

WATER TREATMENT CONTRACT
BETWEEN
FOUNTAIN VALLEY AUTHORITY
AND
CITY OF COLORADO SPRINGS, COLORADO
CITY OF FOUNTAIN, COLORADO
SECURITY WATER DISTRICT
STRATMOOR HILLS WATER DISTRICT
WIDEFIELD HOMES WATER COMPANY

This Contract, made and entered into as of the 1st day of November, 1979, by and between Fountain Valley Authority, a political subdivision of the State of Colorado (the "Authority"), and the City of Colorado Springs and the City of Fountain, Colorado, each of which cities is a municipal corporation of the State of Colorado and a home rule city, and Security Water District and Stratmoor Hills Water District, each of which districts is a public corporation (such cities and districts being herein collectively called "Governments," or individually, "Government") and Widefield Homes Water Company, a Colorado corporation (the Governments and such corporation being herein collectively called "Customers" or individually, "Customer").

W I T N E S S E T H

WHEREAS, each of the Customers is entitled to a portion of the Fryingpan-Arkansas water allocated to the Fountain Valley Conduit (as defined below) by the Southeastern Colorado Water Conservancy District; and

WHEREAS, the water delivered to the Fountain Valley Conduit requires treatment to be potable and fit for municipal and domestic uses; and

WHEREAS, each Customer has need for an economical, reliable source of water treatment to meet the growing demands of its customers and has determined to purchase such water treatment from the Authority; and

WHEREAS, the Authority proposes to construct or acquire a water treatment plant with sufficient capacity to treat the water

allocated to the Fountain Valley Conduit for the purpose of supplying water treatment to each Customer; and

WHEREAS, each Customer desires to purchase, and the Authority desires to sell water treatment on the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the mutual undertakings herein contained, the Authority and each Customer agree as follows:

Section 1: Term of Contract. This Contract shall become effective upon the delivery to the Authority of the proceeds of the Authority's first series of Bonds. Subject to the provisions of Section 17 hereof, this Contract shall remain in effect for a period of forty (40) years from the date hereof or until such time as all of the Bonds of the Authority shall have been paid (or provision for such payment shall have been made pursuant to the Bond Resolution or other instrument authorizing the Obligations), whichever is later.

Section 2: Definitions. As used herein:

(a) "Act" shall mean Title 29, Article 1, Part 2, Colorado Revised Statutes, 1973, as amended.

(b) "Authority" shall mean the Fountain Valley Authority as created and established (pursuant to the Act) by an Establishing Contract executed by and on behalf of each of the Governments.

(c) "Annual Plant Budget" shall mean, with respect to a Contract Year, the budget of the Authority prepared in accordance with Section 5 hereof for such Contract Year, or, in the case of an amended Annual Plant Budget, for the remainder of such Contract Year.

(d) "Annual Plant Costs" shall mean, with respect to a Contract Year, and to the extent not paid or to be paid from the proceeds of Bonds or other funds legally available to the Authority (other than payments by the Customers hereunder), all costs and expenses of the Authority that are paid or incurred during such Contract Year and are allocable to the Plant, including, but not limited to the payment of the Operation and Maintenance Expenses of the Plant, all costs, charges, and expenses of replacements and renewals of the Plant and all taxes, assessments or other governmental charges lawfully imposed on the Authority or on the revenues of the Plant or payments in lieu thereof, and the deposit or payment of any and all amounts which the Authority may now or hereafter become obligated to deposit into any fund or to pay from revenues of the Plant, by law or contract (including the Bond Resolution).

(e) "Availability Charge" shall be the charge to each Customer for the right to receive Water Treatment at the Plant, calculated as provided in paragraph (a) of Section 6 hereof.

(f) "Bonds" shall mean all bonds issued by the Authority pursuant to the Bond Resolution.

(g) "Bond Resolution" shall mean the resolution to be adopted by the Board of Directors of the Authority authorizing the issuance of the "Fountain Valley Authority Water Treatment Revenue Bonds, Series 1980," and any resolution subsequently adopted by the Authority which authorizes the issuance of Bonds, including refunding Bonds, on a parity with the Series 1980 Bonds.

(h) "Contract Year" shall mean the fiscal year of the Authority; provided, however, the first Contract Year of the Authority shall begin on the effective date of this Contract and shall end on the last day of the fiscal year of the Authority within which this Contract becomes effective.

(i) "Conveyance Service Contract" shall mean the Contract between the United States and the District for Conveyance Service from the Fountain Valley Conduit (Contract No. 9-07-70-W0315 of the United States Department of the Interior Bureau of Reclamation) made July 10, 1979, as amended and supplemented from time to time.

(j) "Conveyance Service Subcontract" shall mean the Subcontract between the District, each of the Customers and the Authority for Conveyance Service from the Fountain Valley Conduit, made July 10, 1979, as amended or supplemented from time to time.

(k) "Debt Service" or "Debt Service Requirements" shall mean, with respect to any period, the aggregate of the amounts of principal, interest and redemption premium, if any, required to be paid from revenues of the Authority during said period on any Obligations outstanding as the same shall become due.

(l) "District" shall mean the Southeastern Colorado Water Conservancy District, a political subdivision of the state of Colorado, and any successor thereto.

(m) "Metering Points" shall mean the points on the Fountain Valley Conduit at which Treated Water is made available to a Customer from the Fountain Valley Conduit.

(n) "Obligations" shall mean Bonds, notes, or other evidences of indebtedness of the Authority.

(o) "Operation and Maintenance Expenses" shall mean all expenses incurred in the operation and maintenance of the Plant and

normally recurring expenses incurred by the Authority in the conduct of its activities related to water treatment which are properly accounted for such purpose under generally accepted accounting principles as applied to governmental units; provided that such term shall not include any costs assessed under the Conveyance Service Subcontract. Such term does not include depreciation or obsolescence charges or reserves therefor, interest charges and charges for the payment of principal, or amortization, of Bonds or other Obligations of the Authority or required deposits into any reserves therefor including the "Operation and Maintenance Expense Reserve Fund" (as defined in the Bond Resolution).

(p) "Participation" shall mean for each of the Customers the following acre feet and percentages:

	<u>Acre Feet Per Year</u>	<u>Stated as a Percentage</u>
1. Colorado Springs, Colorado	14,353	71.41%
2. Fountain, Colorado	2,000	9.95
3. Stratmoor Hills Water District	601	2.99
4. Security Water District	1,646	8.19
5. Widefield Homes Water Company	1,500	7.46

(q) "Plant" shall mean only the water treatment facility to be constructed or acquired by the Authority on the Fountain Valley Conduit (as defined in the Conveyance Service Contract).

(r) "Treated Water" shall mean water which shall comply with all applicable Federal and State regulations for drinking water served to the public.

(s) "Variable Costs" shall mean the total costs in any calendar month of chemicals used in Water Treatment plus the costs of electricity directly related to Water Treatment, but excluding electricity costs related to maintaining the Plant in operational condition.

(t) "Water Treatment" shall mean such treatment of water as is required to convert it to Treated Water.

(u) "Widefield" shall mean Widefield Homes Water Company, a Colorado corporation and any successor in interest thereto.

Section 3: Delivery of Water to Authority. The water to be treated for each Customer by the Authority at the Plant will be the water delivered to each Customer pursuant to the Conveyance Service Contract and Conveyance Service Subcontract through the Fountain Valley Conduit (as defined in the Conveyance Service Contract). Each Customer agrees to take all actions necessary under the Conveyance Service Contract and Conveyance Service Subcontract to cause delivery to the Plant of all water conveyed through the Fountain Valley Conduit. In order to assure such delivery, the Authority shall collect "conveyance service charges" (as defined in the Conveyance Service Contract) from each of the Customers and shall transfer all such charges collected to the District, as provided in the Conveyance Service Contract.

Section 4: Purchase of Water Treatment; Delivery of Treated Water.

(a) Each Customer agrees to purchase from the Authority the right to have Water Treatment for any water delivered to the Plant on its behalf pursuant to the Conveyance Service Subcontract by making the payments under Sections 7 and 12 hereof.

(b) In the event that the Authority is not able to supply all Treated Water requested under this Contract, it shall allocate Plant daily capacity among the Customers requesting Treated Water for such day pro rata in accordance with their respective Participations unless such Customers agree to a different allocation.

(c) The Authority shall deliver to a Customer upon request any Treated Water to which such Customer is entitled by returning it to the Fountain Valley Conduit at the Plant. The Authority shall have no obligation hereunder to deliver Treated Water to the Metering Point.

(d) Each Customer shall make and pay for all connections between its facilities and its Metering Point. Each Customer shall install, own and maintain any necessary substation equipment at the Metering Points. In the event that the Metering Points are not on the Customer's water system, each Customer shall arrange and pay for transmission of Treated Water delivered under this Contract to its system, including the installation and maintenance of any facilities required for it to receive such Treated Water into its system.

(e) For purposes of billing pursuant to the last sentence of Section 7 hereof, metering equipment shall be furnished, installed and maintained by the Authority at each Metering Point; provided that the Authority's obligation to install such meters shall be satisfied to the extent that the United States provides such meters at the Metering Points.

(f) The Authority may allocate daily capacity based upon agreement of the Customers involved.

Section 5: Annual Plant Budget.

(a) The Authority shall prepare or cause to be prepared an Annual Budget which shall itemize estimates of Annual Plant Costs and all revenues, income or other funds to be applied to such Annual Plant Costs for and applicable to such Contract Year. Such Annual Plant Budget shall also utilize and take into account forecasts, which shall be furnished by each Customer to the Authority of the monthly Treated Water requirements estimated to be obtained from the Authority during such Contract Year. The Authority and each Customer shall provide such Annual Budget or such forecasts in a timely fashion which will allow the Governments and the Authority to comply with applicable budget laws.

(b) After consideration of any comments of the Customers, the Authority, prior to the beginning of such Contract Year, shall adopt an Annual Plant Budget for such Contract Year and the rates and charges for Water Treatment to be furnished and the services to be performed during such Contract Year and shall cause copies of such Annual Plant Budget and rates and charges to be promptly delivered to the Customers. The Annual Plant Budget for the first and second Contract Years shall be prepared, considered, adopted and delivered in the manner which the Authority deems best.

(c) If, at any time or from time to time after the adoption of the Annual Plant Budget in accordance with Subsection (b) of this Section 5, the Authority estimates that the actual Annual Plant Costs or revenues for the Contract Year or any part thereof for which such Annual Plant Budget applies will be greater or less than the Annual Plant Costs or revenues set forth in the Annual Plant Budget, or that the amount of Treated Water which the Authority expects to deliver during such Contract Year or any part thereof is greater or less than the amount of Treated Water which the Authority estimated at the time of adoption of the Annual Plant Budget would have been delivered during such Contract Year, then the Authority may prepare an amended Annual Plant Budget. The amended Annual Plant Budget shall be timely adopted by the Authority and promptly transmitted to the Customers.

(d) In the event a budget for the ensuing Contract Year has not been adopted on or before the first day of the Contract Year, the total amount budgeted for the preceding Contract Year shall be the total amount of the temporary budget for such purposes for the ensuing Contract Year. Such temporary budget shall be effective only until such time as a permanent budget has been finally adopted and approved.

The chief administrative officer of the Authority shall be responsible for the allocation for expenditure of the total amount of the temporary budget until a permanent budget is adopted and approved.

Section 6: Rates and Charges.

(a) The Water Treatment Availability Charges of the Authority to the Customers for the right to receive Water Treatment shall be:

- (1) non-discriminatory, and
- (2) fair and reasonable, and
- (3) adequate (after taking into consideration other moneys received or anticipated to be received) in each Contract Year to pay or make provision for paying Annual Plant Costs (other than Variable Costs).

(b) The rates and charges of the Authority shall be adequate to provide revenues which, after payment of current Operation and Maintenance Expenses, will equal 120% of each Contract Year's Debt Service on the Bonds, in accordance with the Bond Resolution, and after taking into account amounts on deposit in the operating and maintenance expense reserve fund required by the Bond Resolution, as provided in the Bond Resolution.

(c) When the Board of Directors of the Authority proposes to establish a new rate or charge (other than in connection with an Annual Plant Budget), it shall give each Customer written notice that it proposes to establish a new rate or charge for Water Treatment or for services (setting forth such charge) on a date certain (which shall not be less than 30 days from the mailing of the notice to each Customer, all such notices to be mailed simultaneously).

Section 7: Billing for Water Treatment; Meter Reading.
The Authority shall bill each Customer for Water Treatment Availability Charges on or before the 25th day of each month, in proportion to such Customer's Participation (stated as a percentage). In addition, the Authority shall monthly read meters or cause meters to be read at the Metering Points and shall bill (not later than the 25th day of each month) each Customer which received Treated Water during the previous month for its share of Variable Costs incurred during such month, which charge shall be not less than the product of the total Variable Costs for such month times the Treated Water delivered by the Authority to the Customer over the total Treated Water delivered by the Authority to all Customers during such month plus any amount necessary to comply with the provisions of paragraph (b) of Section 6.

Section 8: Meter Testing and Billing Adjustment. The Authority shall test and calibrate meters or cause meters to be tested and calibrated by comparison with accurate standards at intervals of twelve (12) months, or such other intervals as the parties agree, and all tests shall be in accordance with manufacturer's specifications. The Authority shall also make or cause to be made special meter tests at any time at a Customer's request. The costs of all tests shall be borne by the Authority, provided, however, that if any special meter test made at a Customer's request shall disclose that the meters are recording accurately, the requesting Customer shall reimburse the Authority for the cost of such test. The readings on any meter which shall have been disclosed by test to be inaccurate shall be corrected from the beginning of the monthly billing period immediately preceding the billing period during which the tests are made in accordance with the percentage of inaccuracy found by such test, provided, that no correction shall be made for a longer period unless the Authority and the Customer involved mutually agree thereto. Should any meter fail to register, the Treated Water delivered during such period of failure shall for billing purposes be estimated by the Authority and the Customer from the best information available. The Authority shall notify the Customer or cause the Customer to be notified in advance of the time of any meter reading or test so that the Customer's representative may be present at such meter reading or test.

Section 9: Payments to Constitute Operation Expenses of Customer System. Each Customer's obligation to make the payments under this Contract shall constitute, and shall be treated for all purposes by each Customer as, to the extent permitted by law, an operating expense of its water system or of its combined utility of which the furnishing of water is a part and prior to its obligation to make payments for any bonds or other securities issued by the Customer and payable from revenues of such water system or combined utility. The obligation of each Customer to make payments hereunder shall be limited to monies derived from such Customer's operation of its water system or combined utility.

Section 10: Customer Rate Covenant. Each Customer shall establish, maintain and collect reasonable rates and charges for the water service of its water system or combined utility which shall produce revenues at least sufficient, together with other revenues legally available to such Customer to enable it to pay the Authority, when due (monthly or otherwise), all amounts payable by such Customer under this Contract and under the Conveyance Service Subcontract.

Section 11: Covenants of the Authority.

(a) The Authority shall use reasonable diligence to provide Water Treatment hereunder. If operation of the Plant shall be interrupted, or become defective by reason of force majeure the Authority shall not be liable therefor or for damages caused thereby.

(b) The Authority shall diligently enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and provisions of this Contract. The Authority shall not amend this Contract without first having secured the prior written consent of all Customers, but no amendment shall be made in Section 12 of this Contract, except as permitted in the Bond Resolution.

(c) The Authority covenants and agrees that it will operate, maintain and manage its Plant or cause the same to be operated, maintained and managed in an efficient and economical manner, consistent with sound municipal utility practice and in accordance with standards normally used by municipal utilities owning like properties.

Section 12: Payments to be Sufficient for Debt Service, Operation and Maintenance Expenses.

(a) In any instance where the amount of money on deposit in the funds created by the Bond Resolution to make timely payments, after Operation and Maintenance Expenses, of Debt Service on Bonds as they become due and to provide reserves therefor is not the full amount then required to be on deposit therein, each Customer shall be obligated to make a payment which, together with payments similarly made by other Customers, shall be sufficient to meet such Bond Resolution requirements. The percentage share of the payment to be made by each Customer shall be its Participation (stated as a percentage amount). The payments required to be made under this Section 12(a) shall be paid by the Customers in the percentage shares determined above and such payments shall be made directly to the custodian of the respective funds as established in the Bond Resolution.

(b) In the event the Authority is held to be in default under the provisions of the Bond Resolution (by reason of the inadequacy of payments required to be made by the Customers under the provisions of this Contract), the Customers shall cure the default by making payments in the same proportion as provided in paragraph (a) of this Section.

(c) In the event any of the other Customers default in making the payments hereunder, each Customer unconditionally

covenants that, notwithstanding the notice provisions of Section 6 hereof and notwithstanding the provisions of Section 16(b) hereof, the entire Annual Plant Costs of the Authority will be paid as they become due; provided that the obligations of Widefield under this paragraph are subject to the provisions of Section 13 hereof.

The provisions of the covenants contained in this section are for the benefit and protection of the Authority, the Customers, and the owners and holders of Bonds, it being recognized that the holders of such Bonds shall be third-party beneficiaries of such covenants, and it is understood by the contracting parties that the initial purchaser of any issue of Bonds has and will agree to the purchase of Bonds conditioned upon this covenant.

For and in consideration of the payments to be made by the Customers under this Contract (including those under this Section), the Authority agrees to use reasonable diligence to provide Water Treatment to such Customers under the terms of this Contract, and such payments by the Customers shall be in consideration for the Authority's agreement to provide such Water Treatment; but the failure of the Authority to comply with such agreement shall not relieve any Customer of its obligations under this Section, which obligations shall be unconditional and absolute.

Section 13: Limitation of Widefield's Payments and Entitlement to Treated Water. Notwithstanding any other provision of this Contract, Widefield shall not be required to pay, and shall not pay, an amount which exceeds 25% of the total Debt Service on the Bonds. Notwithstanding any other provision of this Contract, Widefield shall not be entitled to, and shall not take, delivery of Treated Water in excess of 25% of the total output of Treated Water from the Plant during the term of the Contract. The provisions of this Section shall not apply to any governmental entity which shall assume the obligations and rights of Widefield hereunder.

Section 14: Default.

(a) (1) If any Customer fails or defaults in meeting the terms, conditions and covenants of this contract (including the failure to make any payment to the Authority hereunder) or of the Conveyance Service Subcontract, and such default continues for a period of 15 days, the Authority shall give notice (in the manner contemplated by Section 26 of this Contract) to the Customers. The defaulting Customer shall from the date of the mailing of such notice, have a period of 30 days to cure the default.

(2) If the Customer does not cure its default within such period of thirty (30) days, then, so long as such Customer remains in default, and in addition to any other rights which the Authority has under this Contract and at law and in equity, the

Authority may terminate all service to such Customer. Additionally, in the event of default in payment, the Authority may charge to and collect from such Customer each calendar month the amount which the Authority determines to be the difference between what the Authority would have received from such Customer under this Contract, for Water Treatment and services furnished and delivered to such Customer, had such Customer not been in default, and the amount, if any, which the Authority receives from sales of such Treated Water and services to the other Customers, or others. Termination of service hereunder shall not reduce or change the obligation of the defaulting Customer under the other provisions of this Contract.

(b) If the Authority fails or defaults in meeting the terms, conditions and covenants of this Contract, except its covenant to use reasonable diligence to provide Water Treatment contained in Section 11(a), and such default continues for a period of 15 days after a Customer has given the Authority notice of such default in the manner contemplated in Section 26 of this Contract, then such Customer shall have all of the rights and remedies provided at law and in equity, except that in no event shall any of the Customers be relieved of its obligation specified in Section 12.

Section 15: Allocation of Defaulting Customers' Water Entitlement. In the event a Customer is in default under Section 14 hereof, and the Customer shall not have cured such default as provided in Section 14(a), the Authority may determine to reallocate any portion, or all, of the defaulting Customer's entitlement to Treated Water hereunder, subject to compliance with the Conveyance Service Contract and Conveyance Service Subcontract. Each of the non-defaulting Customers shall have a right of first refusal (exercisable within 30 days from the giving of notice by the Authority) on its proportionate share (or any lesser amount) of the Treated Water allocable to a Customer which is in default under Section 14 hereof. The proportionate share of each non-defaulting Customer shall be calculated by determining the ratio of the non-defaulting Customer's Participation (stated in acre feet) to the total of non-defaulting Customers' Participations (stated in acre feet). The Authority shall have the power to sell to any entity, public or private, any unallocated portion of the Treated Water of a Customer in default under Section 14 hereof, subject to compliance with the Conveyance Service Contract and the Conveyance Service Subcontract. Each of the Customers hereby assigns its right, title, and interest in, and beneficial use of, its Participation in raw water transferred through the Fountain Valley Conduit, to the extent that such assignment is required to effect the reallocation of Treated Water pursuant to this Section. In the event that the defaulting Customer cures all defaults within six (6) months of the date of notice of default under Section 14 hereof, reimburses the non-defaulting Customers for any payments which they made under Section 12 and pays a penalty equal to one percent per month of its

payments in default, such Customer shall be entitled to resume receiving its entire Participation interest in Treated Water from the Authority.

Section 16: Payment Due Dates and Delinquency.

(a) In the event that a Customer fails to make any payment at the time herein specified, interest on such delinquent amount shall accrue at the rate of one percent (1%) per month from the date such payment becomes due until paid in full, and the Authority may institute a proceeding for a mandatory injunction requiring the payment of the amount due and interest thereon, such action to be instituted in a court of competent jurisdiction.

(b) All payments required to be made by the Customers under the terms of this Contract shall be due and payable within fifteen (15) days following the date the Authority renders the bill, and the Customers shall have no right of setoff, recoupment, or counterclaim against any payment under Section 12 or that part of the Annual Plant Costs which are attributable to payments to be made into the bond fund or the reserve fund by any Bond Resolution or similar funds established for the payment and security of other Obligations which are unconditional.

(c) Should a dispute between any Customer and the Authority arise as to whether the Authority is in compliance with its covenants as contained herein, each Customer shall nevertheless be obligated (1) to make the payments provided by paragraph (a) of Section 12 hereof and (2) to pay such amount of the Annual Plant Costs as may not be in dispute pending the resolution of such dispute. The disputed amount of Annual Plant Costs shall be paid by a Customer and, to the extent that such amounts are not needed to pay Debt Service on the Bonds, they shall be placed in escrow in an interest bearing account by the Authority pending resolution of the dispute, but only the principal amount thereof shall be returned to the Customer. Attorneys' fees shall be assessed as court costs.

Section 17: Continuation of Services. A Customer not in default hereunder shall have the right to the continued performance of services provided under the provisions of this Contract for the useful life of the Plant (to the extent such useful life exceeds 40 years) by giving written notice to the Authority at least one year prior to the scheduled termination of this Contract (as specified in Section 1) provided that if such termination is occasioned by making provision for the payment of the Debts of the Authority, the notice may be given within 90 days after such provision is made. Such Customer shall be obligated to continue paying its proportionate share of the Annual Plant Costs. Each of the Customers agrees that its entitlement to Treated Water and capacity may be forfeited in the event of default hereunder.

Section 18: Customer Not to Sell Its Water System. Each Customer covenants that during the term of this Contract (or the extensions thereof) it will not sell or otherwise dispose of its water utility distribution system in whole or substantially as a whole to any entity unless such entity can legally assume and does assume in writing all obligations of such Customer hereunder and then only with the written consent of the Authority; provided that no such sale and assumption shall be permitted hereunder if as a result thereof the exemption of interest on any Bonds from Federal income tax would be adversely affected.

Section 19: Force Majeure.

(a) If for any reason of "force majeure" any of the parties hereto shall be rendered unable, wholly or in part, to carry out its obligations under this Contract, other than the obligation of the Customers to make the payments required under the terms of this Contract, then if such party shall give notice and the full particulars of such reasons in writing to the other party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such "force majeure," shall be suspended during the continuance of the inability then claimed, but for no longer period, and such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, orders or actions of any kind of the government of the United States or of the State of Colorado or any civil or military authority, insurrections, riots, epidemics, landslides, lightening, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, or canals or other structures or machinery, on account of any other cause not reasonably within the control of the party claiming such inability. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulties, and that the above requirement that any "force majeure" shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demand of the opposing parties when such settlement is unfavorable to it in the judgment of the party having the difficulty.

(b) No damage shall be recoverable from the Authority or the Customers by reason of the causes above mentioned.

Section 20: Insurance.

(a) The Authority shall maintain, or cause to be maintained in force for the benefit of the Authority, such insurance with respect to the Plant as shall be reasonably available and as is usually carried by the municipal water utilities constructing and operating water treatment facilities. Provided, however, in any event the Authority shall maintain, or cause to be maintained, in force, insurance in such amounts and against such risks as required by the Bond Resolution.

(b) The Authority will secure and maintain adequate fidelity insurance or bonds on all officers and employees handling or responsible for funds of the Authority.

(c) The Authority may establish and create a special fund for the purpose of providing a self insurance fund. Amounts to be deposited in or credited to such fund in any Contract Year shall be accounted for as Operation and Maintenance Expenses. To the extent that monies are deposited in such fund, if created, such monies may be invested in Investment Securities, as defined in the Bond Resolution. To the extent of the amounts held in such fund, the face amount of appropriate insurance policies may be reduced.

Section 21: Reports. The Authority will prepare and issue to each Customer the following reports for each Contract Year:
(i) financial and operating statement relating to the Plant;
(ii) status of construction for the Plant during construction; and
(iii) analysis of operations relating to the Plant.

Section 22: Records and Accounts. The Authority will keep accurate records and accounts of the Plant and of the transactions relating thereto as well as of the operations of the Authority in accordance with generally accepted accounting principles as applied to governmental units. Within one hundred twenty (120) days after close of each Contract Year, the Authority shall cause such records and accounts and all transactions of the Authority relating to the Plant with respect to such Contract Year to be subject to an annual audit by an independent certified public accountant. A copy of each such annual audit shall be sent by the Authority to each Customer.

Section 23: Access. Each Customer shall at all times have reasonable access to examine any and all books and records of the Authority and to examine the Plant. The Authority and each Customer will give the other the right to enter the premises of the other at all reasonable times for the purpose of repairing or removing facilities, reading meters and performing work incidental to delivery and receipt of Water Treatment and Treated Water furnished hereunder.

Section 24: Governmental Rates, Regulations and Laws. The Contract shall be subject to all valid rules, regulations and laws applicable thereto, as promulgated by the United States of America, the State of Colorado, or any other governmental body or agency having lawful jurisdiction or any authorized representative or agency of any of them, which rules, regulations and laws shall not impair the obligation of contracts including this Contract.

Section 25: Easements. Each Customer agrees that the Authority or its agent shall (when permitted by existing easement) have full access to such easements or over any easements, right-of-way or property held by such Customer if, and to the extent, required by the Authority for any and all purposes required for the Plant.

Section 26: Notices. Any notice, request, demand or statement provided for in this Contract shall be in writing and shall be considered to have been duly delivered when sent by registered or certified mail (provided that bills sent hereunder may be sent by first class mail), addressed as follows, unless another address has been designated, in writing, by the party entitled to receive same:

(1) Colorado Springs,
Colorado:

Mr. Edward W. Bailey
Water Division
P. O. Box 1103
Colorado Springs, CO 80947

(2) The City of Fountain
Colorado:

Mr. Anthony S. Guiliano
City Clerk's Office
Fountain, CO 80817

(3) Security Water
District:

Mr. Frank Oberding
Box 5156
Security, CO 80931

(4) Stratmoor Hills Water
District:

Mr. M. Lawrence Davis
557 Sinton Avenue
Colorado Springs, CO 80906

(5) Widefield Homes Water
Company:

W. B. Tourtillott
225 E. 16th Avenue
Denver, CO

(6) Fountain Valley
Authority:

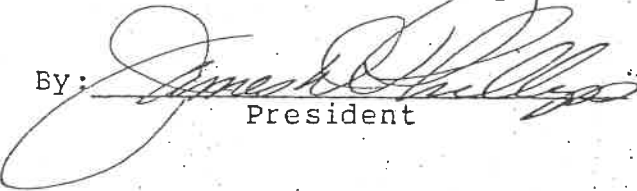
James D. Phillips
P. O. Box 1103
Colorado Springs, CO 80947

Section 27: Severability. The parties hereto agree that if any of the provisions of this Contract should contravene or be held invalid under the laws of the State of Colorado, such contravention or invalidity shall not invalidate the whole Contract but it shall be construed as though not containing that particular provision, and the rights and obligations of the parties shall be construed and in force accordingly.

Section 28: Contracts to be Separate. This instrument embodies five separate contracts between the Authority and each Customer. Termination of one Contract shall not affect the others.

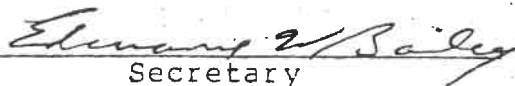
IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed in their corporate names and their corporate seals affixed, all by the proper officer duly authorized thereunto, as of the day and year first hereinabove written.

Fountain Valley Authority

By: 
President

(SEAL)

Attest:

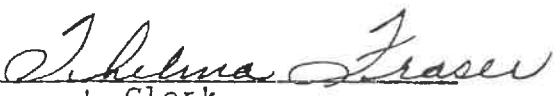
By: 
Secretary

City of Colorado Springs,
Colorado

By: 
Vice Mayor

(SEAL)

Attest:

By: 
Deputy Clerk

City of Fountain, Colorado

By: Edward J. Bryant
Mayor

(SEAL)

Attest:

By: Anna J. Daugherty
Clerk

Stratmoor Hills Water District

By: Edward W. Hakes
President

(SEAL)

Attest:

By: M. Lawrence Davis
Secretary

Security Water District

By: Joe M. Cantrell
President

(SEAL)

Attest:

By: Robert H. Schoder
Secretary

Widefield Homes Water Company

By: _____

President

(SEAL)

Attest:

By: _____

Asst. Secretary

S J Development Corporation, a Colorado corporation, doing business as Widefield Homes Water Company, does hereby accept the assignment from Widefield Homes Water Company, a Colorado corporation, of all of its rights and obligations under this Water Treatment Contract and consents to be bound by all of the terms and conditions thereof as if S J Development Corporation, a Colorado corporation, doing business as Widefield Homes Water Company, had been the original party to said Contract in lieu of Widefield Homes Water Company, a Colorado corporation.

S J Development Corporation

By: _____

President

Attest:

Asst. Secretary