

**SEVERANCE SHORES
METROPOLITAN DISTRICT NOS. 1-4**

WATER RULES AND REGULATIONS
Adopted and Administered by Severance Shores Metropolitan District No. 1

Approved to be effective July 12, 2019

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ARTICLE I
GENERAL

1.1 Authority

The Severance Shores Metropolitan District Nos. 1-4 (“Districts”) are quasi-municipal corporations and a political subdivision with those powers of special districts which are specifically granted for carrying out the objectives and purposes of the Districts.

Severance Shores Investments, LLC (“Owner”) is the owner of that certain project located within the Severance Shores Metropolitan District Nos. 1-4 in the Town of Severance, Colorado. The Severance Shores Metropolitan District No. 1 (“MD1”) is responsible for maintenance and operation of the Non-Potable Water System.

1.2 Purpose

The purpose of this consolidated body of Severance Shores Water Rules and Regulations (“Rules and Regulations”) is to ensure an orderly and uniform administration of irrigation water operations in the Severance Shores Subdivision. These Rules and Regulations apply *only* to the Non-Potable Water System (as defined herein), not to the potable water system, as that system will be managed and controlled by the Town of Severance (“Town”) or another public entity providing potable water service to the Severance Shores Metropolitan District Nos. 1-4 (“Property”).

1.3 Policy

The authority of the Districts to adopt by-laws, rates, Rules and Regulations is expressly conferred by Colorado statute. The Board of Directors (“Governing Board”) of the MD1 hereby declares that the policies, procedures, Rules and Regulations hereinafter set forth will serve a public use and are necessary to promote the health, safety, security, and general welfare of the inhabitants of and visitors to the Districts.

1.4 Scope

These Rules and Regulations shall be treated and considered as comprehensive regulations governing the operations and functions of the Districts with regard to the Non-Potable Water System.

1.5 Intent of Rules and Regulations

It is intended that these Rules and Regulations shall be liberally construed to affect the general purposes set forth herein, and that each and every part thereof is separate and distinct from all other parts. No omission or additional material set forth in these Rules and Regulations shall be construed as an alteration, waiver or deviation from any grant of power, duty or responsibility, or limitation or restriction, imposed or conferred upon the Governing Board by virtue of statutes now existing or subsequently amended, or under any contract or agreement existing between the Districts and any other governmental

entity. Nothing contained herein shall be so construed as to prejudice or affect the right of the District to secure the full benefit and protection of any law which is now enacted or may subsequently be enacted by the Colorado General Assembly pertaining to the affairs of the District. Any ambiguity, conflict, omission or question of interpretation of these Rules and Regulations shall be determined in the sole discretion of the District's Governing Board.

1.6 Amendment

It is specifically acknowledged that Owner initially, and then MD1, once the Non-Potable Water System has been transferred to it, shall have the power to amend these Rules and Regulations, and such amendments must be approved in writing. Except where an amendment expressly requires the consent of the Town and the Owner, these Rules and Regulations may be altered, amended or added to from time to time and such alterations, additions or amendments shall be binding and of full force and effect as of the date of their adoption by Owner, or MD1 following transfer of the system. These Rules and Regulations are subject to, and may not conflict with, the Subdivision Improvements Agreement, recorded in the office of the Clerk and Recorder of Weld County, Colorado on December 7, 2018 at Reception No. 4451985.

1.7 Miscellaneous.

1.7.1 Usage and Titles. All words and phrases shall be construed and understood according to the definitions contained in the Declaration of Covenants, Conditions, Restrictions, and Easements for Severance Shores Metropolitan Districts Nos. 1-4 ("Declaration") recorded in the office of the Clerk and Recorder of Weld County, Colorado, or if not defined in the Declaration, then according to the common and usage of the language, but technical words and phrases and such others as may have acquired a particular and appropriate meaning in the law shall be construed and understood according to such particular and appropriate meaning. The title of any heading in these Rules and Regulations shall not be deemed in any way to restrict, qualify, or limit the effect of the provisions set forth in the section or subsection set forth under each heading.

1.7.2 Severability. Should any section, subsection, sentence, clause or phrase of these Rules and Regulations be judicially determined invalid or unenforceable, such judgment shall not effect, impair, or invalidate the remaining provisions of these Rules and Regulations, the intention being that the various sections and provisions hereof are severable.

1.7.3 Prior Offenses. Nothing in these Rules and Regulations shall affect any offense or act committed or done, or any obligation, penalty or forfeiture incurred by any person or under any contract or right established or occurring before the effective date of these Rules and Regulations.

1.7.4 No Damages for Failure to Enforce. Nothing herein contained shall create any right to damages against the Districts, their directors, officers, agents or employees for the Districts' failure to enforce any or all of these Rules and Regulations.

1.7.5 Availability of Service. Non-potable water service shall be available only in accordance with these Rules and Regulations and on the basis of the charges established therefore and subject to all penalties and charges for violation thereof, or any applicable statutes, and subject to the availability of facilities and capacity.

1.7.6 Control and Operation of Facilities. All water facilities and property of MD1 shall be under the management of the Manager and the control of the Governing Board. Except as set forth in the Declaration, no other Person shall have any right to enter upon, inspect, operate, adjust, change, alter, move, or relocate any portion of the District's facilities without the District's prior written consent.

1.7.7 Inspections. All inspections, observations, testing and reviews performed by MD1 whether of private premises to insure compliance with these Rules and Regulations, or of MD1's property and facilities, are performed for the sole and exclusive benefit of the Districts. No liability shall attach to MD1 by reason of any such inspections, observations, testing or reviews, or by reason of any denial or issuance of any approval or permit for any work subject to the authority or jurisdiction of MD1.

1.7.8 Ownership of Facilities. MD1 exercises all rights and responsibilities attendant to the water facilities owned by the District and, in the future, shall accept ownership responsibilities only for additional facilities which have been formally conveyed to and accepted by MD1.

1.7.9 Ownership of Water Rights. Ownership or the right to use water rights necessary for provision of non-potable water service by MD1 shall be acquired by MD1, in order to provide non-potable water service to lands currently located within the Districts. Future expansion of the Districts' area through annexations may require additional interests in water rights requirements for MD1, by or on behalf of property owners requesting irrigation services. Such water rights shall be in accordance with service requirements of MD1 working in conjunction with the Town and shall be sufficient to provide the Districts with adequate supply of irrigation water for the development contemplated, for the areas proposed to be served, and for all service obligations undertaken by MD1.

ARTICLE II DEFINITIONS

Unless the context specifically indicates otherwise, the meaning of the terms used herein shall be as follows:

- 2.1 **“Equivalent Dwelling Unit”** or **“Single Family Equivalent Dwelling Unit”** means a use which is estimated to have an impact upon the Non-Potable Water System equal to that of the average usage of a Dwelling Unit.
- 2.2 **“Gender”** the use of any gender shall be applicable to all genders.

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- 2.3 **“Districts”** means, collectively, the Severance Shores Metropolitan Districts Nos. 1, 2, 3 and 4.
- 2.4 **“Irrigation Water System”** or **“Non-Potable Water System”** means any water main line, appurtenances, accessories or portion thereof owned, leased, or maintained by or for the Districts in connection with the Property’s management, administration, control and/or provision of non-potable water service or irrigation water within the Property’s boundaries.
- 2.5 **“Manager”** means the person or entity retained by the Governing Board to administer and supervise the affairs of the Districts and its employees.
- 2.6 **“MD1”** means Severance Shores Metropolitan District No. 1, which shall be responsible for the installation, operation, and maintenance of the Non-Potable Water System operating throughout Severance Shores Subdivision.
- 2.7 **“Non-Potable Water”** is all non-potable water administered, managed, controlled or provided by the District for the Non-Potable Water System.
- 2.8 **“Permit”** means the written permission to connect to or enlarge the use for the Irrigation Water System of MD1 pursuant to the Rules and Regulations.
- 2.9 **“Person”** means any entity of any nature, whether public or private.
- 2.10 **“Rules and Regulations”** means these Severance Shores Water Rules and Regulations, including all amendments and policies as set forth in Districts minutes and resolutions.
- 2.11 **“Service Line”** means any privately owned and maintained pipe, line or conduit used or to be used to provide irrigation water service from the Water Main, whether the pipe, line or conduit is connected or not.
- 2.12 **“Shall”** or **“May”** whenever “shall” is used herein, it shall be construed as a mandatory direction. Whenever “may” is used herein, it shall be construed as a permissible, not mandatory direction.
- 2.13 **“Singular and Plural”** as pertains to these Rules and Regulations, the singular includes the plural and the plural includes the singular wherever applicable.
- 2.14 **“Water Main”** and/or **“Main Line”** means any pipe, piping, or system of piping used as a conduit for water in the Irrigation Water System and owned, operated, maintained, leased or controlled by MD1.

Any other term not herein defined shall be defined as presented in the “Glossary - Water and Sewage Control Engineering”, A.P.H.A., A.W.W.A., A.S.C.E. and F.W.S.A., latest editions, or as contained in the Declaration.

ARTICLE III
OWNERSHIP AND OPERATION OF FACILITIES

3.1 Responsibilities of MD1

Except as otherwise provided by these Rules and Regulations, MD1 is responsible for the operation and maintenance of the Non-Potable Water System, which operation and maintenance shall be carried out in a sound and economical manner, in accordance with these Rules and Regulations and the Declaration. MD1 shall not be liable or responsible for inadequate service or interruption of service brought about by circumstances beyond its control.

3.2 Limitation of Liability of the District

By agreeing to receive Non-Potable Water from MD1, lot owners expressly stipulate that no claim for damage shall be made against MD1 by reason of the following: breakage of any Water Main line by MD1's personnel, Manager and/or its agents; interruption of water service and the conditions resulting therefrom; breaking of any Main Line, service line, valve, pipe, or meter; failure of the water supply; shutting off or turning on water; making of connections or extensions; damage caused by water running or escaping from open or defective faucets; burst service lines or other facilities not owned by MD1; damage to sprinkler systems or other appliances or apparatuses, devices or equipment used for irrigation of property, resulting from shutting off or turning on of water, or from inadequate, excessive or sporadic pressures; or for doing anything to the Non-Potable Water System deemed necessary by the Governing Board or its agents.

3.3 Rights and Authority

MD1 shall have no responsibility for notification to customers of any of the foregoing conditions. All irrigation water users within the Districts shall be obligated to connect to the District's Irrigation Water System unless otherwise agreed to in writing by MD1. MD1 reserves the right to discontinue service to any property, at any time, for any reason deemed necessary or appropriate.

MD1 shall have the right to revoke service to any property for violations of these Rules and Regulations in accordance with the procedures set forth in these Rules and Regulations.

MD1 reserves the right to terminate service to any user of the Irrigation Water System. Unless otherwise provided herein, MD1 shall give written notice to such user of MD1's intention to terminate service. Under no circumstance shall any user be entitled to or obtain, claim or assert any perpetual right to irrigation water service from MD1 or in any District easements, Water Mains or connections, whether under contract or otherwise, and such user shall be bound by all Rules and Regulations of the District as altered or

amended from time to time governing the administration and use of, and charges for, irrigation water service from the District's Irrigation Water System.

Service limitations and prohibitions under any law, or which may be contained within any contractual agreement of MD1 with any other governmental body, shall also constitute prohibitions and limitations upon any user of the facilities of the Districts, except as may be provided by special permit.

3.4 Ownership of Facilities

All existing and future Main Lines and treatment works connected with and forming an integral part of the Non-Potable Water System upon transfer from Owner shall become and remain the property of MD1, unless any contract provides otherwise. Said ownership will remain valid whether the Main Lines and treatment works are constructed, financed, paid for, or otherwise acquired by MD1, or by other persons.

3.4.1 Ownership of Irrigation Water Facilities. For irrigation water, MD1 shall own, and is responsible for the maintenance of, the water service line, up to and including the curb stop valve or the lot owner's property line, whichever is closer to the Water Main. The lot owner is responsible for the maintenance of the remaining portion of the service line serving his property.

3.5 Right of Entry, Inspection and Maintenance Powers and Authority of District Agents

Authorized employees of MD1, the Manager, or other personnel authorized by the Manager, bearing proper credentials and identification, shall be permitted by the customer/owner to enter upon all properties at reasonable times for the purpose of installation, replacement, repair, maintenance, inspection, observation, measurement, sampling, and testing of any water meter, meter pit if one exists, curb stop valve and/or box, radio frequency device if one exists, sump pump, water service lines and easements in accordance with the provisions of these Rules and Regulations and the Declaration. The granting of right of entry by the customer/owner is a condition precedent and a condition subsequent to the provision of water service by MD1. Refusal to permit such access to authorized personnel in the performance of their duties may result in immediate termination of water service to the property, and/or may cause additional charges to be imposed on the lot owner at the discretion of the Manager. Failure to permit such inspection, observation, measurement, sampling and/or testing upon the written request of the Manager may result in a presumption that permission is being denied to avoid discovery of a violation that would result in the disconnection of service to the property by the party failing to permit such activity.

3.6 Modification, Waiver and Suspension of Rules

The Governing Board or the Manager, acting on instructions of the Governing Board, shall have the sole authority to waive, suspend, or modify these Rules and Regulations, and any such waiver, suspension or modification must be in writing, signed by a Board

member or the Manager. Such waiver shall not be deemed an amendment of the Rules and Regulations. No waiver will be deemed a continuing waiver.

ARTICLE IV
USE OF IRRIGATION WATER SYSTEMS

Irrigation water services will be furnished to property included within the Districts subject to the District's Rules and Regulations and subject to fees, rates, charges and tolls as provided herein and as imposed by MD1. Irrigation water under this Article IV is provided by MD1 for the sole use of irrigating landscaping of all irrigable areas within the Severance Shores Subdivision.

4.1 Unauthorized Tampering with System

4.1.1 Unauthorized Use. No unauthorized person shall uncover, make any connection with, or opening onto, use, alter, or disturb the Irrigation Water System without first obtaining written approval from the MD1. Unauthorized uses of, or tampering with, the MD1's Irrigation Water System include, but are not limited to, a change in the customer's equipment, service or use of property, an unauthorized turn-on or turn-off of irrigation water service, burying valve boxes, or modifying any irrigation water meter.

4.1.2 Malicious Damage to System. No person shall maliciously, willfully, or negligently, break, damage, destroy, cover, uncover, deface or tamper with any portion of MD1's Irrigation Water System.

4.1.3 Violators Prosecuted. Any person who shall violate the provisions of this Article IV shall be prosecuted to the full extent of Colorado law.

4.1.4 Violators Fined. Any person violating any of the provisions of these Rules and Regulations may become liable to MD1 for payment of a \$1,000.00 fine or fines as otherwise established at the discretion of the Governing Board, plus any expense, loss or damage occasioned by reason of such violation following notice and an opportunity for a hearing. Such costs shall constitute assessments of fees, tolls, charges and other impositions permitted under the Special District Act, Section 32-1-101, and 32-1-1001 C.R.S., and shall have the lien priority described in that statute.

4.2 Use of Irrigation Water System

4.2.1 Notice of Changes and Repairs of Leaks. The customer shall notify MD1 prior to any expansion or addition to the service or use of the property served by the MD1's Irrigation Water System and upon any change of ownership of said property. Each customer shall be responsible for all costs associated with the construction and maintenance of the length of the service line to the curb stop or property line, whichever is closer to the Main Line. Service lines shall be constructed in accordance with specific instructions to be obtained from MD1 prior to commencing construction.

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Leaks or breaks in the service line shall be repaired by the customer within seventy-two (72) hours of obtaining knowledge of a leak or from the time of notification of such condition by MD1. If satisfactory progress toward repairing said leak has not been completed within the same time period, the Manager shall shut off the service until the leak(s) and/or break(s) have been repaired; in addition, MD1 shall have the right to effect the repair, and the costs therefore shall constitute a lien on and against the property of such customer as security for payment of such costs, as provided for by Section 32-1-1001, C.R.S.

4.3 Watering Schedule, Non-Potable Water System – Restrictions of Use

If conditions of supply so limit the water supply of the MD1's Irrigation Water System such that unrestricted water use may endanger the adequacy of that supply, the Governing Board, exercising its discretion in the protection of the health, safety, and welfare of residents, may adopt emergency water use restrictions and such additional regulations and restrictions as are reasonably calculated under all conditions to conserve and protect that supply and to ensure a regular flow of water through the system. Emergency water use regulations and restrictions shall remain in force and effect until the Governing Board determines that the conditions requiring their imposition no longer exist. A day constitutes a 24 hour period from 12:00 am to 11:59 pm.

4.3.1 General Use Restrictions. Irrigation sprinklers should only be operated between the hours of 7 pm and 9 am. Drip irrigation systems may be operated between the hours of 6 pm and 11 am.

4.3.2 Alternating Water Days.

Even Numbered Single Family Addresses: Watering permitted three (3) days per week on Tuesdays, Thursdays and Saturdays only, during the time periods set forth above.

Odd Numbered Single Family Addresses: Watering permitted three (3) days per week on Wednesdays, Fridays and Sundays only, during the time periods set forth above.

* This schedule will not be enforced until two (2) weeks after the installation of the initial sod on any new construction, but may be enforced anytime thereafter.

ARTICLE V
RATES AND CHARGES

5.1 General

The information contained in this Article is pertinent to all charges of whatever nature to be levied for the provision of irrigation water service. Said rates and charges as herein established are in existence and effect at this time, and shall remain in effect until modified by the Governing Board under the provisions of these Rules and Regulations, and under the applicable statutes of the State of Colorado. Nothing contained herein shall

limit the Governing Board from modifying rates and charges, or from modifying any classification except as expressly set forth herein.

5.2 Application of this Article

The rates, charges, and other information shown herein shall apply only to customers inside the Severance Shores Subdivision, and shall in no way obligate MD1 with respect to services provided outside the boundaries of MD1.

5.3 Classification of Customers

For the purpose of levying fair, reasonable, uniform, and equitable charges, the following classifications and related definitions are provided:

5.3.1 Single-Family Residential Unit. Includes single-family units under the definition of single-family residential unit.

5.4 Service Charge

Service charges shall be as reflected in the Schedule of Fees and Charges, attached hereto as Appendix A. Service charges will be charged and billed on an annual basis, prior to the irrigation season. Additional charges for additional water quantity may be billed monthly as use occurs. The service charge will be prorated for the first year at the time of closing. Thereafter, the bills will be sent out before the end of the first quarter of each fiscal year.

5.5 Payment of Service Charges

The customer shall pay MD1 within ten (10) days after the billing date the full amount of that statement.

5.6 Penalty for Late Payment

At any time the customer is fifteen (15) days tardy in payment of any charges due MD1, MD1 shall assess an interest charge at the rate of one percent (1%) per month on the unpaid balance. MD1 shall further have the right, in its sole discretion, to terminate service to any customer who becomes thirty (30) days or more tardy in payment for scheduled services, following notice and an opportunity for a hearing as outlined herein.

MD1 shall assess to any customer who is tardy in payment of his account, all legal, court, disconnection, and other costs necessary to or incidental to the collection of said account.

Until paid, all such fees, rates, penalties, or charges shall constitute a perpetual lien on and against the property served, and any such lien may be foreclosed in the same manner as provided by the laws of this state for the foreclosure of mechanics' liens.

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5.7 Foreclosure Proceedings/Attorney's Fees

At any time it becomes necessary after other efforts (letters, posted notices) to collect delinquent payments of any fee or charge imposed by MD1 under these Rules and Regulations and/or Colorado law are unsuccessful, MD1 may then initiate foreclosure proceedings as provided for by Section 32-1-1001(1)(j)(I), C.R.S. All of the provisions of these Rules and Regulations to the contrary notwithstanding, all customers/users of the Non-Potable Water System hereby agree to be bound by these Rules and Regulations as a matter of contract and for which there is good and valuable consideration. Further, in the event MD1 shall commence a foreclosure action or proceeding to collect any payments of whatsoever nature due and payable to MD1, then in said event the party being foreclosed upon agrees hereby to the payment of any and all costs incurred in connection with said foreclosure proceedings including, but not limited to, reasonable attorney's fees which the court shall tax as a part of the costs of such foreclosure proceedings. In the event payment is made by the customer prior to the foreclosure sale, said attorney's fees and any and all other fees outstanding against the subject account and relating to the subject real property, must also be paid as a pre-condition to the resumption of service to the subject property.

ARTICLE VI
MISCELLANEOUS PROVISIONS

6.1 Claims Against MD1.

In the event any person claims to have suffered an injury of any kind by MD1 or by a Director or employee thereof related to the provision of irrigation water services, such person shall, within one hundred eighty (180) days after the discovery of such injury, advise the Manager or the secretary of MD1 by written notice of intent to make a claim. In the notice, such person shall accurately describe the date, time, location and circumstance of the event complained of; the name and address of the person or persons entitled to relief; and name of any individuals involved; a statement of the nature and extent of the injury claimed to have been suffered; and the amount of monetary damages suffered and the relief requested.

6.2. Construction of Rules and Regulations.

6.2.1 Interpretation. Any dispute over interpretation of the Rules and Regulations, or concerning their application in any particular case, shall be submitted to the Governing Board, and its decision shall be final and conclusive.

6.2.2 Headings. The headings which appear in the Rules and Regulations are for the purpose of identification and do not constitute any part of the Rules and Regulations.

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6.2.3 Severability. If any provisions of the Rules and Regulations are held invalid for any reason by a court of competent jurisdiction as part of a judgment, judicial decree, court order or otherwise, such adjudication shall not affect in any manner or particular any of the other provisions contained in the Rules and Regulations, and the remaining Rules and Regulations shall continue in full force and effect.

6.2.4 Limitation. The Rules and Regulations are implemented by the Governing Board in furtherance of certain rights and powers conferred by statute. The Rules and Regulations are not to be construed as a limitation upon any general or specific powers of the Governing Board, or as an expression by the Governing Board of only certain limited powers which it intends to use.

6.3 Supplement to Law.

The provisions of these Rules and Regulations shall be in addition to and in supplement of the terms and provisions of the Declaration and the laws of the State of Colorado. To the extent there is a conflict between these Rules and Regulations and the Declaration, the Declaration shall control except that it is the Owner's and the Governing Board's intention that the documents be read together and harmonized to the extent possible for the effective and efficient operation of the Non-Potable Water System and for the benefit of lot owners and customers. Amendments to these Rules and Regulations are incorporated into the Rules and Regulations and the Declaration, as applicable, by reference.



APPENDIX A

IRRIGATION WATER RATES AND CHARGES SCHEDULE

Irrigation Water System and Reservoir/Water Storage Fee: Annual fee of \$540 per Single Family Residential Unit (to be billed semi-annually) shall be charged for each Single Family Residential Unit for the costs and expenses related to provision of non-potable water, non-potable reservoir storage, maintenance, and MD1 irrigation service for the irrigation water, storage and services provided related to the reservoir and non-potable water. The fee shall be billed and collected by the Severance Shores Metropolitan District No. 1, with the initial prorated payment to be collected at closing of a Lot.

The rates imposed by MD1 for the Non-Potable Water System Assessment shall be evaluated by MD1 annually as part of the District's budgeting process, and may be amended as evidenced by amendment of this Appendix A - Irrigation Water Rates and Charges Schedule.

Rates may be increased or decreased in the discretion of the Governing Board, providing that consistent rates and provision of service to the service area of the Districts and its customers is reasonably maintained.