

LOAN CONTRACT AMENDMENT

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| Amendment No. 2 | Original Loan Contract No. C150261 CLIN Routing No. 09 PDA 00021 Amend No. 1 CMS 55822 Amend No. 2 CMS 83049 | CWCB CORE No. CT2016-1696 |
|-----------------|---|---------------------------|

1) PARTIES

The Colorado Water Conservation Board Original Loan Contract No. C150261 and Amendment No. 1 to Loan Contract No. C150261 (combined, hereinafter called "ORIGINAL CONTRACT") shall be amended with this Amendment No. 2 (hereinafter called "AMENDMENT") and is entered into by and between **PAGOSA AREA WATER & SANITATION DISTRICT, ACTING BY AND THROUGH ITS WATER ACTIVITY ENTERPRISE**, 100 Lyn Avenue, Pagosa Springs, CO 81157, a political subdivision of the State of Colorado and a quasi-municipal corporation (hereinafter called "PAWSD"), and the **STATE OF COLORADO** (hereinafter called the "STATE") acting by and through the Department of Natural Resources, Colorado Water Conservation Board, (hereinafter called "CWCB").

2) EFFECTIVE DATE AND ENFORCEABILITY

This AMENDMENT shall not be effective or enforceable until it is approved and signed by the Colorado State Controller or designee (hereinafter called the "EFFECTIVE DATE"), but shall be effective and enforceable thereafter in accordance with its provisions.

3) FACTUAL RECITALS

The ORIGINAL CONTRACT is for the Dry Gulch Reservoir Land Acquisition ("PROJECT"). The Parties have agreed to restructure the loan and amend the ORIGINAL CONTRACT. The revised terms and conditions will maintain the viability of the PROJECT. Maintaining the existing storage water right is imperative to the community's water needs. The restructure of the ORIGINAL CONTRACT allows the PROJECT to move forward, provides debt relief to PAWSD, protects CWCB's financial commitment to the PROJECT, supports PAWSD's conservation efforts allowing it to accomplish its mission to ratepayers, and supports the San Juan Water Conservancy District (hereinafter call "SJWCD") to provide for future water needs within its jurisdiction.

CWCB and Attorney General's Office have negotiated the restructure of the loan and revised the terms and conditions in the executed agreement entitled: AGREEMENT TO RESTRUCTURE COLORADO WATER CONSERVATION BOARD DRY GULCH RESERVOIR LOAN CONTRACT NUMBER C150261, and the AMENDMENT TO AGREEMENT TO RESTRUCTURE COLORADO WATER CONSERVATION BOARD DRY GULCH RESERVOIR LOAN CONTRACT NUMBER C150261, (combined, hereinafter called "RESTRUCTURE AGREEMENT") and attached hereto as APPENDIX A-2. The ORIGINAL CONTRACT is referred to as Loan A in the RESTRUCTURE AGREEMENT.

4) CONSIDERATION

Consideration for this AMENDMENT to the ORIGINAL CONTRACT consists of the payments that shall be made pursuant to this AMENDMENT and ORIGINAL CONTRACT and the promises and agreements herein set forth.

The Parties acknowledge that the mutual promises and covenants contained herein and other good and valuable consideration are sufficient and adequate to support this AMENDMENT.

5) LIMITS OF EFFECT

This AMENDMENT is incorporated by reference into the ORIGINAL CONTRACT, and the ORIGINAL CONTRACT and all prior amendments thereto, if any, remain in full force and effect except as specifically modified herein.

6) MODIFICATIONS

- a) The ORIGINAL CONTRACT NO. CT2016-1696 (C150261) and all prior amendments thereto, are modified according to *Paragraph 2. CWCB Loan Restructure Plan and the amended changes incorporated* in the RESTRUCTURE AGREEMENT, including a reduction of the balance of the loan from \$11,217,000.00 to \$4,290,930.32 and an interest rate reduction from 3.5% to 1.75%.
- b) The BORROWER agrees that it shall execute the following documents, all of which shall set forth the revised loan amount of \$4,290,930.32:
 - I. AMENDED PROMISSORY NOTE, attached hereto as **APPENDIX B-2** and incorporated herein, which shall *replace and supersede* the ORIGINAL PROMISSORY NOTE, in the amount of **\$11,217,000.00** dated July 21, 2008, attached to the Original Loan Contract as APPENDIX 2 and the AMENDED PROMISSORY NOTE, in the amount of \$9,219,363.70, dated March 22, 2013, attached as APPENDIX A to AMENDMENT NO. 1.
 - II. Amended SECURITY AGREEMENT, attached hereto as **APPENDIX C-2** and incorporated herein, which shall *supplement and operate* in conjunction with the SECURITY AGREEMENT dated July 21, 2008, attached to the Original Loan Contract as Appendix 4 and the AMENDED SECURITY AGREEMENT, dated March 22, 2013 attached as APPENDIX B to AMENDMENT NO. 1.
 - III. The Parties agree to replace the Colorado Special Provisions with the most recent version as part consideration for this AMENDMENT. The revised Special Provisions are attached hereto and incorporated by reference herein as **APPENDIX D-2**.
- c) The PAWSD has adopted a resolution, irrevocable for the term of this loan, authorizing the RESTRUCTURE AGREEMENT and to agree to the revised terms and conditions, to establish and collect revenues sufficient to pay the annual loan payments, to pledge said revenues for repayment of the loan, and to execute documents necessary to convey a security interest in said revenues and collateral, if necessary, to the CWCB. Said resolution is attached as **APPENDIX E-2**.
- d) Prior to the execution of this Amendment by the CWCB, PAWSD shall submit to the CWCB a letter from its bond counsel stating that it is the bond counsel's opinion that (1) the person(s) signing for PAWSD was duly elected or appointed and has authority to sign such documents on behalf of PAWSD and to bind the BORROWER; (2) the BORROWER's governing body has validly adopted a resolution; (3) there are no provisions in the any state or local law that prevent this Amendment from binding PAWSD; and (4) this Amendment will be valid and binding against PAWSD if entered into by the CWCB.

7) ORDER OF PRECEDENCE

Except for the Special Provisions, in the event of any conflict, inconsistency, variance, or contradiction between the provisions of this Amendment and any of the provisions of the ORIGINAL CONTRACT, the provisions of this AMENDMENT shall in all respects supersede, govern, and control. The most recent version of the Special Provisions incorporated into the ORIGINAL CONTRACT or any amendment shall always control other provisions in the ORIGINAL CONTRACT or any amendments.

CMS #83049
CORE #CT2016-1696
C150261

THE PARTIES HERETO HAVE EXECUTED THIS AMENDMENT

* Persons signing for Contractor hereby swear and affirm that they are authorized to act on Contractor's behalf and acknowledge that the State is relying on their representations to that effect.

CONTRACTOR

Pagosa Area Water & Sanitation District,
acting by and through its Water Activity Enterprise

Name: Michael Church

Title: President

Signature
Date: 6/16/16

Attest:

Name: Carson McQuinn

Title: Secretary

Signature
Date: 6/16/16

STATE OF COLORADO

John W. Hickenlooper, Governor
Department of Natural Resources

BY: Kirk Russell

Name: Kirk Russell, P.E., Section Chief
Finance & Administration Section
Colorado Water Conservation Board

DATE: 7/8/16

ALL CONTRACTS REQUIRE APPROVAL BY THE STATE CONTROLLER

CRS §24-30-202 requires the State Controller to approve all State Contracts. This Contract is not valid until signed and dated below by the State Controller or delegate. Contractor is not authorized to begin performance until such time. If Contractor begins performing prior thereto, the State of Colorado is not obligated to pay Contractor for such performance or for any goods and/or services provided hereunder.

STATE CONTROLLER
Robert Jaros, CPA, MBA, JD

By: [Signature]

Title: Central contracts manager

Name: Chellon Winer

Date: 9/27/16

**AGREEMENT TO RESTRUCTURE COLORADO WATER CONSERVATION
BOARD DRY GULCH RESERVOIR LOAN CONTRACT NUMBER C150261**

THIS AGREEMENT is entered into as of the last date any party signs this Agreement, by and between the State of Colorado, acting by and through the Department of Natural Resources, Colorado Water Conservation Board ("CWCB"), and the Pagosa Area Water and Sanitation District ("PAWSD"), a political subdivision of the State of Colorado and a quasi-municipal corporation, and the San Juan Water Conservancy District ("SJWCD"), a political subdivision of the State of Colorado and a quasi-municipal corporation. CWCB, PAWSD, and SJWCD shall collectively be referred to herein as "Parties".

1. **Recitals.**

WHEREAS, substantial time and effort was done to evaluate the long term water needs of southwest Colorado, and in particular, Archuleta County, by Southwestern Water Conservation District initially, and then by PAWSD and SJWCD. A 1989 supply and demand study concluded water storage for approximately 12,000 acre feet of water was needed for future growth through 2040. Of the potential sites reviewed, the Dry Gulch location was determined to be the best prospect; and

WHEREAS, in 2002, after a severe drought, coupled with massive wildfires, PAWSD and SJWCD started working toward developing a water storage facility at the Dry Gulch location, including acquisition of the site, permitting, cost estimates, engineering, etc. ("the Project"); and

WHEREAS, the CWCB approved a grant (Contract No. C150408) to SJWCD for one million dollars (\$1,000,000.00) ("the Grant") to be used in the purchase of land for the Project. The CWCB later approved a loan (Contract No. C150261) to PAWSD for \$11,217,000 ("the Loan") to finance the purchase of land for the Project; and

WHEREAS, PAWSD and SJWCD purchased the Running Iron Ranch for the sum of \$10,219,363, which utilized the full amount of the Grant and \$9,219,363 of the Loan. Running Iron Ranch consists of approximately 660 acres along with water rights represented by shares of stock in the Park Ditch Company and encumbered by leases, including as described in the documents recorded at reception numbers: 20800088, 20800089, 20800090, 20800091, 20800092, 20800093, 20800094, 20800097, 20800101, 20800102 in Archuleta County, Colorado (hereinafter collectively referred to as "Running Iron Ranch"). No further purchases of land were made for the Project; and

WHEREAS, PAWSD elected to close out the Loan in September 2012. On April 30, 2013, the CWCB approved Amendment No. 1 to the Loan, which modified

the principal amount due from \$11,217,000 to \$9,219,363 to be repaid over thirty (30) years with 3.5% interest per annum. Since that date, PAWSD has made two annual payments of \$501,269.08 each, leaving a current balance due of \$8,855,930.32. The Parties acknowledge the Loan and Grant Contract are not in default or breach of any kind; and

WHEREAS, the Parties have agreed, one to the other, to restructure the outstanding Grant and the Loan, on terms and conditions which will allow the Project to go forward, provide debt relief to PAWSD, will protect the CWCB's financial commitment to the Project, support PAWSD's efforts at conservation and best practices allowing it to carry out its mission to ratepayers, and support SJWCD in its mission to provide for the future water needs within its jurisdiction; and

WHEREAS, the Parties recognize the importance of holding on to the land already purchased as a whole, that partitioning the property or selling-off parts of the property would severely hamper and impede completion of the Project; and

WHEREAS, the CWCB has an interest in water supply and water storage for the basin and the success of the Project given the CWCB's substantial investments to date. While the CWCB cannot obligate future boards, it supports continued discussions between and amongst the Parties as well as continued steady application of effort in a reasonable expedient and efficient manner; and

WHEREAS, PAWSD and SJWCD supported a concept proposal submitted to CWCB for this restructuring of both the Loan and the Grant, which was approved at the January 2015 CWCB meeting; and

WHEREAS, the CWCB has been provided with a certified appraisal of the land purchased for the Project ("the Appraisal"), and is satisfied said Appraisal fully and fairly represents the current fair market value of the property at \$4,565,000 – which value includes both the fee simple estate of the land and shares in the Park Ditch (water rights) that were purchased with proceeds from the Loan and Grant; and

WHEREAS, there are additional conditional water rights associated with the Project, which represent a claim to approximately 11,000 acre-feet of water decreed in Case Nos. CA 308-D and 04CW85, Water Court, Water Division 7 which are currently subject to due diligence actions in water court. The Parties intend to support due diligence efforts as provided hereinafter and acknowledge the conditional water rights associated with the Project are important to the success of the Project; and

WHEREAS, the terms and conditions to restructure the Loan and the Grant are intended to provide the Parties with necessary financial flexibility, security and

oversight appropriate to assure development of the Project is carried out in a timeframe and with sufficient resources to give the Project the best opportunity to mature and be successful.

THEREFORE, for and in consideration of the premises and the mutual covenants, conditions, and promises herein, the Parties agree as follows:

2. CWCB Loan Restructure Plan.

2.1. This Agreement to restructure the Loan is based upon the Appraisal. Following execution of this Agreement by all Parties, the CWCB will restructure the Loan into two separate loans: Loan A and Loan B.

2.2. Loan A:

2.2.1. The principal balance of Loan A will be ascertained by reducing the remaining principal balance of the Loan by the amount of the approved Appraisal. Therefore, the remaining principal balance will be reduced by the Appraised value (\$8,855,930.32 - \$4,565,000 = \$4,290,930.32)

2.2.2. The CWCB agrees to reduce the interest rate for Loan A from 3.5% for the Loan to 1.75%. The new principal balance of Loan A will be amortized over twenty (20) years so based on the example above, the new annual payment for Loan A will be \$256,130.89.

2.2.3. As a condition of the interest rate reduction, PAWSD agrees to use no less than fifty percent (50%) of the annual payment savings for the repair and replacement of its current aging water distribution system to address leakage. The annual payment saving to PAWSD will be \$245,138.19.

2.2.4. All of PAWSD's leakage reduction efforts shall be consistent with the American Water Works Association Water, Audits and Loss Control Program, M36 Manual of Water Supply Practice.

2.2.5. PAWSD's leakage reduction efforts shall continue until the delivered supply to metered usage ratio for PAWSD's water distribution system reaches a level determined acceptable by the American Water Works Association Water, Audits and Loss Control Program, M36 Manual of Water Supply Practice.

2.2.6. Once an acceptable delivered supply to metered usage ratio for its water distribution system has been achieved pursuant to Paragraph 2.2.5 herein, PAWSD will be allowed to apply the entire annual payment reduction amount to debt reduction.

2.2.7. PAWSD shall provide the CWCB with an annual report regarding leakage reduction and prevention measures that have been accomplished that year no later than September 1 of each year.

2.2.8. Loan A Security: The security for Loan A shall consist of:

2.2.8.1. A Pledge of Revenues backed by a Rate Covenant from the PAWSD; and

2.2.8.2. A lien on the entire Running Iron Ranch.

2.3. The remaining outstanding principal balance of the Loan equals the approved appraised value of the Running Iron Ranch and will be converted into a separate Loan B.

2.4. Loan B:

2.4.1. The principal balance of Loan B will equal the approved appraised value of the Running Iron Ranch (\$4,565,000).

2.4.2. Loan B will have a forty (40) year term.

2.4.3. The first twenty (20) years of Loan B's term will incur no interest and no payment.

2.4.4. Beginning on the twentieth (20th) anniversary of the Loan B contract, Loan B will be amortized for twenty (20) years at an interest rate of 3.5%. The annual payment for Loan B will be \$321,198.32.

2.4.5. Loan B Security: The security for Loan B shall consist of:

2.4.5.1. A Pledge of Revenues backed by a Rate Covenant from the PAWSD; and

2.4.5.2. A lien on the entire Running Iron Ranch.

3. SJWCD Grant Amendment.

3.1. Concurrent with restructuring the Loan as described in Paragraph 2, the CWCB shall complete an amendment to the Grant. If the Project is not constructed, the Grant amendment will require PAWSD and SJWCD to return the \$1,000,000 grant funds Running Iron Ranch and compensate the CWCB for interest at the rate of 3.5% pursuant to the provisions of Paragraph 5. If the Project is constructed, the Grant shall remain a grant, and principal and interest shall not be repaid to CWCB, and the funds from the Grant shall remain as the SJWCD's vested interest in the Project.

4. Project Planning Period.

4.1. The twenty (20) year repayment term for Loan A will become the planning period for PAWSD and SJWCD to develop the Project ("Planning Period").

4.2. At the end of the twenty (20) year Planning Period, or twenty (20) years from the date that the contract for Loan B is signed, the PAWSD, after consultation with the CWCB and the SJWCD, may elect to extend the Project planning period an additional one (1) to twenty (20) years ("Extended Planning Period") or may elect to abandon the Project.

4.2.1. If the PAWSD elects to extend the Planning Period, it shall begin annual payments on the principal and interest for Loan B pursuant to the terms of the contract for Loan B.

4.2.2. The PAWSD may decide to abandon the Project and sell the Running Iron Ranch pursuant to the terms of Paragraph 5 below.

4.3. At the end of the Planning Period, if the Project is not constructed, the PAWSD must provide the CWCB and SJWCD with written notice pursuant to the provisions herein of the PAWSD's decision either to extend the Planning Period or abandon the Project and sell the Running Iron Ranch.

4.4. Use of Project water and water court diligence proceedings:

4.4.1. The Parties agree that it is in all Parties' best interests to protect the conditional water rights associated with the Project and each Party agrees to cooperate with the others to accomplish this goal.

4.4.2. The Parties' cooperation includes, but is not limited to:

4.4.2.1. PAWSD agrees to acknowledge the Project and its attendant conditional water rights as a preferred option for its long term planning;

4.4.2.2. PAWSD agrees to include the Project and its attendant conditional water rights in the PAWSD's planning documents as a principal storage option for future water demand growth that cannot be met by existing reservoirs;

4.4.2.3. PAWSD commits to an ongoing evaluation of future water purchases from the Project based on long-term demand projections, an evaluation of costs, and viable alternative sources of existing water;

4.4.2.4. PAWSD commits that any future water demands will first be met by the Project, unless those demands can be met with existing sources;

4.4.2.5. PAWSD further commits to making no infrastructure changes which would convey water appropriated under the set of West Fork water rights known as Pagosa Pipeline 3, 8 and 10 to any District 1 ditches, pipelines or reservoirs; and

4.4.2.6. PAWSD and SJWCD agree to file joint applications for finding of reasonable diligence for the Project's conditional water rights when required by the Water Court.

4.5. Project leadership.

4.5.1. The SJWCD shall lead the long-term management of the Project.

4.5.2. As Project leader, the SJWCD, in consultation with the CWCB and PAWSD, shall:

4.5.2.1. have the authority to use its best efforts, given the resources available, to take steps and actions to move the Project forward, including to attempt to acquire land necessary for the Project pool basin or to facilitate a land exchange with the U.S. Forest Service or others, pursuant to Paragraph 4.5.3 below; and

4.5.2.2. promote and develop additional Project stakeholders; and

4.5.2.3. take the lead on future water court proceedings in applications for reasonable diligence and other measures reasonable and appropriate to proceed with the Project; and

4.5.2.4. provide day-to-day management and Project facilitation as needed.

4.5.3. Given that the value of the Running Iron Ranch directly affects the CWCB's future reimbursement of its investment with the PAWSD, the SJWCD shall consult with and obtain written approval from the CWCB and the PAWSD before proceeding with any future land exchanges with the U.S. Forest Service or any other entities.

5. Sale of Running Iron Ranch.

5.1. The CWCB shall have the right of first refusal on the purchase of the Running Iron Ranch at any time PAWSD offers it for sale.

5.1.1. If PAWSD decides to sell the Running Iron Ranch, it will provide notice to the CWCB and SJWCD pursuant to this Agreement's notice provisions. PAWSD shall also provide CWCB and SJWCD a current appraisal of the Running Iron Ranch to establish the current market value of a fee simple interest in the property. The CWCB will have ninety (90) days within which to reject its right of first refusal or agree to exercise its right of first refusal. The CWCB shall provide notice to PAWSD and SJWCD of the CWCB's decision regarding this right of first refusal. If it elects to agree to exercise its right of first refusal, the CWCB will either accept the value of the tendered appraisal or provide a second appraisal, in which case the fair market value of the property shall be the average value of the two appraisals. All appraisals shall be conducted by State of Colorado certified appraisers. Closing on the property shall occur within six (6) months of the submittal of PAWSD's initial notice to the CWCB and SJWCD under this paragraph. The CWCB may use the remaining principal and interest balance of Loan A and principal balance of Loan B to fund all or part of any purchase under this right of first refusal. At closing, CWCB shall mark both Loan A and Loan B as paid in full.

5.2. Sale of Running Iron Ranch during the Planning Period:

5.2.1. PAWSD agrees to make every effort to retain the Running Iron Ranch during the Planning Period made possible by this Agreement. In the event that PAWSD, in its sole discretion but after consultation with SJWCD and CWCB, does sell the Running Iron Ranch during the Planning Period, the following terms shall take effect:

5.2.1.1. All terms and conditions of Loan A and Loan B shall be considered terminated and the loans shall become due in full pursuant to the terms of the loans and this Agreement.

5.2.1.2. The collateral which secures Loan A and Loan B shall not be disposed of until the loans are repaid in full pursuant to the terms of the loans and this Agreement.

5.2.1.3. The CWCB shall be immediately entitled to full payment of the following from the PAWSD:

5.2.1.3.1. all outstanding principal for Loan A (unpaid principal balance) and Loan B (full amount of appraised value of Running Iron Ranch); plus

5.2.1.3.2. the difference in interest charges for Loan A between the restructured 1.75% and the original 3.5% during the years annual payments for Loan A were made; plus

5.2.1.3.3. interest charges at a rate of 3.5% for Loan B over the years that Loan B was held; plus

5.2.1.3.4. the \$1,000,000 Grant; plus

5.2.1.3.5. interest charges at a rate of 3.5% for the Grant over the years that Loans A and B were held.

5.2.1.3.6. The lost interest calculations required by Paragraphs 5.2.1.3.2 and 5.2.1.3.3, are detailed in the attached Exhibit A which is incorporated herein by reference. The lost interest calculation required by Paragraph 5.2.1.3.5 is detailed in the attached Exhibit B which is incorporated herein by reference.

5.3. Sale of Running Iron Ranch at the twenty (20) year expiration of the Planning Period:

5.3.1. When the Planning Period expires, twenty (20) years from the date that the contract for Loan A is signed, the PAWSD in its sole discretion, after consultation with the CWCB and SJWCD, shall have the option to abandon the Project and sell the Running Iron Ranch to repay the remaining PAWSD and SJWCD debt.

5.3.2. At the end of twenty (20) years, Loan A will be paid off in full and the only remaining PAWSD debt to the CWCB will be the principal amount of Loan B, which is the approved appraised value of Running Iron Ranch.

5.3.3. If the PAWSD elects to sell Running Iron Ranch and abandon the Project, the CWCB shall be entitled to:

5.3.3.1. the principal of Loan B, the appraised value of Running Iron Ranch under this Agreement (\$4,565,000); plus

5.3.3.2. the total reduced interest which accrued when this debt was restructured in the amount of \$2,774,638.16; plus

5.3.3.3. the \$1,000,000 Grant; plus

5.3.3.4. interest charges on the Grant funds calculated at a rate of 3.5% annually for twenty (20) years, \$407,221.54.

5.3.3.5. Including the \$4,565,000 principal balance, the total amount due to the CWCB immediately upon the sale of the Running Iron Ranch at the end of the initial twenty (20) year Planning Period will be \$8,746,859.70.

5.3.4. Actual payment to the CWCB to satisfy the amount the CWCB is entitled to as described in Paragraph 5.3.3 herein shall be based on the actual sale price of the Running Iron Ranch, as further described below:

5.3.4.1. If the sale price of Running Iron Ranch is less than to the principal amount of Loan B (\$4,565,000), the PAWSD shall pay to the CWCB all monies received from the Running Iron Ranch sale. The PAWSD shall also immediately pay to the CWCB the difference between the sale price and the principal due on Loan B.

5.3.4.2. If the sale price of the Running Iron Ranch is equal to the principal amount of Loan B (\$4,565,000), the PAWSD shall pay to the CWCB all monies received from the Running Iron Ranch sale.

5.3.4.3. If the sale price is between the principal amount of Loan B (\$4,565,000) and \$8,746,859.70 (which amount is derived from the explanation of Paragraph 5.3.3), then the PAWSD shall pay to the CWCB all monies received from the sale of the Running Iron Ranch to cover all amounts described in Paragraphs 5.3.3.1 through 5.3.3.4 above, inclusive.

5.3.4.4. If the sale price of the Running Iron Ranch is greater than the total amount described in Paragraphs 5.3.3.1 through 5.3.3.4 above, inclusive (\$8,746,859.70), then the PAWSD shall pay to the CWCB this total amount. In addition, any amount in excess of the amount owed to the CWCB shall be split between the CWCB and PAWSD as follows: 50% to the CWCB and 50% to the PAWSD.

5.4. Sale of Running Iron Ranch during any Extended Planning Period:

5.4.1. At any time after the Planning Period expires, twenty (20) years from the date that the contract for Loan A is signed, the PAWSD in its sole discretion, after consultation with the CWCB and SJWCD, shall have the option to abandon the Project and sell the Running Iron Ranch to repay the PAWSD and SJWCD debt.

5.4.2. Loan A will be paid off in full and the only remaining PAWSD debt to the CWCB will be the remaining principal balance of Loan B, the appraised value of Running Iron Ranch less any principal payments.

5.4.3. If the PAWSD elects to sell Running Iron Ranch and abandon the Project, the CWCB shall be entitled to:

5.4.3.1. the principal of Loan B, the appraised value of Running Iron Ranch under this Agreement (\$4,565,000) less any principal payments up to the date of the sale; plus

5.4.3.2. the total reduced interest which accrued when this debt was restructured described in Paragraph 5.3.3.2 (\$2,774,638.16); plus

5.4.3.3. the \$1,000,000 Grant; plus

5.4.3.4. interest charges on the Grant funds calculated at a rate of 3.5% annually amortized for twenty (20) years plus the Extended Planning Period for Loan B.

5.4.4. Actual payment to the CWCB to satisfy the amount the CWCB is entitled to as described in Paragraph 5.4.3 herein shall be based on the actual sale price of the Running Iron Ranch, as further described below:

5.4.4.1. If the sale price of Running Iron Ranch is less than the remaining principal amount of Loan B (\$4,565,000 less principal payments), the PAWSD shall pay to the CWCB all monies received from the Running Iron Ranch sale. The PAWSD shall also immediately pay to the CWCB the difference between the sale price and the principal due on Loan B.

5.4.4.2. If the sale price of the Running Iron Ranch is equal to the principal amount of Loan B (\$4,565,000 less principal payments), the PAWSD shall pay to the CWCB all monies received from the Running Iron Ranch sale.

5.4.4.3. If the sale price is between the principal amount of Loan B (\$4,565,000 less principal payments) and the amount derived from the explanation of Paragraph 5.4.3, then the PAWSD shall pay to the CWCB all monies received from the sale of the Running Iron Ranch to cover all amounts described in Paragraphs 5.4.3.1 through 5.4.3.4 above, inclusive.

5.4.4.4. If the sale price of the Running Iron Ranch is greater than the total amount described in Paragraphs 5.4.3.1 through 5.4.3.4 above inclusive, then the PAWSD shall pay to the CWCB this total amount. In addition, any amount in excess of the amount owed to the CWCB shall be split between the CWCB and PAWSD as follows: 50% to the CWCB and 50% to the PAWSD.

6. Project Completion.

6.1. If the Project is constructed, the PAWSD shall repay both Loan A and Loan B pursuant to the terms of each loan contract.

6.2. If the Project is constructed, the \$1,000,000 Grant shall remain a grant, and principal and interest shall not be repaid to CWCB, and the funds from the Grant shall remain as the SJWCD's vested interest in the Project.

6.3. If the Project is constructed, the CWCB will forgive the interest rate reduction of Loan A.

7. Termination.

7.1. This Agreement may not be terminated but may be amended by written agreement of the Parties.

8. General Provisions.

8.1. Notice. Any notice required by this Agreement shall be made in writing to the Parties to this Agreement as listed below.

Colorado Water Conservation Board
(CWCB)

Attention: Director

1313 Sherman Street

Denver, Colorado 80203

Telephone: 303-866-3441

Fax: 303-294-8954

E-mail: james.eklund@state.co.us

With copy to:

Tim Feehan, P.E.

Deputy Director

E-mail: tim.feehan@state.co.us

Pagosa Area Water and Sanitation
District

P.O. Box 4610

100 Lyn Avenue

Pagosa Springs, Colorado 81147

Telephone: 970-731-2691

Fax: 970-731-2693

With copy to:

Jeffery P. Robbins, Esq.

Goldman, Robbins, Nicholson &

Mack, P.C.

679 E. 2nd Ave., Suite C

P. O. Box 2270

Durango, Colorado 81301

San Juan Water Conservancy District

P.O. Box 4632

46 Eaton Drive, Suite 5

Pagosa Springs, Colorado 81147

With copy to:

Kent Holsinger, Esq.

Holsinger Law, LLC

1800 Glenarm Pl., Suite 500

Denver, CO 80202

8.2. Authorization. The individuals executing this Agreement on behalf of their respective entities are authorized by those entities to execute this Agreement and, by their signatures, certify that all steps or actions required to ensure such authorization have been taken.

8.3. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the Parties as to the subject matter hereof, and there are no further or other agreements or understandings, written or oral, in effect between the Parties relating to its subject matter unless expressly set forth in this Agreement.

8.3.1. To the extent this Agreement explains the restructured Loan A and Loan B, the contracts for those loans as executed control the terms of the actual loans and are not superseded by this Agreement.

8.4. Future Documents. Each Party, at any time before or after execution of this Agreement, shall execute, acknowledge, and deliver any further loan documents, deeds, assignments, conveyances, and other assurances, documents and instruments of transfer, reasonably requested by the other as is contemplated by this Agreement and shall take any other action consistent with the terms of this Agreement that may reasonably be requested by a Party hereto to carry out the terms of this Agreement.

8.5. Amendment. Modification of this Agreement by the Parties may be made only by a writing duly authorized and executed by every Party hereto.

8.6. No Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be an estoppel against the enforcement of any provision of this Agreement, except by a signed written instrument of the Party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated as such in its terms. Each such waiver shall operate only as to the specific term or condition waived, and shall not constitute a waiver of such term or condition for the future as to any act other than that specifically waived.

8.7. Assignment. No Party may assign this Agreement or the rights, benefits, burdens, or obligations hereunder to any other person or entity, unless such assignment is of the entirety of this Agreement, and is made with prior written approval of the other Parties, which approval may be granted or withheld by such Party in its sole and absolute discretion. Any assignee under an assignment approved by all Parties shall assume in writing all obligations and burdens imposed by this Agreement upon the assigning Party. Any purported assignments not approved in advance in writing shall be void.

8.8. No Merger. The rights and obligations of the Parties hereunder shall not be merged into any deeds of conveyance, and shall be fully enforceable until

such time as any and all terms and conditions of this Agreement are completely fulfilled.

8.9. Third Party Beneficiaries. There are no third party beneficiaries of this Agreement. The Parties hereto state and agree that they do not intend that any other person or entity shall have any interest in, or rights or duties under, this Agreement.

8.10. Counterparts. This Agreement may be executed in counterparts and all counterparts so executed shall constitute one agreement binding upon the Parties, notwithstanding that the Parties are not signatories to the original or to the same counterpart.

8.11. Controlling Law. This Agreement shall be governed and construed in accordance with the laws of the State of Colorado.

8.12. Binding Effect. The terms of this Agreement shall be binding upon the respective Parties hereto, their successors, and permitted assigns.

8.13. Effective Date. This Agreement shall not be effective or enforceable until it is approved and signed by every Party, but shall be effective and enforceable thereafter in accordance with its provisions.

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Colorado Water Conservation Board



Director, James Eklund

10.27.2015

Date

**Pagosa Area Water and Sanitation District, acting by and through its
Water Activity Enterprise**



President, Michael W. Church

9/18/15

Date

San Juan County Water Conservancy District

President, Rodney Proffitt

Date

Colorado Water Conservation Board



Director, James Eklund

10.27.2015

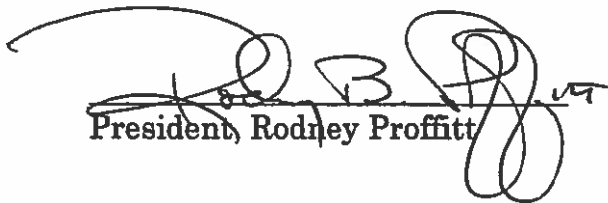
Date

**Pagosa Area Water and Sanitation District, acting by and through its
Water Activity**

Title

Date

San Juan County Water Conservancy District



President, Rodney Proffitt

10/12/2015

Date

Exhibit A**PAWSD Restructured Loan - Amortization Schedule Loan B**

| | Payment Loan B | Payment Amount | Principal | Interest | Balance |
|------|-------------------|-------------------|--------------|--------------|----------------|
| | | | | | \$4,565,000.00 |
| 2035 | 1 | \$321,198.32 | \$161,423.32 | \$150,182.56 | \$4,403,576.68 |
| 2036 | 2 | \$321,198.32 | \$167,073.13 | \$144,871.94 | \$4,236,503.55 |
| 2037 | 3 | \$321,198.32 | \$172,920.69 | \$139,375.46 | \$4,063,582.86 |
| 2038 | 4 | \$321,198.32 | \$178,972.92 | \$133,686.59 | \$3,884,609.95 |
| 2039 | 5 | \$321,198.32 | \$185,236.97 | \$127,798.61 | \$3,699,372.98 |
| 2040 | 6 | \$321,198.32 | \$191,720.26 | \$121,704.56 | \$3,507,652.72 |
| 2041 | 7 | \$321,198.32 | \$198,430.47 | \$115,397.21 | \$3,309,222.25 |
| 2042 | 8 | \$321,198.32 | \$205,375.54 | \$108,869.11 | \$3,103,846.71 |
| 2043 | 9 | \$321,198.32 | \$212,563.68 | \$102,112.52 | \$2,891,283.03 |
| 2044 | 10 | \$321,198.32 | \$220,003.41 | \$95,119.45 | \$2,671,279.62 |
| 2045 | 11 | \$321,198.32 | \$227,703.53 | \$87,881.62 | \$2,443,576.09 |
| 2046 | 12 | \$321,198.32 | \$235,673.15 | \$80,390.47 | \$2,207,902.94 |
| 2047 | 13 | \$321,198.32 | \$243,921.71 | \$72,637.13 | \$1,963,981.23 |
| 2048 | 14 | \$321,198.32 | \$252,458.97 | \$64,612.43 | \$1,711,522.25 |
| 2049 | 15 | \$321,198.32 | \$261,295.04 | \$56,306.86 | \$1,450,227.22 |
| 2050 | 16 | \$321,198.32 | \$270,440.36 | \$47,710.59 | \$1,179,786.85 |
| 2051 | 17 | \$321,198.32 | \$279,905.78 | \$38,813.45 | \$899,881.08 |
| 2052 | 18 | \$321,198.32 | \$289,702.48 | \$29,604.92 | \$610,178.60 |
| 2053 | 19 | \$321,198.32 | \$299,842.06 | \$20,074.08 | \$310,336.54 |
| 2054 | 20 | \$321,198.32 | \$310,336.54 | \$10,209.67 | \$0.00 |

Exhibit A

PAWSD Restructured Loan - Amortization Schedule Loan A

| | Payment Loan A | Payment Amount | Principal | Interest | Cumm Interest Earned Principal = | Balance |
|------|-------------------|-------------------|--------------|--------------|---|----------------|
| | | | | | | \$4,290,930.32 |
| 2015 | 1 | \$256,130.89 | \$181,039.60 | \$75,091.28 | \$75,091.28 | \$4,109,890.72 |
| 2016 | 2 | \$256,130.89 | \$184,207.80 | \$71,923.09 | \$147,014.37 | \$3,925,682.92 |
| 2017 | 3 | \$256,130.89 | \$187,431.43 | \$68,699.45 | \$215,713.82 | \$3,738,251.48 |
| 2018 | 4 | \$256,130.89 | \$190,711.48 | \$65,419.40 | \$281,133.22 | \$3,547,540.00 |
| 2019 | 5 | \$256,130.89 | \$194,048.94 | \$62,081.95 | \$343,215.17 | \$3,353,491.06 |
| 2020 | 6 | \$256,130.89 | \$197,444.79 | \$58,686.09 | \$401,901.26 | \$3,156,046.27 |
| 2021 | 7 | \$256,130.89 | \$200,900.08 | \$55,230.81 | \$457,132.07 | \$2,955,146.20 |
| 2022 | 8 | \$256,130.89 | \$204,415.83 | \$51,715.06 | \$508,847.13 | \$2,750,730.37 |
| 2023 | 9 | \$256,130.89 | \$207,993.10 | \$48,137.78 | \$556,984.91 | \$2,542,737.27 |
| 2024 | 10 | \$256,130.89 | \$211,632.98 | \$44,497.90 | \$601,482.82 | \$2,331,104.28 |
| 2025 | 11 | \$256,130.89 | \$215,336.56 | \$40,794.32 | \$642,277.14 | \$2,115,767.72 |
| 2026 | 12 | \$256,130.89 | \$219,104.95 | \$37,025.94 | \$679,303.08 | \$1,896,662.77 |
| 2027 | 13 | \$256,130.89 | \$222,939.29 | \$33,191.60 | \$712,494.67 | \$1,673,723.49 |
| 2028 | 14 | \$256,130.89 | \$226,840.72 | \$29,290.16 | \$741,784.84 | \$1,446,882.76 |
| 2029 | 15 | \$256,130.89 | \$230,810.44 | \$25,320.45 | \$767,105.28 | \$1,216,072.32 |
| 2030 | 16 | \$256,130.89 | \$234,849.62 | \$21,281.27 | \$788,386.55 | \$981,222.70 |
| 2031 | 17 | \$256,130.89 | \$238,959.49 | \$17,171.40 | \$805,557.95 | \$742,263.22 |
| 2032 | 18 | \$256,130.89 | \$243,141.28 | \$12,989.61 | \$818,547.55 | \$499,121.94 |
| 2033 | 19 | \$256,130.89 | \$247,396.25 | \$8,734.63 | \$827,282.19 | \$251,725.69 |
| 2034 | 20 | \$256,130.89 | \$251,725.69 | \$4,405.20 | \$831,687.39 | \$0.00 |
| | | | | \$831,687.39 | | |

Exhibit A**PAWSD Restructured Loan - Amortization Schedule Original Loan**

| | Payment Original | Payment Amount | Principal | Interest | Cumm Interest Earned Current 9/2014 = | Balance |
|------|---------------------|-------------------|--------------|--------------|--|----------------|
| 2015 | 1 | \$623,112.79 | \$313,155.23 | \$309,957.56 | \$309,957.56 | \$8,855,930.32 |
| 2016 | 2 | \$623,112.79 | \$324,115.67 | \$298,997.13 | \$608,954.69 | \$8,542,775.09 |
| 2017 | 3 | \$623,112.79 | \$335,459.71 | \$287,653.08 | \$896,607.77 | \$8,218,659.42 |
| 2018 | 4 | \$623,112.79 | \$347,200.80 | \$275,911.99 | \$1,172,519.76 | \$7,883,199.71 |
| 2019 | 5 | \$623,112.79 | \$359,352.83 | \$263,759.96 | \$1,436,279.72 | \$7,535,998.91 |
| 2020 | 6 | \$623,112.79 | \$371,930.18 | \$251,182.61 | \$1,687,462.33 | \$7,176,646.07 |
| 2021 | 7 | \$623,112.79 | \$384,947.74 | \$238,165.06 | \$1,925,627.39 | \$6,804,715.89 |
| 2022 | 8 | \$623,112.79 | \$398,420.91 | \$224,691.89 | \$2,150,319.27 | \$6,419,768.16 |
| 2023 | 9 | \$623,112.79 | \$412,365.64 | \$210,747.15 | \$2,361,066.43 | \$6,021,347.25 |
| 2024 | 10 | \$623,112.79 | \$426,798.44 | \$196,314.36 | \$2,557,380.79 | \$5,608,981.61 |
| 2025 | 11 | \$623,112.79 | \$441,736.38 | \$181,376.41 | \$2,738,757.20 | \$5,182,183.17 |
| 2026 | 12 | \$623,112.79 | \$457,197.16 | \$165,915.64 | \$2,904,672.83 | \$4,740,446.79 |
| 2027 | 13 | \$623,112.79 | \$473,199.06 | \$149,913.74 | \$3,054,586.57 | \$4,283,249.64 |
| 2028 | 14 | \$623,112.79 | \$489,761.02 | \$133,351.77 | \$3,187,938.34 | \$3,810,050.58 |
| 2029 | 15 | \$623,112.79 | \$506,902.66 | \$116,210.13 | \$3,304,148.48 | \$3,320,289.56 |
| 2030 | 16 | \$623,112.79 | \$524,644.25 | \$98,468.54 | \$3,402,617.02 | \$2,813,386.90 |
| 2031 | 17 | \$623,112.79 | \$543,006.80 | \$80,105.99 | \$3,482,723.01 | \$2,288,742.65 |
| 2032 | 18 | \$623,112.79 | \$562,012.04 | \$61,100.75 | \$3,543,823.76 | \$1,745,735.84 |
| 2033 | 19 | \$623,112.79 | \$581,682.46 | \$41,430.33 | \$3,585,254.10 | \$1,183,723.81 |
| 2034 | 20 | \$623,112.79 | \$602,041.35 | \$21,071.45 | \$3,606,325.54 | \$602,041.35 |
| | | | | | | \$0.00 |

The following table is based on the information entered in the calculator form.

\$1,000,000.00
3.5 %
20 Years
\$70,361.08

| Year | Interest | Principal | Balance |
|------|-------------|-------------|--------------|
| 2015 | \$35,000.00 | \$35,361.08 | \$964,638.92 |
| 2016 | \$33,762.36 | \$36,598.71 | \$928,040.21 |
| 2017 | \$32,481.41 | \$37,879.67 | \$890,160.54 |
| 2018 | \$31,155.62 | \$39,205.46 | \$850,955.08 |
| 2019 | \$29,783.43 | \$40,577.65 | \$810,377.43 |
| 2020 | \$28,363.21 | \$41,997.87 | \$768,379.57 |
| 2021 | \$26,893.28 | \$43,467.79 | \$724,911.77 |
| 2022 | \$25,371.91 | \$44,989.16 | \$679,922.61 |
| 2023 | \$23,797.29 | \$46,563.79 | \$633,358.82 |
| 2024 | \$22,167.56 | \$48,193.52 | \$585,165.31 |
| 2025 | \$20,480.79 | \$49,880.29 | \$535,285.01 |
| 2026 | \$18,734.98 | \$51,626.10 | \$483,658.91 |
| 2027 | \$16,928.06 | \$53,433.01 | \$430,225.90 |
| 2028 | \$15,057.91 | \$55,303.17 | \$374,922.73 |
| 2029 | \$13,122.30 | \$57,238.78 | \$317,683.95 |
| 2030 | \$11,118.94 | \$59,242.14 | \$258,441.81 |
| 2031 | \$9,045.46 | \$61,315.61 | \$197,126.19 |
| 2032 | \$6,899.42 | \$63,461.66 | \$133,664.53 |
| 2033 | \$4,678.26 | \$65,682.82 | \$67,981.72 |
| 2034 | \$2,379.36 | \$67,981.72 | \$0.00 |

**AMENDMENT TO
AGREEMENT TO RESTRUCTURE COLORADO WATER
CONSERVATION BOARD DRY GULCH RESERVOIR
LOAN CONTRACT NUMBER C150261**

THIS AMENDMENT TO AGREEMENT TO RESTRUCTURE COLORADO WATER CONSERVATION BOARD DRY GULCH RESERVOIR LOAN CONTRACT NUMBER C150261 ("Amendment") is entered into this 27th day of APRIL, 2016, by and between the State of Colorado, acting by and through the Department of Natural Resources, Colorado Water Conservation Board ("CWCB"), the Pagosa Area Water And Sanitation District, acting by and through its Water Activity Enterprise ("PAWSD"), and the San Juan Water Conservancy District ("SJWCD"). PAWSD and SJWCD are each quasi-municipal corporations and political subdivisions of the State of Colorado.

WHEREAS, the Parties entered into the Agreement To Restructure Colorado Water Conservation Board Dry Gulch Reservoir Loan Contract Number C150261 (the "Restructure Agreement") on July 22, 2015, which Restructure Agreement contemplates certain amendments to be made to said Loan Contract Number C150261 (such amendments being referred to herein as the "Amended Loan Contracts"); and

WHEREAS, the Parties have concluded that certain provisions of the Amended Loan Contracts contemplated by the Restructure Agreement would not be allowed by Article XI, Section 6 of the Colorado Constitution and should not have been included in the Restructure Agreement, *i.e.*, Section 2.2.8.2 and Section 2.4.5.2, which sections both provide that the Amended Loan Contracts will grant a "lien on the entire Running Iron Ranch" in favor of the CWCB; and

WHEREAS, the Parties desire to amend the Restructure Agreement as described below.

NOW, THEREFORE, in consideration of the promises of the Parties hereto and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, it is agreed that the Restructure Agreement is amended as follows:

1. Section 2.2.8.2 is stricken in its entirety.
2. Section 2.4.5.2 is stricken in its entirety.
3. Section 2.2.6 is amended by striking the words in the third line "will be allowed to" and inserting the word "shall".
4. Section 5.1.1 is amended by replacing the last sentence with the following sentence: "If CWCB's election to exercise this right of first refusal results in Loan A and Loan B being paid off, then CWCB shall mark both Loan A and Loan B as paid in full."
5. The following new sections are added to the Restructure Agreement:


Section 8.14. Remedies. The Amended Loan Contracts shall contain an acknowledgment by the parties thereto that the Amended Loan Contracts may be enforced in law or in equity by a decree of specific performance, damages, or other such legal and equitable relief as may be available under the laws and statutes of the State of Colorado.

Section 8.15. Specific Performance. In addition to any of the remedies the Parties may have under the Amended Loan Contracts, upon a sale of the Running Iron Ranch and a failure by PAWSD and SJWCD to pay all amounts then due under the terms of this Agreement, the Amended Loan Contracts shall provide that CWCB shall have a right to request a court of proper jurisdiction to enter a mandatory injunction against the PAWSD and SJWCD requiring specific performance of the terms contained in the Amended Loan Contracts, including payment of all amounts due under the terms thereof.

6. Counterparts and Entire Agreement. This Amendment may be executed in counterparts. All counterparts of this Amendment together with the Restructure Agreement shall constitute the entire understanding and agreement of the Parties.
7. No Other Changes. Except as expressly set forth herein, there are no further changes to the Restructure Agreement and the Restructure Agreement remains in full force and effect. The Parties do recognize and agree that this Amendment to the Restructure Agreement is necessary.

IN WITNESS WHEREOF the Parties hereto have caused this Amendment to be executed and effective as of the date first above written.

Colorado Water Conservation Board


By: James Eklund

Title: Director

Pagosa Area Water and Sanitation
District, acting by and through its
Water Activity Enterprise

By: Michael W. Church

Title: President

San Juan Water Conservancy District

By: Rodney Proffitt

Title: President

Section 8.14. Remedies. The Amended Loan Contracts shall contain an acknowledgment by the parties thereto that the Amended Loan Contracts may be enforced in law or in equity by a decree of specific performance, damages, or other such legal and equitable relief as may be available under the laws and statutes of the State of Colorado.

Section 8.15. Specific Performance. In addition to any of the remedies the Parties may have under the Amended Loan Contracts, upon a sale of the Running Iron Ranch and a failure by PAWSD and SJWCD to pay all amounts then due under the terms of this Agreement, the Amended Loan Contracts shall provide that CWCB shall have a right to request a court of proper jurisdiction to enter a mandatory injunction against the PAWSD and SJWCD requiring specific performance of the terms contained in the Amended Loan Contracts, including payment of all amounts due under the terms thereof.

6. Counterparts and Entire Agreement. This Amendment may be executed in counterparts. All counterparts of this Amendment together with the Restructure Agreement shall constitute the entire understanding and agreement of the Parties.
7. No Other Changes. Except as expressly set forth herein, there are no further changes to the Restructure Agreement and the Restructure Agreement remains in full force and effect. The Parties do recognize and agree that this Amendment to the Restructure Agreement is necessary.

IN WITNESS WHEREOF the Parties hereto have caused this Amendment to be executed and effective as of the date first above written.

Colorado Water Conservation Board

**Pagosa Area Water and Sanitation
District, acting by and through its
Water Activity Enterprise**

By: James Eklund

By: Michael W. Church

Title: Director

Title: President

San Juan Water Conservancy District


By: Rodney Proffitt

Title: President

Section 8.14. Remedies. The Amended Loan Contracts shall contain an acknowledgment by the parties thereto that the Amended Loan Contracts may be enforced in law or in equity by a decree of specific performance, damages, or other such legal and equitable relief as may be available under the laws and statutes of the State of Colorado.

Section 8.15. Specific Performance. In addition to any of the remedies the Parties may have under the Amended Loan Contracts, upon a sale of the Running Iron Ranch and a failure by PAWSD and SJWCD to pay all amounts then due under the terms of this Agreement, the Amended Loan Contracts shall provide that CWCB shall have a right to request a court of proper jurisdiction to enter a mandatory injunction against the PAWSD and SJWCD requiring specific performance of the terms contained in the Amended Loan Contracts, including payment of all amounts due under the terms thereof.

6. Counterparts and Entire Agreement. This Amendment may be executed in counterparts. All counterparts of this Amendment together with the Restructure Agreement shall constitute the entire understanding and agreement of the Parties.
7. No Other Changes. Except as expressly set forth herein, there are no further changes to the Restructure Agreement and the Restructure Agreement remains in full force and effect. The Parties do recognize and agree that this Amendment to the Restructure Agreement is necessary.

IN WITNESS WHEREOF the Parties hereto have caused this Amendment to be executed and effective as of the date first above written.

Colorado Water Conservation Board

By: James Eklund

Title: Director

**Pagosa Area Water and Sanitation
District, acting by and through its
Water Activity Enterprise**



By: Glenn Walsh

Title: Vice President

San Juan Water Conservancy District

By: Rodney Proffitt

Title: President

**APPENDIX B-2, AMENDMENT NO. 2 TO LOAN CONTRACT CT2016-1696 (C150261)
AMENDMENT TO THE PROMISSORY NOTE**

Date: June 16, 2016

Borrower: Pagosa Area Water & Sanitation District,
Acting By and Through its Water Activity Enterprise

Principal Amount: \$4,290,930.32

Interest Rate: 1.75% per annum

Term of Repayment: 20 years

Loan Contract No.: CT2016-1696 (C150261)

Loan Payment: \$256,130.89

First Payment Due Date: October 1, 2015

Maturity Date: October 1, 2034

1. FOR VALUE RECEIVED, the BORROWER promises to pay the Colorado Water Conservation Board ("CWCB"), the Principal Amount plus Interest for the Term of Repayment, pursuant to the LOAN CONTRACT and this PROMISSORY NOTE.
2. This PROMISSORY NOTE shall replace and supersede the ORIGINAL PROMISSORY NOTE, in the amount of 11,217,000.00 dated July 21, 2008, attached as APPENDIX 2 to the ORIGINAL CONTRACT and the AMENDED PROMISSORY NOTE, in the amount of \$9,219,363.70, dated March 22, 2013, APPENDIX A to AMENDMENT 1.
3. Principal and interest shall be payable in equal Loan Payments, with the first payment due and payable on the First Payment Due Date, and annually thereafter. All principal, interest, and late charges, if any, then remaining unpaid shall be due and payable on or before the Maturity Date.
4. Payments shall be made to the Colorado Water Conservation Board at 1313 Sherman Street, Room 718, Denver, Colorado 80203.
5. The CWCB may impose a late charge in the amount of 5% of the annual payment if the CWCB does not receive the annual payment within 15 calendar days of the due date.
6. This Note may be prepaid in whole or in part at any time without premium or penalty. Any partial prepayment shall not postpone the due date of any subsequent payments or change the amount of such payments.
7. All payments received shall be applied first to late charges, if any, next to accrued interest and then to reduce the principal amount.
8. This Note is issued pursuant to the LOAN CONTRACT between the CWCB and the BORROWER.

The LOAN CONTRACT creates security interests in favor of the CWCB to secure the prompt payment of all amounts that may become due hereunder. Said security interests are evidenced by a Security Agreement ("Security Instruments") of even date and amount and cover certain revenues, real property, water rights and/or accounts of the BORROWER. The LOAN CONTRACT and Security Instruments grant additional rights to the CWCB, including the right to accelerate the maturity of this Note in certain events.

9. If any annual payment is not paid when due or any default under the LOAN CONTRACT or the Security Instruments securing this Note occurs, the CWCB may declare the entire outstanding principal balance of the Note, all accrued interest, and any outstanding late charges immediately due and payable, and the indebtedness shall bear interest at the rate of 7% per annum from the date of default. The CWCB shall give the BORROWER written notice of any alleged default and an opportunity to cure within thirty (30) days of receipt of such notice before the BORROWER shall be considered in default for purposes of this PROMISSORY NOTE.
10. The BORROWER and any co-signer or guarantor hereby agree that if this Note or interest thereon is not paid when due or if suit is brought, then it shall pay all reasonable costs of collection, including reasonable attorney fees. In the event of any bankruptcy or similar proceedings, costs of collection shall include all costs and attorney fees incurred in connection with such proceedings, including the fees of counsel for attendance at meetings of creditors' committees or other committees.
11. This Note shall be governed in all respects by the laws of the State of Colorado.



Attest:

By [Signature]
Name Carleen H. Allen
Title Secretary
Date 6/16/16

BORROWER: Pagosa Area Water & Sanitation District, Acting By and Through its Water Activity Enterprise

By [Signature]
Name Michael Church
Title President
Date 6/16/16

**APPENDIX C-2, AMENDMENT NO. 2 TO LOAN CONTRACT CT2015-1696 (C150261)
AMENDMENT TO THE SECURITY AGREEMENT**

DEBTOR: PAGOSA AREA WATER & SANITATION DISTRICT,
ACTING BY AND THROUGH ITS WATER ACTIVITY
ENTERPRISE

SECURED PARTY: COLORADO WATER CONSERVATION BOARD

DATE OF ORIGINAL SECURITY AGREEMENT: JULY 21, 2008, AS AMENDED ON MARCH 22, 2013

PROMISSORY NOTES: ORIGINAL DATED JULY 21, 2008 FOR \$11,217,000.00, AMENDED
PROMISSORY NOTE TO AMENDMENT NO.1, DATED MARCH 22,
2013 FOR \$9,219,363.70, AMENDED PROMISSORY NOTE TO
AMENDMENT NO. 2, DECREASING AMOUNT TO
\$4,290,930.32.

LOAN CONTRACT NUMBER: CT2015-1696 (C150261)

LOAN SECURITY: A PLEDGE OF REVENUES BACKED BY A RATE COVENANT

1. The Parties have amended the ORIGINAL LOAN CONTRACT and Promissory Note to decrease the loan amount by \$4,565,000.00 and hereby amend the original Security Agreement to document the change of loan amount.
2. The Parties expressly agree that this Amendment is supplemental to the original Security Agreement and all terms, conditions, and provisions thereof, unless specifically modified below, are to apply to this Amendment as though they were expressly rewritten, incorporated, and included herein.

Amended Loan Contract: Amendment No. 2 to Loan Contract No.
CT2015-1696 (C150261)

Replacement Promissory Note: Total Loan Amount is \$4,290,930.32, with an annual loan
payment of \$256,130.89, at an interest rate of 1.75%, for 20
years or until the loan is paid in full.

(SEAL)



DEBTOR: PAGOSA AREA WATER & SANITATION DISTRICT,
ACTING BY AND THROUGH ITS WATER ACTIVITY
ENTERPRISE

ATTEST:

By

Signature

Name

Title

Date

By

Signature

Name

Title

Date

Special Provisions

(The Special Provisions apply to all contracts except where noted in *italics*.)

1. **CONTROLLER'S APPROVAL. CRS §24-30-202(1).** This contract shall not be valid until it has been approved by the Colorado State Controller or designee.
2. **FUND AVAILABILITY. CRS §24-30-202(5.5).** Financial obligations of the State payable after the current fiscal year are contingent upon funds for that purpose being appropriated, budgeted, and otherwise made available.
3. **GOVERNMENTAL IMMUNITY.** No term or condition of this contract shall be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protections, or other provisions, of the Colorado Governmental Immunity Act, CRS §24-10-101 et seq., or the Federal Tort Claims Act, 28 U.S.C. §§1346(b) and 2671 et seq., as applicable now or hereafter amended.
4. **INDEPENDENT CONTRACTOR.** Contractor shall perform its duties hereunder as an independent contractor and not as an employee. Neither Contractor nor any agent or employee of Contractor shall be deemed to be an agent or employee of the State. Contractor and its employees and agents are not entitled to unemployment insurance or workers compensation benefits through the State and the State shall not pay for or otherwise provide such coverage for Contractor or any of its agents or employees. Unemployment insurance benefits will be available to Contractor and its employees and agents only if such coverage is made available by Contractor or a third party. Contractor shall pay when due all applicable employment taxes and income taxes and local head taxes incurred pursuant to this contract. Contractor shall not have authorization, express or implied, to bind the State to any agreement, liability or understanding, except as expressly set forth herein. Contractor shall (a) provide and keep in force workers' compensation and unemployment compensation insurance in the amounts required by law, (b) provide proof thereof when requested by the State, and (c) be solely responsible for its acts and those of its employees and agents.
5. **COMPLIANCE WITH LAW.** Contractor shall strictly comply with all applicable federal and State laws, rules, and regulations in effect or hereafter established, including, without limitation, laws applicable to discrimination and unfair employment practices.
6. **CHOICE OF LAW.** Colorado law, and rules and regulations issued pursuant thereto, shall be applied in the interpretation, execution, and enforcement of this contract. Any provision included or incorporated herein by reference which conflicts with said laws, rules, and regulations shall be null and void. Any provision incorporated herein by reference which purports to negate this or any other Special Provision in whole or in part shall not be valid or enforceable or available in any action at law, whether by way of complaint, defense, or otherwise. Any provision rendered null and void by the operation of this provision shall not invalidate the remainder of this contract, to the extent capable of execution.
7. **BINDING ARBITRATION PROHIBITED.** The State of Colorado does not agree to binding arbitration by any extra-judicial body or person. Any provision to the contrary in this contract or incorporated herein by reference shall be null and void.
8. **SOFTWARE PIRACY PROHIBITION. Governor's Executive Order D 002 00.** State or other public funds payable under this contract shall not be used for the acquisition, operation, or maintenance of computer software in violation of federal copyright laws or applicable licensing restrictions. Contractor hereby certifies and warrants that, during the term of this contract and any extensions, Contractor has and shall maintain in place appropriate systems and controls to prevent such improper use of public funds. If the State determines that Contractor is in violation of this provision, the State may exercise any remedy available at law or in equity or under this contract, including, without limitation, immediate termination of this contract and any remedy consistent with federal copyright laws or applicable licensing restrictions.
9. **EMPLOYEE FINANCIAL INTEREST/CONFLICT OF INTEREST. CRS §§24-18-201 and 24-50-507.** The signatories aver that to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described in this contract. Contractor has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of Contractor's services and Contractor shall not employ any person having such known interests.

- 10. VENDOR OFFSET. CRS §§24-30-202 (1) and 24-30-202.4. [Not Applicable to intergovernmental agreements]** Subject to CRS §24-30-202.4 (3.5), the State Controller may withhold payment under the State's vendor offset intercept system for debts owed to State agencies for: (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in CRS §39-21-101, et seq.; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts owing to the State as a result of final agency determination or judicial action.
- 11. PUBLIC CONTRACTS FOR SERVICES. CRS §8-17.5-101. [Not Applicable to agreements relating to the offer, issuance, or sale of securities, investment advisory services or fund management services, sponsored projects, intergovernmental agreements, or information technology services or products and services]** Contractor certifies, warrants, and agrees that it does not knowingly employ or contract with an illegal alien who will perform work under this contract and will confirm the employment eligibility of all employees who are newly hired for employment in the United States to perform work under this contract, through participation in the E-Verify Program or the Department program established pursuant to CRS §8-17.5-102(5)(c), Contractor shall not knowingly employ or contract with an illegal alien to perform work under this contract or enter into a contract with a subcontractor that fails to certify to Contractor that the subcontractor shall not knowingly employ or contract with an illegal alien to perform work under this contract. Contractor (a) shall not use E-Verify Program or Department program procedures to undertake pre-employment screening of job applicants while this contract is being performed, (b) shall notify the subcontractor and the contracting State agency within three days if Contractor has actual knowledge that a subcontractor is employing or contracting with an illegal alien for work under this contract, (c) shall terminate the subcontract if a subcontractor does not stop employing or contracting with the illegal alien within three days of receiving the notice, and (d) shall comply with reasonable requests made in the course of an investigation, undertaken pursuant to CRS §8-17.5-102(5), by the Colorado Department of Labor and Employment. If Contractor participates in the Department program, Contractor shall deliver to the contracting State agency, Institution of Higher Education or political subdivision a written notarized affirmation, affirming that Contractor has examined the legal work status of such employee, and shall comply with all of the other requirements of the Department program. If Contractor fails to comply with any requirement of this provision or CRS §8-17.5-101 et seq., the contracting State agency, institution of higher education or political subdivision may terminate this contract for breach and, if so terminated, Contractor shall be liable for damages.
- 12. PUBLIC CONTRACTS WITH NATURAL PERSONS. CRS §24-76.5-101.** Contractor, if a natural person eighteen (18) years of age or older, hereby swears and affirms under penalty of perjury that he or she (a) is a citizen or otherwise lawfully present in the United States pursuant to federal law, (b) shall comply with the provisions of CRS §24-76.5-101 et seq., and (c) has produced one form of identification required by CRS §24-76.5-103 prior to the effective date of this contract.

SPs Effective
1/1/09

[END OF SPECIAL PROVISIONS]

STATE OF COLORADO)
)
 ARCHULETA COUNTY)
)
 PAGOSA AREA WATER AND)
 AND SANITATION DISTRICT,) ss.
 ACTING BY AND THROUGH)
 ITS WATER ACTIVITY)
 ENTERPRISE)

I, the Secretary of the Pagosa Area Water and Sanitation District, Archuleta County, Colorado (the "District"), do hereby certify that:

(a) the Board of Directors of Pagosa Area Water and Sanitation District, acting by and through its Water Activity Enterprise, Archuleta County, Colorado (the "District"), met in special session, pursuant to due notice and call within the boundaries of the District, on June 16, 2016;

(b) notice of such meeting, in the form attached hereto as Exhibit A, was posted in three public places within the District, and at the office of the Clerk and Recorder of Archuleta County, Colorado, respectively, at least three days prior to the meeting, in accordance with law; and

(c) attached hereto as Exhibit B is a true and correct copy of a resolution (the "Resolution") adopted by the Board of Directors of the District, acting as the governing body of the Water Activity Enterprise (as so acting, the "Board") at the special meeting held on June 16, 2016.

Upon roll call, the members of the Board not marked absent, below, were present, constituting a quorum, and the Resolution was duly introduced, moved, seconded and adopted at such meeting by the affirmative vote of a majority of the members of the Board as follows:

| Board Member | Yes | No | Absent | Abstaining |
|-----------------|-------------|-------------|-------------|-------------|
| Blake Brueckner | <u>✓</u> | <u> </u> | <u> </u> | <u> </u> |
| Michael Church | <u>✓</u> | <u> </u> | <u> </u> | <u> </u> |
| Paul Hansen | <u> </u> | <u> </u> | <u>✓</u> | <u> </u> |
| Gordon McIver | <u>✓</u> | <u> </u> | <u> </u> | <u> </u> |
| James Smith | <u>✓</u> | <u> </u> | <u> </u> | <u> </u> |

(a) the Resolution was duly approved by the Board, signed by the President of the District, sealed with the District's seal, attested by the Secretary of the Board and recorded in the minutes of the Board;

(b) the meeting at which the Resolution was adopted was noticed, and all proceedings relating to the adoption of the Resolution were conducted in accordance with all applicable bylaws, rules, regulations and resolutions of the District, in accordance

with the normal procedures of the District relating to such matters, and in accordance with applicable constitutional provisions and statutes of the State of Colorado;

WITNESS my hand and the seal of the District this 14 day of June, 2016.



By



Secretary of the Board

EXHIBIT A

PAGOSA AREA WATER AND SANITATION DISTRICT)
)
 ARCHULETA COUNTY) S.S.
)
 STATE OF COLORADO)

NOTICE OF SPECIAL MEETING

NOTICE IS HEREBY GIVEN that a Special Meeting of the Board of Directors of the Pagosa Area Water and Sanitation District (PAWSD) has been scheduled for June 16, 2016 at 4:00 p.m. The Board may enter into Executive Session for determining positions and development strategy for negotiations and instructing negotiators and conferences with an attorney for the public entity for the purposes of receiving legal advice on specific legal questions regarding the CWCB Dry Gulch Reservoir Second Loan Agreement and Existing Loan Agreement Amendment and the Amended and Restated Intergovernmental Agreement By and Between The Pagosa Springs Sanitation General Improvement District and The Pagosa Area Water and Sanitation District agenda items pursuant to Section 24-6-402(4)(b) and (e), C.R.S. The Special Meeting will be held at 100 Lyn Ave., Pagosa Springs, Colorado.

Proposed Agenda is as follows:

Special Meeting

1. Call to Order
2. Consideration of Entering into Executive Session Pursuant to Section 24-6-402(4)(b) and (e), C.R.S.
3. Consideration of Resolution Approving Amendments to an Existing Loan Agreement and the Execution and Delivery of a Second Loan Agreement with CWCB.
4. Consideration of Entering into Executive Session Pursuant to Section 24-6-402(4)(b) and (e), C.R.S.
5. Consideration of Amended and Restated Intergovernmental Agreement By and Between The Pagosa Springs Sanitation General Improvement District and The Pagosa Area Water and Sanitation District
6. Any Other Business Brought Before the Board Will Be Duly Considered.

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Renee Lewis
For the Board of Directors

SEAL

EXHIBIT B

A RESOLUTION OF PAGOSA AREA WATER AND SANITATION DISTRICT, ACTING BY AND THROUGH ITS WATER ACTIVITY ENTERPRISE, APPROVING AMENDMENTS TO AN EXISTING LOAN AGREEMENT AND THE EXECUTION AND DELIVERY OF A SECOND LOAN AGREEMENT, EACH BETWEEN THE COLORADO WATER CONSERVATION BOARD AND THE DISTRICT, ACTING BY AND THROUGH THE WATER ACTIVITY ENTERPRISE; AUTHORIZING THE FORM AND EXECUTION OF AMENDMENTS TO THE EXISTING PROMISSORY NOTE AND A SECOND PROMISSORY NOTE EVIDENCING THE LOANS MADE BY SUCH LOAN AGREEMENTS, RESPECTIVELY; PROVIDING FOR REPAYMENT OF SUCH PROMISSORY NOTES FROM REVENUES OF THE WATER ACTIVITY ENTERPRISE; AND PRESCRIBING OTHER DETAILS IN CONNECTION THEREWITH.

WHEREAS, Pagosa Area Water and Sanitation District, Archuleta County, Colorado, is a quasi-municipal corporation duly organized and existing as a water and sanitation district under the constitution and laws of the State of Colorado, including particularly Title 32, Article 1 of the Colorado Revised Statutes ("C.R.S."), and is operating hereunder by and through its Water Activity Enterprise under §37-45.1-101 et seq., C.R.S. (as so operating, the "District"); and

WHEREAS, the District is authorized by Title 32, Article 1, Parts 1 and 10, C.R.S., to supply water for domestic and other public and private purposes by any available means and provide all necessary or proper reservoirs, treatment works and facilities, equipment, and appurtenances incident thereto, and to provide for storm or sanitary sewers, or both, flood and surface drainage, treatment and disposal works and facilities, and all necessary or proper equipment and appurtenances incident thereto; and to fix and from time to time to increase or decrease fees, rates, tolls, penalties, or charges for services, programs, or facilities furnished by the District; and

WHEREAS, the District has heretofore determined and undertaken to acquire and develop certain properties and facilities for the diversion, storage, carriage, delivery, distribution, collection, treatment, use, reuse, augmentation, exchange or discharge of water or wastewater, which constitute a "water activity enterprise" within the meaning of §37-45.1-102(4), C.R.S. (collectively, as further defined herein, the "System"); and

WHEREAS, the District is authorized by §32-1-1101(1)(d), C.R.S., and §37-45.1-104, C.R.S., to issue revenue obligations authorized by action of the Board of Directors, acting as the governing body of its Water Activity Enterprise (the "Board"), such obligations to be issued in the manner provided in Part 4 of Article 35 of Title 31, C.R.S.; and

WHEREAS, the District operates its System as a "water activity enterprise" pursuant to the provisions of Title 37, Article 45.1, C.R.S.; in addition, the System is a government-owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in Grants, as defined in 37-45.1-102(2), C.R.S., from all Colorado state and local governments combined, and it is hereby determined that the System is an enterprise within the meaning of Article X, Section 20 of the Colorado Constitution; and

APPENDIX E-2

WHEREAS, the Board previously determined that it was necessary for the District and its residents and ratepayers to acquire certain land and incur certain initial project development costs for the planned Dry Gulch Reservoir site (collectively, as further defined in the Agreement to Restructure, defined herein, the "Project"); and

WHEREAS, at such time, the Board determined that the need for the Project required the Board to obtain financing for the Project; and

WHEREAS, on April 15, 2008, the Board adopted a resolution approving the District entering into a loan contract with the Colorado Water Conservation Board (the "CWCB"), subject to certain parameters set forth in such resolution, for the purpose of providing for permanent financing for the Project; and

WHEREAS, in furtherance thereof, the Board approved the execution and delivery of (a) a Loan Contract dated as of July 21, 2008 (including the Security Agreement and Project Summary appended thereto, the "Original Loan Contract") between the District and the CWCB and (b) a Promissory Note (the "Original Note") dated as of July 21, 2008 from the District to the CWCB, evidencing the loan (the "Original Loan") made pursuant to the Original Loan Contract; and

WHEREAS, the Original Loan Contract established an irrevocable and first lien on the availability of service charge revenue and the net revenue of the System, on parity with that of the then-outstanding Parity Lien Bonds (as defined herein) issued by the District; and

WHEREAS, the Original Loan Contract was amended by the District and the CWCB as of April 30, 2013 to reduce the amount available to be drawn thereunder; and

WHEREAS, subsequent to such amendment, the Board determined that it may determine not to construct the Project as initially planned; and

WHEREAS, in furtherance of such determination, the District, the CWCB and the San Juan Water Conservatory District entered into an Agreement to Restructure the Original Loan Contract dated as of October 27, 2015, as subsequently amended by an Amendment to Agreement to Restructure dated as of April 27, 2016 (as so amended, the "Agreement to Restructure"); and

WHEREAS, the Agreement to Restructure set forth the parties' determination to restructure the Original Loan Contract by dividing the Original Loan into two separate loans: (a) "Loan A," made pursuant to an amendment to the Original Loan Contract (the "Loan A Amendment" and, together with the Original Loan Contract, as previously amended, the "Loan A Contract"), and evidenced by the Original Note, as amended by Amendment to Promissory Note (the "Loan A Note Amendment" and, together with the Original Note, the "Loan A Note"); and (b) "Loan B," made pursuant to a new Loan Contract (the "Loan B Contract"), and evidenced by a Promissory Note (the "Loan B Note"); and

WHEREAS, the Board has determined and hereby determines that it is in the best interest of the District and its residents and ratepayers that the District execute and deliver the Loan A Amendment and Loan A Note Amendment and the Loan B Contract and Loan B Note; and

WHEREAS, none of the members of the Board have any potential conflicting interests in connection with the authorization, execution and delivery of the Loan A Amendment, the Loan A Note Amendment, the Loan B Contract or the Loan B Note; and

WHEREAS, the Board desires to authorize the execution and delivery of the Loan A Amendment, the Loan A Note Amendment, the Loan B Contract and the Loan B Note and the approval, execution and delivery of any other documents necessary and appropriate to effectuate the transactions described in this Resolution;

THEREFORE, be it resolved by the Board of Directors of Pagosa Area Water and Sanitation District, Archuleta County, Colorado, acting as the governing body of the District's Water Activity Enterprise:

Section 1. Definitions. As used herein, the following capitalized terms shall have the respective meanings set forth below, unless the context indicates otherwise.

"Adjusted Net Revenue" means the sum of Net Revenue plus availability of service charge revenue.

"Agreement to Restructure" means the Agreement to Restructure the Original Loan Contract dated as of October 27, 2015 by and among the District, the CWCB and the San Juan Water Conservatory District, as subsequently amended by an Amendment to Agreement to Restructure dated as of April 27, 2016.

"Board" means the Board of Directors of the District, acting as the governing body of the Water Activity Enterprise of the District.

"Capital Improvements" means the acquisition of land, easements, facilities, and equipment (other than ordinary repairs and replacements), and the design, construction or reconstruction of improvements, betterments, and extensions, for use by or in connection with the System.

"C.R.S." means the Colorado Revised Statutes, as amended and supplemented as of the date hereof.

"CWCB" means the Colorado Water Conservation Board and any successor thereto.

"District" means the Pagosa Area Water and Sanitation District, acting by and through its Water Activity Enterprise, Archuleta County, Colorado.

"Financing Documents" means, collectively, the Loan A Contract, the Loan A Note, the Loan B Contract and the Loan B Note.

"Gross Revenue" means all income and revenues directly or indirectly derived by the District from the operation and use of the System, or any part thereof, including without limitation, any rates, fees, plant investment fees, standby charges, availability fees, tolls, and charges for the services furnished by, the use of, or the availability of the System, and all income attributable to any past or future dispositions of property or rights or related contracts, settlements, or judgments held or obtained in connection with the System, its operations or

availability, and including investment income accruing from moneys held to the credit of the Water and Wastewater Enterprise Fund; provided however, that there shall be excluded from Gross Revenue any moneys borrowed and used for providing Capital Improvements; any money and securities, and investment income therefrom, in any refunding fund, escrow account, or similar account pledged to the payment of any bonds or other obligations; and any moneys received as grants or appropriations from the United States, the State of Colorado, or other sources, the use of which is limited or restricted by the grantor or donor to the provision of Capital Improvements or for other purposes resulting in the general unavailability thereof, except to the extent any such moneys shall be received as payments for the use of the System, services rendered thereby, the availability of any such service, or the disposal of any commodities therefrom.

"Loan A" means the loan made by the CWCB to the District pursuant to the Loan A Contract and evidenced by the Loan A Note.

"Loan A Amendment" means the amendment to the Original Loan Contract, as previously amended, made pursuant to the Agreement to Restructure.

"Loan A Contract" means the Original Loan Contract, as previously amended and as amended by the Loan A Amendment, including the Security Agreement and Project Summary appended thereto.

"Loan A Note" means the Original Note as amended by the Loan A Note Amendment.

"Loan A Note Amendment" means the Amendment to Promissory Note attached as Appendix B-2 to the Loan A Amendment.

"Loan B" means the loan made by the CWCB to the District pursuant to the Loan B Contract and evidenced by the Loan B Note.

"Loan B Contract" means the Loan Contract between the District and the CWCB entered into pursuant to the Agreement to Restructure, including the Security Agreement and Project Summary appended thereto.

"Loan B Note" means the Promissory Note made by the District evidencing Loan B, attached as attached as Appendix 3 to the Loan B Contract.

"Loan Contracts" means, collectively, the Loan A Contract and the Loan B Contract.

"Net Revenue" means the Gross Revenue after deducting the availability of service charge revenues and Operation and Maintenance Expenses.

"Notes" means, collectively, the Loan A Note and the Loan B Note.

"Operation and Maintenance Expenses" means all reasonable and necessary current expenses of the District, paid or accrued, for operating, maintaining, and repairing the System, including without limitation legal and overhead expenses of the District directly related to the administration of the System, insurance premiums, audits, charges of depository banks and paying agents, professional services, salaries and administrative expenses, labor, and the cost of

materials and supplies for current operation; provided however, that there shall be excluded from Operation and Maintenance Expenses any allowance for depreciation, payments in lieu of taxes or franchise fees, legal liabilities not based on contract, expenses incurred in connection with Capital Improvements, payments due in connection with any bonds or other obligations issued to provide Capital Improvements, and charges for the accumulation of reserves.

“Original Loan” means the loan made by the CWCB to the District pursuant to the Original Loan Contract.

“Original Loan Contract” means the Loan Contract dated as of July 21, 2008 between the District and the CWCB, including the Security Agreement and Project Summary appended thereto.

“Original Note” means the Promissory Note dated as of July 21, 2008 from the District to the CWCB evidencing the Original Loan.

“Parity Lien Bonds” means, collectively: (a) the Prior Parity Obligations; and (b) one or more series of additional bonds, notes, interim securities, or other obligations having a lien on the Adjusted Net Revenue on a parity with the lien pledged to the CWCB in the Loan A Contract and the Loan B Contract that are issued by the District in conformance with the provisions of the Loan A Contract, the Loan B Contract, and the District resolutions and other documents governing the Prior Parity Obligations.

“Prior Parity Obligations” means, collectively: (a) the Loan Agreement dated June 1, 2008 between the District and the Colorado Water Resources and Power Development Authority (the “CWRPDA”), and Governmental Agency Bond issued pursuant thereto, and the resolution of the District authorizing the execution and delivery thereof; (b) the Loan Agreement (2009 ARRA Program) dated as of September 4, 2009, as amended as of February 11, 2010, between the District and the CWRPDA, and Governmental Agency Bond issued pursuant thereto, and the resolution of the District authorizing the execution and delivery thereof, and the Loan Agreement (2009 Base Program) dated as of September 4, 2009, as amended as of February 11, 2010, between the District and the CWRPDA, and Governmental Agency Bond issued pursuant thereto, and the resolution of the District authorizing the execution and delivery thereof; and (c) the District’s Enterprise Revenue Refunding Bonds, Series 2015.

“Project” is defined in the Agreement to Restructure.

“Reserve Accounts” means, collectively, the “debt service reserve account or fund” provided for in each of the Loan Contracts.

“Resolution” means this Resolution, including any amendments properly made hereto.

“Restructuring Project” means the restructuring of the cost of financing the Project as set forth in the Agreement to Restructure.

“System” means all of the District’s water and wastewater facilities and properties, now owned or hereafter acquired, whether situated within or without the District boundaries, including all present or future improvements, extensions, enlargements, betterments,

replacements, or additions thereof or thereto, which facilities and properties comprise the District's Water Activity Enterprise.

"Water and Wastewater Enterprise Fund" means, collectively, the funds of the District designated as the "Water Enterprise Fund" and the "Wastewater Enterprise Fund," previously established by the District and reaffirmed by the provisions hereof.

Section 2. Authorization. In accordance with the Constitution of the State of Colorado, Title 31, Article 35, C.R.S., Title 32, Article 1, C.R.S.; Title 37, Article 45.1, C.R.S., and all other laws of the State of Colorado thereunto enabling, the Loan A Amendment, the Loan A Note Amendment, the Loan B Contract and the Loan B Note are incorporated herein by reference and are hereby approved for purposes of effectuating the Restructuring Project; the Chairman of the Board and President of the District, the Secretary of the Board and all other appropriate officers of the District are hereby authorized and directed to execute and deliver the Loan A Amendment, the Loan A Note Amendment, the Loan B Contract and the Loan B Note, in substantially the forms made available to the Board, with such changes, not inconsistent herewith, as are approved by the persons executing the same (whose signatures thereon shall constitute conclusive evidence of such approval); and the District is hereby authorized and directed to perform its obligations under the Loan A Contract, the Loan A Note, the Loan B Contract and the Loan B Note. The accomplishment of the Restructuring Project is hereby authorized, approved, and ordered, and it is hereby determined that the Notes mature at such times as do not exceed the estimated life of the Project.

Section 3. Pledge and Lien for Payment of Notes and Amounts Payable Pursuant to Loan Contracts. The principal of and interest on the Notes and any other amounts payable pursuant to the Notes and the Loan Contracts, including, without limitation, amounts required to fund the Reserve Accounts, the loan service fees payable pursuant to the Loan Contracts, any contract amendment service fees payable pursuant to the Loan Contracts and any late charges payable pursuant to the Notes, shall be payable only out of Adjusted Net Revenue. Pursuant to the Loan Contract, the District grants an irrevocable and first lien on the Adjusted Net Revenue, but not an exclusive such lien, for the payment of the Notes, and the Adjusted Net Revenue is hereby pledged to the payment of the Notes. The Parity Lien Bonds have a lien on the Adjusted Net Revenue which is on a parity with the lien granted pursuant to the Loan Contracts. Notwithstanding the foregoing or anything else contained herein, the Notes shall have no pledge of or lien or claim on any debt service reserve account created for any Parity Lien Bonds. The CWCB may not look to any general or other fund of the District for the payment of the principal of and interest on the Notes or any other such amounts payable under the Loan Contracts or the Notes, except the Water and Wastewater Enterprise Fund and the respective Reserve Accounts, and none of the Loan A Contract, the Loan A Note, the Loan B Contract or the Loan B Note shall constitute a debt or an indebtedness of the District within the meaning of any constitutional or statutory provision or limitation; nor shall they be considered or held to be general obligations of the District.

Section 4. Water and Wastewater Enterprise Fund. There is hereby reaffirmed the Water and Wastewater Enterprise Fund, which shall be maintained by the District in accordance with the provisions of this Resolution. The District shall apply amounts on deposit in the Water and Wastewater Enterprise Fund as provided in the Loan Contracts and in the resolutions of the District and other documents governing the Parity Lien Bonds.

Section 5. Maintenance of Water Activity Enterprise. The District hereby further irrevocably covenants and agrees with the CWCB that so long as the Notes remain outstanding, the District has established and covenants to continue to maintain the System as an "enterprise" within the meaning of Article X, Section 20 of the Colorado Constitution, and as a "water activity enterprise" within the meaning of Title 37, Article 45.1, C.R.S.; provided, however, after calendar year 2016 the District may disqualify the System as an "enterprise" in any year in which said disqualification does not materially, adversely affect the enforceability of the covenants made by the District in the Financing Documents. In the event that the System is disqualified as an enterprise and the enforceability of the covenants made by the District in the Financing Documents are materially, adversely affected, the District covenants to immediately take all actions necessary to (i) qualify the System as an enterprise within the meaning of Article X, Section 20 of the Colorado Constitution and (ii) permit the enforcement of the covenants made in the Financing Documents.

Section 6. Authorization to Execute Documents. The Chairman of the Board and President of the District, the Secretary of the Board, the District Manager, and any other duly authorized officer of the District, shall, and they are hereby authorized and directed to, take all actions necessary or desirable to effectuate the provisions of this Resolution, including, but not limited to, the execution of an such certificates and other documents as may be reasonably required by the CWCB or as are necessary and appropriate to effectuate the transactions described in this Resolution. The execution by the Chairman of the Board and President of the District, the Secretary of the Board, the District Manager or any other duly authorized officer of the District of any document authorized herein shall be conclusive proof of the approval by the District of the terms thereof.

Section 7. Costs and Expenses. All costs and expenses incurred in connection with the execution and delivery of the Loan A Amendment, the Loan A Note Amendment, the Loan B Contract and the Loan B Note shall be paid as provided in Loan Contracts, and such moneys are hereby appropriated for that purpose.

Section 8. Ratification and Approval of Prior Actions. All actions heretofore taken by the officers and agents of the District and the members of the Board, not inconsistent with the provisions of this Resolution, relating to the authorization, execution and delivery of the Loan A Amendment, the Loan A Note Amendment, the Loan B Contract and the Loan B Note, are hereby ratified, approved, and confirmed.

Section 9. Resolution Irrepealable; Amendments. After the Notes have been executed and delivered by the District, this Resolution shall constitute a contract between the CWCB and the District, and shall be and remain irrepealable until each of the Notes and the interest accruing thereon shall have been fully paid, satisfied, and discharged, as herein provided.

Section 10. Repealer. All orders, bylaws, and resolutions of the District, or parts thereof, inconsistent or in conflict with this Resolution, are hereby repealed to the extent only of such inconsistency or conflict.

Section 11. Severability. If any section, paragraph, clause, or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or

unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution, the intent being that the same are severable.

[remainder of page intentionally left blank]

Section 12. Effective Date. This Resolution shall take effect immediately upon its adoption and approval.

ADOPTED AND APPROVED this 16 day of June, 2016.



By [Signature]
Secretary of the Board

By [Signature]
Chairman of the Board and President