

ACQUISITION AGREEMENT

This Agreement is made and entered into this 31st day of August, 2000, by and between **FARMERS KORNER, INC.**, a Colorado corporation, whose address is Box 1005, Frisco, Colorado 80443, hereinafter referred to as the "Developer" and the **ALPENSEE WATER DISTRICT**, a quasi-municipal corporation and political subdivision of the State of Colorado, whose address is Box 1005, Frisco, Colorado 80443, hereinafter referred to as the "District." Collectively the Developer and the District are hereinafter referred to as the "Parties."

RECITALS

WHEREAS the Developer is the owner of Highland Meadows PUD and Alpengsee III Subdivision, County of Summit, State of Colorado, hereinafter referred to collectively as the "Property;" and

WHEREAS all of the Property is located within the boundaries of the District; and

WHEREAS the Parties desire to enter into this Agreement with respect to the construction and conveyance of the water system improvements including space in a building to house the water storage, pumping, and treatment system ("Improvements") in connection with the real property located within the District; and

WHEREAS the District is simultaneously herewith issuing its General Obligation Limited Tax Refunding Bonds, Series 2000 (the "Bonds") and imposing improvement fees (the "Improvement Fees") on all subdivided lots within the District; and

WHEREAS the Improvement Fee Agreement requires the Developer to pay the District for the use of the Improvements of the District an Improvement Fee of Twenty-Two Thousand Dollars (\$22,000) upon the sale of a subdivided residential lot as shown on the present and future recorded plats for the development within the District to a third party purchaser (each, a "Lot") and an Improvement Fee of Forty-four Thousand Dollars (\$44,000) upon the sale of the property for each of four commercial buildings to be constructed in the Alpengsee III Subdivision to a third party purchaser (each, a "Building"); and

WHEREAS in order to provide assurance to the District and the holders of the Bonds that the District will have the ability to obtain the revenues generated by the Improvement Fees, the Developer has agreed to either construct, at its initial expense, said Improvements in accordance with the terms of this Agreement, or upon request by the District, to provide the funding for the construction of said Improvements by the District; and

WHEREAS the Developer desires to convey the Improvements to the District, and the District desires to acquire the Improvements upon the occurrence of certain conditions.

COVENANTS AND AGREEMENTS

NOW, THEREFORE, in consideration of the promises and the mutual covenants hereinafter set forth, the Parties agree as follows:

1. Construction Schedule. The Developer covenants, represents and warrants that the Improvements will be completed, at Developer's initial expense, prior to December 31, 2000.

2. Conditions to Acquisition of Water System. The developer agrees to convey and the District agrees to accept the Improvements including all aspects of the water system including but not limited to the water rights, treatment facilities, storage and reservoir rights and facilities, easements, real property, conduits, and pipes pursuant to and upon the conditions and terms hereinafter set forth. The District shall have no obligation to acquire or pay for any or all of the Improvements unless and until all of the following conditions have occurred, in the sole judgment and discretion of, and to the satisfaction of, the District:

a. The Improvements shall have been completed.

b. The Improvements shall be unencumbered by any liens or claims.

c. As of the time of the District's acquisition of the Improvements, the Developer shall be in strict compliance with each of the terms, covenants and conditions of this Agreement.

3. Construction of Improvements/Standards.

a. The District and Developer agree that the Developer will utilize the water system designs approved by the District in accordance with Summit County specifications. Neither Party shall be liable for failure to perform hereunder if such failure is the result of force majeure, and any time limit expressed herein shall be extended for the period of any delay resulting from any force majeure. Force majeure shall mean causes beyond the reasonable control of a party such as, but not limited to, unavailability of applicable permits (to the extent the Developer is not responsible for such unavailability) weather conditions, acts of God, strikes, work stoppages, unavailability or delay in receiving labor or materials, faults by contractors, subcontractors, utilities companies or third parties or fire or other casualty.

b. If and to the extent the Developer completes or causes completion of the construction and installation of the Improvements in accordance with the covenants and conditions hereof, the District will acquire the Improvements from Developer for a price not to exceed the Improvement Price, as hereinafter defined. The Developer shall deliver to the District a photocopy of all executed construction contracts between the Developer and all contractors, which construction contracts will require the contractors to obtain and keep in full force and effect adequate performance and labor and materials payment bond(s).

c. Developer shall provide District with a certification, from an engineer acceptable to the District, that the Improvements are operable, constructed in accordance with all approved designs, standards and specifications, and have been constructed and installed in accordance with all applicable requirements of the County of Summit and State of Colorado and that the Improvements are adequate to serve the needs of the Property. Developer covenants to comply, in all respects, with the County and District specifications and to comply with the reasonable directions of the District and its construction consultants.

d. The Improvements shall be constructed in accordance with the requirements of the District for conditional and final acceptance, and the Developer agrees to undertake actions that may be required with respect to the Improvements in order to permit the Improvements to be approved by the District. Further, with respect to all Improvements constructed by the Developer or caused to be constructed by the Developer, the Developer agrees to comply, and cause its contractors to comply, during the construction, conditional acceptance and warranty periods, with (i) Colorado law regarding construction and dedication of public improvements and insurance requirements (including liability and worker's compensation); and (ii) the provisions of Section 38-26-101, et seq., and Section 24-91-101, et seq., C.R.S., specifically including those that require the retainage and release of payments to contractors and subcontractors. The Developer agrees to execute such documents as may be required by the District in order to effectuate conveyance of the Improvements to the District.

e. The Developer shall cause all work to be performed hereunder in a good and workmanlike manner and in compliance with all applicable federal, state and local statutes, ordinances, rules and regulations.

4. Conveyance.

a. The Developer shall provide the District with a commitment for title insurance regarding all real property and easements to be conveyed to the District and upon conveyance shall provide the District with a title insurance policy, standard exceptions deleted, in an amount acceptable to the District and an opinion from an attorney acceptable to the District that the water rights are good and merchantable in the Developer. The Developer shall furnish the District ownership in at least 1000 square feet of space in a building adequate to house the water storage, pumping and treatment system.

b. Developer shall have good and marketable fee simple title to all real property and/or easements to be conveyed to the District. The real property shall be conveyed by general warranty deed with only such exceptions as are acceptable to the District. Easements shall be conveyed to the District by easement deeds prepared by the District and in a form acceptable to the District free and clear of all liens and encumbrances except those specifically excepted by the District. Personal property to be conveyed to the District shall be pursuant to a bill of sale prepared by the District and all such property shall be free and clear of all liens and encumbrances.

c. The Developer shall execute such documents as may be required by the District to convey the right of way for the Improvements, if not previously dedicated to the District, as part of the dedication and acceptance process.

d. Developer shall warrant the Improvements for a period of two (2) years after closing. Final acceptance of the Improvements shall occur at the end of the two (2) year period described herein, provided that, if in the opinion of the District, the Improvements are not in an acceptable and satisfactory condition at the end of the warranty period, as determined by the District, the Developer shall take corrective measures as are necessary to bring said Improvements into an acceptable and satisfactory condition. The warranty period will automatically be extended until such Improvements are repaired and made acceptable as reasonably determined by the District.

5. Improvements Price. The price for the Improvements (the "Improvement Price") is approximately One Million Six Hundred Twenty Five Thousand Dollars (\$1,625,000). The Improvement Price may be adjusted upward, on a dollar-for-dollar basis, to accommodate cost increases actually borne by the Developer if and to the extent the District Specifications and/or requirements of the County are changed during the construction process, and such change results in cost increases to construct and install the Improvements. At or prior to the time of conditional acceptance of the Improvements by the District, the Developer shall certify the actual costs of construction of the Improvements to the District, and shall submit invoices containing sufficient detail so as to allow the District's accountant to verify said costs. Subject to the terms hereof, the District agrees to reimburse the Developer the actual costs of design, engineering review, construction management and construction thereof as billed by the contractors for the Improvements.

6. Advance Payment. As an advance payment of a portion of the purchase price, the District intends to pay the Developer on or about September 1, 2000 the following sums:

a. Eight Hundred Seventy Nine Thousand Nine Hundred Sixty Nine Dollars (\$879,969) for Improvements previously installed, such amount to be used by the Developer to pay obligations to FirstTier Bank for release of lien claims such Bank may have related to the Improvements; and

b. Thirty Nine Thousand Seven Hundred Thirty Eight Dollars (\$39,738) plus Seventeen Thousand Two Hundred Ten Dollars (\$17,210), for a total of Fifty Seven Thousand One Hundred Seventy Nine Dollars (\$57, 179), for Improvements previously installed based upon invoices submitted by Mountain Diggers Corporation for release of lien claims that such company may have for the work done prior to August 1, 2000, described in such invoices.

The total advance payment being the aggregate of (a) and (b) in this section is Nine Hundred Thirty Six Thousand Eight Hundred Seventy Five Dollars (\$936,875).

7. Pump and Equipment Payment. It is anticipated that payments for work by Triangle Electric, Samuelson Pumps, and to complete the pump system will be approximately Two Hundred

Seventy Six Thousand One Hundred Thirty Eight Dollars (\$276,138). The District shall pay for such Improvements upon receipt of invoices submitted thereby for release of lien claims that such companies submit for work done during August and September, 2000, as described in such invoices. No payments shall be made until the work is complete and invoices received.

8. Developer agrees the District is a Utility Company authorized to use the roadways, easements, and public rights of way shown on the plat for the Highland Meadows PUD and Alpengsee III Subdivision, Summit County, Colorado.

9. Developer shall obtain and deliver any easement for the water system reasonably requested by the District for any part of the water system located outside of the established public easements or easements or property owned by the District.

10. The Subordinate Lien Bonds shall not be released to Developer until such time as:

a. The water rights necessary for operation of the water system are conveyed to the District; and

b. That portion of the building enclosing the water treatment plant is occupied by the District and the District has ownership of the perpetual right to use and occupy such portion of the building; and

c. The water system is fully operational as determined by the District engineer and the District manager.

MISCELLANEOUS

1. Indemnification. The Developer hereby agrees to indemnify and hold the District harmless from and against all losses, claims, damages, liabilities or expenses, including attorney's fees, incurred or claimed as a result of the negligent or intentional acts or omissions of the Developer, its agents, officers, employees or contractors arising from or related to the construction, installation, or reconstruction of the Improvements.

2. Waiver of Conditions. The District, at its sole option, may waive any of the conditions set forth herein, by written notification to the Developer; provided, however, that such waiver shall not constitute a general waiver of all conditions, nor shall any such waiver prevent the District from enforcing other conditions of the Developer required hereunder.

3. Right of Offset. The Developer expressly acknowledges and agrees that in the event of a material, uncured default by the Developer in its obligations hereunder, in addition to other remedies that may be available to the District at law or in equity, the District shall have the right, but not the obligation, to offset any losses or damages suffered by the District on account of such material, uncured default against any indebtedness of the District to the Developer presently existing

or hereafter arising, not to exceed One Million Six Hundred Twenty Five Thousand Dollars (\$1,625,000) (the "Offset Right"). The Offset Right shall be reduced, on a dollar-for-dollar basis, by the cost of Improvements constructed and finally accepted by the District hereunder, as verified by the District's accountant.

4. Counterparts. This Acquisition Agreement, which may be executed in duplicate counterparts, shall, upon execution, be recorded in the real estate records of Summit County; and shall inure to the benefit of and be binding upon the successors, assigns and heirs of the respective party.


5. No Third Party Rights. Nothing expressed or implied in this Acquisition Agreement is intended or shall be construed to confer on or give to any person other than the Parties hereto, any right, remedy or claim under or by reason of this Agreement or any of the covenants, terms, conditions or provisions hereof; and all of the covenants, terms, conditions or provisions in this Agreement shall be for the sole and exclusive benefit of the Parties hereto.

6. Specific Performance. The District shall have the right to require specific performance of the Agreement from the Developer in addition to any other action to enforce this Agreement at law or in equity.

IN WITNESS WHEREOF the Parties hereto and executed this Agreement as of the day and year first above written.


DEVELOPER:

FARMERS KORNER, INC.

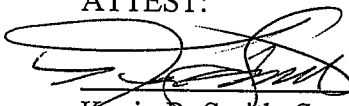
By: 
Laurence E. Smith, President

DISTRICT:

ALPENSEE WATER DISTRICT

By: 
Lori A. Cutunilli, President

ATTEST:


Kevin R. Smith, Secretary