the Park Forest Water District.

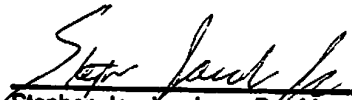
My commission expires: 05-14-2014

Witness my hand and seal.
 (SEAL)



Ellen M. Robley
 Notary Public

PETITIONER



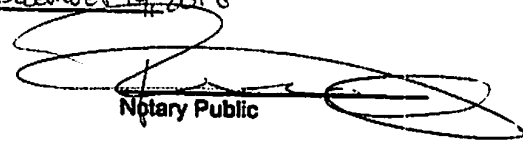
Stephen Jacobs, Jr., as President of
MyPad, Inc., as the managing partner
of CASAS Limited Partnership No. 4

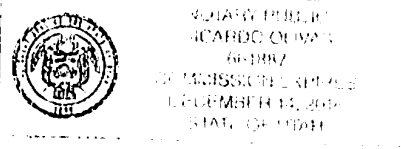
STATE OF Utah)
) ss.
COUNTY OF Salt Lake

Subscribed and sworn to before me this 6 day of September, 2013, by Stephen
Jacobs, Jr. as President of MyPad, Inc., as the managing partner of Petitioner CASAS
Limited Partnership No. 4.

My commission expires: December 14, 2016


Witness my hand and seal.
(SEAL)


Notary Public



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PETITIONER

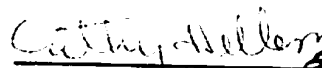

Stephen Jacobs, as President of
Sesmar Corporation, as managing
member of IQ Investors, LLC

STATE OF COLORADO)
) ss.
COUNTY OF EL PASO)

Subscribed and sworn to before me this 9 day of Sept, 2013, by Stephen
Jacobs as President of Sesmar Corporation, a Colorado corporation, as managing
member of Petitioner, IQ Investors, LLC.

My commission expires: Feb 9, 2015

Witness my hand and seal.
(SEAL)


Notary Public



Commission Expires 02-09-15

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