

Executive Summary of Settlement Agreement

Disclaimer: This Executive Summary is simply a summary of the salient terms of the Settlement Agreement for discussion purposes only and does not include all terms of the Agreement. Those interested in all terms of the Agreement should refer to the Agreement in its entirety which is posted on www.whitebearankele.com under Agendas & Documents for Cascade Metropolitan District No. 1.

I. Parties to Settlement Agreement

Cascade Metropolitan District No. 1, City of Colorado Springs, Colorado, Colorado Springs Utilities, Realty Management Group, LLC, Cascade Public Service Company, Inc., Philip J. Anderson and a group of citizens within the Cascade community collectively referred to as the Intervenors (Chris Reimer, Diannia Wagner, Susan Soloyanis, Jim Borden, Robert Pennick, Janice Eder, Steve Spaulding and Niente Smith).

II. Effective Date

It is anticipated that the Agreement will become effective on April 3, 2015, which is when all parties will have signed the Agreement, unless otherwise signed by all of the parties prior to this date.

III. Dismissal of Case No. 2011CW42

Dismisses the water court case currently pending in water court since 2011 with prejudice, which means the case cannot be refiled by the parties.

IV. Agreements Among All Parties

The 1990 Agreement addressing the provision of water, ownership of water rights, etc. is terminated and replaced by the agreements set forth in the Agreement. The District and CSU will enter into a Water Service Agreement for the provision of water to the District by CSU until such time as CSU takes over the District's system, if applicable. Communications among the parties which occurred prior to the Effective Date of the Agreement are confidential and not admissible in court.

V. Agreements Between CSU, CPSC, RMG and Anderson

RMG will deed Cascade Water Rights (Harmes Ditch) to CSU in exchange for \$800,000, with \$300,000 due at the First Closing and \$500,000 due at the Second Closing.

VI. Agreements between CSU and the District

The District agrees to repay CSU for past due amounts due to CSU. As of January 13, 2015, the amount was \$441,264.40. The District will continue to charge the \$25/month fee imposed until the past due amounts are paid. CSU will not charge interest on the past due amounts beginning on the Effective Date through the Second Closing. The District is required to pay the past due sums by the Second Closing. In the event the District is unable to secure financing for the past due sums through bonds or other financing, the District will obtain a loan from RMG under terms discussed below. The District and CSU will enter into a new Water Service Agreement effective as of April 1, 2015 for water service to the District.

VII. Agreements between CSU and the District Regarding Potential Conversion of the District's Water System into a CSU Owned and Operated Water System

CSU will convert the District's water system to a CSU owned and operated water system provided the District meets the following conditions: 1) the District completes all Minimum Required Improvements to the District's water system; 2) all Required Information of Record must have been delivered to CSU; 3) transfer by the District to CSU of the District distribution system after the improvements are made; 4) assignment of all permits and licenses; 5) conveyance of all easements, rights-of-way, etc. Properties desiring water service from CSU will have to submit an application to CSU. The District must complete a comprehensive System Inventory and Assessment Study of the District's water system and submit the study to CSU by June 1, 2015. The requirements of what the study must contain are set forth in Appendix A of the Agreement and are extremely comprehensive. CSU has 30 days to provide the District with a list of information not contained in the Study that must be obtained in order for CSU to provide an Improvement Requirements Report. The District then has 180 days to provide this additional information. Within 60 days of the District providing this additional information to CSU, CSU is required to provide the District with an Improvement Requirements Report that identifies the Minimum Required Improvements that must be made in order for CSU to take over the District's system. Within 90 days of receipt of the IRR, the District must determine whether it will proceed with Conversion to a CSU owned and operated system or whether it will operate its own system. If the District proceeds with Conversion, it has 5 years from the date of the IRR to complete the Conversion. In the event the District is substantially complete with the improvements at the 5 year mark, an additional 2 years is permitted. The District remains responsible for the repayment of its debt after the Conversion.

VIII. Agreements Among the District, Anderson and the Intervenors

Anderson will qualify Steve Spaulding by Option Contract to serve as a member of the District's Board of Directors and the District's Board will consider appointment of Steve Spaulding at its January 2015 meeting. Anderson will not seek future election to the Board of the District or employment by the District or District No. 2 in any capacity. Anderson will not qualify representatives of RMG to serve on the Board prior to the inclusion election and will cooperate to qualify someone else should a vacancy occur. Past conduct concerning Anderson, past mismanagement, and the alleged embezzlement will not be raised at future meetings except for requests for general updates. The Board will consider and passed a resolution regarding the inclusion election at the January meeting and will use its best efforts to conduct an inclusion election in May 2015. The District will present a detailed breakdown of the election costs as soon as possible. Intervenors agree to support the inclusion at public hearings, in the election and in public forums and discussions. The District will post a detailed proposal for the use of any bond proceeds or other proposed financing on the website after the District's engineer's preliminary System Inventory and Assessment Report is prepared and before the issuance of bonds is approved by the Board. The District will investigate potential claims against any third parties to recover any funds allegedly embezzled by Terry Malcom. Intervenors agree not to pursue individual claims against Mr. Malcom or Anderson pending completion of the District's investigation. The District will notify Intervenors by no later than August 31, 2015 if they elect to pursue claims against Anderson or Malcom. The District will cooperate with Intervenors and provide updates provided such updates do not otherwise compromise or waive privilege or immunities. Anderson waives and forever releases and discharges the Parties from any rights or claims that he, CPSC or any

entity in which he has an interest has to receive proceeds from the Agreement or related in any manner to the water court case and the related water rights.

IX. Agreements Among the District, CPSC and RMG

The Water Supply Assignment and Agreement, which assigns the 1990 Agreement from CPSC to the District, is terminated. RMG agrees to loan to the District, if the District is unable to secure bonds or other financial obligations elsewhere, sums to repay the past due amounts due to CSU at the rate of 9% per annum over 5 years. The District agrees to continue to impose the \$25/month fee as a repayment source for the loan.

X. Closing Dates

First Closing: Scheduled for April 3, 2015. Second Closing: Within 10 business days after payment by the District to CSU of all sums past due or June 15, 2015, whichever occurs first.

XI. Releases of Claims

Parties agree to release all claims against each other, except: claims by the District or Intervenors against Anderson, Malcom or others related to or arising from the alleged embezzlement of funds from the District, the hiring or retention of Malcom and the supervision of him were not released.

XII. Related Agreements

There are several deeds and terminations of previous agreements associated with the Agreement which are referenced as exhibits to the Agreement. The most notable exhibit and related agreement is the Water Service Agreement between the District and CSU.

- A. Water Service Agreement:** Effective April 1, 2015. Term is 25 years but automatically renews for additional 25 years, unless otherwise terminated by the District, for up to 100 years. Replaces the 1990 Agreement and Water Supply Assignment and Agreement. CSU agrees to provide the District with up to 200 acre-feet of potable water at the District's master meter at an average daily flow rate of .40 c.f.s. District pays CSU the rate of \$.057 per cubic foot of potable water, which is the out of CSU rate for potable water. Within 5 years of notifying CSU that the District will not pursue Conversion, or within 8 years from the Effective Date of the Settlement Agreement, whichever occurs, later, the District may elect to build its own water treatment plant and terminate its right to treated water under the Water Service Agreement. The District has 2 years to disconnect from service from CSU's system at that point in time. If the District disconnects from CSU, CSU will provide up to 200 acre feet of untreated water to the District at no cost to the District. Regardless of whether the District disconnects, the District is limited in its provision of water service to the Cascade area (Cascade #1 and #2) and it limited in the use of the water to residential, commercial and industrial. No water can be provided for the commercial cultivation of marijuana without prior CSU approval. The District must establish formal restrictions for the use of water by its customers and comply with all CSU ordinances, resolutions, regulations, rules and policies.