

**INTERGOVERNMENTAL SERVICE AGREEMENT**  
**BETWEEN**  
**ACADEMY WATER AND SANITATION DISTRICT**  
**AND**  
**DONALA WATER AND SANITATION DISTRICT**

THIS SERVICE AGREEMENT (sometimes referred to herein as "Agreement"), is made and entered into this 8<sup>TH</sup> day of December, 2015, by and between the ACADEMY WATER AND SANITATION DISTRICT (ACADEMY) and the DONALA WATER & SANITATION DISTRICT (DONALA), hereinafter collectively referred to as "Districts," "the Districts" or the "Parties".

WHEREAS ACADEMY owns, operates and maintains a wastewater management system serving its customers within its service area shown on Exhibit A to this Agreement and;

WHEREAS, ACADEMY's wastewater management system treats water pumped from wells that supply ACADEMY's customers and then discharges the treated wastewater to Smith Creek at the location shown on Exhibit B to this Agreement. Such discharged water is referred to herein as "existing wastewater return flows from use of ACADEMY's wells" and;

WHEREAS, existing wastewater return flows from use of ACADEMY's wells are an augmentation source for replacement of stream depletions caused by pumping of those wells pursuant to the plan for augmentation decreed by the District Court, Water Division No. 2, on January 5, 2007 in Case No. 98CW110 ("98CW110 Augmentation Plan") and;

WHEREAS ACADEMY has determined that the existing wastewater treatment facility is not capable of performing in a manner to conform with future regulatory requirements for discharge to Smith Creek as the District has historically practiced and;

WHEREAS ACADEMY has determined it is in the best interest of its customers to provide for connection to another wastewater utility for provision of wastewater management services instead of incurring considerable cost to construct, own and operate a new treatment facility capable of meeting future regulatory requirements and;

WHEREAS, DONALA is the Owner of a wastewater collection and conveyance system and part Owner of the Upper Monument Creek Regional Wastewater Treatment Facility (UMCR WWTF) and;

WHEREAS, the UMCR WWTF operates pursuant and subject to a discharge permit issued by the Colorado Department of Public Health and Environment, presently CDPS Permit No. CO-0042030 ("DONALA's discharge permit"), which is subject to renewal as provided therein and to state and federal water quality regulatory requirements that change over time and;

WHEREAS, ACADEMY wishes to use the wastewater collection and conveyance system and the UMCR WWTF owned by DONALA rather than construct new facilities for its own use and;

WHEREAS, DONALA has sufficient capacity in the wastewater collection and conveyance system to convey ACADEMY's wastewater and;

WHEREAS, DONALA has sufficient reserve capacity in the UMCR WWTF to treat the wastewater conveyed from ACADEMY.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions contained herein, the Districts agree as follows:

1. Purpose.

- a. The Districts hereby agree it will be in the best interest of ACADEMY to consolidate a portion of the wastewater conveyance and its wastewater treatment requirements with DONALA and DONALA desires to cooperate with ACADEMY in the interest of good water quality management practice and the furtherance of statutory provisions encouraging consolidation and/or regionalization for purposes of efficient water quality management.
- b. ACADEMY desires to utilize up to 70,000 gallons per day (gpd) of existing unused capacity. DONALA agrees to make such existing unused capacity perpetually available for the use of ACADEMY.
- c. This SERVICE AGREEMENT establishes the terms and conditions upon which ACADEMY will be provided wastewater management services for conveyance and treatment of wastewater generated within the ACADEMY service area by DONALA.

2. Commencement of Construction and Term of Agreement.

- a. Construction of the connection of ACADEMY's wastewater conveyance system to the DONALA collection system ("Connection") shall commence at such time as ACADEMY provides DONALA written notice that ACADEMY has completed the amendment of the 98CW110 Augmentation Plan described below in paragraph 7. If ACADEMY provides such notice, the term of this Service Agreement shall be perpetual. If ACADEMY reasonably determines that the amendment of the 98CW110 Augmentation Plan is not feasible, ACADEMY shall promptly give DONALA written notice of such determination. If ACADEMY gives such notice, ACADEMY shall have the right to terminate this Agreement and DONALA shall refund all monies paid to DONALA in furtherance of this Agreement, less all costs incurred by DONALA. Any decision to exercise such right of termination and refund shall be included in the written notice to DONALA. DONALA shall within 45 days provide an accounting of its costs, and refund the balance less costs incurred by DONALA. Any dispute shall be subject to the provisions of section 8.
- b. Academy shall construct the connection to DONALA's system at a location accepted by DONALA, including a meter and SCADA connected to DONALA's system. All construction shall be to DONALA's specifications and subject to DONALA's approval. ACADEMY shall provide for necessary planning, design, and preparation of construction

documents for the connection to the DONALA wastewater collection system. The design and construction documents shall be prepared by a licensed professional engineer experienced in wastewater conveyance facilities and generally in conformance with the provisions of Colorado Water Quality Control Division Policy WPCDR-1 as they may apply to this facility and in general conformance with accepted professional engineering practice in the area of the facility. The planning design and construction documents shall be reviewed and accepted by DONALA. The review and acceptance of the planning, design and construction documents shall not be unreasonably delayed or rejected.

- c. Academy shall have the right to terminate this agreement by giving written notice of termination at least one year in advance. In the event of termination, no payments will be refunded. Academy shall pay for all service rendered prior to termination and within 30 days of billing all DONALA's costs to disconnect service.

3. General Responsibilities of ACADEMY.

- a. ACADEMY will be responsible for all costs for implementation of the connection of its wastewater conveyance system to the DONALA collection system.
- b. ACADEMY will be responsible for all operation and maintenance of collection lines, pumping facilities and other wastewater conveyance and management facilities within the ACADEMY service area to its point of connection with the DONALA collection system (the "Academy System"). Academy must comply with all conditions of DONALA's discharge permit applicable within the Academy system, as such conditions exist from time to time. DONALA shall have no responsibility for any costs incurred within the Academy System.
- c. ACADEMY agrees to pay DONALA a plant investment fee (PIF) as set forth in Section 5 for use of treatment facility infrastructure planned, constructed and financed by DONALA.
- d. ACADEMY agrees to pay DONALA on a monthly basis in a single payment for the total monthly user fees required to be paid by ACADEMY pursuant to Section 6.
- e. ACADEMY agrees to adopt and enforce the following operation and maintenance policies.
  - (1) DONALA Sewer Use Regulations and Pretreatment Regulations.
  - (2) DONALA Rules and Regulations for use of the ACADEMY wastewater management system by all dischargers or contributors in the ACADEMY service area.
  - (3) Perform periodic sampling of ACADEMY wastewater to identify wastewater quality characteristics.
  - (4) Implement and operate a wastewater collection system preventative maintenance program including inspection, internal pipe cleaning with jet rodding or other suitable equipment and periodic internal pipe video inspection, recording and analysis, all equal to the processes and procedures practiced by DONALA.

4. General Responsibilities of DONALA.

- a. DONALA will be responsible for all operation and maintenance of wastewater conveyance facilities in its service area receiving wastewater from ACADEMY and will be responsible for causing up to 70,000 gallons per day, measured on a 30-day average basis, of such wastewater delivered by ACADEMY to DONALA's wastewater conveyance facilities to be conveyed to and properly treated at the UMCR WWTF.
- b. DONALA has a significant commitment in the UMCR WWTF including a capacity allocation sufficient for the existing and foreseeable future use of DONALA and sufficient unused capacity to accommodate the wastewater from ACADEMY in the volume shown in this SERVICE AGREEMENT. DONALA agrees to maintain 70,000 gallons per day (gpd) of capacity as provided in this SERVICE AGREEMENT for the management and treatment of wastewater delivered by ACADEMY.
- c. DONALA's Use Of ACADEMY System
  - (1) DONALA owns and operates a wastewater lift station at the southeast corner of the Ridge at Fox Run subdivision. The lift station is connected into the ACADEMY sewer infrastructure at the most northerly sewer manhole in the utility easement north of Stella Drive on the eastern boundary of Pleasant View Estates Filing No. 3. This connection is only for emergency and temporary use in the event DONALA's lift station fails to operate. The emergency use of the ACADEMY system by DONALA for this purpose is authorized in accordance with the INTERGOVERNMENTAL AGREEMENT FOR EMERGENCY SEWER SERVICE dated November 2, 2011 between the Districts, referred to herein as the Emergency Service IGA.
  - (2) DONALA agrees to be party to and participate in good faith with ACADEMY in the development and acceptance of a new Emergency Service IGA between the Districts that will supersede the November 2, 2011 Emergency Service IGA. The new Emergency Service IGA will define the terms and conditions by which DONALA will be provided service and will compensate ACADEMY for emergency service from the ACADEMY collection system, the proposed lift station and force main.
  - (3) DONALA agrees to compensate ACADEMY in accordance with the fee structure developed by a Cost of Service Analysis, as prepared and updated from time to time, prepared by ACADEMY once the new pumping facilities have been completed with emergency service not to be withheld prior to the completion of the Cost of Service Analysis.
  - (4) Until the Cost of Service Analysis is completed, DONALA will pay ACADEMY a prorated monthly, per single family equivalent (SFE) user fee commensurate with the user fees charged to ACADEMY's customers plus 10% for administrative and system usage fee. The prorated charge will be based upon the number of days of the month emergency service is required.
  - (5) DONALA agrees to implement the Emergency Service IGA effective when the new ACADEMY pumping facilities are put into operation pumping wastewater to the DONALA collection system.

- d. DONALA shall notify ACADEMY of any proposed changes and adopted changes to any rules or regulations of DONALA which ACADEMY is required to comply with pursuant to this Agreement. Any new rules or regulations will become effective 120 days after such notice, except in an emergency or pursuant to state or federal law requiring earlier effect.

5. Plant Investment Fee.

- a. When ACADEMY connects to DONALA collection facilities, ACADEMY shall compensate DONALA for its current investments in the capital facilities of the UMCR WWTF to the extent those facilities will be used on a proportional basis by ACADEMY. This shall be in the form of a plant investment fee (PIF) based upon an allocated amount of wastewater management capacity at the facility in direct proportion to that total capability and invested monetary amount expended by DONALA, less depreciation to the date of this Agreement.
- b. The PIF is \$889,700.00 for a capacity allocation of 70,000 gallons per day on a 30-day average basis.

6. User Charges.

- a. ACADEMY shall pay user charges to DONALA ("DONALA user charge") on a monthly basis following the receipt of an invoice for services from DONALA. All invoices are due within 30 days of billing. Any invoice not timely paid shall incur a late fee of 5%.
- b. Assuming service begins in 2016, the 2016 DONALA user charge will be \$33.00 per month per single family equivalent ("SFE"). DONALA user charges for all subsequent years will be determined per paragraph 6.c.
  - (1) For purposes of this SERVICE AGREEMENT, one SFE shall be considered the wastewater from a single family detached residential structure or structures on a lot as platted in accordance with the El Paso County Land Development Code. Any use within the ACADEMY service area that is anything other than a single family residential use shall be evaluated and the SFE(s) determined for that other use prior to its connection. ACADEMY shall report to DONALA quarterly any additional users connecting to the system.
  - (2) When major costs of renewals and replacements or improvements in capability, other than an increase in treatment capacity, are required at the UMCR WWTF, expenses for said improvements will be allocated to the users within DONALA and ACADEMY on the basis of the respective allocation of throughput wastewater volume. For purposes of this SERVICE AGREEMENT, significant costs of improvements, renewals or replacements in the UMCR WWTF or the DONALA wastewater conveyance and management system shall be charged to ACADEMY by DONALA as part of the DONALA user charges; future one-time capital improvement or PIFs may be charged only to the extent such fees are charged within DONALA. ACADEMY shall in any event have the right to pay for any such significant costs through its reserves, or from loan or grant proceeds if it so chooses.

- c. DONALA shall plan and provide notice to ACADEMY of any change in DONALA user charges no less than 120 days prior to the effective date of the change in DONALA user charges.
    - (1) DONALA user charges for each SFE within ACADEMY's service area will be determined by DONALA based upon (a) any costs incurred by DONALA solely by reason of service to ACADEMY, plus (b) DONALA's previous year's Cost of Service Analysis using all DONALA's costs, less costs allocated to ACADEMY under (a) and costs allocated to other specified users, (c) plus 10%.
    - (2) The DONALA user charges for services rendered to ACADEMY in accordance with this SERVICE AGREEMENT will be evaluated on an annual basis by DONALA.
7. Amendment of 98CW110 Augmentation Plan/CDPHE approvals.
- a. ACADEMY owns and exercises dominion and control over the existing wastewater return flows from use of ACADEMY's wells pursuant to the 98CW110 Augmentation Plan. Implementation of this SERVICE AGREEMENT will cause water pumped from the wells and supplied to ACADEMY's customers to be discharged to Monument Creek at a point upstream from its confluence with Smith Creek at the location shown on Exhibit B to this Agreement. By causing this SERVICE AGREEMENT to be implemented, ACADEMY is not relinquishing ownership, dominion or control of existing or future wastewater return flows from use of ACADEMY's wells. ACADEMY expressly reserves all rights both to existing wastewater return flows from use of ACADEMY's wells and future wastewater return flows from use of ACADEMY's wells. DONALA disclaims any interest or right to use existing or future wastewater return flows from use of ACADEMY's wells.
  - b. ACADEMY shall file an application with District Court, Water Division No. 2, to amend the 98CW110 Augmentation Plan. The application shall seek to use the future wastewater return flows from use of ACADEMY's wells as an augmentation source to replace stream depletions caused by pumping of ACADEMY's wells, and may claim any appropriate rights of substitution and exchange or other water rights necessary to accomplish such goal. DONALA shall not oppose the application. ACADEMY shall use diligent efforts in prosecuting the application to its completion. To the extent that any issues are raised regarding the feasibility of implementing this SERVICE AGREEMENT or the quality of the future wastewater return flows from use of ACADEMY's wells, DONALA shall cooperate with ACADEMY toward the successful prosecution of the application, and if requested by ACADEMY, shall provide assistance in the form of testimony or other evidentiary support. If DONALA's participation reasonably requires expenditures for attorneys' fees or expert witnesses, such expenditures will be reimbursed by ACADEMY.
  - c. DONALA will notify CDPHE of its intent to serve ACADEMY as provided herein as provided in DONALA's discharge permit and state regulation. ACADEMY will apply to CDPHE for site approval for the lift station and appurtenances to deliver wastewater to the Connection. To the extent that any issues are raised regarding the feasibility of implementing this SERVICE AGREEMENT, treatment of ACADEMY's wastewater, or the quality of the future wastewater return flows from use of ACADEMY's wells, DONALA

shall cooperate with ACADEMY toward the successful prosecution of the application, and if requested by ACADEMY, shall provide assistance in the form of testimony or other evidentiary support.

8. Other Terms and Conditions.

- a. Dispute Resolution; Mediation: The parties mutually agree that in the event any controversy arises concerning the provisions of this Agreement, that a joint meeting of the Boards of Directors of each District shall be held within sixty (60) days from the date of such controversy or disagreement to resolve such conflict. If resolution of any dispute is not accomplished within 90 calendar days of the first joint meeting of the District Boards of Directors, at the written request of either party a mutually acceptable neutral private mediator shall be chosen by the parties, who shall share the cost of the mediation services equally. If the parties cannot otherwise agree on the mediator to be used, they shall utilize the services of the Judicial Arbiters Group in Colorado Springs, CO. If the dispute cannot be resolved by negotiation, the dispute shall be submitted to non-binding mediation before any resort to litigation. The parties to the dispute must agree, in writing, before any settlement they reach through negotiation or mediation is binding. The mediator will be disqualified as a witness, consultant, arbitrator or expert for either party; the mediator will treat the offers, promises, conduct, and statements made in the course of the non-binding mediation (including pre-mediation and post-mediation submissions to the mediator) as confidential and will refrain from disclosing such information except to the parties, and then only as authorized by a party submitting same. The mediator shall not voluntarily disclose, or through discovery or compulsory process be required to disclose, any information concerning any mediation communication or any communication provided in confidence to the mediator. If the parties have not succeeded in negotiating a resolution of the dispute within 90 days after first meeting with the mediator or if the mediator is not appointed within 60 days pursuant to this Section, unless otherwise agreed, the parties shall be deemed to be at an impasse and any such disputing party may commence the arbitration process provided hereunder by notice to the other party. Any mediation or arbitration shall be subject to the provisions of the Colorado Dispute Resolution Act (CDRA), C.R.S. §§ 13-22-301 et seq. Venue for any court action to enforce an agreement reached through mediation or to enforce an arbitration award shall be in the appropriate court of the County of El Paso, State of Colorado.
- b. Arbitration. If a dispute involving more than \$15,000.00 arises with respect to the subject matter of this Agreement or the transaction contemplated herein, and the Parties have not resolved the dispute by negotiation or through mediation, the Parties agree that such dispute shall be settled exclusively by final, binding arbitration, and except as otherwise agreed by the Parties shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association, which rules are incorporated herein, except where the Rules conflict with this Agreement, in which case the terms of this Agreement shall govern. Such arbitration may be initiated by either party upon making a written demand upon the other with a copy to the American Arbitration Association regional office having jurisdiction over the place where this contract is to be performed and the payment of fees as required by that Association. No arbitration shall be commenced after the expiration of the time allowed for commencement of legal

actions upon similar claims under the applicable statutes of limitations of the State of Colorado. The parties covenant that they shall participate in the arbitration in good faith. The Arbitrator(s) shall make an Award in writing and shall deliver a copy of the Award signed by the Arbitrator(s) to each of the parties. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Claims for not more than \$15,000.00 may be brought in a County Court of the State of Colorado.

- c. Cost of Arbitration. The parties shall pay their own respective initial filing fees. The costs of the use of premises for the purpose of holding the arbitration and the costs, expenses and fees of the Arbitrator shall be paid and borne equally by the parties hereto. The parties agree to indemnify each other in respect of any payment or payments made by them or either of them in excess of their obligations as ultimately determined under this section.
- d. Enforcement. The provisions of this Section 8 may be enforced by any Court of competent jurisdiction, and the party seeking enforcement shall be entitled to an award of all its costs, fees and expenses, including reasonable attorneys fees, incurred in such enforcement, to be paid by the party against whom enforcement is ordered. The arbitrator may not award damages that are barred by this agreement. This arbitration provision is binding upon and benefits the parties, their respective successors, assigns and related third parties. This arbitration provision continues in full force and effect, even if any obligations have been paid, or discharged through bankruptcy, and survives any rescission, termination, amendment, expiration or performance of any transaction between the parties.
- e. Discovery. The parties shall be entitled to engage in reasonable discovery in the form of requests for documents, a reasonable number of interrogatories, requests for admission, physical examinations, and, if the claim is for more than \$50,000.00, depositions, in order to obtain information necessary to prosecute or defend the claims brought. Any disputes between the parties regarding the nature or scope of discovery shall be resolved by the Arbitrator(s) in the Arbitrator's discretion. Parties may utilize the subpoena process under Colo. R. Civ. P. 45 to compel the presence of witnesses or the production of documents or other evidence for discovery purposes and/or at the arbitration hearing. The Arbitrator may establish pre-hearing deadlines and procedures. Any party desiring to record the arbitration hearing by stenographic or electronic means must arrange to do so prior to the hearing at its expense. All other parties to the matter will have the option of ordering copies at reasonable expense. The arbitrator has authority to settle all points and controversies and award appropriate relief. The arbitrator shall be the judge of the admissibility of the evidence offered by the parties, and conformity to legal rules of evidence shall not be necessary.
- f. Notices. Any notice, demand, communication, request, reply or advice (collectively, "Notice") provided for or permitted by this Agreement to be given or accepted by a party must be in writing. Notice may, unless otherwise provided herein, be given or served (a) by depositing the same in the United States mail, postage paid, certified, and addressed to the party to receive Notice, with return receipt requested, (b) by delivering the same to such party, or an agent of such party, in person or by commercial courier, or (c) by depositing the same into custody of a nationally recognized next day delivery or courier



service such as FedEx, United States Postal Service next day Express Mail, United Parcel Service (UPS), or Purolator for delivery by the next business day. Notice sent in the manner hereinabove described shall be effective upon the earlier of receipt, or refusal of delivery by the addressee, or three (3) business days after mailing by certified mail, or two (2) business days after deposit properly addressed with such next day delivery service for next day delivery. Billing invoices may be sent by first class U.S. mail, postage prepaid. Buyer and Seller shall have the right from time to time to change their respective addresses for purposes of Notice, and each shall have the right to specify as its address for Notice any other address within the United States of America by at least five (5) business days prior written Notice to the other party. Notices shall be addressed as follows:

To DONALA: Donala Water and Sanitation District  
Attn.: Manager  
15850 Holbein Drive  
Colorado Springs, Colorado 80921

To ACADEMY: Academy Water and Sanitation District  
Attn: Manager  
1755 Spring Valley Drive  
Colorado Springs, CO 80921

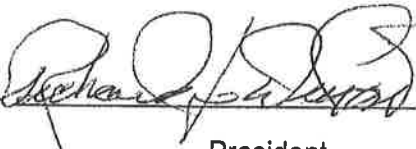
- g. Entire Agreement; Modification. This Agreement constitutes the entire understanding of the parties with regard to the subject matter, and supersedes all prior understandings, communications, negotiations, representations or agreements, whether written or oral. Any subsequent additions, deletions, changes, amendments or modifications must be in writing signed by both parties.
- h. Rules of Construction. The parties hereto agree that they have been represented by counsel during the negotiation, preparation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.
- i. Severability. If any provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic substance contemplated hereby is not affected in any manner materially adverse to either party. Upon such determination that any provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the agreement be carried out as originally contemplated to the fullest extent possible.
- j. No Third Party Beneficiary. This Agreement shall be construed as an intergovernmental agreement between the Districts only. It is expressly agreed by the Districts that no other person or entity shall obtain hereby any enforceable right or remedy, and to this end it is expressly declared by the Districts that no person or entity shall be construed as a third party beneficiary of any kind of this Agreement.

- k. Delay or Omission; No Waiver. No delay or omission of any District to exercise any right or power shall exhaust or impair any such right or power or shall be construed to be a waiver of any event of default, or acquiescence therein. No waiver of any event of default hereunder by any District shall extend to or affect any subsequent or any other then existing event of default or shall impair any rights or remedies consequent thereon. All rights and remedies of the District provided herein may be exercised with Notice, or without Notice unless Notice is expressly required, shall be cumulative, may be exercised separately, concurrently or repeatedly, and the exercise of any such right or remedy shall not affect or impair the exercise of any other right or remedy.
- l. Colorado Constitutional Matters. If any provision hereof is declared void or unenforceable due to a purported violation of Article X, Section 20 of the Colorado Constitution or of any statutes implementing same, the District involved in such violation shall perform such tasks as may be necessary to cure such violation, including but not limited to acquiring such voter approvals, either in advance of, or following, an action as may be allowed by law. If the violation is not cured, either party may terminate this agreement upon one year's notice or sooner if required to comply with a court order.
- m. Headings for Convenience Only. The headings, captions and titles contained herein are intended for convenience and reference only and are not intended to construe the provisions hereof.
- n. District Records. The Districts shall have the right to access and review each other's records and accounts, at reasonable times during the District's regular office hours, for purposes of determining compliance by the Districts with the terms of this Agreement. Such access shall be subject to the provisions of the public records statutes of the State of Colorado contained in Article 72 of Title 24, C.R.S. In the event of disputes between the Parties hereto, all access and requests for such records shall be made in compliance with the "Colorado Open Records Act" or "CORA"; provided, however, in the event of litigation access and requests for records shall be made in compliance with applicable court rules.
9. Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, all parties hereto, their legal representatives, successors, and assigns, but in the event of assignment only to the extent, that assignment is provided for in accordance with, and permitted by, the provisions of this Agreement or by written consent of all parties; provided, however, that a party may, without such written consent, assign its rights and obligations to an entity with which it has merged or consolidated, and which has assumed any obligations of the assigning party.
- a. If and only if (1) DONALA's in-district service area is annexed into a city or town or (2) DONALA consolidates with or into another special district which will not accept and treat ACADEMY's wastewater upon the terms of this Agreement, DONALA may, after two years advance notice, terminate this Agreement.
10. Both parties shall conduct all operations contemplated by this Agreement in a safe, workmanlike manner, in compliance with applicable laws and regulations, without interfering with the operations of the other. Both parties shall maintain liability insurance in an amount sufficient to cover its liability as limited by the Colorado Governmental Immunity Act ("CGIA")

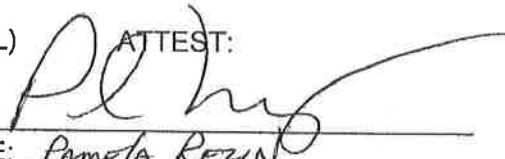
and, for liability not limited by the CGIA, in the amount of not less than \$5,000,000, and workman's compensation insurance.

Dated at Colorado Springs, Colorado, the day and year first above written.

Academy Water and Sanitation District

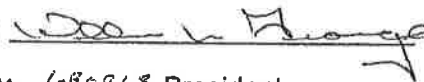
BY:   
Richard J. Adams, President

(SEAL) ATTEST:

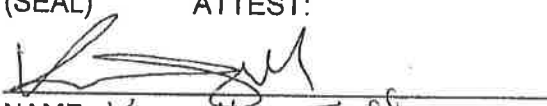
  
NAME: Pamela Rezin  
(Please Type)

Secretary of the Board of Directors

Donala Water and Sanitation District

BY:   
WILLIAM GEORGE, President

(SEAL) ATTEST:

  
NAME: Kenneth D. Judd  
(Please Type)

Secretary of the Board of Directors