

WATER RESOURCES REPORT FOR RIVERBEND CROSSING SUBDIVISION

September 09, 2018

Prepared for:

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WATER RESOURCES REPORT FOR RIVERBEND CROSSING

A. Summary of the Proposed Subdivision:

Riverbend Crossing is a proposed 51.999-acre subdivision within a portion of the northeast quarter of section 14, Township 15 south, Range 66 west of the 6th P.M. in El Paso County, Colorado. The site is located southeast of the intersection of Southmoor Drive and US Highway 85-87. The parcel is bounded to the north by unplatted agricultural land, to the east by commercial parcels currently undergoing redevelopment and Southmoor Drive, to the south by Fountain Creek, and to the west by unplatted agricultural land.

The parcel is currently zoned PUD and is proposed for rezoning to RS-5000. Proposed development of the parcel includes 225 residential lots total to be developed in two phases. Phase 1 proposes development of 136 residential lots and phase 2 proposes development of 89 residential lots

Development will include public ROW residential street sections, and utility and storm system improvements. Residential lots will be served by Security Water District for domestic water service and by Security Sanitation District for sewer service. The inclusion agreement is included in the appendix of the report. Sewer service for the majority of the development requires development of a sanitary lift station to convey flows to adequate gravity outfall within Southmoor Drive.

B. Determination of Sufficient Quantity of Water:

1. Caculation of Water Demand:

Proposed development includes 225 single family residential lots and proposes 4 irrigation water taps equating to 236 single family equivalencies.

Anticipated water diversion is 0.50 AC-FT/YR/SFE and anticipated water depletion is 0.2 AC-FT/YR/SFE. A home water supply of 0.50 acre feet per year would be sufficient for the in-home needs of 0.27 acre feet and irrigation of 3,000 square-feet of lawn or garden. Resulting in an anticipated yearly use of 118 AC-FT/YR for the entire subdivision.

$$(0.50 \text{ AC-FT/YEAR/SFE}) \times (236 \text{ SFE}) = 118 \text{ AC-FT/YEAR}$$

This opinion of probable residential water demand is made on the basis of experience and qualifications and represents Catamount Engineering's best judgment as an experienced and qualified professional firm, familiar with the construction industry. Catamount Engineering cannot and will not guarantee that actual water demand will not vary from this opinion of probable water demand.

2. Calculation of Water Available:

- a. Riverbend Crossing is to be served by the Security Water District water system. Catamount Engineering understands that the Developer has obtained an inclusion agreement from Security Water District.
- b. A map of the existing and proposed water system is provided with the Preliminary Plan submittal.
- c. Catamount Engineering understands that the Developer has obtained an inclusion agreement from the Security Water District.
- d. There are no groundwater sources on this site.

c. DETERMINATION OF SUFFICIENT DEPENDABILITY OF WATER SUPPLY:

1. Water rights - water supply is to be provided by the Security Water District.
2. Financial plan and capital improvement plan from water provider - water supply is to be provided by the Security Water District.
3. Water supply is to be provided by the Security Water District. The proposed water system will connect to the existing water system in from the existing commercial development and loop to Southmoor Drive. (see utility map with Preliminary Plan).
4. There are no wells proposed on this site.
5. Catamount Engineering understands that the Developer has obtained an inclusion agreement from the Security Water District.
6. Short term water supplies shall be provided by the Security Water District.

d. DETERMINATION OF SUFFICIENT QUALITY AND POTABILITY OF WATER:

Catamount Engineering understands that the Developer has obtained an inclusion agreement from the Security Water District.

COPY

INCLUSION AGREEMENT

This Inclusion Agreement ("Agreement") is entered into this 25th day of September, 2006, by and between Security Water and Sanitation Districts ("Districts"), whose address is 231 Security Boulevard, Colorado Springs, Colorado 80911 and Melody Homes, Inc., a Delaware corporation, d/b/a D.R. Horton – Melody Series ("Petitioner"), whose address is 11031 Sheridan Blvd., Westminster, CO 80020.

RECITALS

A. The Districts are special water and sanitation districts formed and operating under the Colorado Special District Act, and provide water and wastewater services within their boundaries in El Paso County, Colorado;

B. Petitioner is the fee owner of 100 percent of the real property described in Exhibit A ("Property") and, as assignee and purchaser of the Property from the original petitioner, has requested that the Property be included within the Districts and has submitted Petitions for Inclusion to the Districts;

C. The Districts' Boards of Directors have approved resolutions approving the inclusion of the Property within the Districts conditioned upon the execution of this Inclusion Agreement; and

D. The Districts and Petitioner wish to set forth the terms and provisions under which the Property is to be included within the Districts.

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. Water Improvements. Petitioner shall construct and pay for the water delivery and distribution system as shown in schematic form on the attached Exhibit B, and as necessary to properly supply and distribute water from the Water District's facilities to the Property ("Water Utility Improvements"), the sufficiency of which shall be acceptable to the Water District in its discretion. Petitioner shall obtain final design approval of the Water Utility Improvements by the District, in writing, that such improvements are in accordance with the District's design criteria and construction standards. The Exhibit B schematic form drawings will therefore be revised, amended and/or supplemented in accordance with the final design requirements and approval of the District. The District shall approve any design plan, or provide reasons for any disapproval within 30 days of submission by Petitioner. Petitioner shall be solely responsible for ensuring that the infrastructure as designed and constructed is adequate to properly service all of the Property in accordance with the Water District's design criteria, construction standards, and construction oversight observations. As a result, the District shall bear no responsibility to the Petitioner for the adequacy of design or construction.

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2. Wastewater Improvements. Petitioner shall construct and pay for the wastewater collection lines as shown in schematic form on Exhibit B, and as necessary to properly collect the wastewater from the Property and connect to the Sanitation District's wastewater main ("Wastewater Utility Improvements"), the sufficiency of which shall be acceptable to the Sanitation District in its discretion. Petitioner shall obtain final design approval of the Wastewater Utility Improvements by the District, in writing, that such improvements are in accordance with the District's design criteria and construction standards. The Exhibit B schematic form drawings will therefore be revised, amended and/or supplemented in accordance with the final design requirements and approval of the District. The District shall approve any design plan, or provide reasons for any disapproval within 30 days of submission by Petitioner. Petitioner shall be solely responsible for ensuring that the infrastructure as designed and constructed is adequate to properly service all of the property in accordance with the Sanitation District's design criteria, construction standards and construction oversight observations. As a result, the District shall bear no responsibility to the Petitioner for the sufficiency of design or construction.

3. Plan Approval. Prior to construction of any Water Utility Improvements or Wastewater Utility Improvements, Petitioner shall submit detailed construction plans to the respective District for final design approval. Construction shall not begin until Petitioner has obtained the prior written approval by the District of such final design construction plans, which approval shall be in the District's discretion as to whether such plans comply with this Agreement, the District's design criteria and construction standards, and all other rules, regulations and policies of the District. The District shall approve the final design plan, or provide reasons for any disapproval within 30 days of submission by Petitioner.

4. Design and Construction Standards. The design criteria and construction standards to be applied under this Agreement shall be guided by the Districts' applicable rules and regulations, however the parties realize that the rules and regulations will not address all of the requirements and circumstances that may arise and that the Districts' staff and engineering consultants will apply generally accepted construction and engineering standards for municipal type water and wastewater infrastructure.

5. Reimbursement. As part of the Districts' requirements for application to the Districts for inclusion, and for the actual inclusion within said Districts, the Petitioner shall reimburse the Districts for their reasonable attorneys fees, engineering fees, District staff overtime, and publication costs incurred in connection with the inclusion process of the Property, together with all other direct costs incurred by the Districts that would not have been incurred if the inclusion petition had not been submitted and the Property included in the Districts. This reimbursement shall include post-inclusion agreement inspections and also design and construction plan review and approvals by the Districts for the utility infrastructure. The Districts have each received \$5,000.00 to cover such costs, and through August 31, 2006 the attorney fees incurred total \$11,013.35 and engineering fees incurred total \$4,593.44. Such costs and fees shall not exceed an additional \$5,000.00 per District absent unforeseen and/or unanticipated matters, and only after consultation with Petitioner. All such amounts shall constitute a charge relating to the Property. Any amount not timely paid after appropriate itemized statements from the Districts shall constitute a lien upon the Property until paid, and

may be enforced in the same matter as the statutory lien upon the Property for charges and services due to the Districts under C.R.S. ' 32-1-1001(j).

6. Tap and Water Development Fees. Petitioner shall pay to the Districts tap fees for wastewater services, and tap fees and water development fees for water services, for the Property under the rate structure in place at the time when the water and wastewater services are requested to be made available to the individual lots within the Property. These fees may change over time and by resolution of the Board of Directors. The Sanitation District's current wastewater tap fee is \$3,250 based on 18 fixture units with \$125 per additional fixture unit. The Water District current water tap fee is \$4,400 per single family residential unit (3/4" tap size) and the water development fee is currently \$8,200 per single family residential unit equivalent per Resolution W-2005-02-1. The tap fee components shall be due for all development upon the Property by Petitioner. However, the Districts and Petitioner agree that a portion of the water development fees for the Property, to the extent of 216 Single Family Equivalents ("SFE's") as set forth below, shall be satisfied in exchange for certain water rights owned by Petitioner being conveyed to the Water District as provided for in paragraphs 8 and 9. The portion of the water development fees satisfied shall be the then existing water development fee except for \$1,500 per SFE which unsatisfied portion shall be paid by Petitioner at the time water service is requested to be made available to the individual lots within the Property. The partial satisfaction of the water development fees shall be transferable from Petitioner to purchasers of individual lots as the Property is developed. Therefore, Petitioner or a purchaser of an individual lot shall be required to pay only \$1,500 per SFE as a water development fee for up to 216 SFE's, even if said water development fee is increased prior to a request for service. Petitioner currently estimates that 205 residential taps (3/4 inch tap size) and four irrigation taps (two 1-1/2 inch tap size and two 1 inch tap size), or the equivalent of 216 SFE's, will be needed for development of the Property. The irrigation taps shall be separately metered and shall not exceed diversions of 2.58 annual acre feet. Petitioner shall not be required to purchase wastewater taps in conjunction with the purchase of the irrigation taps. The full water development fees shall be paid for any development above 216 residential tap equivalents. The Water District will also sell Petitioner temporary landscaping and construction water under the District's prevailing rates and terms.

7. Property's Water Demands. The Districts also require, as part of the inclusion of the Property into the Water District, that the Petitioner convey satisfactory water rights to the Water District for the development uses of the Property, or at the Water District's discretion, pay Water Development Fees. In this case, the Water District requires that the Petitioner convey satisfactory water rights to the District to meet or compensate for the water demands of the Property as provided for in paragraphs 8 and 9. The water demands for the development of the Property are estimated at 105.08 annual acre feet of diversions and 43.2 acre feet of depletions for the 216 SFE's. Diversions, depletions, or SFE's beyond these estimated amounts will require an amendment to this Agreement, and payment of tap and water development fees to the Districts, in order for such service to be provided. An SFE for planning purpose is considered as diverting 0.5 of an acre foot of water for residential purposes and consuming 0.2 of an acre foot. The Water District will supply those water diversions from its decreed water sources and will replace those depletions from its decreed plans for augmentation from its available water rights reserves within its existing decrees and plans for augmentation. However, this water service commitment is subject to El Paso County and the Colorado Division of Water Resources

accepting the Water District's water rights resources as sufficient for the Petitioner's development. In the event that either El Paso County or the Colorado Division of Water Resources determines that the District's water rights resources are insufficient, Petitioner shall have the right within 30 days of notice of such determination, in its sole discretion, to terminate this Agreement and the inclusion of the Property within the Districts and to then seek to obtain water and wastewater service from another entity.

8. Property's Water Rights. Petitioner owns the following water rights appurtenant to the Property: 60 shares of the Fountain Mutual Irrigation Company ("FMIC"), Bender Wells No. 1 and No. 2 (decreed originally in Case No. W-664, and changed to municipal use in Case No. 81CW225, District Court for Water Division No. 2), and the augmentation plan and water rights decreed in Case No. 81CW225 allowing use of the Bender Wells for municipal use in residential development of the Property ("Property's Water Rights"). The Bender Wells were originally decreed in Case No. W-664 on January 16, 1973. Bender Well No. 1 was decreed absolute for 630 gallons per minute for irrigation use, with a priority date of December 31, 1930. Bender Well No. 2 was originally decreed absolute for 1350 gallons per minute for irrigation use and conditional for 927 gallons per minute for domestic use, with priority dates of April 25, 1958. Diligence has been maintained on the conditional right for Bender Well No. 2 by Petitioner by Decree entered September 12, 2006 in Case No. 05CW97, District Court for Water Division 2. Petitioner shall be responsible to maintain diligence by an appropriate Water Court filing and decree. The augmentation plan in Case No. 81CW225 provides for, among other things, the Bender Wells as alternate points of diversion for each other, and the withdrawal of a base pumping level of 115 acre feet annually from the Widefield Aquifer to be used in the development. With effective recharge of the Widefield Aquifer, the withdrawals of the Bender Wells from the Widefield aquifer can be increased to 170 acre feet annually. Pursuant to the decree in Case No. 81CW225, the use of the FMIC shares includes recharge to the Widefield Aquifer and replacement of the stream depletions caused by pumping the Bender Wells.

In return for inclusion of the Property in the Water District, and the partial satisfaction of Water Development Fees in accordance with the terms of paragraph 6, Petitioner shall, upon formal inclusion of the Property into the Water District by order of the El Paso County District Court, convey to the Water District the Property's Water Rights, including the 60 FMIC shares, Bender Wells No. 1 and No. 2, and Petitioner's interest in the augmentation plan and water rights decreed in Case No. 81CW225. Said conveyance shall be by special warranty deed. Petitioner shall grant easements to the Districts for access to and from the wells and for water transmission lines from the wells to the Water Districts' facilities, as generally shown on the Exhibit C plat, in form acceptable to the District. Petitioner warrants and represents that it is the fee title owner of the water rights, with marketable title, and there will be no liens or encumbrances against the Property's Water Rights upon the conveyance. The special warranty deed shall include this warranty and representation. Petitioner shall provide to the Districts upon execution of this Agreement copies of all documents in its possession related to title to the Property and the Water Rights (i.e., deeds, title insurance commitments and policies, etc.).

This Agreement is subject to and conditional upon the Water District's acceptance of such condition of title, in its sole discretion. The Districts shall not be obligated to conclude the inclusion of the Property by order of the El Paso County District Court until the Water District is

satisfied with and accepts the condition of title to the Property's Water Rights. The Districts shall have sixty (60) days from execution of this Agreement (Diligence Deadline) to perform an inspection of the title to the Water Rights, including a review of the title abstract obtained by the Districts for the Property. If the Water District identifies an objection to the condition of title to the Property's Water Rights, it shall notify Petitioner in writing of the basis of such objections prior to the Diligence Deadline. Petitioner shall thereafter make diligent efforts to cure such title objections within 60 days and obtain the Water District's acceptance of title. If the Water District does not identify any objections prior to the Diligence Deadline or if the Water District's title objections are resolved to the District's satisfaction, the title contingency shall be satisfied. Upon expiration of the Diligence Deadline without objection by the Districts or upon cure of any title objections identified prior to the expiration of the diligence Deadline, the Districts shall apply to the El Paso County District Court for formal inclusion of the Property into the Districts. Petitioner covenants and agrees that the property historically irrigated by the Property's Water Rights has been dried up and removed from irrigation by the water rights except for application under the augmentation plan.

9. Development of the Water Rights. The Water District and Petitioner acknowledge that some water court action will be required to allow use of the Property's Water Rights by the Water District. Possible water court actions include, without limitation, modifications of the decree in Case No. 81CW225 to (i) allow a different location for augmentation releases, (ii) allow the FMIC shares to be used by the District as Widefield aquifer recharge, (iii) allow pumping of the Bender Wells Widefield Aquifer allotment from the District's existing or additional wells within the same aquifer reach as the Bender Wells, (iv) seek, as necessary, to change the type of use and place of use of the Bender Wells to municipal uses within the District, (v) incorporate Case No. 81CW225 into the Water District's plans for augmentation, and (vi) satisfy conditions in Case No. 81CW225 for inclusion of the Property into the Water District. In addition, the Water District will need to obtain approval from the users in the Widefield Aquifer for pumping the allotted amounts from the Widefield Aquifer in accordance with the decree in Case No. 81CW225 and the Widefield Aquifer Management Agreement. Following the execution of this Agreement, the Water District shall diligently proceed with this Water Court action in its name. The Petitioner shall reasonably cooperate with the Water District in the District's prosecution of the Water Court action. As part of the parties' agreement for the partial waiver of the water development fees and conveyance of the Property's Water Rights, the Water District shall be responsible for all legal and engineering costs, fees and expenses, including all attorneys and expert witness fees, incurred in connection with the process of obtaining the Widefield Aquifer Management users approval, any State Engineer's Office administrative approval, and the Water Court actions necessary for the use of the Property's Water Rights by the Water District. The process of obtaining Widefield Aquifer Management users approval and obtaining the necessary water court approvals shall be prosecuted by the Water District in a manner in its sole discretion seeking to maximize the use of the Property's Water Rights based on reasonably attainable goals in consideration of the District's engineering and legal advice. The parties acknowledge that the Water Court can only approve the Widefield aquifer diversions approved by the participants in the Widefield Aquifer Management Agreement.

The parties acknowledge that the outcome of the Water Court action is not guaranteed, and that the Widefield Aquifer diversions allowed under a change decree may be less than the currently decreed 115 annual acre feet, and less than the 105.08 annual acre feet needed to serve the Petitioner's Property as presently proposed. However, the parties acknowledge that the diversions allowed under a changed decree may be more than the 105.08 annual acre feet needed to serve the Petitioner's Property as presently proposed. The parties also acknowledge that the FMIC shares will provide an average of 42 annual acre feet of replacement water, and that as a result the diversions allowed as augmented by the FMIC shares will probably not be less than 105 annual acre feet, based upon a historical District wide depletion factor of approximately 40 percent. The parties further acknowledge that the Property's Water Rights include the potential to obtain an additional 55 annual acre feet of Widefield Aquifer diversions as a result of providing effective recharge to the Widefield Aquifer to that extent under the terms of the Widefield Aquifer Management Agreement, and that these additional aquifer diversions, if available in the future, will not be necessary to supply water to the Petitioner's Property as presently proposed. The parties agree that the value of this aquifer recharge is difficult to determine, but that the aquifer recharge represents additional value to the Water District. In consideration of this additional value, the Water District agrees to provide service to the Property as set forth in Paragraphs 6 and 7, and to consider partially satisfied the water development fee as set forth in Paragraph 6 for up to 216 single family equivalents upon conveyance of the Property's Water Rights to the Water District and upon inclusion of the Property within the Districts by order of the El Paso County District Court.

10. Property's Wastewater Requirements. The wastewater collection and treatment requirements for the development of the Property are estimated at 16.92 million gallons per year of domestic wastewater conveyance and treatment capacity. The Sanitation District will meet this requirement through its existing infrastructure which will be accessed through Wastewater Utility Improvements to be constructed by Petitioner. Delivery of domestic wastewater in excess of this estimate will require an amendment to this agreement in order for such services to be provided.

11. Main Lines. Petitioner shall be solely responsible for the construction, at its expense, of the connection to, and extension of, the Districts' existing water and wastewater main lines to and from the Property, as shown on the attached Exhibit B, as necessary for delivery of utility service to the Property. In this manner, and as discussed in paragraphs 1 and 2, Petitioner is responsible for the construction and expense of all onsite and offsite infrastructure improvements for utility service to the Property.

12. Service Lines. The cost of Petitioner's connection to the water and the wastewater 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.

13. Easements. Petitioner shall grant and provide to the Districts, at no cost to the Districts, any and all necessary licenses, permits, easements, and rights of way across the Property, and shall also pay for the acquisition of any such easement over, under and across any area required outside the limits of the Property that is necessary to service the Property. The District shall assist the Petitioner in the acquisition of any such easements required outside of the

limits of the Property. Said licenses, permits, easements, and rights of way shall be in size and location acceptable to the Districts and in accordance with the Districts' design criteria and specifications to provide for the construction, operation, maintenance, repair and replacement of the mains, pipelines, and appurtenances for the water and wastewater lines serving the Property, including with the right of ingress and egress thereto. The utility easements for main lines shall be exclusive easements to the extent reasonably possible. To the extent exclusive easements are not reasonably possible then any other neighboring utilities (i.e., natural gas, telephone, cable, etc.) shall not be located on top of the Districts' utility infrastructure within the easements or so close thereto as to interfere with or impair the Districts' access to and maintenance of the utilities within the easements. These easement requirements shall be included within the written easement documents and the subdivision plat. The location of such easements shall also be reasonably acceptable to the Petitioner, and is shown but not limited to those easement areas shown on the Exhibit C utility plans and design. This obligation shall survive the completion of the inclusion process.

14. Well Sites. The Petitioner shall convey to the Water District title to two well tracts within the Property acceptable to the Districts for a minimum size of 50 feet by 60 feet for the Bender Wells Nos. 1 and 2 ("Well Sites"). The Well Sites shall be conveyed by general warranty deed free and clear of all liens and encumbrances, except for matters shown on Petitioner's Title Insurance Policy No. 72004-3114 from Chicago Title Insurance Company issued by Land Title Guaranty Company as provided to the Water District. Petitioner shall provide a title insurance policy to the Water District for the value of the land. These Well Sites shall be platted at their present locations or within 200 feet of their existing location so that redrill permits can be issued administratively by the State Engineer's Office. The Water District intends to fence and secure the sites and to build customary well houses according to the Districts' existing policies and requirements and according to the typical standards of local municipal water providers for well houses within residential areas. Said fence and well houses shall be similar in appearance to the lift station housing constructed by Petitioner as set forth in Paragraph 15. Petitioner shall exempt the platted Well Sites from any construction approval under the Property covenants or by the homeowner's association created under the covenants. As part of the parties' agreement for the partial waiver of the water development fees and conveyance of the Property's Water Rights, the Petitioner shall not be required to redrill, construct or develop new wells and well houses for the Bender Wells Nos. 1 and 2 or to connect the wells into the Water District's delivery system in accordance with the District's design criteria and construction standards and the requirements of the Colorado Department of Health. Any such well development and connection shall be done by the District as required by the District in its sole discretion. The Bender Wells are alternate points of diversion for each other, and the Water District may only have to rebuild only one of the two Bender Wells if the first well can successfully yield the entire decreed allotment. In addition, in the Water Court action to be filed by the District under Paragraph 9, the District shall seek to change the point of diversion of the Bender Wells' Widefield Aquifer allotment to the District's other municipal wells as alternate points of diversion within the same aquifer reach as the Bender Wells. The Water Court action shall also seek, as necessary, to change the type of use to all municipal uses within the District. If such change of water right is successfully decreed by the Water Court, and the decreed allotment can physically be withdrawn through only one well, then the District shall, at its election, relinquish one of the two Bender Well sites to the Petitioner. The District shall also

reconvey one Well Site back to Petitioner if any first well drilled can successfully yield the entire decreed allotment. Any reconveyance of a Well Site to Petitioner or its designee will be by general warranty deed with title in the same condition as received from Petitioner. The Well Sites, together with the water transmission pipeline easements described in Paragraph 13, shall be sufficient in size to meet minimum contact time for disinfection treatment as required by the State of Colorado for new well construction.

15. Wastewater Lift Station. As part of the Wastewater Utility Improvements, the Petitioner shall construct a wastewater pump station upon a site having approximate dimensions of 50 feet by 100 feet and schematically shown on Exhibit B in accordance with the District's requirements for lift stations. The Petitioner shall obtain the District's pre-approval of the design and construction standards for the lift station. The Petitioner at no cost to the District shall convey to the Sanitation District title to a lift station tract within the Property. This tract shall be conveyed by general warranty deed free and clear of all liens and encumbrances, except for matters shown on Petitioner's October 6, 2005 Title Insurance Policy No. 72004-3114 from Chicago Title Insurance Company issued by Land title Guaranty Company as provided to the Sanitation District. Petitioner shall provide a title insurance policy to the Sanitation District for the value of the land and improvements. Said pump station and appurtenant equipment and facilities shall be housed within improvements to be constructed by Petitioner in accordance with plans agreed to and approved by the District. The Sanitation District intends to fence and secure the site. The Petitioner shall exempt the platted lift station site from any construction approval under the Property covenants or by the homeowner's association created under the covenants. As part of said construction obligations, the Petitioner with the involvement and co-application of the Sanitation District shall, at Petitioner's expense, obtain all necessary site location and plan and specification approvals from the Colorado Department of Public Health and Environment. Said approvals shall be without prejudice to the District's existing permits. The District shall be entitled to charge an additional component of a wastewater user charge for property served by a lift station, which charge shall be payable by the owners of properties served by the lift station and included in their usual billing statements, as may be approved by future resolution of the Board of Directors.

16. Cooperation. Petitioner and the Districts agree to cooperate with one another in the processing of the Petitions of Inclusion and Water Court action to a successful conclusion, as anticipated, the performance of the post-inclusion obligations set forth in this Agreement, and the execution of any other documents necessary to fulfill the intent and purposes of this Agreement.

17. Cost Recovery. A portion of the Water Utility Improvements includes an off site water distribution line which may be used or required to be used in the development of adjoining or neighboring properties. This water line consists of a 12 inch water main connecting to the south end of the Property and a 12 inch water main connecting to the north end of the Property and is shown on Exhibit B ("Main Line"). In the event that properties that adjoin or are to be served by the Main Line installed by the Petitioner are developed and make use of the Main Line within twelve (12) years from the date of this Agreement, and only if they are so developed and tap into the Water District service, the Water District will use reasonable, good faith efforts to collect from said developing parties a fair share allocation of the total construction costs of the Main Line. Said fair share allocation shall be reasonably determined by the Water District based

upon, without limitation, the benefit received by said other parties, the cost savings to the other parties by Petitioner's construction of the Main Line, respective size of parcels served, and the other parties' pro rata allocation of the use of the improvements. Upon collection of a fair share allocation from said other parties, the Water District shall reimburse Petitioner within thirty (30) days of such receipt.

The Water District makes no representations or warranties, and expressly disclaims any representation or warranty, that it will in fact be legally able to collect such amounts. The Water District makes no representation or warranty that this Agreement will be binding upon or enforceable against an entity that is not a party hereto. The Water District's obligation is limited to a good faith effort to collect the amount set forth above. The Water District shall have no obligation to file suit or defend a suit to determine if this Agreement may be enforced against an entity that is not a party hereto, as that obligation is solely that of Petitioner. In the event any cost recovery amount is collected and a lawsuit arises as a result of the same, Petitioner shall timely and diligently defend such action and deposit the disputed amount into the registry fund of the Court and shall further indemnify and hold harmless the Water District, its agents, employees and elected officials from any and all liability associated with such claims and the costs of collection and/or the return of any amounts collected, including, but not limited to, costs of suit and reasonable attorney's fees. As an alternative to the above defense and indemnification, Petitioner shall have the option to return the disputed cost recovery amounts upon the inception of any such disputes.

Without limiting the application of the above factors in determining the reimbursement amount, and without requiring any level of reimbursement, the total amount for which Petitioner may be reimbursed under this Agreement is limited to 50 percent of the total construction costs, and in no event shall this reimbursement exceed this amount. Total construction costs shall include legal and engineering costs directly attributable and fairly allocated to the Main Line. Interest without compounding will be charged or collected by the Water District, as allowed by law, on the amount spent by Petitioner in constructing the Main Line in an amount equal to the annual increases from the date hereof of the Bureau of Labor Statistics, Consumer Price Index for all urban consumers for the Colorado Springs geographic area. The total construction costs incurred by Petitioner shall be certified by affidavit to the Water District within sixty (60) days of the completion of construction, subject to approval and acceptance by the Water District within thirty (30) days of submission. If the Water District does not object within said thirty days, the costs shall be deemed approved. If the Water District does object, the Petitioner may at that time submit the matter for binding arbitration before the American Arbitration Association.

18. Home Construction and Building Permits. The Districts and Petitioner are currently in the process of obtaining the required permits and approvals from the State of Colorado and Burlington Northern Santa Fe Railroad ("Railroad") necessary to complete a portion of the Water Utility Improvements, including the Main Line as set forth in Paragraph 17 above. The timeframe for obtaining the required permits and approvals is not known at this time. Petitioner is also making two additional water main connections to an existing water main line on Southmore Drive as part of the Water Utility Improvements. The Districts agree to provide water and wastewater collection and treatment service, following payment of the appropriate fees, in the following amounts prior to connection of the Main Line. The Districts agree to

provide service for a maximum of five (5) model homes, and Petitioner shall be allowed to use these model homes for sales purposes with permanent water and wastewater services connected and providing service. In addition, the Districts agree to provide service to a maximum of twenty (20) production homes located south of Twisting River Trail or River Wild Street as shown on Exhibit B, but Petitioner agrees not to close sales or permit occupancy of these production homes until the Main Line has been connected to the existing water line east of the railroad tracks and found suitable for operation by the District. Upon connection of the Main Line, all services will be provided by the Districts pursuant to and subject to the terms of this Agreement.

19. Compliance. If the Property is included in the Districts by final order of the El Paso County District Court, the Districts and Petitioner shall abide by all terms of this Inclusion Agreement and comply with all applicable Federal, State, County and local statutes, laws, rules, regulations and resolutions. The Property shall be subject to the regular assessments and other charges of the Districts from the date of the inclusion, excluding the water development fees satisfied in this Inclusion Agreement. The Petitioner will comply with all lawful rules, regulations, and rate structures of the Districts, both existing and as may be enacted in the future. 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 Districts, the Petitioner shall obtain and provide to the Districts the consent of the transferee, in recordable form, for the inclusion of that Property into the Districts. The transferee shall also agree and consent that the Property will be subject to assessments and charges of the Districts from the date of inclusion, including tap fees, and that they shall comply with the rules, regulations and rate structures of the Districts, both existing and as may be enacted in the future. Any property not providing such consents shall not be allowed to connect into and receive service from the Districts' facilities.

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

21. Water Quality. Provided that water meeting the applicable drinking water quality requirements is delivered by the Water District to the Water Utility Improvements, 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.

22. Acceptance of Work/Warranties. The construction obligations of Petitioner shall not be complete until the Water District's and the Sanitation District's respective inspection and written acceptance of the infrastructure as being in compliance with the Districts' respective specifications and this Agreement, which acceptance shall not occur sooner than one year after completion. Such acceptance shall be in accordance with the standard policies and procedures and discretion of the Districts. Petitioner guarantees all infrastructure improvements for one year after determination of final completion by the Districts and until acceptance by the Districts. Petitioner shall maintain the improvements during said period of time and until acceptance by the

Districts, and shall cure any nonconforming work or any failures in materials or workmanship. After said one year period of time and provided the improvements are in compliance with this Agreement, the Petitioner may request in writing that the Districts inspect and accept the infrastructure improvements. The Districts shall then promptly inspect the infrastructure and shall either accept the infrastructure as provided herein or detail to the Petitioner in writing the reasons why the infrastructure is not acceptable and will not be accepted. The Petitioner shall promptly cure such deficiencies and resubmit its request for inspection and acceptance. All infrastructure improvements performed by the Petitioner, once accepted by the Districts, shall become the property of the Districts and shall be maintained and operated by the Districts. Upon acceptance of the infrastructure improvements by the Districts, Petitioner shall convey good and marketable title for the utility improvements to the Districts, free and clear of all liens and encumbrances.

23. Consent to Overlapping District. The Districts acknowledge that the Petitioner intends to organize one or more special districts ("Petitioner Districts") to provide public infrastructure financing for the project, including the financing and construction of the Water Utility Improvements, the Wastewater Utility Improvements, the Main Line, and any other needed service lines, main lines, lift stations, and appurtenant facilities ("Utility Improvements"). The Districts hereby consent to the organization of a special district(s) with the power to provide the Utility Improvements, as required by C.R.S. ' 32-1-107; provided that the Petitioner Districts' powers with respect to water and sanitation are limited solely to the financing and construction of the Utility Improvements for dedication to the Districts for ownership, operation and maintenance as set forth herein; and provided the Petitioner Districts' powers to operate and maintain the Utility Improvements are limited to the period between completion of construction and final acceptance of the Utilities Improvements by the Districts. Provided, further, the Petitioner Districts shall not assess or lien the well sites or lift station site conveyed to the Districts.

24. Contingencies. This Inclusion Agreement is conditioned upon obtaining the formal inclusion of the Property into both Districts by order of the El Paso County District Court.

25. Liability of the Districts. The Districts shall not be liable for any losses or damages resulting from the inability of the Districts to supply water or wastewater services due to governmental regulations, statutes or orders, electrical or other power failures, temporary shut down due to repairs, maintenance, construction, alterations, acts of God, or other occurrences beyond the direct control of the Districts, or resulting for the lack of availability or capacity of the Districts' facilities. The Districts may impose water usage restrictions and wastewater discharge restrictions, as necessary, so long as it does so on an equitable or pro rata basis to all users within the Districts for the type of service being restricted.

26. Provision of Service. All water and wastewater service for the Property shall be subject to the rules, regulations and resolutions promulgated by the Districts from time to time. The Districts shall not be obligated to provide any utility service if Petitioner or its successors are not in compliance with this Agreement.

27. Assignment. This Inclusion Agreement shall be for the sole benefit of Petitioner and the Districts. However, Petitioner with the Districts' consent may assign its rights and obligations under this agreement to Petitioner Districts should one or more be established to service the entire Property, and provided the assignee assumes the obligations of this Agreement. The District shall not unreasonably withhold consent. Any permitted assignment shall not release the current owner and future owners of the Property and the Property itself from being bound by the obligations of this Inclusion Agreement. Petitioner may also, with the consent of the Districts, at any time assign or otherwise transfer this Inclusion Agreement to: (i) any parent, subsidiary, franchisee or affiliate corporation or entity; (ii) any entity resulting from the consolidation or merger of Petitioner into or with any other entity; any person, firm, entity or corporation acquiring a majority of Petitioner's issued and outstanding capital stock or all or substantially all of Petitioner's physical assets; (iii) any person, firm, entity or corporation acting as a land bank on behalf of Petitioner (hereinafter, "Permitted Transfer"). The Districts shall not withhold consent to a Permitted Transfer provided they are provided with reasonable advance notice of such assignment, the assignee assumes the obligations of this Agreement, and the Districts are provided with full documentation of such assignment. No partial assignments shall be allowed. No other assignments shall be permitted.

28. 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 Districts shall have the right to injunctive relief and specific performance in order to require Petitioner to perform its obligations under this Agreement.

29. Right to Cure. After construction on the Water Utility Improvements and the Wastewater Utility Improvements begins, the Districts shall have the right, but not the obligation, to cure any default by the Petitioner under this Agreement and to recover from the Petitioner the Districts' costs and expenses in curing such default and in performing Petitioner's obligations.

30. Prior Agreements. All prior agreements between the Districts and the Petitioner's predecessors in title regarding water and wastewater service and the inclusion of the Property into the Districts are superceded by this Agreement.

31. Entire Agreement. This 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 Agreement may be modified or altered only by the parties' written agreement.

32. Severability. Unenforceability of any provision contained in this Agreement shall not affect or impair the validity of any other provision of this Agreement.

33. Authority/Ownership. All parties to this Agreement represent that they have the full power and authority to enter into and perform this Agreement and to bind their respective principals as indicated. Petitioner represents that it is the owner and is in title to the Property and

agrees to deliver good marketable title under its easements and conveyances to the Districts, free and clear of liens and encumbrances, subject to any existing and overlapping easements disclosed to and accepted by the Districts. Petitioner and the Districts shall provide an appropriate entity resolution authorizing the execution and performance of this Agreement. Petitioner warrants and represents that there are no liens upon the Property.

34. 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.

35. Time is of the Essence. Time is of the essence in the performance of the parties obligations hereunder.

36. 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.

37. 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.

38. 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 Districts.

39. Recording. This Agreement shall be recorded with the El Paso County Recorder's Office.

40. Binding Effect/Covenant Upon the 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 land until all obligations are fully performed hereunder.

SECURITY WATER DISTRICT

By: H.E. Proal

H.E. Proal, President

SECURITY SANITATION DISTRICT

By: H.E. Proal

H.E. Proal, President

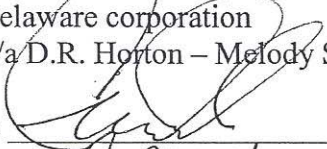
Attest: (SEAL)

Mary Jean Ciemiewicz
Mary Jean Ciemiewicz, Secretary

Attest: (SEAL)

Mary Jean Ciemiewicz
Mary Jean Ciemiewicz, Secretary

MELODY HOMES, INC.,
a Delaware corporation
d/b/a D.R. Horton – Melody Series

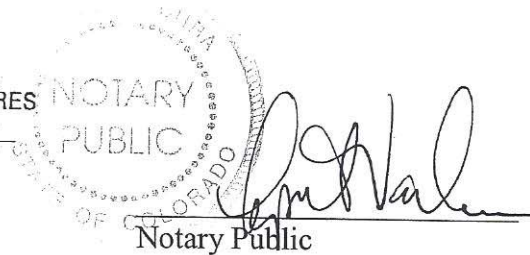
By: 
Name: CURT NELSON
Title: SVP PRES

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

Subscribed and sworn to before me this 25th day of September, 2006, by H.E. Proal as President, and Mary Jean Ciemiewicz, as Secretary of the Security Water District and the Security Sanitation District.

Witness my hand and seal.
(SEAL)

My commission expires: 06/07/2010

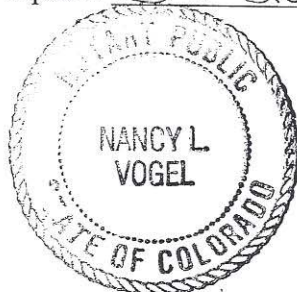


STATE OF COLORADO)
) ss.
COUNTY OF ARAPAHOE)

Subscribed and sworn to before me this 25th day of September, 2006, by Curt Nelson as District President of Melody Homes, Inc., a Delaware corporation, d/b/a D. R. Horton – Melody Series.

Witness my hand and seal.
(SEAL)

My commission expires: 5-11-2010



Nancy L. Vogel
Notary Public

My Comm. Expires 5-11-2010

f:\client\security water\Reynolds\INCL AGR Clean Copy 9-14-06

RIVERBEND CROSSING

LEGAL DESCRIPTION:

THAT PORTION OF THE WEST ONE-HALF OF THE NORTHEAST ONE-QUARTER (W 1/2 NE 1/4) OF SECTION 14, IN TOWNSHIP 15 SOUTH, RANGE 66 WEST OF THE 6th P.M., COUNTY OF EL PASO, STATE OF COLORADO, LYING SOUTH AND WEST OF THE RIGHT OF WAY OF THE D. & R. G. W. RAILWAY COMPANY AND LYING NORTH AND EAST OF THE CENTER LINE OF FOUNTAIN CREEK, EXCEPT PORTIONS DESCRIBED IN THE FOLLOWING RECORDED INSTRUMENTS: BOOK 752 AT PAGE 366 (UNDER RECEPTION NO. 435814); BOOK 842 AT PAGE 70 (UNDER RECEPTION NO. 467648); BOOK 1719 AT PAGE 603 (UNDER RECEPTION NO. 96524); BOOK 1763 AT PAGE 57 (UNDER RECEPTION NO. 124725), AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

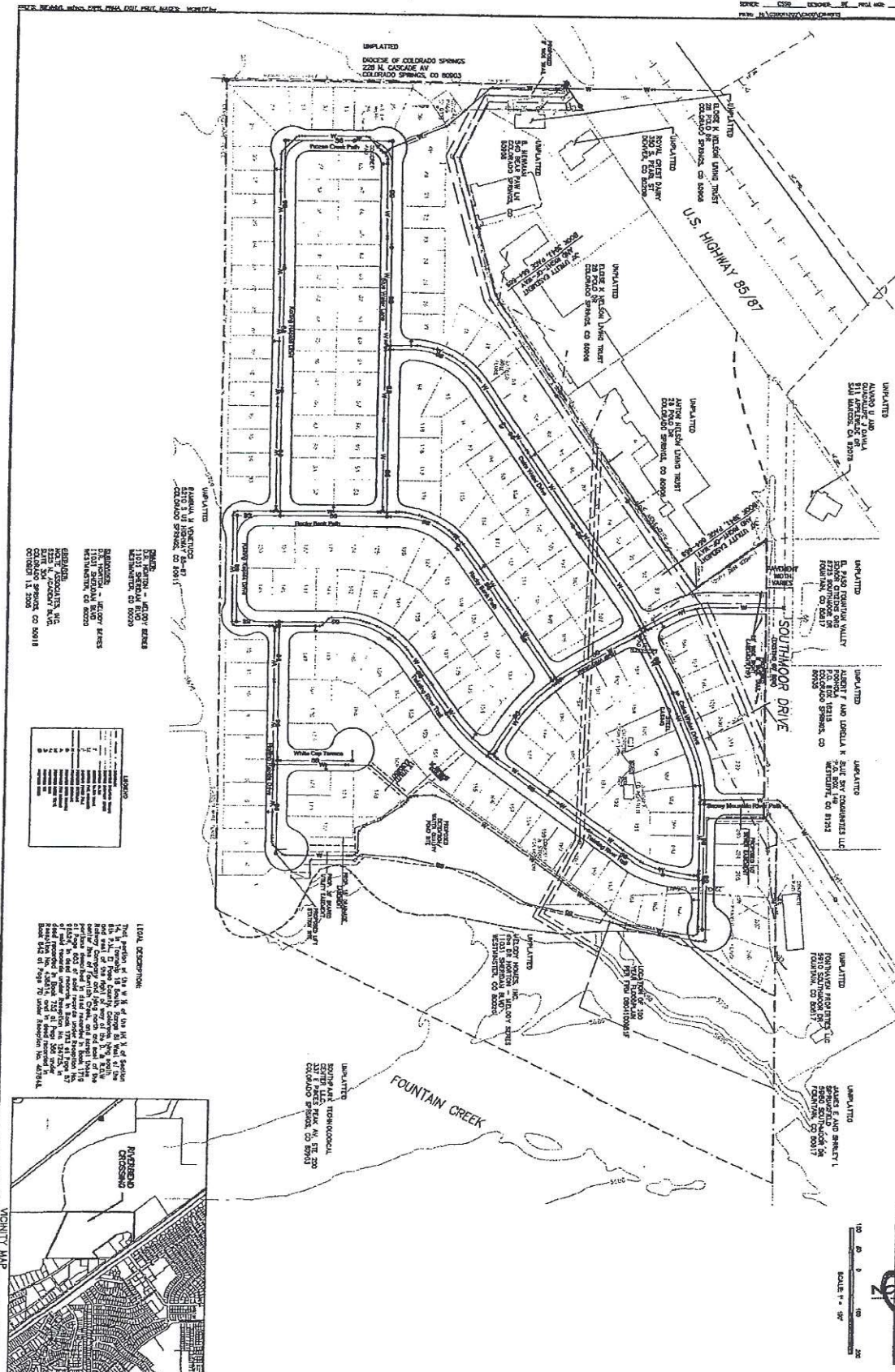
BEGINNING AT A 3-1/4" ALUMINUM CAP STAMPED "OLIVER E. WATTS 1/4 S11 S14 PE-LS 9853" AT THE NORTHWEST CORNER OF SAID NE 1/4 OF SECTION 14, FROM WHICH A 3-1/4" ALUMINUM CAP STAMPED "OLIVER E. WATTS C1/4 S14 PE-LS 9853" AT THE CENTER ONE-QUARTER (C1/4) OF SAID SECTION 14 BEARS S00°14'13"E, A DISTANCE OF 2640.39 FEET AND IS THE BASIS OF BEARINGS USED HEREIN; THENCE S89°58'10"E ALONG THE NORTH LINE OF SAID NORTHEAST ONE-QUARTER, A DISTANCE OF 607.65 FEET TO A 1/2" REBAR AND WASHER (ILLEGIBLE); THENCE S89°58'10"E CONTINUING ALONG SAID NORTH LINE, A DISTANCE OF 193.49 FEET TO A POINT ON THE WESTERLY RIGHT-OF-WAY LINE OF U.S. HIGHWAY 85-87; THENCE S35°53'17"E ALONG SAID WESTERLY RIGHT-OF-WAY LINE, A DISTANCE OF 74.09 FEET TO THE NORTHEASTERLY CORNER OF A TRACT OF LAND DESCRIBED IN BOOK 1763 AT PAGE 57 OF SAID COUNTY RECORDS; THENCE ALONG THE NORTHERLY, WESTERLY AND SOUTHERLY LINES OF SAID TRACT THE FOLLOWING SIX (6) COURSES: 1.) THENCE N89°57'48"W, A DISTANCE OF 236.81 FEET; 2.) THENCE S26°47'34"W, A DISTANCE OF 129.27 FEET; 3.) THENCE S15°33'55"E, A DISTANCE OF 166.37 FEET; 4.) THENCE S15°44'38"E, A DISTANCE OF 164.08 FEET; 5.) THENCE S35°53'21"E, A DISTANCE OF 841.05 FEET; 6.) THENCE N54°02'01"E, A DISTANCE OF 198.80 FEET TO A POINT ON THE WESTERLY RIGHT-OF-WAY LINE OF SOUTHMOOR DRIVE; THENCE ALONG SAID WESTERLY RIGHT-OF-WAY LINE THE FOLLOWING TWO (2) COURSES: 1) THENCE S00°01'43"W, A DISTANCE OF 645.39 FEET; 2) THENCE S34°14'17"E, A DISTANCE OF 53.41 FEET TO THE NORTHWEST CORNER OF A TRACT OF LAND DESCRIBED UNDER RECEPTION NO. 202040629 OF SAID COUNTY RECORDS; THENCE S00°01'28"E ALONG THE WESTERLY LINE OF SAID TRACT AND THE WESTERLY LINE OF A TRACT OF LAND DESCRIBED IN BOOK 2621 AT PAGE 849 OF SAID COUNTY RECORDS, A DISTANCE OF 813.74 FEET TO A POINT ON THE NORTHERLY LINE OF A TRACT OF LAND DESCRIBED IN A SURVEY BY OLIVER E. WATTS, DEPOSIT NO. 200900117 OF SAID COUNTY RECORDS; THENCE N64°37'39"W ALONG SAID NORTHERLY LINE, A DISTANCE OF 1455.02 FEET TO A POINT ON THE WESTERLY LINE OF SAID NORTHEAST ONE-QUARTER; THENCE N00°14'13"W ALONG SAID WESTERLY LINE, A DISTANCE OF 1938.33 FEET TO THE POINT OF BEGINNING. SAID TRACT CONTAINS 53.08 ACRES OF LAND, MORE OR LESS.



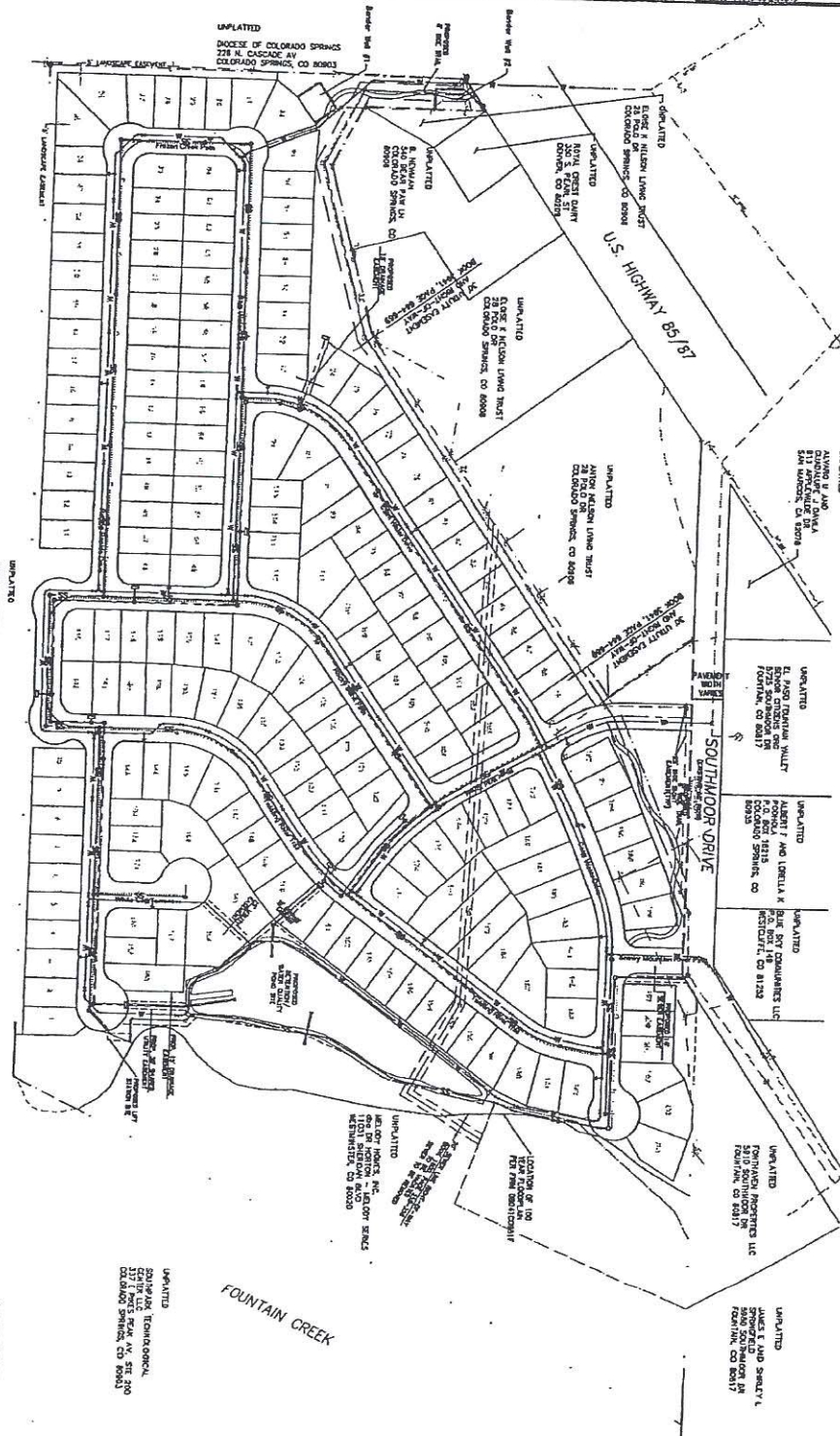
RIVERBEND CROSSING

EXHIBIT B - WATER & WASTEWATER SYSTEM

A PORTION OF THE WEST 1/2 OF THE NORTHEAST 1/4 OF SECTION 15 SOUTH, RANGE 66 WEST OF THE 6TH PRINCIPAL MERIDIAN, EL PASO COUNTY, COLORADO



RIVERBEND CROSSING **EXHIBIT C - EASEMENTS** A PORTION OF THE WEST 1/2 OF THE NORTH-EAST 1/4 OF SECTION 14, TOWNSHIP 15 SOUTH, RANGE 66 WEST OF THE 6TH PRINCIPAL MERIDIAN, EL PASO COUNTY, COLORADO



LEGEND
 UNPLATTED
 EASEMENT
 RIGHT-OF-WAY
 FOUNTAIN CREEK
 SOUTHMOOR DRIVE
 U.S. HIGHWAY 85/87

LEGEND
 UNPLATTED
 EASEMENT
 RIGHT-OF-WAY
 FOUNTAIN CREEK
 SOUTHMOOR DRIVE
 U.S. HIGHWAY 85/87

LEGAL DESCRIPTION
 That portion of the West 1/2 of the North-East 1/4 of Section 14, Township 15 South, Range 66 West of the 6th Principal Meridian, El Paso County, Colorado, as shown on the plat of the Riverbend Crossing Subdivision, recorded in the Public Records of El Paso County, Colorado, Book 120, Page 200, and as shown on the plat of the Riverbend Crossing Subdivision, recorded in the Public Records of El Paso County, Colorado, Book 120, Page 200, and as shown on the plat of the Riverbend Crossing Subdivision, recorded in the Public Records of El Paso County, Colorado, Book 120, Page 200.

