

## EXHIBIT C

### CERISE RANCH

#### DOMESTIC WATER, IRRIGATION WATER AND WASTEWATER RULES AND REGULATIONS

THE FOLLOWING RULES AND REGULATIONS SHALL GOVERN THE OPERATION AND ADMINISTRATION OF THE CENTRAL DOMESTIC WATER SYSTEM, CENTRAL IRRIGATION WATER AND INDIVIDUAL WASTEWATER SYSTEMS OF CERISE RANCH, PURSUANT TO THE DECLARATION (AS DEFINED BELOW).

#### NOTICE

**The central water system and sanitary sewer system are owned and operated by the MVMD (as defined below). All lot owners are required to comply with the MVMD's Rules and Regulations and Technical Specifications. To the extent that the CRPOA (as defined below) rules and regulations conflict with the MVMD's Rules and Regulations, the MVMD's Rules and Regulations shall govern.**

#### SECTION 1

#### DEFINITIONS

- 1.1 **Board of Directors or Directors** shall mean the Board of Directors of the Cerise Ranch Property Owners Association, Inc. (CRPOA). Wherever in these Rules and Regulations any action or decision is to be taken or made by the CRPOA, such action or decision shall be made by the Board of Directors.
- 1.2 **Engineer** shall mean an engineer in a contract or employment relationship with CRPOA to perform the functions of CRPOA's engineer as provided in these Rules and Regulations and as directed by the CRPOA Board of Directors.
- 1.3 **Operator** shall mean a certified water and/or wastewater system operator in a contract or employment relationship with CRPOA to perform the functions of CRPOA's water and/or wastewater system operator as provided in these Rules and Regulations and as directed by the CRPOA Board of Directors.
- 1.4 **Lot** shall mean a separately conveyable, subdivided lot or unit within Cerise Ranch Subdivision (Cerise Ranch) which is or can be occupied by a single family.
- 1.5 **CRPOA** shall mean the Cerise Ranch Property Owners Association, Inc., a not for profit Colorado corporation, organized to perform the functions as defined in its Articles of Incorporation, Bylaws, and the Declaration.
- 1.6 **Owner** shall mean the person, persons or entity who owns a lot within Cerise Ranch as reflected in the records of the Clerk and Recorder of Garfield County, Colorado.

- 1.7 **User** shall mean the person or persons who occupy a lot and receive water service from CRPOA.
- 1.8 **Declaration** shall mean collectively that certain Declaration of Covenants, Conditions, Restrictions and Easements for the Cerise Ranch Subdivision, Phase 1, recorded in the records of the Clerk and Recorder of Garfield County, Colorado on December 12, 2000, at Reception No. 575832, as supplemented by that certain Supplemental Declaration of Covenants, Conditions, Restrictions and Easements for the Cerise Ranch Subdivision, Phase 2, recorded September 27, 2001, at Reception No. 589154, as amended by First Amendment to Declaration of Covenants, Conditions, Restrictions and Easements for the Cerise Ranch Subdivision, recorded September 25, 2003 at Reception No. 637392, Second Amendment to Declaration of Covenants, Conditions, Restrictions and Easements for the Cerise Ranch Subdivision, recorded December 4, 2003 at Reception No. 642257, and as same may be further amended from time to time.
- 1.9 **MVMD** shall mean the Mid Valley Metropolitan District, a Colorado special district. All Lots will receive domestic water service from the MVMD, and all lots included within the MVMD will receive sanitary sewer service through the MVMD in accordance with the MVMD's Pre-Inclusion Agreement applicable to each lot. All lots within the Cerise Ranch must comply with the MVMD's Rules and Regulations adopted December 18, 2001, as amended from time to time, including, without limitation, (i) paying to the MVMD its water and/or sewer tap fees, at the rates then in effect, and (ii) paying to the MVMD its service surcharge fee, if included within the MVMD, and (iii) complying with the MVMD's Technical Specifications and Procedures.

## SECTION 2

### OWNERSHIP OF SYSTEMS

- 2.1 **Central Domestic Water System.** The central domestic water system is the property of the MVMD and as such, all of the lots within the Cerise Ranch are subject to the rules and regulations of the MVMD. The central domestic water system shall include all wells, water storage tanks, water treatment equipment, water system monitoring and control equipment, pumps, other appurtenances used in the operation of the domestic water system, and the water distribution system piping to the point of connection of individual service lines as described in section 3.4, below. Any water service extending from a corporation stop on a MVMD central domestic system water main to its point of use on a lot shall be the property of the lot Owner and all costs related to the installation and maintenance of such service line shall be the obligation of the lot Owner. Those lots which have not included into the MVMD will be provided domestic water as "Out of District Service" and will be billed for water tap fees and service charges accordingly.
- 2.2 **Individual Wastewater Treatment Systems.** Lots not included within the MVMD will be served by individual wastewater treatment systems (sometimes referred to herein as ISTS). The ISTS installed to serve the wastewater treatment requirements of each individual lot shall be the property of the lot Owner and all costs related to the installation, inspection, maintenance, and repair of such wastewater treatment system shall be the obligation of the lot Owner. Should an individual wastewater treatment system be discovered to be defective or in need of maintenance or repair and the individual wastewater treatment system is not repaired or replaced by the lot Owner within fifteen (15) days following discovery of such

defect, CRPOA may, but is not required to, repair or replace such individual wastewater treatment system and the costs thereof shall be charged to and paid by the lot Owner. For repairs costs estimated to exceed \$1000.00 during any calendar year, additional remedies such as fines and discontinuance of domestic water service may be sought by the CRPOA pursuant to Section 9.4 of the Declaration. Further, CRPOA shall have a lien for delinquent charges against any lot to which such costs apply, which lien may be foreclosed in the manner provided for the foreclosure of a mortgage under the laws of the State of Colorado and as in accordance with Article XI of the Declaration. Any provision herein to the contrary notwithstanding, CRPOA reserves and shall at all times have a right of access to all wastewater treatment systems and other facilities necessary for CRPOA to carry out its lawful functions.

2.3 **Central Sewage Collection System.** Except as provided below, all lots included within the MVMD are required to connect to the central sewage collection system. Lots 5, 61 and 68 have existing ISTS systems and are included within the MVMD. In accordance with the inclusion agreements for those lots and any other lots which have ISTS systems and subsequently include into the MVMD, the ISTS systems may be operated until they fail or require repairs that cost in excess of the MVMD sewer tap fee then in effect, at which time those lots will be required to connect to the central sewage collection system. The central sewage collection system is the property of the MVMD, and all lots are subject to the rules and regulations of the MVMD. The central sewage collection system shall include all manholes, lift stations, force mains, pumps and control equipment, other appurtenances used in the operation of the system, and the sewage collection system piping to the point of connection of individual service lines as described in section 3.4, below.

2.4 **Central Irrigation Water System.** The central irrigation water system shall be the property of the CRPOA. The central irrigation water system shall include all irrigation water rights, irrigation ditches, irrigation control structures, water storage ponds, siphons, other appurtenances used in the operation of the irrigation water system, and irrigation system piping to the “point of diversion” on individual lots. The “point of diversion” on an individual lot shall be the headgate or control valve for any ditch lateral or pipeline, or the point of intake for any pump, constructed or installed to divert water from the central irrigation water system to serve that individual lot. Capital improvements to such central irrigation water system in the future, including by way of illustration and not limitation, additional water storage ponds, shall become the property of CRPOA. Any irrigation water service extending from a CRPOA central irrigation system ditch or pipeline to its point of use on a lot shall be the property of the lot Owner and all costs related to the installation and maintenance of such service line, headgate, valves, intake screen or pump system, shall be the obligation of the lot Owner. This includes the construction of any water amenity feature on any lot pursuant to these Guidelines as described in Section 5.5 below. Due to the vagaries of a gravity water supply through any ditch, pond, or irrigation source of supply owned by CRPOA (referred to as the central irrigation system), CRPOA will not be responsible for any failure to deliver water in any quantity, or at any time, and CRPOA shall not under any circumstance be responsible for any damage that may result to any private irrigation system, any pump, motor or control, as a result of a diminishment or cessation of the irrigation water supply. CRPOA strongly recommends the installation of a sensor on private systems to prevent the pump motors from starting/running when no water is available. Any provision herein to the contrary notwithstanding, CRPOA reserves and shall at all times have a right of access to all service lines and other facilities necessary for CRPOA to carry out its lawful functions.

### SECTION 3

## USE OF SYSTEMS

- 3.1 **Unauthorized Acts.** No person or entity shall uncover, make any connection with or opening into, use, discharge into, alter or otherwise disturb any portion of the MVMD water or sewer system without first obtaining the MVMD's prior written permission.
- 3.2 **As-Built Drawings.** Prior to the initiation of service through any water main, sewer main, or service connection the Owner of the lots to be served by such main line or service connection shall furnish the MVMD with reproducible as-built drawings of such main line or service connection. Prior to the initiation of service through any ISTS system, the Owner of the lot to be served by the ISTS system shall furnish the CRPOA reproducible as-built drawings of the wastewater treatment and wastewater disposal systems installed on such lot, which drawings shall be prepared and submitted in accordance with specifications and procedures approved by CRPOA's engineer. Unless and until such as-built drawings are received and approved by CRPOA, no service shall be provided.
- 3.3 **Authorized Connections.** Connections to the MVMD's water system shall be made only in accordance with such procedures and specifications and utilizing such materials as required by the MVMD's Rules and Regulations. The MVMD has approved a variance allowing the use of "Pure-Core" pipe for water service lines within Cerise Ranch; provided that all service line extensions constructed after April 6, 2004 using "Pure-Core" piping shall include a trace wire. Service line and trace wire construction shall conform with the requirements of the MVMD's Rules and Regulations and the variance granted April 6, 2004.
- 3.4 **Maintenance of Service Lines.** Leaks or breaks in service lines shall be repaired by the lot Owner as soon as possible but in no event more than 72 hours after discovery of such leak or break. For purposes of these Rules and Regulations, the term "service line" shall mean the entire pipe line, including all appurtenances extending from the MVMD main line, to the point of use on the Owner's property.
- 3.5 **Water Meters.** Prior to receipt of water service from the MVMD water system, a lot Owner must install, at the lot Owner's sole expense, a water flow meter and remote readout meeting the rules and regulations of the MVMD.
- 3.6 **Back Flow Protection.** All water service installations shall include back flow/cross connection prevention devices in accordance with the specifications and procedures established by the MVMD.
- 3.7 **Pressure Reducing Valves.** Pressure reducing valves shall be installed by all lot owners as required by the MVMD.
- 3.8 **Water Usage.** For lots not served by the raw water irrigation system, the surface area (square feet) of outside lawn and landscape irrigation provided by the potable water system shall not exceed 3000 sf for standard lots and 4500 sf for lots with approved for an accessory dwelling unit. For all lots served by the raw water irrigation system, the surface area of outside lawn and landscape irrigation provided by the potable water system shall not exceed 500 sf of the surface area of outside lawn; and landscape irrigation provided by the raw water irrigation system shall not exceed one acre. Water drawn from the raw water irrigation system for individual lot water amenity features shall circulate through the feature

and be returned to the raw water irrigation system with no consumptive use other than evaporation. Water amenity features on any individual lot shall only operate with water from the raw water irrigation system and shall only be operational during the irrigation season.

- 3.9 **Wastewater Discharge Restrictions.** All discharges into the MVMD sanitary sewer system shall comply with the MVMD's Rules and Regulations. No person shall discharge, or cause to be discharged, to any individual wastewater treatment system, any harmful waters or wastes, whether liquid, solid or gas, capable of causing obstruction to the flow in individual sewers, damage or hazard to individual wastewater treatment system structures, equipment or personnel, inhibiting the biological activity in individual wastewater treatment facilities, interfering with the proper operation of such individual wastewater treatment system, or causing a violation of Federal, state or local laws. Prohibited discharges shall include but not be limited to the following wastes:
- (a) Water from storm drains, roof runoff, drainage collection systems, surface runoff, sub-surface drainage, or cooling processes.
  - (b) Any water or wastes containing grease, oil, hydrocarbons, fatty acids, soaps, fats, or waxes which exceed 50 mg/l as determined by solvent (Freon) extraction.
  - (c) Any waste having a temperature higher than one hundred fifty (150) degrees Fahrenheit (66°C).
  - (d) Any waste having a pH value lower than 5.5 or greater than 9.0.
  - (e) Any toxic substance or substance requiring pretreatment, as those terms are defined in 40 Code of Federal Regulations §403, as amended from time to time, unless otherwise covered under this section.
  - (f) Any radioactive wastes or isotopes.
  - (g) Any solid or viscous substances in quantities or sizes capable or causing obstruction to the flow in the sewer lines or other interference with the proper operation of the individual wastewater treatment system, such as, but not limited to ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastics, wood, unground garbage, whole blood, cattle manure, hair and fleshings, entrails, grit, brick cement, onyx, carbide, and shredded or whole paper products other than tissue, toilet paper, and other products intended for toilet disposal.
  - (h) Any noxious or malodorous substance capable of creating a public nuisance.
  - (i) Any wastes having a color concentration in excess of 30 color units, based on the Platinum Cobalt Scale.
  - (j) Any wastes having a flash point lower than one hundred eighty-seven degrees Fahrenheit (187°F) (86°C) as determined by the Tagliabue (Tag.) closed-cup method.
  - (k) Any waste having a five (5) day Biochemical Oxygen Demand which may contain more than 300 parts per million by weight as averaged during any twelve (12) hour period.

- (l) Any waste capable of raising the Lower Explosive Limit (LEL) of the ambient atmosphere in any sewer to 5% for any two successive readings or to 10% for any single reading on an explosion hazard meter. Prohibited materials include, but are not limited to, gasoline, kerosene, naphtha, benzene, toluene, zylene, ethers, alcohols, ketones, aldehydes, peroxides, chlorates, perchlorates, bromates, carbines, hydrides and sulfides.
- (m) Any wastes containing phenolic compounds over 5 mg/l expressed as phenol.
- (n) Any cyanides or compounds capable of liberating hydrogen cyanide in excess of 1 mg/l expressed as hydrogen cyanide from any individual outlet.
- (o) Any wastes containing sulfides over 3 mg/l expressed as hydrogen sulfide.
- (p) Any wastes containing toxic or poisonous substances having a 24 hour proportionate composite sample concentration, at point of discharge to wastewater disposal system, in excess of the following:

(1)	Total Chromium	as	Cr	7.5 mg/l
(2)	Copper	as	Cu	4.5 mg/l
(3)	Nickel	as	Ni	15.0 mg/l
(4)	Cadmium	as	Cd	1.2 mg/l
(5)	Zinc	as	Zn	12.0 mg/l
(6)	Iron	as	FE	15.0 mg/l
(7)	Lead	as	Pb	15.0 mg/l
(8)	Arsenic	as	As	0.25 mg/l
(9)	Manganese	as	Mn	0.25 mg/l
(10)	Selenium	as	Se	0.05 mg/l
(11)	Silver	as	Ag	0.25 mg/l
(12)	Mercury	as	Hg	0.10 mg/

3.10 **Wastewater Treatment Requirements.** No individual wastewater treatment system shall be approved for installation that does not meet the following effluent limits prior to discharging to any individual wastewater disposal system, i.e. absorption trench, leach field, etc.

- (a) BOD<sub>5</sub> 30 mg/l (30 day average)
- (b) TSS 30 mg/l (30 day average)

Individual wastewater treatment systems shall meet the above effluent limits prior to discharging to any individual wastewater disposal system. Individual wastewater disposal systems shall not be used to provide treatment of effluent wastes to meet the above requirements.

In addition to the Design and Performance Stands described in Section 17.1.D. of the Declaration, an effluent sample point, consisting of a 24" manhole and sample collection valve, or approved equal, shall be installed on the wastewater discharge sewer line between the wastewater treatment system and wastewater disposal system. To verify compliance with the above discharge requirements, the CRPOA

may perform individual wastewater treatment system effluent sample collection as frequently as may be required by the CRPOA Engineer or Operator, but no less frequently than bi-annually. The lot Owner shall be responsible to pay the cost of wastewater sample collection and laboratory analysis.

- 3.11 **Wastewater Design and Performance Standards.** The Design and Performance Standards for all individual wastewater treatment systems installed at Cerise Ranch are as described in section 17.1.D of the Declaration and as described herein.
- 3.12 **Wastewater Management Plan.** The Management Plan for all individual wastewater treatment systems installed at Cerise Ranch are as described in Section 9.4 of the Declaration and as described herein.

## SECTION 4

### TAP FEES AND SERVICE CHARGES

- 4.1 **MVMD Tap Fees and Service Charges.** The MVMD will bill all lot owners water tap fees and service charges in accordance with the MVMD's Rules and Regulations. For all lot owners receiving sanitary sewer services, the MVMD will bill them sewer tap fees and service charges in accordance with the MVMD's Rules and Regulations. All MVMD customers are subject to the MVMD's Rules and Regulations, including, without limitation, the payment obligations required thereby.
- 4.2 **Water System Development Fees.** The water system development fees for connections to the central domestic water system, and for water features are set forth in the fees schedule attached hereto as Exhibit A and incorporated herein.
- 4.3 **Payment of System Development Fees.** To the extent not previously paid, water system development fees for connection to the central domestic water system, and for water features shall be collected by the CRPOA on behalf of Cerise Ranch LLC, the developer of Cerise Ranch. These fees have been established to reimburse Cerise Ranch LLC for the cost of the central domestic water system, the Cerise Ranch irrigation system and water rights. Charges shall be payable prior to connection to the systems. Charges not paid when due shall bear a late charge of one percent (1%) for each month or part thereof during which such charge remains unpaid. The CRPOA or Cerise Ranch LLC may enforce delinquent obligations by any and all other lawful remedies, including suits for collection and/or foreclosure of CRPOA's lien on the lot to which the delinquent charges are applicable. In any event, CRPOA and/or Cerise Ranch LLC shall be entitled to recover all fees and costs incurred in the collection of delinquent charges including, but not limited to, reasonable attorneys' fees, recording fees, filing fees and court costs. CRPOA shall have a lien for delinquent charges against any lot to which such charges apply, which lien may be foreclosed in the manner provided for the foreclosure of a mortgage under the laws of the State of Colorado and as in accordance with Article XI of the Declaration.
- 4.4 **Miscellaneous Costs and Expenses.** All costs and expenses incident to the installation and connection of water and sewer service to a lot shall be borne by the lot Owner. The lot Owner shall indemnify CRPOA and the MVMD for any loss or damage that may directly or indirectly be occasioned by the installation of such water and sewer service, except as caused by the acts or omissions of CRPOA or its agents.

## SECTION 5

### CERISE RANCH IRRIGATION SYSTEM

- 5.1 All lots shall share in the cost of maintenance of the irrigated open space. Billings will be made through the CRPOA dues.
- 5.2 Ditch maintenance shall be performed under the direction of the CRPOA on the property and to the head gates of each ditch on Blue Creek.
- 5.3 The Harris and Reed Ditch is an incorporated ditch owned and operated by the Harris and Reed Ditch Company. CRPOA's share of the maintenance and operation costs will be billed to the CRPOA in the form of ditch assessments on a per share basis.
- 5.4 Each lot Owner shall be limited to one acre of raw water irrigation with a maximum instantaneous flow of 50 gpm every other day from the ditch system.
- 5.5 A limited number of lots may be approved by the CRPOA through its Design Review Board to incorporate a water feature. Approval or disapproval of a water feature for any particular lot shall be within the sole and absolute discretion of the CRPOA. The water for these private amenities shall be drawn from and returned to the Cerise Ranch Irrigation System and shall only be operational during the irrigation season when the raw water irrigation system is running.
- 5.6 Driveways must not interrupt the flow in the irrigation ditches. If the ditch must be lowered to accommodate driveway access to any lot, an inverted siphon shall be used so as not to interrupt flow in the ditch. An example of an inverted siphon is attached hereto as Exhibit B and incorporated herein.
- 5.7 Taps into the raw water irrigation system shall generally be made at the upper end of each lot, a minimum of 5 feet from the property line. The raw water irrigation system at Cerise Ranch is a combination of open and pipes. The pipelines are siphons and the water pressure in these pipes will vary along their length. Taps may be made into either the open ditch or the pipeline. Taps shall be made as detailed in Exhibit C for taps into the pipeline and Exhibit D for the open ditch.
- 5.8 Each lot utilizing the raw water irrigation system shall be required to incorporate a 500 to 1000 gallon storage reservoir or tank sized to store 100% of the water required for each complete cycle of irrigation. (i.e. if 3000 square feet is to be irrigated, the tank must provide sufficient storage to provide 100% of the water required to irrigate the entire 3000 square feet). Irrigation water used on each lot is to be drawn from this reservoir to avoid reducing water levels in the ditch or pipeline. All storage tanks are to be equipped with a locking cover, and those tapped into the pipeline or located downhill of the open ditch will be required to have a water tight cover. The DRB may approve the use of a pond as a storage reservoir for the raw water irrigation system for a lot, provided that the pond is a part of a Water Feature approved pursuant to Section 5.5 of these Rules and Regulations.

## SECTION 6

### MISCELLANEOUS



6.1 **Seller and Buyer Responsibilities.** CRPOA assumes no responsibility for agreements between sellers and buyers of lots. It shall be the sole responsibility of the buyer of a lot to ascertain whether appropriate fees and charges for services received from CRPOA have been paid by the seller. Upon CRPOA's receipt of written request accompanied by payment of CRPOA's standard fee for such service, CRPOA shall provide a statement setting forth any charges due to CRPOA with respect to a lot identified in such request as of the date of CRPOA's receipt of such request.

## EXHIBIT A

### CERISE RANCH FEES SCHEDULE

(Effective as of January 30, 2004 – Subject to change from time to time as provided in Section 4.3 of Cerise Ranch Domestic Water, Irrigation and Wastewater Rules and Regulations)

#### **Water System Development Fees**

Dwelling unit	\$4,000.00
Accessory Dwelling Unit	\$1,500.00
Water Feature (per 7,000 square feet of surface area)	\$5,000.00

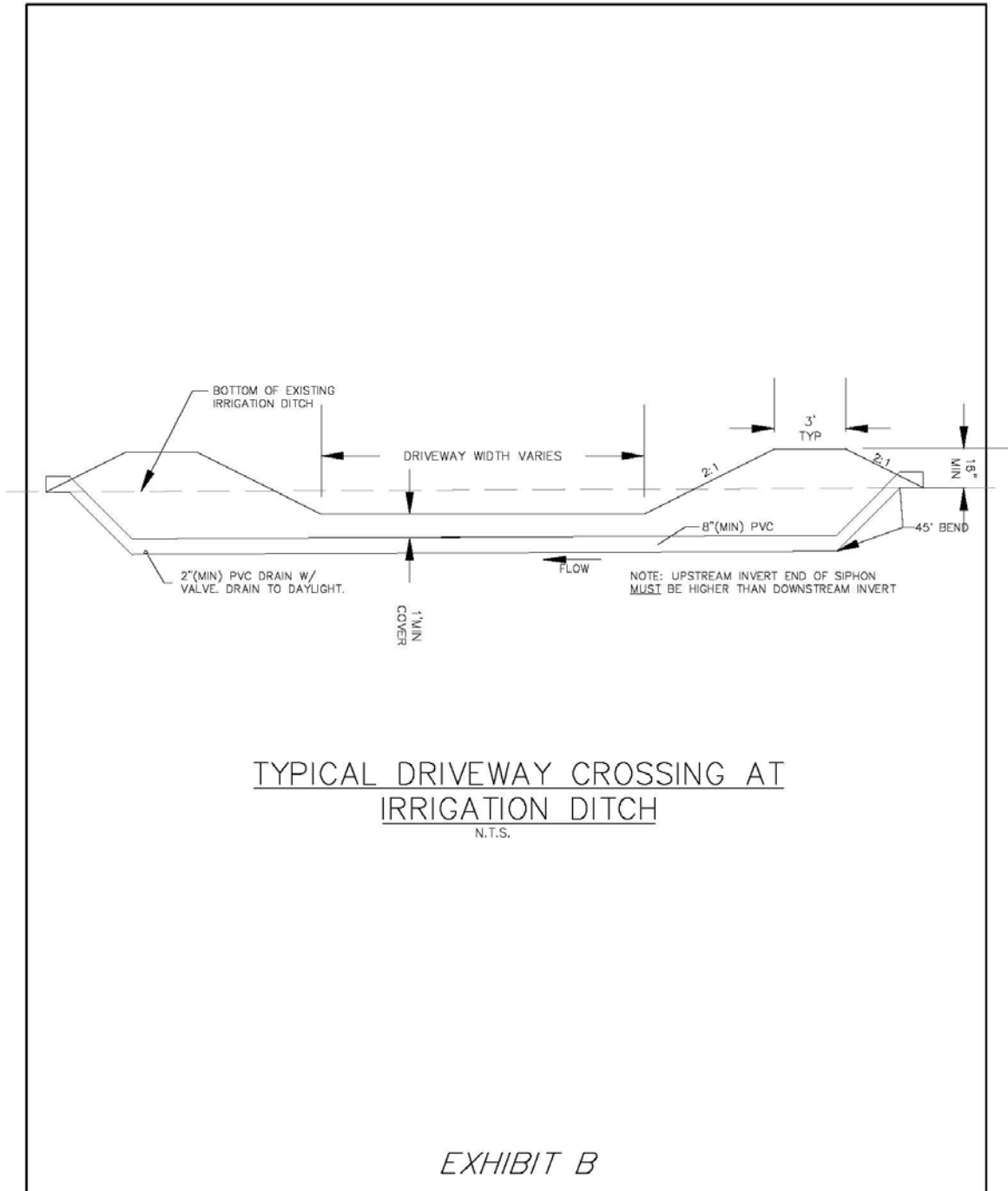
Water System Development Fees are fees due to the CRPOA or Cerise Ranch LLC and are separate from and additional to any and all fees due to the MVMD.

**Information Reporting Fees** - Requests for account charges and payment status must be made in writing to the CRPOA and include a non-refundable payment of \$25.00 per lot, per request.

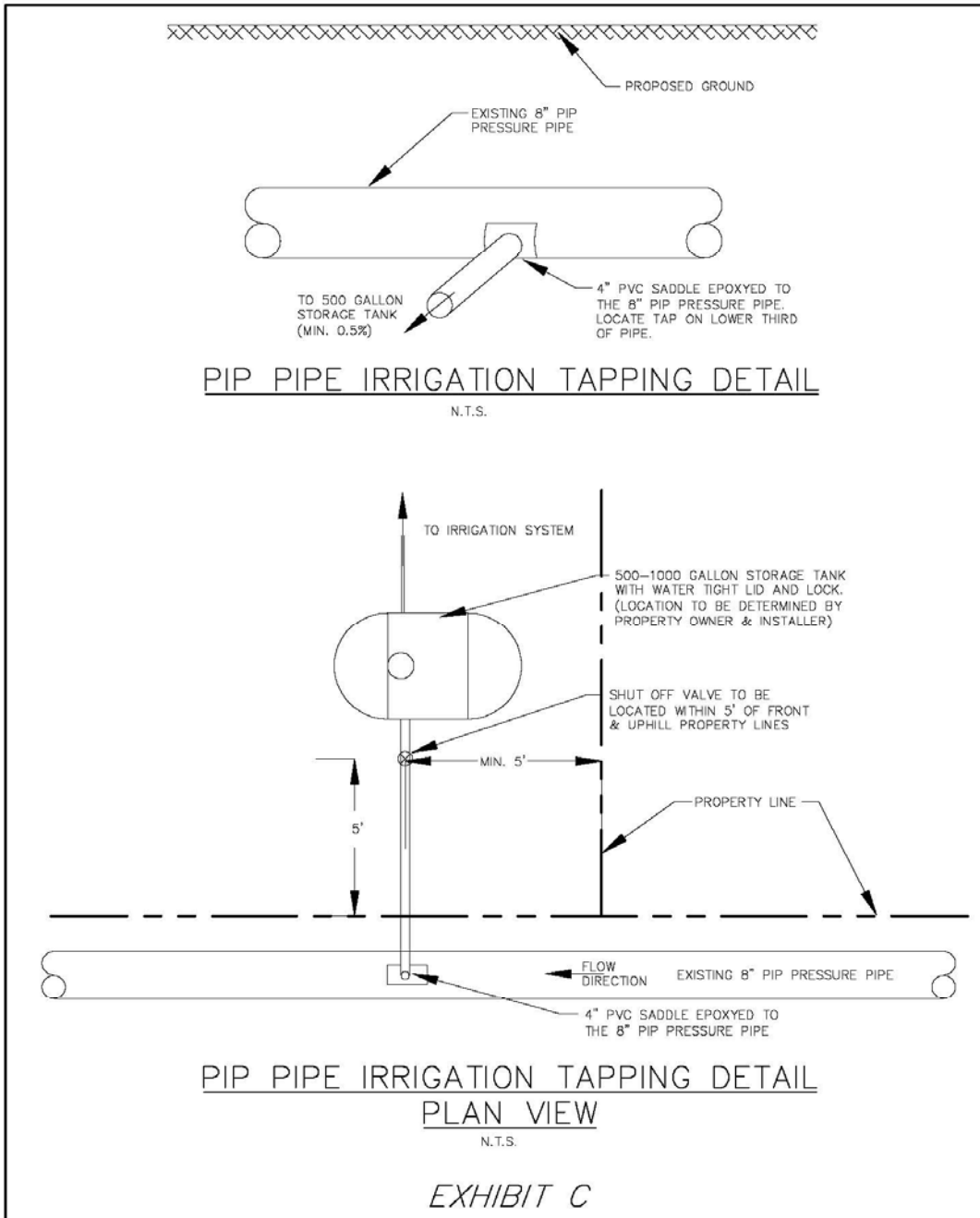
**Wastewater Sample Collection Fees** - The fee for collection of wastewater treatment verification sample is \$100 per site visit and includes up to 1 hour of sample collection time, if necessary. Sample collection requiring more than 1 hour are charged the base fee plus \$70.00 per hour.

**Wastewater Laboratory and Shipping Fees** - Fees for laboratory analysis will be charged at laboratory cost, plus 10%. Sample shipping costs will be charged at parcel delivery service rates for the best delivery method, as determined by the CRPOA Engineer or CRPOA system operator.

EXHIBIT B



# EXHIBIT C



# EXHIBIT D

