

DEERWOOD SERVICE COMPANY, LLC  
**Water Service Agreement**  
**Deerwood Ranches, Creek Ranch, Wilkerson Subdivision**

THIS AGREEMENT is made and entered into on the dates specified below between DEERWOOD SERVICE COMPANY, LLC, a Colorado limited liability company ("DSC") whose address is P.O. 881546, Steamboat Springs, CO., 80488 and the undersigned ("Customer") whose billing address is set forth below. This Agreement is applicable only to the service location designated below.

**RECITALS**

DSC owns the permits, structures and equipment for a private system (the "Water System") to pump water from the wells designated as DP Well No.3 and DP Well No.4 in Routt County, Colorado (the "Wells") and to treat, store and distribute water for domestic and other purposes. Customer owns certain water rights ("Customer's Water Right") for water that may be pumped from the Wells, and desires to use such water for domestic and related purposes at the service location. DSC is willing to pump water from Customer's Water Right and make such water available for Customer's use in the Water System on the terms and conditions set forth in this Agreement. Customer and DSC agree as follows:

1.0      Connection to Water System.

1.1      DSC shall not charge Customer a connection or tap-in fee to connect to the Water System for the service contemplated by this Agreement. In the event the service location is subdivided, or if DSC agrees to provide service in addition to the service contemplated by this Agreement, DSC may require a separate agreement and/or a separate connection to the Water System for which a connection or tap-in fee may be charged.

1.2      To connect to the Water System, Customer must install an approved pressure-reducing valve, water meter and associated equipment in an underground vault at the service stubb designated for Customer's property within DSC easements. Customer shall be responsible for arranging connection to the Water System through a contractor approved by DSC and all work involved in the connection shall be performed by the approved contractor. All connections must be in accordance with DSC specifications, and the diameter of Customer's connection to the Water System must be approved by DSC in writing. DSC shall have no

obligation to approve connections larger than one (1) inch in diameter. Customer shall pay all costs of making connection to the Water System and installing and maintaining all necessary valves, meters, vaults, pipelines and other equipment to provide service from the Water System to improvements at the service location. DSC may require that Customer provide a damage deposit prior to connecting to the Water System, which deposit may be used by DSC to repair any damage resulting from Customer's connection. The unused portion of the damage deposit will be refunded within 30 days after Service Company's final inspection and approval of the connection.

1.3 Customer shall be solely responsible for installation and maintenance of any incidental equipment needed to provide service to the service location. All incidental equipment must be approved by DSC in advance. Service to altitudes above 7,110 feet may require auxiliary pumps and other facilities.

## 2.0 Service

2.1 Service pursuant to this Agreement shall not commence until Customer is properly connected to the Water System, all components of the Water System necessary to provide service to the service location have been completed and conveyed to Service Company, and DSC has been granted any necessary easements to operate and maintain the Water System to the service location. DSC has no obligation to install or construct components of the Water System necessary to provide service to the service location. After connection, DSC will pump, treat and distribute water available from Customer's Water Right in the Water System. Service is subject to the availability of water in the Wells from Customer's Water Right. DSC shall be entitled to utilize Customer's Water Right to provide water for the Water System.

2.2 Water service shall be limited to domestic use (including watering of animals) for one single-family residence, one Routt County approved secondary unit, and related structures at the service location and the irrigation of not more than 4,000 square feet for Creek Ranch, 10,000 square feet for Deerwood Ranches, and 4,000 square feet for the Wilkerson Subdivision of landscaped area. This Agreement does not entitle Customer to service for other purposes, including service for parcels that may be subdivided out of the service location. Any such additional service may be provided by separate agreement.

## 3.0 Rates

3.1 After commencement of service Customer agrees to pay DSC for water service in accordance with the rate schedule specified by the DSC Rates are subject to modification by resolution of the Board of Managers of the DSC from time to time. The DSC may monitor metered usage and may establish metered rates at its discretion. In establishing

rates for water service, DSC shall take into consideration rates then charged for similar water service by comparable public or private water service providers operating in Routt County selected by Service Company. Comparable service providers may include, without limitation, the City of Steamboat Springs, the Town of Hayden, the Town of Oak Creek, the Town of Yampa, Mt. Werner Water and Sanitation District, Steamboat II Water and Sanitation District, Morrison Creek Water and Sanitation District, Timbers Preserve, Dakota Ridge or Tree Haus.

3.2 Bills for service shall be paid to Deerwood Service Company, P.O. Box 881546, Steamboat Springs, CO., 80488 by the tenth day following the billing date. The initial billing period shall start upon connection to the Water System.

#### 4.0 Termination of Service

4.1 Customer may terminate service at any time by written notice to Service Company, effective as of the end of the then current billing period or such other date as Customer and DSC may agree. In the event of termination of service by Customer, DSC may require Customer disconnection from Water System at Customer's expense.

4.2 DSC may immediately terminate all service to the service location if any portion of the service is used for unauthorized purposes. In addition, DSC may terminate service if Customer fails to pay any amount owing or continues any other violation of this Agreement after ten days written notice. Termination notices shall be given and received on delivery to the service location or on mailing to Customer's billing address. Termination of service is in addition to all other remedies. After termination of service, DSC may disconnect the service location from the Water System at Customer's expense. DSC may require an advance deposit or other assurance of performance as a condition to resumption of service.

4.3 During any period service is terminated or suspended without disconnection from the Water System, Customer shall pay Service Company's minimum usage charge to maintain the availability of water service.

#### 5.0 Adjudication of Customer's Water Right and Related Matters

5.1 Customer's Water Right consists of an undivided 1/39<sup>th</sup> interest in the water rights that are the subject of the decree entered in Case No. 99CW13 for Creek Ranch; an undivided 1/24<sup>th</sup> interest in the water rights that are the subject of the decree entered in Case No. 94CW93 for Deerwood Ranches and an undivided 1/4<sup>th</sup> interest in the water rights that are the subject of the decree entered in Case No. 01CW81 for Wilkerson Subdivision (the "Decree") in the Routt County District Court, Water Division 6, State of Colorado (the "Water Court") and

confirmed by subsequent decrees finding reasonable diligence for conditional water rights and making a portion of the water rights absolute.

5.2 Customer acknowledges that, within six years from the date of the Water Court's most recent decree finding reasonable diligence in pursuing the conditional water rights applicable to Customer's Water Right, an application must be filed to either cause the decree of Customer's Water Right to be made absolute or extend the period during which the conditional status of the Water Right may continue. If such action is not completed within the six-year period, Customer's Water Right will be subject to termination.

5.3 Customer hereby appoints DSC as Customer's agent and attorney-in-fact, with full power of substitution, to take any action on Customer's behalf that DSC deems appropriate for purposes of obtaining the absolute adjudication of Customer's Water Right. Such appointment of DSC as Customer's agent and attorney-in-fact is irrevocable and coupled with an interest, and shall not be affected by any disability of the Customer. The authority of DSC to act as Customer's agent and attorney-in-fact pursuant to this paragraph shall continue until termination of this Agreement.

5.4 Promptly after Customer connects to the Water System and establishes a beneficial use of Customer's Water Right, in whole or in part, Customer shall notify the Company and the Customer's Water Right will be included in any subsequent application by the Company for a decree of the Water Court adjudicating Customer's Water Right, as well as all portions of the water rights decreed to the Wells that have been put to beneficial use, as absolute, and seeking a finding of due diligence for any portion of the water rights decreed to the Wells that remains conditional.

5.5 Customer acknowledges that DSC or its successors shall retain ownership of all of the water rights decreed to the Wells not previously conveyed to other customers, other than Customer's Water Right, and that DSC may make such water rights available to others and may utilize such water rights in any manner, subject to all applicable decrees of the Water Court or relevant statutes. As a material inducement for Service Company's undertakings pursuant to this Agreement, Customer agrees that it will not contest or protest Service Company's efforts to utilize its retained water rights for such purposes.

## 6.0 Miscellaneous

6.1 Customer understands that DSC is not a public utility or water company. Service Company's obligation is limited to using reasonable diligence to pump water attributable to Customer's Water Right from DSC wells, treat such water in accordance with

applicable standards of the Colorado Department of Health, and distribute such water through the Water System. DSC shall not be responsible for interruptions or reductions in service due to emergencies, water shortages, unavailability of water from Customer's Water Right or other factors beyond Service Company's reasonable control or due to system shutdowns for maintenance or repairs or required by order of court or governmental agencies. In no event shall DSC be liable for special, indirect, incidental or consequential damages resulting from shortages of supply, service interruptions or other causes.

6.2 Customer acknowledges that DSC approval of a plan for augmentation of the Wells in Case No. 05CW23, Routt County District Court, Water Division No. 6 (the "Augmentation Plan"). The Augmentation Plan is intended to allow the DSC to continue to divert water from the Wells during times of drought or water shortage. to terms and conditions that limit total pumping, outdoor use, and lawn irrigation from the Wells, and that place a priority upon domestic indoor use. Customer agrees to comply with, and to cooperate with DSC to comply with, any and all terms and conditions included in the final decree entered in Case NO. 05CW23. Customer's use of Customer's Water Right in a manner that is not in compliance with the terms and conditions of the decree in Case No. 05CW23 will result in Customer's forfeiture of its rights and obligations to receive water through the Water System under this Agreement.

6.3 DSC may establish rules and regulations from time to time governing water service, all of which shall be binding on Customer. Without limitation, such rules and regulations may limit outside watering during periods of drought or short supply and/or provide for proportional abatement of service based on ownership of water rights supplying the Water System.

6.4 Service Company's authorized representatives are granted permission to enter the service location to read meters and to inspect, maintain, operate and repair the Water System.

6.5 Customer acknowledges that the Water System is owned by Service Company and Customer has and will acquire no investment or interest in the Water System.

6.6 This Agreement shall be binding upon and inure to the benefit of the successors, legal representatives and assigns of the parties. This Agreement shall be governed by the laws of the State of Colorado, and any legal proceedings regarding this Agreement shall be brought in Routt County, Colorado.



I have received and agree to abide by the conditions of the:

DEERWOOD SERVICE COMPANY, LLC  
**Water Service Agreement**

DATE: \_\_\_\_\_

REPRESENTATIVE (if different from customer): \_\_\_\_\_

CUSTOMER NAME (please print): \_\_\_\_\_

CUSTOMER SIGNATURE: \_\_\_\_\_ DATE SIGNED: \_\_\_\_\_

BILLING ADDRESS: \_\_\_\_\_

SERVICE LOCATION (lot # and lot street address): \_\_\_\_\_

After signing this page, please make a copy to keep for your records and **return the original of this signature page to:**

**Deerwood Service Company, LLC**  
PO Box 881546  
Steamboat Springs, CO 80488