

DISCONNECT AGREEMENT
(Voluntary Suspension of District Services)

This **DISCONNECT AGREEMENT** (the "Agreement") is entered into and made effective as of the ____ day of _____, 20__ by and between **CORNERSTONE METROPOLITAN DISTRICT NO. 1**, a quasi-municipal corporation and political subdivision of the State of Colorado (the "District"), and _____ (the "Customer"), whose address is _____. The District and the Customer are referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, the District was organized pursuant to and in accordance with the provisions of §§ 32-1-101, *et seq.*, C.R.S. for the purpose of constructing, financing, operating and maintaining certain public facilities and improvements for itself, its taxpayers, residents and users; and

WHEREAS, pursuant to the authority granted in Section 32-1-1001(1)(m), C.R.S., the District and Cornerstone Metropolitan District No. 2 jointly adopted those certain "Cornerstone Metropolitan District Nos. 1 and 2 Rules and Regulations" (the "Rules and Regulations"), as amended from time to time; and

WHEREAS, the Rules and Regulation set forth the services provided by the District, including but not limited to the provision of water and sanitary sewer service (the "Services"), as well as various fees and charges imposed by the District for the Services; and

WHEREAS, the Rules and Regulations further provide procedures for the temporary termination of the Services for non-payment of fees or other violations of the Rules and Regulations; and

WHEREAS, the Rules and Regulations do not presently provide procedures for property owners or other recipients of the Services to voluntarily suspend the Services; and

WHEREAS, pursuant to § 32-1-1001(1)(d)(I), C.R.S., the District is empowered to enter into contracts and agreements affecting the affairs of the District; and

WHEREAS, the Board of Directors of the District (the "Board") desires to permit property owners to suspend or discontinue District Services to their properties on a voluntary basis by agreement with the District (the "Suspension of Services"), subject to the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and stipulations set forth herein, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

TERMS AND CONDITIONS

1. Voluntary Disconnect. The “Effective Date” of this Agreement shall be the date upon which the final party hereto executes this Agreement as indicated in the respective signature blocks below. The District shall be entitled to proceed with the Suspension of Services to Customer’s property, as said property is shown on Schedule 1, attached hereto and incorporated herein by this reference (the “Property”), without further notice being provided to the Customer, at any time on or after the Effective Date. All fees due and owing pursuant to Section 2 of this Agreement shall be paid within 5 days of the Effective Date, or this Agreement shall be considered void and of no force or effect.

a. Property Owners. In the event the Customer (as such term is defined in the Rules and Regulations) is not the owner of record of the Property (the “Property Owner,” as defined in the Rules and Regulations), this Agreement shall be entered into between the District and Customer, as well as between the District and the Property Owner, prior to the Suspension of Services.

b. Disconnect Procedures. The District may effectuate the Suspension of Services in its discretion and in conformity with the requirements and procedures of the Rules and Regulations. The Customer shall not unilaterally disconnect or in any way tamper with District Facilities (as defined in the Rules and Regulations), irrespective of this Agreement or the status of the Suspension of Services.

2. Fees Due and Owing. Upon request, the District Manager shall provide to the Customer a tabulation of all fees due and owing, or expected to be due and owing, on the Customer’s account as of the anticipated Effective Date of this Agreement, and including fees through the end of the quarter that includes the anticipated Effective Date (the “Outstanding Fees”). The Outstanding Fees shall include but not be limited to any service and operations fees at the then-current rates as provided in the District’s Fee Schedule through the end of the current quarter. In addition to the Outstanding Fees, a one-time “Disconnect Fee” of \$100, or the then-current rate as provided in the District’s Fee Schedule, shall also be charged to the Customer. The Customer shall remit all Outstanding Fees and the Disconnect Fee to the District within 5 days of the Effective Date.

3. Ongoing Fee Obligations. Beginning on the next quarter (January 1, April 1, July 1, October 1) and continuing for so long as this Agreement remains in effect, the Customer shall pay one-half of the base rate for all Services received by the Property as of the Effective Date (the “Reduced Fee Amount”). The District shall maintain an accounting of the difference between the fees that would be due and owing upon the Property if it were receiving full Services (the “Full Fee Amount”) and the Reduced Fee Amount, such difference being the “Suspended Fee Amount.” For and in consideration of the benefit conferred to the Customer under this Agreement, the Customer agrees that upon the occurrence of any Event of Default not cured in accordance with Section 5, the Suspended Fee Amount, and any outstanding balance owing on the Reduced Fee Amount, shall become immediately due to the District. If an Event of Default occurs, the Suspended Fee Amount shall be calculated from the Effective Date of this

Agreement to the date of default, and an interest rate equivalent to 12% per annum shall be applied the Suspended Fee Amount.

4. Reconnection/Resumption of District Services. This Agreement shall remain in effect until such time as the Customer desires to resume Services to the Property. The Customer shall give the District a minimum of fourteen (14) days notice prior to the intended date of the resumption of Services (the "Reconnect Date"). Regular full fees shall begin immediately on the Reconnect Date, prorated for the then-current billing period.

a. Reconnection Fee. The Customer shall be obligated to pay a one-time "Reconnection Fee" in the amount of one-half the then-current water tap fee as set forth in the Fee Schedule.

b. Final Waiver of Suspended Fee Amount. Provided no Event of Default has occurred, the Suspended Fee Amount shall be permanently waived by the District upon payment by the Customer of the Reconnection Fee. In the even Services resume but the Customer fails to pay the Reconnection Fee within thirty (30) days of the invoiced due date of the bill including the Reconnection Fee, the Suspended Fee Amount, calculated from the Effective Date through the Reconnect Date, shall become due and owing immediately unless otherwise waived by the Board in its sole discretion.

5. Compliance With Laws and Regulations. By executing this Agreement, the Customer agrees to assume sole and full responsibility for compliance with the laws and regulations of any other governmental entity as such are related to the provision of the Services and/or the Suspension of Services, including but not limited to the requirements of the applicable County Health Department, County Building Department, and the Fire Protection District. The Customer further expressly agrees to indemnify and hold harmless the District in accordance with the provision of Section 10 of this Agreement for any and all liability, claims, damages, violations, penalties, fines or charges arising out of the Suspension of Services.

6. Default. If the Customer fails to perform in accordance with the terms, covenants and conditions of this Agreement, or is otherwise in default of any of the terms of this Agreement or the District's Rules and Regulations, including but not limited to any non-payment of fees, the Customer will have fifteen (15) days from and after the date of the default to cure the default, whether or not notice of such default is provided to the Customer by the District, and notwithstanding any conflicting provisions of the Rules and Regulations. If any default is not cured as described above, it shall constitute an "Event of Default" under this Agreement.

7. Agreement Constitutes Lien. The Customer hereby agrees and acknowledges that the Suspended Fees under this Agreement constitute a fee or charge for services, programs or facilities furnished by the District to benefit the Property, and that the Suspended Fees shall, until paid or finally waived by the District upon resumption of service, constitute a perpetual lien on and against the Property. Upon an Event of Default, as that term is defined in Section 6, said lien may be foreclosed in the manner as provided by the laws of the State of Colorado for the foreclosure of mechanic's liens, pursuant to § 32-1-1001(1)(j), C.R.S.

8. Recording. This Agreement shall be recorded by the District against the Property in the office of the County Clerk and Recorder, and any obligations under this Agreement shall constitute a lien against the Property as provided in Section 7, such lien being a perpetual statutory lien that shall run with the land. Upon the resumption of the Services and the payment of the Reconnection Fee to the District, the District shall record a termination notice referencing the reception number of this Agreement. The Customer hereby agrees that termination of this Agreement shall be in the District's discretion and shall not require a counterpart signature from the Customer.

9. Waiver of Default. The failure or delay on the part of either party to enforce any provision of this Agreement shall not be construed as or considered a waiver of such provision or any other provision of this Agreement. Any consent or approval granted by either party under this Agreement shall be in writing and shall not be deemed to waive or render unnecessary the obtaining of consent or approval with respect to any subsequent act or omission for which consent is required or sought.

10. Indemnification. The Customer shall defend, indemnify and hold harmless the District and each of its directors, officers, employees, agents and consultants, from and against any and all claims, demands, losses, liabilities, actions, lawsuits, damages, and expenses, including reasonable legal expenses and attorneys' fees, arising directly or indirectly, in connection with this Agreement and/or the Suspension of Services. This indemnification obligation shall survive the expiration or termination of this Agreement.

11. Assignment. The Customer shall not assign this Agreement or parts thereof, or its respective duties. Any attempted assignment or delegation of this Agreement in whole or in part shall be null and void and of no effect whatsoever, and shall constitute an Event of Default. In the event the Customer's account with the District is to be transferred to another party for any reason, including but not, limited to a transfer of ownership of the Property, this Agreement shall be terminated and the Reconnection Fee paid pursuant to the provisions of Section 4. The subsequent Customer shall then enter into a new and separate Agreement with the District for continued Suspension of Services; provided, however, that if such transfer is undertaken concurrently, the District may, in its discretion, waive the Disconnect Fee for the subsequent Customer.

12. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors and assigns of the Parties, and all covenants conditions and agreements contained in this Agreement shall be construed as covenants running with the land.

13. Termination. This Agreement shall be perpetual unless and until Services are restored pursuant to the provisions of Section 4.

14. Notices. Any notice or communication required under this Agreement must be in writing, and may be given personally, sent via nationally recognized overnight carrier service, or by registered or certified mail, return receipt requested. If given by registered or certified mail, the same will be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or

(ii) three days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If personally delivered or sent via nationally recognized overnight carrier service, a notice will be deemed to have been given and received on the first to occur of (i) one business day after being deposited with a nationally recognized overnight air courier service or (ii) delivery to the party to whom it is addressed. Any party hereto may at any time, by giving written notice to the other party hereto as provided herein designate additional persons to whom notices or communications will be given, and designate any other address in substitution of the address to which such notice or communication will be given. Such notices or communications will be given to the parties at their addresses set forth below:

District: Marchetti & Weaver, LLC
28 Second Street, Suite 213
Edwards, CO 81632
Attn: Eric Weaver, CPA
970.926.6060 ext 5
970.926.6040 Fax

With copy to: White, Bear & Ankele Professional Corporation
2154 E. Commons Ave., Suite 2000
Centennial, Colorado 80122
Attn: Clint C. Waldron
303.858.1800 (phone)
303.858.1801 (fax)

Customer: _____

15. Captions. The captions contained herein are for convenience only and do not constitute a part of this Agreement and do not limit, affect or construe the contents of this Agreement.

16. Entire Agreement. This Agreement constitutes the entire Agreement between the Parties hereto relating, and sets forth the rights, duties, and obligations of each to the other as of this date. Any prior agreements, promises, negotiations, or representations not expressly set forth in this Agreement are of no force and effect. This Agreement may not be modified except by a writing executed by both the Customer and the District.

17. Amendments. This Agreement may be amended at any time by the execution by the Parties of a written amendment, supplement, instrument or other agreement.

18. No Waiver. No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other of the provisions of this Agreement, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided herein.

19. Governing Law / Disputes. This Agreement and all claims or controversies arising out of or relating to this Agreement shall be governed and construed in accordance with the law of the State of Colorado, without regard to conflict of law principles that would result in the application of any law other than the law of the State of Colorado. Venue for all actions arising from this Agreement shall be in the District Court in and for the county in which the Property is located. The Parties expressly and irrevocably waive any objections or rights which may affect venue of any such action, including, but not limited to, *forum non-conveniens* or otherwise. In the event of any litigation between the District and the Customer to enforce any provision of this Agreement or any right of either Party hereto, the Parties agree that the court shall award costs and expenses to the prevailing Party, such costs and expenses to include reasonable attorneys' fees. Otherwise, each Party shall pay its own costs and fees for litigation.

20. Good Faith of Parties. In the performance of this Agreement, or in considering any requested approval, acceptance, or extension of time, the Parties agree that each will act in good faith and will not act unreasonably, arbitrarily, capriciously, or unreasonably withhold, condition, or delay any approval, acceptance, or extension of time required or requested pursuant to this Agreement.

21. Negotiated Provisions. This Agreement shall not be construed more strictly against one Party than against the other merely by virtue of the fact that it may have been prepared by counsel for one of the Parties, it being acknowledged that each Party has contributed substantially and materially to the preparation of this Agreement.

22. Severability. If any portion of this Agreement is declared by any court of competent jurisdiction to be void or unenforceable, such decision shall not affect the validity of any remaining portion of this Agreement, which shall remain in full force and effect. In addition, in lieu of such void or unenforceable provision, there shall automatically be added as part of this Agreement a provision similar in terms to such illegal, invalid or unenforceable provision so that the resulting reformed provision is legal, valid and enforceable.

23. Governmental Immunity. Nothing in this Agreement shall be construed to waive, limit, or otherwise modify, in whole or in part, any governmental immunity that may be available by law to the District, its respective officials, employees, or agents, or any other person acting on behalf of the District and, in particular, governmental immunity afforded or available to the District pursuant to the Colorado Governmental Immunity Act, Title 24, Article 10, Part 1 of the Colorado Revised Statutes.

24. No Third Party Beneficiaries. It is expressly understood and agreed that enforcement of the terms and conditions of this Agreement, and all rights of action relating to such enforcement, shall be strictly reserved to the Parties and nothing contained in this Agreement shall give or allow any such claim or right of action by any other third party on such

Agreement. It is the express intention of the Parties that any person other than Parties receiving services or benefits under this Agreement shall be deemed to be an incidental beneficiary only.

25. Counterpart Execution. This Agreement may be executed in several counterparts, each of which may be deemed an original, but all of which together shall constitute one and the same instrument. Executed copies hereof may be delivered by facsimile or email of a PDF document, and, upon receipt, shall be deemed originals and binding upon the signatories hereto, and shall have the full force and effect of the original for all purposes, including the rules of evidence applicable to court proceedings.

Signature page follows.

SCHEDULE 1
Property Listing