

ARROWHEAD RANCH WATER COMPANY
101 N. Uncompahgre Ave #4
Montrose, CO 81401
970-249-6197

June 19, 2024

Dear Water Company Customer,

Arrowhead Ranch Water Company (the "Water Company") has entered into a contract for the purchase and sale of the assets of the Water Company by the Evergreen Lake Company, a Colorado nonprofit corporation ("ELC"), the board of directors for which is comprised of members of the Arrowhead in Gunnison Country community. After the closing of the purchase and sale (the "Closing"), ELC would take over operations and provide water service to the Arrowhead in Gunnison Country Subdivisions Filing Nos. 1, 2 and 3 and The Ridges at Arrowhead in Gunnison Country (collectively, "Arrowhead in Gunnison Country"). The mission of ELC is: Ensure the ongoing protection of Arrowhead's potable water source in Gunnison Country, while delivering reliable, high-quality water to such residents at a reasonable cost. To achieve this, we will actively pursue the transfer of ownership to a special water district within the next three years. This transition will not only improve access to grants and loans but also enable us to offer fair wages and a safe working environment for our employees.

The Water Company and ELC have been working hard to complete this purchase and sale and hope to be finished within the next month. Water service will not be interrupted and the transition will be smooth and unnoticeable except that the address to which you mail your payments will change. Notice of the changed address will be set forth in invoices delivered after the closing of the purchase and sale, probably in the September billings.

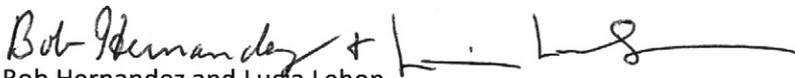
The funds for the acquisition will come in the form of a low interest loan from the Colorado Water Resources and Power Development Authority, which requires the enclosed Terms of Service to be in place with customers as a condition of the Closing. The Terms of Service were presented to and discussed with the members of the Arrowhead Improvements Association (the "Association") and its Board of Directors at three community meetings held on January 20th, February 10th, and March 16th. Copies of the presentations and minutes of related discussions, questions and answers can be found on the Association's website.

Water delivered to your Arrowhead in Gunnison Country lot after Closing will be delivered pursuant to the enclosed Terms of Service and by accepting delivery of water each customer agrees to be bound by such Terms of Service.

Sincerely,



Donny Squirrell
Owner, Arrowhead Ranch Water Company



Bob Hernandez and Lucia Lebon
President and Vice President, Evergreen Lake Company

TERMS OF SERVICE

EVERGREEN LAKE COMPANY

These Terms of Service (these “**Terms of Service**”) dated this July 22, 2025 govern the provision of water by The Evergreen Lake Company, a Colorado nonprofit corporation (the “**Company**”), to parcels within the following subdivisions in the County of Gunnison, State of Colorado:

Arrowhead in Gunnison Country Filing No. 1 Amended recorded February 5, 1974 in Book 2 at Page No. 7 and under Reception No. 298784 in the office of the Clerk and Recorder of the County of Gunnison, State of Colorado (the “**Clerk’s Office**”);

Arrowhead in Gunnison Country Filing No. 2 recorded January 26, 1979 under Reception No. 335299 in the Clerk’s Office;

Arrowhead in Gunnison Country Filing No. 3 recorded May 20, 1980 under Reception No. 350190 in the Clerk’s Office; and

The Ridges at Arrowhead in Gunnison Country recorded August 24, 1993 under Reception No. 444805 in the Clerk’s Office;

(collectively, the “**Subdivisions**”). The Subdivisions together with all parcels currently served or that may be served in the future by the Central Water System are referred to herein as the “**Service Area**”, which Service Area consists of the Subdivisions, certain parcels used as part of the Central Water System (defined below), parcels within Amended Arrowhead Commercial Area Unit 1 pursuant to subdivision plat recorded in the Clerk’s Office May 15, 1990 under Reception No. 420146 and four additional legal parcels adjoining the Subdivisions totaling approximately 291 acres. The Service Area is depicted on the map attached as Exhibit A.

The sites (as referenced in the Declaration, defined below) within the Subdivisions are each referred to individually in these Terms of Service as a “**Property**” and, collectively together with all parcels currently served or served in the future by the Central Water System (defined below), the “**Service Area**”. The Property does not include those areas within the Subdivisions that are located outside of the platted and numbered lots (which areas are referred to in the Declaration (defined below) as “sites” (the “**Common Areas.**”)

RECITALS

WHEREAS, water service to each Property within the Service Area is or will be made available pursuant to these Terms of Service and in these Terms of Service each recipient thereof is referred to as a “**Customer**” and the system by which such water service is provided being referred to as the “**Central Water System**”;

WHEREAS, the Central Water System is the central water system referenced in Article IV Section 24 of the Arrowhead in Gunnison Country Subdivision Declaration of Protective Covenants and Restrictions recorded May 2, 1990 in Book 677 at page 680 and under Reception No. 419911 (the “**Original Declaration**”), as amended by Amendments to Arrowhead in Gunnison Country Subdivision Declaration of Protective Covenants and Restrictions recorded October 30, 2003 under Reception No. 536257, and The Ridges at Arrowhead in Gunnison Country Declaration of Protective Covenants recorded August 24, 1993 in Book 729 at Page 372 and under Reception No. 444806, all in the Clerk’s Office (collectively and as amended, the “**Declaration**”), which encumbers the Property within the Subdivisions;

WHEREAS, the Arrowhead Improvements Association, Inc., a Colorado nonprofit corporation (the “**Association**”) is the owners’ association formed relative to the Subdivisions pursuant to the Declaration to, among other things, take title to the Common Areas (and it has taken title to such Common Areas) and to regulate the use of sites and the Common Areas within the Subdivisions and is also a Customer;

WHEREAS, the Company must make improvements and perform regular (and potentially extraordinary) maintenance, including repairs and/or replacements, to ensure the Company’s ability to provide reliable water services to each Property and the Service Area;

WHEREAS, the Company owns and may purchase water rights and administer the augmentation plan affecting such rights in order to provide water services in compliance with new water quality standards;

WHEREAS, the Company’s duties with respect to the provision of water service within the Service Area, including to the Property, may require the Company to impose certain rules and regulations, including, but not limited to, volume limitations upon Customer’s water consumption, to ensure the provision of water to all residents within the Service Area in accordance with the terms of all applicable regulations and augmentation plans affecting the Service Area and the water rights used to provide such service;

WHEREAS, from time to time, the Company may be required to obtain outside funding in order to defray the expenses of obtaining water rights, making improvements, and performing regular and extraordinary maintenance, including repairs and/or replacements to the Central Water System; and

WHEREAS, it is in the best interests of the Customer, the Property and the Service Area, to ensure, to a reasonable extent, competent administration of plans designed to allocate water services equitably; to promote compliance with the obligations and duties upon which the provision of water service within the Service Area are conditioned; and to promote harmonious relations among owners of properties within the Service Area.

TERMS OF SERVICE

In view of the foregoing Recitals and in consideration of the provision of water service to the Service Area and each Customer's Property, the following Terms of Service shall govern:

1. **MAIN EXTENSIONS.** As necessary, in accordance with criteria established by the Company, Company has installed main extension lines from Company-owned water infrastructure and storage facilities to serve the properties within the Service Area. All utility lines must be placed underground.

2. **SERVICE LINES.** In connection with the installation, repair or replacement of any lateral lines to a Customer's Property, Customer shall timely acquire all necessary permits from the Association and governmental and other regulatory agencies (if and as applicable). All connections to the Company's mains shall be made in accordance with criteria established by Company. With respect to individual parcels of Property within the Subdivisions, water service shall be provided to only one meter on each such parcel served. All service lines shall be and remain the property of the owner of the Property served thereby.

3. **WATER PRESSURE.** Customer will accept water service at the pressure the Company is able to deliver to the above address with its existing facilities. If water pressure is not sufficient to serve Customer's improvements on the Property, Customer shall install pumps or similar equipment to provide adequate water pressure. All such equipment shall be and remain the property of the owner of the Property served thereby and shall thereafter be maintained by and at the sole expense of said owner unless otherwise permitted or required by separate agreement.

4. **FIRE PROTECTION.** Any fire hydrant located on the Central Water System may not provide sufficient flows for fire protection purposes. Nothing herein contained shall be construed to place Company in the position of guarantor of the supply or quantity of water service available for fire protection purposes, including but not limited to by reason of insufficient water pressure, or volume of water, intermittent supply, or interruption of service, and Customer hereby irrevocably waives any rights it may have against Company, its directors, officers and employees in connection with the availability or provision of water for fire protection services.

5. **METERING AND MONITORING.** Company has or shall equip each water service line with a shutoff valve and water meter (which may include a backflow prevention device) to measure water usage upon the Property. The water meter, shut off valve, and meter pit are property of the Company immediately after installation. Customer hereby conveys to the Company an easement for the installation and maintenance of the water meter and for Company to obtain access to the water meter for the purposes of reading and maintaining the meter and for water testing. No obstructions shall be constructed on, over or around the meter or any other lines or appurtenances installed in connection with the Central Water System.

6. **MONTHLY METER READING.** Company may, at its election, read the water meter on the Property monthly to measure the volume of water delivered thereto and record the readings in a permanent manner. Utilizing said information, Company shall comply with all water augmentation plans affecting the Property and shall bill Customer for water treatment and usage

according to Company's rate schedule as the same may be amended from time to time in the Company's sole discretion.

7. **OUTSIDE USAGE AND EXCESS USAGE PROHIBITED.** Water services obtained from the Company shall be for household uses only and usage of water for lawn and garden watering purposes is strictly prohibited. Customer also understands that the volume of water available to the Property is limited. The term "household use" as used in these Terms of Service means any use of the water in the living area or living quarters of a house or other place of residence, regardless of whether the type of residence or duration of residency is temporary or permanent.

8. **NEW SERVICE.** A new service connection will require a pre-paid water tap fee, in accordance with Company's rate schedule, plus reimbursement of the costs to the Company for labor, parts, and materials used by the Company to make the actual connection to the water main after it has been uncovered by the Company's contractor (this connection has to be done by appointment made in advance with Company employees or representatives present). Customer's contractor will install the service line between the meter pit and the residence in accordance with Company's policy regulations for service lines. Company shall not be liable for any claim for damage, injury or loss to persons or property arising out of or in connection with Customer's contractor's installation of any service line. All water lines from the water distribution main to the meter pit, the water meter, and the meter pit become the property of the Company once installed and will be maintained by the Company. Tampering with the meter pit or any other property owned by the Company is strictly prohibited, is considered trespass, and may result in legal actions and fines.

9. **QUARTERLY BILLING.** Company shall bill Customer quarterly at the Customer's (electronic or mailing) address on record with the Company or, if none, at the address of Customer's Property, and Customer shall pay said quarterly bills on receipt at Company's address as set forth below or as Company may otherwise direct in writing. Charges for all services as set forth in these Terms of Service may be billed together. Quarterly billing shall be for and include the following:

a. New service connection, commencement, or reconnection fees for each service provided hereunder, in accordance with Company's rate schedule, as the same may be amended from time to time in the Company's sole discretion;

b. A monthly charge in accordance with Company's rate schedule, as the same may be amended from time to time in the Company's sole discretion, for each service provided by Company;

c. A fixed sum representing a surcharge as a special assessment against Customer to aid Company in the recovery of compliance costs, drought related costs, costs related to legal proceedings, maintenance costs and costs of construction of main extensions and related facilities, improvements and replacements and all other capital improvements made by Company within the Property;

- d. Any repayment of debt or related finance charges;¹ and
- e. Any other charges or fees directly attributable to Customer pursuant to the terms and conditions of these Terms of Service.

If Customer defaults in respect to the payment of any such bill for a period of more than thirty (30) days from the statement date, Company may, at its option, impose late fees and default interest as set by the Company's Board of Directors from time to time. If said payment remains unpaid for a period of sixty (60) days from the statement date, Company may, at its option, terminate water service to the Property until all amounts due for water services have been paid in full, along with all charges imposed by Company in connection with the disconnection and reconnection of water services, which may include a payment of the current reconnection fee and all other collection costs incurred by Company, including administrative and court costs and reasonable attorney's fees.

10. LIEN RIGHTS. By accepting water service, Customer covenants and agrees to pay to the Company all amounts due as set forth above and further agrees that all such charges shall be a charge on the land and shall be a continuing lien upon the Property until paid in full. All such liens shall be subject to foreclosure in accordance with applicable law. IT IS SPECIFICALLY AGREED BY THE PARTIES THAT IF CUSTOMER PAYS ALL AMOUNTS AS THEY FALL DUE PURSUANT TO THESE TERMS OF SERVICE, INCLUDING ANY ASSESSMENT MADE BY THE COMPANY, THEN NO LIEN SHALL BE AVAILABLE TO THE COMPANY.

11. LIABILITY. Customer shall indemnify and hold Company harmless from and against any claim, liability, damage, loss, surcharge, penalty and expense, including reasonable attorneys' fees, arising out of or resulting from Customer's performance of or failure to perform any duty or responsibility specified hereunder or arising out of Customer's negligence or other misuse of Company's facilities and assumes all responsibility for damages that may arise from breakage of or leakage from Customer's service line and facilities including damage by water. The Customer's service line and facilities commence at the Customer's meter, but do not include the meter.

12. SERVICE INTERRUPTION. Nothing herein contained shall be construed to place Company in the position of guarantor of the quantity or quality of water services and Company shall not be responsible for any claims of any kind whatsoever, occurring by reason of insufficient or excessive water pressure, or volume of water, intermittent supply, interruption of service, or any claims for damage or inconvenience of any kind whatsoever occurring on or within the Property or the Service Area relative to water service and Customer hereby irrevocably waives any rights it may have against Company, its directors, officers and employees in connection with the quality, quantity, interruption or termination of services. In case of interruption of services, Customer's remedy shall be strictly limited to a refund of pre-paid fees, if any, attributable to the period during which water services were not provided by the Company.

¹ In some cases Customer will be able to pay his *pro rata* share in full rather than participate in a financing arrangement through the Company. If that is an option, and if the Customer pays in full, then Customer shall not be responsible for costs of that particular financing arrangement.

13. RULES AND REGULATIONS. Company has adopted, and reserves the right to amend from time to time, rules and regulations not in conflict with the terms of these Terms of Service, and Customer shall abide by such rules and regulations. Said rules and regulations may include the assessment of fines to deter conduct which jeopardizes the ability of owners of property within the Service Area to obtain water services or which increases the costs of those services. Any rules and regulations adopted by Company shall be provided in writing and shall remain on file in offices of Company for inspection during regular business hours.

14. TERM OF TERMS OF SERVICE. These Terms of Service shall be effective immediately and shall continue so long as water services remain available to Property from the Company. Customer may cancel these Terms of Service upon sixty (60) days' prior written notice to the Company. Upon cancellation of water service, Customer loses all rights to service from the Company; service will be immediately discontinued; and any future request to reattach to the water system will be treated as a new application for service which shall include a reconnection fee. Upon cancellation of water service, Customer shall pay all amounts owed by Customer as determined by the Company.

15. BINDING EFFECT. These Terms of Service shall be binding upon Customer during the terms hereof.

16. NO WAIVER. Failure of Company to exercise any right hereunder shall not be deemed a waiver of any such right and shall not affect the right of Company to exercise at some future time said right or any other right it may have hereunder.

17. SEVERABILITY. If any provision of these Terms of Service shall be or become invalid or unenforceable, the remainder of the provisions shall not be affected thereby, and each and every provision shall be enforceable to the fullest extent permitted by law.

18. AMENDMENT. These Terms of Service may be amended by the Company's Board of Directors from time to time. Any such amendments shall be provided in writing and shall remain on file in offices of Company for inspection during regular business hours.

19. NO ASSIGNMENT BY CUSTOMER. Customer's right to receive water from Company pursuant to these Terms and Conditions may not be separately assigned from Customer's Property and may only be used in connection therewith. Notwithstanding the foregoing, however, upon sale of the Property, these Terms of Service shall be deemed assigned to the purchaser who shall be substituted for Customer for all purposes hereunder.

20. ASSIGNMENT BY COMPANY. Company may assign its rights and obligations under these Terms of Service to any successor provider of water service to the Service Area without the consent of any Customer or association of owners (such successor thereafter being the "Company" under these Terms of Service). The original Company will provide Customer with written notice of any such assignment and, thereafter, bills will be payable to the address directed by the successor to the original Company in writing.

21. ENTIRE TERMS OF SERVICE. These Terms of Service supersede and control over all prior written and oral agreements and representations of the Company and Customer and is the total integrated agreement among the parties governing the matters provided for herein.

22. GOVERNING LAW; VENUE; ATTORNEYS' FEES. These Terms of Service and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the State of Colorado. Venue for all actions arising under these Terms of Service shall be Gunnison County, Colorado. In the event Customer or Company pursues any legal remedy to resolve any dispute or conflict regarding the terms of these Terms of Service or the rights and obligations of the parties hereto, the prevailing party shall be entitled to recover costs incurred in pursuing such remedies, including court costs and fees, expert witness fees, and reasonable attorneys' fees.

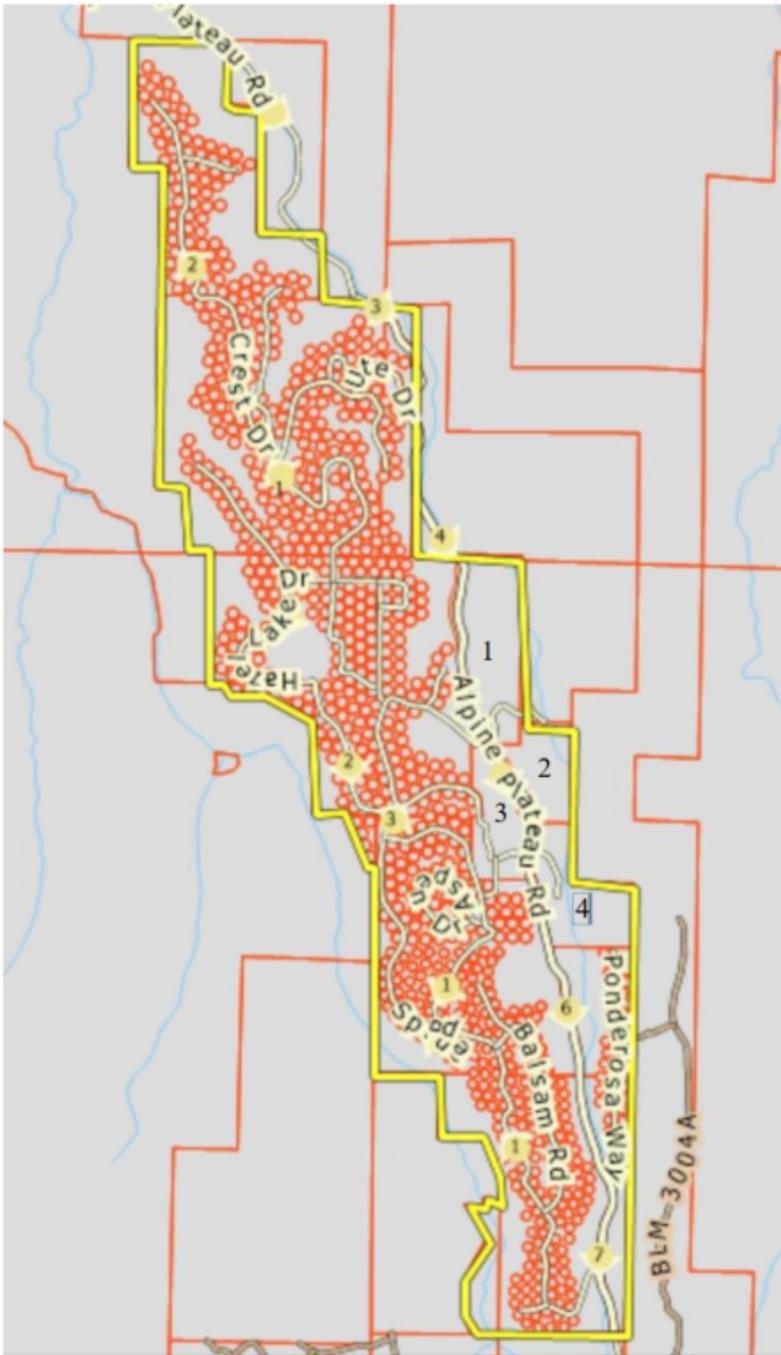
23. CUSTOMER ACCEPTANCE OF AGREEMENT. All service by the Company to Customers shall be upon the terms and other provisions set forth in this Agreement. In accepting service from the Company, Customers agree to be bound by the terms and other provisions in this Agreement.

24. RELIANCE BY THE COMPANY. The Company agrees to provide water to the Customers and the Service Area solely in accordance with the terms of this Agreement, in reliance of the covenants provided herein.

COMPANY:

The Evergreen Lake Company, a Colorado nonprofit corporation

EXHIBIT A SERVICE AREA



The four additional parcels are identified as of the date of this MOU by Gunnison County as parcel numbers:

1. 4049-000-00-153 (being approx. 103.31 acres shown as owned by Donald F. Squirrell and Pamela M. Squirrell);
2. 4049-000-00-158 (being approx. 48.50 acres shown as owned by Blue Mountain Arrowhead LLC);
3. 4049-000-00-169 (being approx. 58.56 acres in addition to Lots 9-21 and 23 Arrowhead Commercial Area shown as owned by Shultz Family Trust Investments LLC); and
4. 4049-000-00-159 (being approx. 80.29 acres shown as owned by William B. Hobson).