

WATER SERVICE SUBSCRIPTION AGREEMENT

This Water Service Subscription Agreement (the "WSSA") is entered into this 21st day of August, 2002, between Roscoe Development Corporation, a Colorado corporation, ("Roscoe") and Three Valleys, LLC, a Colorado limited liability company ("Three Valleys").

RECITALS

1. Contemporaneously with the execution of this WSSA, Three Valleys has executed an Easement Agreement, granting Roscoe an easement across property owned by Three Valleys for the purpose of constructing and maintaining an underground water facility and pipeline to service lands owned by Roscoe (the "Saddle Ridge Ranch Estates Subdivision," identified on Exhibit A containing 18 residential lots and being substantially the same as the final plan submission to Gunnison County, Colorado on October 6, 1999) and by Three Valleys (identified on Exhibit B).
2. Three Valleys intends to subdivide and develop the property owned by it which is described on the attached Exhibit B (the "Property").
3. As consideration for its entering into the Easement Agreement, the parties have agreed that Roscoe shall provide potable water service to the owners of subdivided lots created out of the Property, their successors and assigns (individually, an "Owner," and collectively, the "Owners"), in accordance with the terms of this WSSA.

NOW THEREFORE, for and in consideration of the mutual covenants contained herein and in the Easement Agreement, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. CONSTRUCTION. Within the earlier of: (a) two years of the date of approval of Saddle Ridge Ranch Estates by Gunnison County; or (b) three months of the commencement of delivery of potable water to one or more lots within Saddle Ridge Ranch Estates Subdivision, Roscoe shall conduct all appropriate engineering studies, and shall design and construct a water system (the "System") to carry water obtained from the SR-5 and SR-7 wells across the Property, to treat such water for residential use in accordance with all applicable statutory and regulatory requirements, and to deliver treated potable water to such taps as are specified in paragraph 3 below for use by the Owners, in accordance with the rights and pursuant to the terms set out in this WSSA.

2. CONSTRUCTION COSTS. Roscoe shall pay and be solely responsible for all costs, fees, taxes and expenses relating to the construction of the System, from the wells through the construction and providing of all connections specified in paragraph 3 below. The Owners shall be solely responsible for all costs, fees, taxes and expenses incurred from the point of connection to the System to any residential units on the Property.

3. CONNECTIONS AND TAPS. Prior to construction of the System, Roscoe shall consult with Three Valleys and develop engineering plans acceptable to Three Valleys which specify appropriate connection equipment at mutually acceptable points for the purpose of supplying treated potable water from the System to residential units to be built on the Property. The constructed System shall include such connection equipment at the agreed-upon locations. Three Valleys may connect six residential lots for in-house domestic use only (or such other additional uses approved by Roscoe) to the System through such connection equipment. The water usage of each residential lot shall be separately metered, and the connection of each lot to the System shall be designated herein as a "tap." Three Valleys shall provide Roscoe with written notice of each tap connection at least 30 days prior to connection of a tap to a residential lot. In the event that more than six lots are permitted on the Property, and in the further event that the capacity of the System and the legal and regulatory obligations of the owner of the System permit it, then Roscoe shall provide Three Valleys with up to two additional taps on the Property.

4. TAP FEES. Submission of each written request for a tap connection made in conformance with paragraph 3 above shall be accompanied by a payment of \$6,500.00 payable jointly to Roscoe and LaVigne. On or before the date of connection to such tap, Roscoe shall satisfy all tap fee obligations owed with respect to such connection under the LaVigne Easement, and shall provide written evidence of the payment of such obligation to Three Valleys.

5. WATER SERVICES AGREEMENT. Upon connection of each tap located on the Property the Owner to be served by the connection shall execute a Water Services Agreement ("WSA") with Roscoe or its assignee, which WSA shall contain provisions conforming to the following principles:

a. The WSA will provide for the long term commitment of Roscoe to provide potable water service to the connected residential units, and the agreement of the Owners thereof to be bound by the terms and conditions of such service and to pay all costs, fees, and any use charges that will be periodically assessed for the provision and continuation of the water

service. The WSA may require the Owner to enter into and participate in a corporation, association, common interest community association, or ditch and reservoir company in which the owners of the connected residential units will own shares representing their interests in the water service.

b. The WSA shall set out a uniform schedule of rates, fees and/or periodic charges that shall apply to all users of the System.

c. The rates, fees and charges imposed on all users of the System shall be sufficient to pay operating, maintenance, repair and replacement costs, and reserves therefor, associated with the System, but shall not provide for an operating profit, nor for costs of amortizing the initial construction costs incurred by Roscoe in building the System.

d. In the event that Roscoe conveys the System to a corporation, association, common interest community association, or other non-profit entity, the ownership interests of which are owned by the users, then those users located on the Property shall be issued interests in such entity proportionate to their use of the System, on the same terms and conditions as apply to other users.

e. The water service will be provided under the terms of Roscoe's Plan of Water Augmentation in Case No. 97CW92 Water Division 4, State of Colorado and will be made available pursuant to the final decree in that case and the practices, rules and regulations adopted by Roscoe or its successors for water service from the Utilities.

6. ASSIGNMENT. The obligations of Roscoe under this WSSA may not be assigned without the advance written consent of Three Valleys, which consent may not be unreasonably withheld; provided, however, that after construction of the System, Roscoe may assign its remaining obligations to a non-profit entity that is owned by the users of the System in conformance with the principles set forth in paragraph 5 above. The rights and obligations of Three Valleys under this WSSA may be assigned to any successors-in-interest in and to the Property, including the Owners of any subdivided portions of the Property.

7. COVENANT RUNNING WITH THE LAND. This agreement shall be binding upon and inure to the benefit of the parties and their respective successors, and/or assigns, and shall be appurtenant to and binding upon the real property set forth in Exhibits A and B.

8. FURTHER ASSURANCES. The parties further agree to work in good faith towards negotiation and finalization of a final WSA and to enter into such further agreements and sign such other documents as may be necessary to further memorialize this WSSA between the parties.
9. NOTICES. All notices and other communications required or permitted under this Agreement shall be in writing and shall be, as determined by the person giving such notice, either hand delivered; mailed by certified mail, return receipt requested; delivered by overnight delivery service such as Federal Express or United Parcel Service; or by telecopier transmission. Service of such notice shall be deemed given and received when personally delivered; or three business days after mailing, properly addressed with postage prepaid; or the day sent by telecopier transmission; or the day following the delivery to an overnight delivery service with delivery charges prepaid. All notices shall be given to the required party at the following address:

Roscoe: P. O. Box 307, Crested Butte, CO 81224

Three Valleys: P. O. Box 602, Gunnison, CO 81230

Any party may change its address by giving written notice of a change of address to the other party in the manner above provided.

10. ENTIRE AGREEMENT. This Agreement, together with the Easement Agreement, contains the entire agreement between the parties, all prior negotiations, agreements, representations and understandings shall be deemed merged, included in and superseded by such agreements. This Agreement shall not be terminated, modified or amended in any manner except by a written instrument executed by both parties.
11. APPLICABLE LAW. This Agreement is executed in Gunnison County, Colorado, and the law of the State of Colorado shall govern the interpretation, enforcement and rights of the parties thereto.
12. VENUE AND JURISDICTION. Jurisdiction and venue of any action pertaining to the interpretation, enforcement or the rights and duties of the parties to this Agreement shall be the District Court of Gunnison County, Colorado.
13. ATTORNEYS' FEES. If any action is brought in a court of law by either party to this Agreement as to the interpretation, enforcement, construction or

the rights and duties of the parties to this Agreement, or any document provided for herein, to seek specific performance or to obtain damages, the prevailing party in any such action shall be entitled to reasonable attorneys' fees as well as all costs and expenses incurred in the bringing or maintaining of such action or in defending any such action.

14. CONDITION PRECEDENT. A condition precedent of the rights and obligations under this Agreement is that there are no material defaults under the Easement Agreement between Roscoe and Three Valleys by Grantor thereunder. Roscoe expressly agrees, however, that even if Roscoe should elect not to utilize the Easement granted by the Easement Agreement but still obtains county approval for development of the Saddle Ridge Ranch Estates Subdivision and provides water services to the Saddle Ridge Ranch Estates Subdivision, so long as Three Valleys is not in material breach of its obligations under the Easement Agreement Roscoe shall remain obligated to provide the taps and water services to Three Valleys that are provided for herein, subject to the renegotiation of appropriate tap fees not to exceed those paid by, or allocable to, individual purchasers of lots within the Saddle Ridge Ranch Estates Subdivision, if necessary due to a new water service provider or source.

15. BINDING AGREEMENT. This Agreement and all the rights, privileges, duties and obligations set forth herein shall be binding upon and inure to the benefit of the parties and their respective successors, assigns, grantees and heirs.


Executed the date above written.

ROSCOE DEVELOPMENT CORPORATION,
a Colorado corporation

By: 

Douglas C. DaPuzzo, President

THREE VALLEYS, LLC, a Colorado limited
liability company

By: 

Burt A. Guerrieri, General Manager

STATE OF COLORADO)
) ss.
County of Boulder)

The foregoing instrument was acknowledged before me this 22nd day of May, 2001 by Douglas C. DaPuzzo as President of Roscoe Development Corporation, a Colorado corporation.



Witness my hand and official seal.
My commission expires: 2-26-04

Jayne Lynn Rhode
Notary Public

STATE OF COLORADO)
) ss.
County of Gunnison)

The foregoing instrument was acknowledged before me this 21st day of August, 2002 by Burt A. Guerrieri as General Manager of Three Valleys, LLC, a Colorado limited liability company.



Witness my hand and official seal.
My commission expires: 8/29/03

Colette A. Perusek
Notary Public

EXHIBIT A

Legal Description

Township 13 South, Range 86 West, 6th P.M.

That portion of the following described property lying and situate westerly of the west boundary line of the Crested Butte-Gothic County Public Road:

Section 26: SW1/4SE1/4
S1/2SW1/4

Section 35: S1/2NE1/4
NW1/4NE1/4
N1/2NW1/4

EXCEPTING THEREFROM that portion of the above described property conveyed in Warranty Deed to Butte, Ltd., a Colorado limited partnership recorded July 19, 1973 in Book 456 at page 287,

County of Gunnison,
State of Colorado.

EXHIBIT B

PARCEL NO. 1

A tract of land situated in the S1/2NW1/4 of Section 35, Township 13 South, Range 86 West, 6th P.M., more particularly described as follows:

Beginning at the Northeast corner of the S1/2NW1/4 of said Section 35; thence South 00°11'05" West 825.0 feet along the North-South centerline of said Section 35 to the true point of beginning; thence South 00°11'05" West 549.07 feet along the North-South centerline of said Section 35; thence West 428.0 feet; thence North 00°11'05" East 549.07 feet; thence East 428.0 feet to the true point of beginning.

PARCEL NO. 2

A tract of land situated in the S1/2NW1/4 of Section 35, Township 13 South, Range 86 West, 6th P.M., more particularly described as follows:

Beginning at the Northeast corner of the S1/2NW1/4 of said Section 35; thence South 00°11'05" West 825.0 feet along the North-South centerline to a point; thence West 428.0 feet along the South line to the true point of beginning; thence South 00°11'05" West 549.07 feet; thence West 445.0 feet; thence North 03°47'31" East 550.27 feet; thence East 410.38 feet to the true point of beginning.

PARCEL NO. 3

A tract of land situated in the S1/2NW1/4 of Section 35, Township 13 South, Range 86 West, 6th P.M., more particularly described as follows:

Beginning at the Northeast corner of the S1/2NW1/4 of said Section 35; thence South 00°11'05" West 825.0 feet along the North-South centerline of said Section 35 to a point; thence West 838.38 feet to the true point of beginning; thence South 03°47'31" West 550.27 feet; thence West 296.40 feet to a point on the East right of way of Highway No. 135; thence North 09°50'49" West 492.04 feet along the East right of way of said Highway No. 135 to a point of curve; thence 204.80 feet along the arc of a non-tangent curve to the right on the East right of way of said Highway No. 135 having a radius of 160.0 feet and a delta of 73°20'14" and a chord bearing North 35°07'18" East 191.0 feet to a point of non-tangency; thence North 75°04'07" East 46.57 feet along the south right of way of said Highway No. 135; thence South 76°51'57" East 61.61 feet along the South right of way of said Highway No. 135; thence North 84°37'36" East 202.89 feet along the South right of way of said Highway No. 135; thence South 109.03 feet to the true point of beginning.

EXHIBIT B

PARCEL NO. 4

AN UNDIVIDED 1/3 INTEREST ONLY IN AND TO THE FOLLOWING DESCRIBED PROPERTY:

A tract of land situated in the N1/2SW1/4 of Section 35, Township 13 South, Range 86 West, 6th P.M., more particularly described as follows:

Beginning at the Northeast corner of the S1/2NW1/4 of said Section 35; thence South 00°11'05" West 1,374.07 feet along the East line of the SE1/4NW1/4 and the NE1/4SW1/4 of said Section 35 to the true point of beginning; thence West 1,169.40 feet to a point on the East right of way of an existing road; thence South 09°50'49" East 30.45 feet along said right of way to a point; thence East 1,164.10 feet to a point on the East line of the NE1/4SW1/4 of said Section 35; thence North 00°11'05" East 30.0 feet along said East line to the true point of beginning.

EXCEPTING FROM all of the above described property that parcel of land conveyed to the Board of County Commissioners, Gunnison County, Colorado in Warranty Deed recorded December 31, 1998 as Reception No. 489906.

County of Gunnison,
State of Colorado.